

# CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2018, February 28, 2019 and February 29, 2020

|   |            |            | Millions of yen | Thousands of<br>U.S. dollars (Note A) |
|---|------------|------------|-----------------|---------------------------------------|
|   | 2018       | 2019       |                 |                                       |
| <b>For the fiscal year:</b>                 |            |            |                 |                                       |
| Revenues from operations                    | ¥6,037,815 | ¥6,791,215 | ¥6,644,359      | \$60,957,422                          |
| Operating income                            | 391,657    | 411,596    | 424,266         | 3,892,348                             |
| Income before income taxes                  | 276,320    | 317,411    | 346,469         | 3,178,614                             |
| Net income attributable to owners of parent | 181,150    | 203,004    | 218,185         | 2,001,697                             |
| Capital expenditures (Note B)               | 347,374    | 539,328    | 360,909         | 3,311,091                             |
| Depreciation and amortization (Note C)      | 213,167    | 221,133    | 226,475         | 2,077,752                             |
| <b>At fiscal year-end:</b>                  |            |            |                 |                                       |
| Total assets (Note D)                       | ¥5,494,630 | ¥5,795,065 | ¥5,996,887      | \$55,017,311                          |
| Cash and cash equivalents (Note D)          | 1,300,917  | 1,310,729  | 1,354,856       | 12,429,871                            |
| Total current assets (Note D)               | 2,312,226  | 2,326,459  | 2,471,921       | 22,678,174                            |
| Total current liabilities (Note D)          | 1,943,970  | 1,992,763  | 2,157,172       | 19,790,568                            |
| Long-term debt                              | 720,683    | 829,344    | 705,744         | 6,474,715                             |
| Total net assets                            | 2,575,342  | 2,672,486  | 2,757,222       | 25,295,614                            |

|  |         |         | Yen     | U.S. dollars (Note A) |
|--|---------|---------|---------|-----------------------|
|  | 2018    | 2019    |         |                       |
| <b>Per share data:</b>   |         |         |         |                       |
| Net income per share (basic)   | ¥204.80 | ¥229.50 | ¥246.95 | \$2.26                |
| Net income per share (diluted)   | 204.63  | 229.31  | 246.85  | 2.26                  |
| Cash dividends   | 90.00   | 95.00   | 98.50   | 0.90                  |
| <b>Financial ratios:</b>   |         |         |         |                       |
| Operating income ratio (Note E)  | 6.5%    | 6.1%    | 6.4%    | 6.4%                  |
| Ratio of net income attributable to owners of parent (to net sales) (Note E) | 3.0%    | 3.0%    | 3.3%    | 3.3%                  |
| ROE  | 7.6%    | 8.2%    | 8.5%    | 8.5%                  |
| ROA  | 3.3%    | 3.6%    | 3.6%    | 3.6%                  |

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥109=U.S.\$1, the approximate rate of exchange prevailing on February 29, 2020.

(B) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.

(C) Depreciation and amortization are included in cost of sales as well as selling, general and administrative expenses.

(D) "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ No.28; February 16, 2018), and "Statement of Cash Flows Restricted Cash" (a consensus of the FASB Emerging Issues Task Force, ASU No. 2016-18) have been applied from the beginning of the first quarter of the fiscal year ending February 29, 2020, and results for the fiscal year ended February 28, 2018 and 2019 are those after retrospective application.

(E) Revenues from operations are used as the denominator for the operating income ratio and the ratio of net income attributable to owners of parent (to net sales).

# CONSOLIDATED BALANCE SHEETS

Seven & i Holdings Co., Ltd. at February 28, 2018, 2019 and February 29, 2020

|  | Millions of yen   |                   |                   | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-------------------|-------------------|-------------------|--|
|  | 2018              | 2019              | 2020              | 2020                                     |
| <b>ASSETS</b>  |                   |                   |                   |  |
| Current assets:  |                   |                   |                   |  |
| Cash and cash equivalents (Note 4)                         | ¥1,300,917        | ¥1,310,729        | ¥1,354,856        | \$12,429,871                             |
| Notes and accounts receivable:                             |                   |                   |                   |  |
| Trade (Note 4)   | 337,938           | 336,070           | 351,915           | 3,228,577                                |
| Financial services   | 95,482            | 101,490           | 102,723           | 942,412                                  |
| Franchisees and other                                      | 149,728           | 157,993           | 183,077           | 1,679,605                                |
| Allowance for doubtful accounts (Note 4)                   | (5,441)           | (5,747)           | (6,868)           | (63,009)                                 |
|  | 577,708           | 589,806           | 630,849           | 5,787,605                                |
| Inventories  | 176,988           | 181,021           | 178,095           | 1,633,899                                |
| ATM-related temporary payments                             | 96,826            | 95,694            | 153,057           | 1,404,192                                |
| Prepaid expenses and other current as-<br>sets (Note 4)    | 159,785           | 149,206           | 155,062           | 1,422,587                                |
| <b>Total current assets</b>                                | <b>2,312,226</b>  | <b>2,326,459</b>  | <b>2,471,921</b>  | <b>22,678,174</b>                        |
| Property and equipment, at cost (Notes 7,<br>8, 13 and 18) | 3,884,211         | 3,994,586         | 4,151,516         | 38,087,302                               |
| Less: Accumulated depreciation                             | (1,894,756)       | (1,875,955)       | (1,968,140)       | (18,056,330)                             |
|  | 1,989,455         | 2,118,630         | 2,183,375         | 20,030,963                               |
| Intangible assets:   |                   |                   |                   |  |
| Goodwill   | 251,233           | 371,969           | 359,618           | 3,299,247                                |
| Software and other (Notes 8 and 13)                        | 210,733           | 236,518           | 249,264           | 2,286,825                                |
|  | 461,966           | 608,487           | 608,883           | 5,586,082                                |
| Investments and other assets:                              |                   |                   |                   |  |
| Investments in securities (Notes 4, 5 and<br>18)           | 175,856           | 191,985           | 184,670           | 1,694,220                                |
| Long-term loans receivable                                 | 14,794            | 14,415            | 13,836            | 126,935                                  |
| Long-term leasehold deposits (Notes 4<br>and 18)           | 383,276           | 372,348           | 360,725           | 3,309,403                                |
| Net defined benefit asset (Note 11)                        | 45,620            | 43,666            | 55,986            | 513,633                                  |
| Deferred income taxes (Note 10)                            | 56,038            | 57,424            | 57,071            | 523,587                                  |
| Other  | 58,891            | 64,528            | 63,154            | 579,394                                  |
| Allowance for doubtful accounts (Note 4)                   | (3,493)           | (2,881)           | (2,737)           | (25,110)                                 |
|  | 730,982           | 741,487           | 732,706           | 6,722,073                                |
| <b>Total assets</b>  | <b>¥5,494,630</b> | <b>¥5,795,065</b> | <b>¥5,996,887</b> | <b>\$55,017,311</b>                      |

The accompanying notes are an integral part of these financial statements.

|  | Millions of yen |            |            | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|------------|------------|--|
|  | 2018            | 2019       | 2020       | 2020                                     |
| <b>LIABILITIES AND NET ASSETS</b>  |                 |            |            |  |
| Current liabilities:   |                 |            |            |  |
| Short-term loans (Notes 12 and 18)   | ¥127,255        | ¥143,160   | ¥129,456   | \$1,187,669                              |
| Current portion of long-term debt (Notes 4, 12 and 18)   | 173,816         | 172,154    | 183,911    | 1,687,256                                |
| Notes and accounts payable:  |                 |            |            |  |
| Trade (Notes 4 and 6)  | 244,696         | 231,999    | 219,606    | 2,014,733                                |
| Trade for franchised stores (Notes 4 and 19)   | 175,315         | 179,603    | 191,187    | 1,754,009                                |
| Other  | 197,888         | 187,977    | 183,215    | 1,680,871                                |
|  | 617,900         | 599,579    | 594,009    | 5,449,623                                |
| Accrued expenses   | 117,362         | 128,802    | 131,328    | 1,204,844                                |
| Income taxes payable   | 32,211          | 42,642     | 37,854     | 347,284                                  |
| Deposits received  | 174,382         | 174,043    | 228,415    | 2,095,550                                |
| ATM-related temporary advances   | 45,165          | 43,530     | 74,227     | 680,981                                  |
| Deposits received in banking business (Note 4)   | 553,522         | 588,395    | 655,036    | 6,009,504                                |
| Allowance for bonuses to employees   | 14,662          | 13,829     | 14,275     | 130,963                                  |
| Allowance for sales promotion expenses   | 19,793          | 19,467     | 18,996     | 174,275                                  |
| Allowance for loss on future collection of gift certificates   | 1,590           | 1,296      | 1,142      | 10,477                                   |
| Provision for sales returns  | 89              | 98         | 80         | 733                                      |
| Other (Notes 4, 10 and 14)   | 66,217          | 65,762     | 88,438     | 811,357                                  |
| Total current liabilities  | 1,943,970       | 1,992,763  | 2,157,172  | 19,790,568                               |
| Long-term debt (Notes 4, 6, 12 and 18)   | 720,683         | 829,344    | 705,744    | 6,474,715                                |
| Allowance for retirement benefits to Directors and Audit & Supervisory Board Members                     | 988             | 925        | 859        | 7,880                                    |
| Allowance for stock payments   | 95              | 159        | 3,432      | 31,486                                   |
| Net defined benefit liability (Note 11)  | 9,185           | 7,534      | 8,619      | 79,073                                   |
| Deferred income taxes (Note 10)  | 35,134          | 43,926     | 63,949     | 586,688                                  |
| Deposits received from tenants and franchised stores (Notes 4 and 18)                                    | 54,806          | 53,145     | 52,646     | 482,990                                  |
| Asset retirement obligations (Note 14)   | 79,412          | 85,971     | 95,721     | 878,174                                  |
| Other liabilities  | 75,012          | 108,807    | 151,518    | 1,390,073                                |
| Total liabilities  | 2,919,288       | 3,122,578  | 3,239,665  | 29,721,697                               |
| Commitments and contingent liabilities (Note 18)   |                 |            |            |  |
| Net assets (Note 16):  |                 |            |            |  |
| Shareholders' equity:  |                 |            |            |  |
| Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2018, 2019 and 2020          | 50,000          | 50,000     | 50,000     | 458,715                                  |
| Capital surplus  | 409,128         | 409,859    | 409,262    | 3,754,697                                |
| Retained earnings  | 1,894,444       | 2,015,630  | 2,106,920  | 19,329,541                               |
| Treasury stock, at cost, 1,897,782 shares in 2018, 1,873,384 shares in 2019 and 3,596,516 shares in 2020 | (4,731)         | (4,680)    | (11,313)   | (103,788)                                |
|  | 2,348,841       | 2,470,808  | 2,554,869  | 23,439,165                               |
| Accumulated other comprehensive income (loss):   |                 |            |            |  |
| Unrealized gains on available-for-sale securities, net of taxes (Note 5)                                 | 27,897          | 26,150     | 25,953     | 238,100                                  |
| Unrealized losses on hedging derivatives, net of taxes   | (92)            | (69)       | (277)      | (2,541)                                  |
| Foreign currency translation adjustments   | 46,638          | 23,768     | 17,515     | 160,688                                  |
| Remeasurements of defined benefit plans  | 3,979           | 737        | 3,533      | 32,412                                   |
| Total accumulated other comprehensive income   | 78,423          | 50,587     | 46,725     | 428,669                                  |
| Subscription rights to shares (Note 17)  | 2,623           | 2,805      | 331        | 3,036                                    |
| Non-controlling interests  | 145,454         | 148,285    | 155,295    | 1,424,724                                |
| Total net assets   | 2,575,342       | 2,672,486  | 2,757,222  | 25,295,614                               |
| Total liabilities and net assets   | ¥5,494,630      | ¥5,795,065 | ¥5,996,887 | \$55,017,311                             |

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2018, 2019 and February 29, 2020

|  | Millions of yen |            |            | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|------------|------------|--|
|  | 2018            | 2019       | 2020       | 2020                                     |
| Revenues from operations:  |                 |            |            |  |
| Net sales  | ¥4,807,748      | ¥5,508,600 | ¥5,329,919 | \$48,898,339                             |
| Operating revenues (Note 20)   | 1,230,067       | 1,282,615  | 1,314,439  | 12,059,073                               |
|  | 6,037,815       | 6,791,215  | 6,644,359  | 60,957,422                               |
| Costs and expenses:  |                 |            |            |  |
| Cost of sales  | 3,773,220       | 4,411,816  | 4,239,583  | 38,895,256                               |
| Selling, general and administrative expenses (Notes 11, 13, 17 and 20)     | 1,872,936       | 1,967,802  | 1,980,510  | 18,169,816                               |
|  | 5,646,157       | 6,379,618  | 6,220,093  | 57,065,073                               |
| Operating income   | 391,657         | 411,596    | 424,266    | 3,892,348                                |
| Other income (expenses):   |                 |            |            |  |
| Interest and dividend income   | 6,994           | 6,111      | 4,830      | 44,311                                   |
| Interest expenses and interest on bonds                                    | (8,826)         | (12,111)   | (10,592)   | (97,174)                                 |
| Equity in earnings of affiliates   | 1,496           | 961        | 937        | 8,596                                    |
| Impairment loss (Note 8)   | (57,070)        | (55,776)   | (27,981)   | (256,706)                                |
| Gain on sales of property and equipment (Note 20)                          | 8,375           | 11,214     | 5,701      | 52,302                                   |
| Gain on sales of property and equipment related to restructuring (Note 20) | 2,663           | 427        | 905        | 8,302                                    |
| Insurance income   | –               | –          | 944        | 8,660                                    |
| Gain on sales of investments in securities                                 | 10              | 2,665      | 123        | 1,128                                    |
| Loss on disposals of property and equipment (Note 20)                      | (20,635)        | (18,956)   | (15,556)   | (142,715)                                |
| Restructuring expenses (Notes 8, 20 and 21)                                | (42,680)        | (2,619)    | (7,740)    | (71,009)                                 |
| Loss on digital and settlement services (Notes 8, 20 and 22)               | –               | –          | (13,463)   | (123,513)                                |
| Amortization of goodwill (Note 23)   | –               | (3,895)    | –          | –  |
| Loss on sales of shares of subsidiaries                                    | (1,644)         | (3,320)    | –          | –  |
| Other, net (Notes 5 and 20)  | (4,020)         | (18,884)   | (15,904)   | (145,908)                                |
|  | (115,337)       | (94,184)   | (77,796)   | (713,724)                                |
| Income before income taxes   | 276,320         | 317,411    | 346,469    | 3,178,614                                |
| Income taxes (Note 10):  |                 |            |            |  |
| Current  | 94,421          | 96,076     | 77,542     | 711,394                                  |
| Deferred   | (14,997)        | 8,275      | 33,721     | 309,366                                  |
|  | 79,423          | 104,351    | 111,263    | 1,020,761                                |
| Net income   | 196,896         | 213,060    | 235,206    | 2,157,853                                |
| Net income attributable to non-controlling interests                       | 15,746          | 10,056     | 17,020     | 156,146                                  |
| Net income attributable to owners of parent                                | ¥181,150        | ¥203,004   | ¥218,185   | \$2,001,697                              |
|  |                 |            |            |  |
|  |                 |            | Yen        | U.S. dollars<br>(Note 3)                 |
|  | 2018            | 2019       | 2020       | 2020                                     |
| Per share information:   |                 |            |            |  |
| Net income per share (Basic)   | ¥204.80         | ¥229.50    | ¥246.95    | \$2.26                                   |
| Net income per share (Diluted)   | 204.63          | 229.31     | 246.85     | 2.26                                     |
| Cash dividends   | 90.00           | 95.00      | 98.50      | 0.90                                     |

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2018, 2019 and February 29, 2020

|  | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|----------|----------|--|
|  | 2018            | 2019     | 2020     | 2020                                     |
| Net income   | ¥196,896        | ¥213,060 | ¥235,206 | \$2,157,853                              |
| Other comprehensive income (loss) (Note 15):   |                 |          |          |  |
| Unrealized losses on available-for-sale securities, net of taxes                         | (563)           | (1,512)  | (212)    | (1,944)                                  |
| Unrealized gains (losses) on hedging derivatives, net of taxes                           | (108)           | 15       | (209)    | (1,917)                                  |
| Foreign currency translation adjustments   | (10,008)        | (23,298) | (6,340)  | (58,165)                                 |
| Remeasurements of defined benefit plans  | (106)           | (3,272)  | 2,822    | 25,889                                   |
| Share of other comprehensive income (loss) of entities accounted for using equity method | (36)            | (28)     | (12)     | (110)                                    |
| Total other comprehensive income (loss)  | (10,823)        | (28,096) | (3,952)  | (36,256)                                 |
| Comprehensive income   | ¥186,072        | ¥184,963 | ¥231,253 | \$2,121,587                              |
| Comprehensive income attributable to:  |                 |          |          |  |
| Owners of parent   | ¥170,573        | ¥175,167 | ¥214,323 | \$1,966,266                              |
| Non-controlling interests  | 15,499          | 9,795    | 16,930   | 155,321                                  |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2018, 2019 and February 29, 2020

Millions of yen

|  | Shareholders' equity |                 |                   | Accumulated other comprehensive income (loss) |   |  |  |   |                               |                           | Total      |
|--|----------------------|-----------------|-------------------|---|---|--|--|---|-------------------------------|---------------------------|------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock, at cost                       | Unrealized gains on available-for-sale securities, net of taxes | Unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Subscription rights to shares | Non-controlling interests |            |
| Balance at March 1, 2017                             | ¥50,000              | ¥409,095        | ¥1,793,035        | ¥(5,074)                                      | ¥28,467   | ¥23  | ¥56,391                                  | ¥4,117                                  | ¥2,594                        | ¥137,154                  | ¥2,475,806 |
| Net income attributable to owners of parent          |                      |                 | 181,150           |   |   |  |  |   |                               |                           | 181,150    |
| Cash dividends                                       |                      |                 | (79,604)          |   |   |  |  |   |                               |                           | (79,604)   |
| Purchase of treasury stock                           |                      |                 |                   | (25)  |   |  |  |   |                               |                           | (25)       |
| Disposal of treasury stock                           |                      | 81              |                   | 368   |   |  |  |   |                               |                           | 450        |
| Other  |                      | (49)            | (136)             | (0)   |   |  |  |   |                               |                           | (185)      |
| Net changes of items other than shareholders' equity |                      |                 |                   |   | (570)   | (115)  | (9,753)                                  | (138)                                   | 28                            | 8,300                     | (2,247)    |
| Net increase (decrease) for the year                 | -                    | 32              | 101,409           | 342   | (570)   | (115)  | (9,753)                                  | (138)                                   | 28                            | 8,300                     | 99,536     |
| Balance at March 1, 2018                             | ¥50,000              | ¥409,128        | ¥1,894,444        | ¥(4,731)                                      | ¥27,897   | ¥(92)  | ¥46,638                                  | ¥3,979                                  | ¥2,623                        | ¥145,454                  | ¥2,575,342 |
| Net income attributable to owners of parent          |                      |                 | 203,004           |   |   |  |  |   |                               |                           | 203,004    |
| Cash dividends                                       |                      |                 | (81,823)          |   |   |  |  |   |                               |                           | (81,823)   |
| Purchase of treasury stock                           |                      |                 |                   | (20)  |   |  |  |   |                               |                           | (20)       |
| Disposal of treasury stock                           |                      | 25              |                   | 71  |   |  |  |   |                               |                           | 97         |
| Sales of investments in securities                   |                      | 704             |                   |   |   |  |  |   |                               |                           | 704        |
| Other  |                      | 0               | 4                 | (0)   |   |  |  |   |                               |                           | 5          |
| Net changes of items other than shareholders' equity |                      |                 |                   |   | (1,747)   | 22   | (22,869)                                 | (3,241)                                 | 182                           | 2,830                     | (24,823)   |
| Net increase (decrease) for the year                 | -                    | 731             | 121,185           | 51  | (1,747)   | 22   | (22,869)                                 | (3,241)                                 | 182                           | 2,830                     | 97,144     |
| Balance at March 1, 2019                             | ¥50,000              | ¥409,859        | ¥2,015,630        | ¥(4,680)                                      | ¥26,150   | ¥(69)  | ¥23,768                                  | ¥737                                    | ¥2,805                        | ¥148,285                  | ¥2,672,486 |
| Cumulative effects of changes in accounting policies |                      |                 | (42,857)          |   |   |  |  |   |                               |                           | (42,857)   |
| Balance at March 1, 2019 (as restated)               | ¥50,000              | ¥409,859        | ¥1,972,772        | ¥(4,680)                                      | ¥26,150   | ¥(69)  | ¥23,768                                  | ¥737                                    | ¥2,805                        | ¥148,285                  | ¥2,629,628 |
| Net income attributable to owners of parent          |                      |                 | 218,185           |   |   |  |  |   |                               |                           | 218,185    |
| Cash dividends                                       |                      |                 | (84,037)          |   |   |  |  |   |                               |                           | (84,037)   |
| Purchase of treasury stock                           |                      |                 |                   | (6,718)                                       |   |  |  |   |                               |                           | (6,718)    |
| Disposal of treasury stock                           |                      | 30              |                   | 85  |   |  |  |   |                               |                           | 115        |
| Other  |                      | (626)           |                   | (0)   |   |  |  |   |                               |                           | (627)      |
| Net changes of items other than shareholders' equity |                      |                 |                   |   | (197)   | (207)  | (6,252)                                  | 2,796                                   | (2,473)                       | 7,010                     | 674        |
| Net increase (decrease) for the year                 | -                    | (596)           | 134,148           | (6,632)                                       | (197)   | (207)  | (6,252)                                  | 2,796                                   | (2,473)                       | 7,010                     | 127,593    |
| Balance at February 29, 2020                         | ¥50,000              | ¥409,262        | ¥2,106,920        | ¥(11,313)                                     | ¥25,953   | ¥(277)   | ¥17,515                                  | ¥3,533                                  | ¥331                          | ¥155,295                  | ¥2,757,222 |

Thousands of U.S. dollars (Note 3)

|  | Shareholders' equity |                 |                   | Accumulated other comprehensive income (loss) |   |  |  |   |                               |                           | Total        |
|--|----------------------|-----------------|-------------------|---|---|--|--|---|-------------------------------|---------------------------|--------------|
|  | Common stock         | Capital surplus | Retained earnings | Treasury stock, at cost                       | Unrealized gains on available-for-sale securities, net of taxes | Unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Remeasurements of defined benefit plans | Subscription rights to shares | Non-controlling interests |              |
| Balance at March 1, 2019                             | \$458,715            | \$3,760,174     | \$18,492,018      | \$(42,935)                                    | \$239,908   | \$(633)  | \$218,055                                | \$6,761                                 | \$25,733                      | \$1,360,412               | \$24,518,220 |
| Cumulative effects of changes in accounting policies |                      |                 | (393,183)         |   |   |  |  |   |                               |                           | (393,183)    |
| Balance at March 1, 2019 (as restated)               | \$458,715            | \$3,760,174     | \$18,098,825      | \$(42,935)                                    | \$239,908   | \$(633)  | \$218,055                                | \$6,761                                 | \$25,733                      | \$1,360,412               | \$24,125,027 |
| Net income attributable to owners of parent          |                      |                 | 2,001,697         |   |   |  |  |   |                               |                           | 2,001,697    |
| Cash dividends                                       |                      |                 | (770,981)         |   |   |  |  |   |                               |                           | (770,981)    |
| Purchase of treasury stock                           |                      |                 |                   | (61,633)                                      |   |  |  |   |                               |                           | (61,633)     |
| Disposal of treasury stock                           |                      | 275             |                   | 779   |   |  |  |   |                               |                           | 1,055        |
| Other  |                      | (5,743)         |                   | (0)   |   |  |  |   |                               |                           | (5,752)      |
| Net changes of items other than shareholders' equity |                      |                 |                   |   | (1,807)   | (1,899)  | (57,357)                                 | 25,651                                  | (22,688)                      | 64,311                    | 6,183        |
| Net increase (decrease) for the year                 |                      | (5,467)         | 1,230,715         | (60,844)                                      | (1,807)   | (1,899)  | (57,357)                                 | 25,651                                  | (22,688)                      | 64,311                    | 1,170,577    |
| Balance at February 29, 2020                         | \$458,715            | \$3,754,697     | \$19,329,541      | \$(103,788)                                   | \$238,100   | \$(2,541)  | \$160,688                                | \$32,412                                | \$3,036                       | \$1,424,724               | \$25,295,614 |

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2018, 2019 and February 29, 2020

|   | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|----------|----------|--|
|   | 2018            | 2019     | 2020     | 2020                                     |
| Cash flows from operating activities:                         |                 |          |          |  |
| Income before income taxes                                    | ¥276,320        | ¥317,411 | ¥346,469 | \$3,178,614                              |
| Depreciation and amortization                                 | 213,167         | 221,133  | 226,475  | 2,077,752                                |
| Impairment loss   | 88,879          | 57,368   | 35,477   | 325,477                                  |
| Amortization of goodwill                                      | 16,620          | 27,079   | 23,574   | 216,275                                  |
| Increase (decrease) in allowance for bonuses to employees     | 707             | (893)    | 453      | 4,155                                    |
| Increase in net defined benefit asset                         | (938)           | (3,296)  | (6,807)  | (62,449)                                 |
| Interest and dividend income                                  | (6,994)         | (6,111)  | (4,830)  | (44,311)                                 |
| Interest expenses and interest on bonds                       | 8,826           | 12,111   | 10,592   | 97,174                                   |
| Equity in earnings of affiliates                              | (1,496)         | (961)    | (937)    | (8,596)                                  |
| Insurance income  | –               | –        | (944)    | (8,660)                                  |
| Gain on sales of property and equipment                       | (11,038)        | (11,642) | (6,607)  | (60,614)                                 |
| Loss on disposals of property and equipment                   | 20,860          | 18,974   | 15,905   | 145,917                                  |
| Loss on sales of shares of subsidiaries                       | 1,644           | 3,320    | –        | –  |
| Gain on transfer from business divestitures                   | (1,090)         | –        | –        | –  |
| (Gain) loss on sales of investment securities                 | (10)            | (2,665)  | 331      | 3,036                                    |
| Decrease (increase) in notes and accounts receivable, trade   | 7,590           | (7,411)  | (16,380) | (150,275)                                |
| Increase in notes and accounts receivable, financial services | (4,429)         | (6,008)  | (1,232)  | (11,302)                                 |
| Decrease in inventories                                       | 11,186          | 7,159    | 2,163    | 19,844                                   |
| Increase (decrease) in notes and accounts payable, trade      | 8,501           | (537)    | 753      | 6,908                                    |
| (Decrease) increase in deposits received                      | (14,168)        | 1,303    | 54,067   | 496,027                                  |
| Net decrease in loans in banking business                     | –               | –        | (10,000) | (91,743)                                 |
| Net increase (decrease) in bonds in banking business          | –               | 25,000   | (10,000) | (91,743)                                 |
| Net increase in deposits received in banking business         | 14,706          | 34,873   | 66,640   | 611,376                                  |
| Net decrease in call money in banking business                | (20,000)        | –        | –        | –  |
| Net decrease (increase) in ATM-related temporary accounts     | 974             | (509)    | (26,663) | (244,614)                                |
| Other   | (28,169)        | (18,433) | (33,936) | (311,339)                                |
| Subtotal  | 581,651         | 667,267  | 664,565  | 6,096,926                                |
| Interest and dividends received                               | 4,468           | 3,833    | 2,794    | 25,633                                   |
| Interest paid   | (8,877)         | (11,729) | (10,735) | (98,486)                                 |
| Insurance income  | –               | –        | 944      | 8,660                                    |
| Income taxes paid   | (95,827)        | (81,493) | (92,629) | (849,807)                                |
| Income taxes refund   | 16,936          | –        | 11,732   | 107,633                                  |
| Net cash provided by operating activities                     | 498,351         | 577,878  | 576,670  | 5,290,550                                |



|   | Millions of yen   |                   |                   | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-------------------|-------------------|-------------------|--|
|   | 2018              | 2019              | 2020              | 2020                                     |
| <b>Cash flows from investing activities:</b>  |                   |                   |                   |  |
| Acquisition of property and equipment (Note 9)  | (277,913)         | (478,451)         | (297,693)         | (2,731,128)                              |
| Proceeds from sales of property and equipment   | 40,174            | 131,908           | 17,365            | 159,311                                  |
| Acquisition of intangible assets  | (33,375)          | (33,083)          | (41,649)          | (382,100)                                |
| Payment for purchase of investments in securities   | (20,353)          | (36,623)          | (24,678)          | (226,403)                                |
| Proceeds from sales of investments in securities  | 32,435            | 22,608            | 33,928            | 311,266                                  |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation                      | –                 | –                 | 12                | 110                                      |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation                                    | –                 | (470)             | –                 | –  |
| Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation                         | 108               | –                 | –                 | –  |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation                          | –                 | (127)             | –                 | –  |
| Payment for long-term leasehold deposits  | (16,199)          | (14,308)          | (10,593)          | (97,183)                                 |
| Refund of long-term leasehold deposits  | 37,689            | 27,430            | 27,049            | 248,155                                  |
| Proceeds from deposits from tenants   | 5,321             | 3,004             | 2,864             | 26,275                                   |
| Refund of deposits from tenants   | (5,654)           | (3,122)           | (3,443)           | (31,587)                                 |
| Proceeds from business divestitures   | 12,937            | –                 | –                 | –  |
| Payment for acquisition of business (Note 9)  | (4,717)           | (177,763)         | (16,631)          | (152,577)                                |
| Payment for time deposits   | (16,294)          | (11,869)          | (2,364)           | (21,688)                                 |
| Proceeds from withdrawal of time deposits   | 12,751            | 16,665            | 2,834             | 26,000                                   |
| Other   | (7,329)           | (3,295)           | (5,046)           | (46,293)                                 |
| <b>Net cash used in investing activities</b>  | <b>(240,418)</b>  | <b>(557,497)</b>  | <b>(318,047)</b>  | <b>(2,917,862)</b>                       |
| <b>Cash flows from financing activities:</b>  |                   |                   |                   |  |
| Net (decrease) increase in short-term loans   | (23,150)          | 15,904            | (13,707)          | (125,752)                                |
| Proceeds from long-term debts   | 56,408            | 160,696           | 53,580            | 491,559                                  |
| Repayment of long-term debts  | (73,656)          | (83,993)          | (98,555)          | (904,174)                                |
| Proceeds from commercial paper  | –                 | 2,319             | –                 | –  |
| Payment for redemption of commercial paper  | –                 | (2,319)           | –                 | –  |
| Proceeds from issuance of bonds   | –                 | 66,478            | –                 | –  |
| Payment for redemption of bonds   | (20,000)          | (60,000)          | (40,000)          | (366,972)                                |
| Capital contribution from non-controlling interests   | 432               | 0                 | 1,488             | 13,651                                   |
| Purchase of treasury shares   | –                 | (20)              | (6,718)           | (61,633)                                 |
| Dividends paid  | (79,558)          | (81,784)          | (83,976)          | (770,422)                                |
| Dividends paid to non-controlling interests   | (7,017)           | (7,196)           | (8,224)           | (75,449)                                 |
| Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation   | –                 | –                 | (3,857)           | (35,385)                                 |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | –                 | 716               | –                 | –  |
| Other   | (21,966)          | (16,126)          | (13,233)          | (121,403)                                |
| <b>Net cash used in financing activities</b>  | <b>(168,510)</b>  | <b>(5,324)</b>    | <b>(213,204)</b>  | <b>(1,956,000)</b>                       |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>   | <b>1,494</b>      | <b>(5,231)</b>    | <b>(1,292)</b>    | <b>(11,853)</b>                          |
| <b>Net increase in cash and cash equivalents</b>  | <b>90,916</b>     | <b>9,824</b>      | <b>44,126</b>     | <b>404,825</b>                           |
| Cash and cash equivalents at beginning of year  | 1,210,000         | 1,300,917         | 1,310,729         | 12,025,036                               |
| Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation                 | –                 | (11)              | –                 | –  |
| <b>Cash and cash equivalents at end of year</b>   | <b>¥1,300,917</b> | <b>¥1,310,729</b> | <b>¥1,354,856</b> | <b>\$12,429,871</b>                      |

The accompanying notes are an integral part of these financial statements.

# Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd.

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries (the "Companies") have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS"), and are compiled from the Consolidated Financial Statements prepared by Seven & i Holdings Co., Ltd. (the "Company") as required by the Financial Instruments and Exchange Act of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries. The accounts of the Company's foreign consolidated subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for the specific four items as applicable.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Certain supplementary information included in the statutory Japanese language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

As permitted under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been truncated. As a result, the totals shown in the accompanying Consolidated Financial Statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 141 consolidated subsidiaries as of February 29, 2020 (135 as of February 28, 2019 and 145 as of February 28, 2018) which mainly include Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank, Ltd., and Seven Financial Service Co. Ltd.

Six entities have been additionally included in the scope of consolidation following their establishment for the fiscal year ended February 29, 2020.

The fiscal year-end of some consolidated subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from the closing date to February 29, 2020 are adjusted for the consolidation process.

The closing date of Seven Bank, Ltd., etc. is March 31. Pro forma financial statements as of the end of February are prepared in a manner that is substantially identical to the preparation of the official financial statements in order to facilitate its consolidation.

All material intercompany transactions and account balances have been eliminated.

25 affiliates as of February 29, 2020 (24 affiliates as of February 28, 2019 and 24 affiliates as of February 28, 2018), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

The number of affiliates to which the equity method is applied increased by one in total by increase of two affiliates in connection with the acquisition of shares and by decrease of one affiliate in connection with the dissolution resulting from merger.

When an affiliate has a deficit net worth, the Company's share of such loss is reduced from its loan receivable from that affiliate. The affiliates which have different closing dates are included in the Consolidated Financial Statements based on their respective fiscal year-end.

## **(2) Inventories**

Inventories are stated mainly at cost determined by the following method. Cost is determined principally by the retail method with book value written down to the net realizable value for domestic consolidated subsidiaries and by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined mainly by the weighted-average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method.

Supplies are carried at cost which is mainly determined by the last purchase price method with book value written down to the net realizable value.

## **(3) Securities**

Held-to-maturity debt securities are carried at amortized cost.

Other available-for-sale securities are classified into two categories, where:

- (a) the fair value is available and (b) the fair value is not available.
- (a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of securities sold is determined using the moving-average method.
- (b) Securities whose fair value is not available are mainly valued at cost, determined using the moving-average method.

## **(4) Derivatives**

Derivative financial instruments are valued at fair value.

## **(5) Property and equipment (excluding lease assets)**

Property and equipment are depreciated using the straight-line method.

## **(6) Intangible assets (excluding lease assets)**

Intangible assets are amortized using the straight-line method.

Internal use software is amortized using the straight-line method over an estimated useful life, generally 5 years.

Goodwill and negative goodwill which generated before March 1, 2011 are amortized mainly over a period of 20 years on a straight-line basis, or recognized as income or expenses immediately if immaterial. Negative goodwill arising on or after March 1, 2011 is recognized as income when it occurs.

The goodwill recognized in applying the equity method is accounted for in the same manner.

## **(7) Lease assets**

For the assets leased under finance lease contracts that do not transfer ownership of leased property to the lessee, useful life is determined based on the duration of the lease period and straight-line depreciation method is applied with an assumed residual value at nil.

Finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

## **(8) Income taxes**

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

From the fiscal year ended February 28, 2013, the Company and part of wholly owned domestic subsidiaries have applied the Consolidated Taxation System.

Deferred tax accounting is applied.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for income tax purposes.

## **(9) Accounting for deferred assets**

Business commencement expenses are amortized using the straight-line method over five years, or expensed as incurred if immaterial.

## **(10) Allowances**

- (a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

- (b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the

amount expected to be used in the future as at the balance sheet date in accordance with the sales promotion point card program.

(c) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount calculated based on the estimation of payment.

(d) Allowance for loss on future collection of gift certificates

Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for future collection of gift certificates for income to be recognized after certain periods. The amount is calculated using the historical results of collection.

(e) Provision for sales returns

Provision for sales returns is provided at the amount of estimated future loss due to sales returns. The amount is calculated using the historical results of sales returns.

(f) Allowance for retirement benefits to Directors and Audit & Supervisory Board Members

Allowance for retirement benefits to Directors and Audit & Supervisory Board Members is provided at the amount required to be paid in accordance with internal rules.

The Company and some of its consolidated subsidiaries abolished the retirement benefits policy for Directors and Audit & Supervisory Board Members, for which some consolidated subsidiaries have determined to pay the balance at the time of retirement.

(g) Allowance for stock payments

Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers of the Company and some consolidated subsidiaries. The amount is based on the expected stock benefit payable as at the balance sheet date.

## (11) Accounting method for retirement benefits

(a) Allocation method of estimated total retirement benefits

Benefit formula basis

(b) Amortization method of the actuarial difference and the prior service cost

Actuarial differences are amortized on a straight-line basis over the period of 10 years from the year following the year in which they arise, which is within the average remaining years of service of the eligible employees.

Prior service costs are amortized on a straight-line basis over the periods of 5 years or 10 years, which are within the average remaining years of service of the eligible employees.

## (12) Hedge accounting

Forward foreign exchange contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated monetary asset and liability. Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Companies have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency rates and interest rates and reducing financing costs as well as optimizing future cash flow.

The Companies do not hold or issue derivative instruments for trading or speculative purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of derivative financial instruments is deferred until the related gains and losses on the hedged items are recognized. The forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria for the method. Certain interest rate swap contracts that meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expense as incurred. The hedge effectiveness is assessed by comparing the fluctuation quarterly except for those that meet specific hedging criteria.

## (13) Per share information

Owners' equity (excluding non-controlling interests and subscription rights to shares) per share as of February 28, 2018, 2019 and February 29, 2020 is ¥2,744.08, ¥2,850.42 and ¥2,946.83 (\$27.03), respectively. Net income per share for the fiscal years ended February 28, 2018, 2019 and February 29, 2020 is ¥204.80, ¥229.50 and ¥246.95 (\$2.26), respectively. Diluted net income per share for the fiscal years ended February 28, 2018, 2019 and February 29, 2020 is ¥204.63, ¥229.31 and ¥246.85 (\$2.26), respectively.

Net income per share of common stock is computed based on the weighted-average number of shares of common stock outstanding and diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year after incorporating the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Basis for calculation of net income per share for the fiscal years ended February 28, 2018, 2019

and February 29, 2020 is as follows:

|  | Millions of yen |             |             | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|-------------|-------------|--|
|  | 2018            | 2019        | 2020        | 2020                                     |
| Net income attributable to owners of parent                            | ¥181,150        | ¥203,004    | ¥218,185    | \$2,001,701                              |
| Less components not pertaining to common shareholders                  | –               | –           | –           | –  |
| Net income pertaining to common shareholders                           | 181,150         | 203,004     | 218,185     | 2,001,701                                |
| Weighted-average number of shares of common stock outstanding (shares) | 884,531,496     | 884,568,131 | 883,508,868 | 883,508,868                              |

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the respective fiscal year.

#### (14) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

#### (15) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the United States and Canada is included in the revenues from operations.

#### (16) Foreign currency translation

All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect as at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheets accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Non-controlling interests" and "Foreign currency translation adjustments."

#### (17) Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash, and are subject to minimum risk of price fluctuation.

#### (18) Accounting for franchised stores in domestic and overseas convenience store operations

Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. recognize franchise commission from their franchised stores as "Operating revenues."

#### (19) Change in significant accounting policies for the preparation of Consolidated Financial Statements

(Application of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2014-09 "Revenue from Contracts with Customers (Topic 606)")

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" from the fiscal year ended February 29, 2020.

Due to this application, the Company has revised the standard for revenue recognition, and recognizes revenue for all contracts at the expected amount of consideration for the promised goods and services at the time of transfer to the customer.

In applying the accounting standard, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the fiscal year ended February 29, 2020. As a result, the balance of retained earnings at the beginning of the fiscal year ended February 29, 2020 decreased ¥43,794 million (\$401,779 thousand). The effect of this adjustment on the profits and losses for the fiscal year ended February 29, 2020 is immaterial.

(Application of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-18 “Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)”)

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2016-18 “Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)” from the fiscal year ended February 29, 2020.

This ASU requires an entity to report restricted cash and cash equivalents in cash and cash equivalents in the consolidated cash flow statement.

As a result of adopting this standard, cash and cash equivalents in the consolidated cash flow statements for the fiscal year ended February 28, 2018, 2019 and February 29, 2020 indicate cash and cash equivalents including restricted cash.

## **(20) Accounting standards issued but not yet applied**

(Accounting Standard for Revenue Recognition)

- Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 30, 2018)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018)

### **(a) Overview**

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition and issued Revenue from Contracts with Customers in May 2014 as IFRS 15 (IASB) and Topic 606 (FASB), respectively. To respond to both IFRS 15 and Topic 606 applied from the fiscal years beginning on or after January 1, 2018 and December 15, 2017, respectively, ASBJ developed a comprehensive accounting standard for revenue recognition and issued it with the implementation guidance.

In developing the accounting standard for revenue recognition, ASBJ basically integrated the core principle of IFRS 15 from a comparability point of view of the financial statements, which is one of the benefits of ensuring consistency with IFRS 15. ASBJ, on the other side, considered additional alternative treatments where current practices under Japanese GAAP are to be reflected as far as such treatments would not significantly impair international comparability.

### **(b) Effective date**

The above standards are scheduled to be applied from the beginning of the fiscal year ending February 28, 2023.

### **(c) Effects of application of the standards**

The effects of the application on the Consolidated Financial Statements are currently under assessment.

## **(21) Reclassification**

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc.) “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ) Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the fiscal year ended February 29, 2020. Accordingly, deferred tax assets have been reclassified under investments and other assets, deferred tax liabilities have been reclassified under non-current liabilities, and the note to income taxes has been changed.

As a result, on the consolidated balance sheets for the fiscal year ended February 28, 2018, “deferred income taxes” in current assets, “other” in current liabilities, and “deferred income taxes” in non-current liabilities decreased by ¥27,981 million, ¥36 million, and ¥282 million, respectively, while deferred income taxes” in investments and other assets increased by ¥27,662 million.

Likewise, on the consolidated balance sheets for the fiscal year ended February 28, 2019, “deferred income taxes” in current assets, “other” in current liabilities, and “deferred income taxes” in non-current liabilities decreased by ¥26,582 million, ¥31 million, and ¥205 million, respectively, while deferred income taxes” in investments and other assets increased by ¥26,345 million.

Furthermore, the contents of Note 8 (excluding the total amount of valuation allowance) and Note 9 on the “Accounting Standard for Tax Effect Accounting” set forth in Paragraphs 3 to 5 of the “Partial Amendments” were added to the notes related to tax effect accounting. The respective contents re-

lated to the previous fiscal year, however, were not disclosed in accordance with the transitional treatments prescribed in Paragraph 7 of the “Partial Amendments.”

## **(22) Supplementary information**

(Performance-Based Stock Compensation Plan for Directors)

The Company and certain consolidated subsidiaries have introduced a Performance-Based Stock Compensation Plan (hereinafter the “Plan”) for the directors of these companies (excluding nonexecutive Directors and Directors residing overseas, the same applies hereinafter) using the Directors’ Compensation BIP (Board Incentive Plan) Trust (hereinafter “BIP Trust”), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders.

The accounting treatment for the said trust agreement is in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF (Practical Issue Task Force) No. 30, March 26, 2015).

### **(a) Outline of the transaction**

The plan is a performance-based stock compensation plan whereby the Company and certain consolidated subsidiaries contribute an appropriate amount of money to the BIP Trust, which is used as funds to acquire Company’s shares. The Company’s shares are delivered to directors in accordance with Share Delivery Rules for directors stipulated by these companies. Directors shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

### **(b) Company’s shares remaining in the BIP Trust**

The Company’s shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 29, 2020, the carrying amount and the number of Company’s shares remaining in the BIP Trust are ¥3,874 million (\$35,541 thousand) and 1,014 thousand shares, respectively.

(Performance-Based Stock Compensation Plan for Executive Officers)

The Company and certain consolidated subsidiaries have introduced a Performance-Based Stock Compensation Plan (hereinafter the “Plan”) for the executive officers of these companies (excluding those residing overseas, the same applies hereinafter) using the Stock Grant Employee Stock Ownership Plan (ESOP) Trust (hereinafter “ESOP Trust”), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders. The Company and certain consolidated subsidiaries adopted “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015) to account for the said trust agreement.

### **(a) Outline of the transaction**

The plan is a performance-based stock compensation plan whereby the Company and certain consolidated subsidiaries contribute an appropriate amount of money to the ESOP Trust, which is used as funds to acquire Company’s shares. The Company’s shares are delivered to executive officers in accordance with Share Delivery Rules for executive officers stipulated by these companies. Executive officers shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

### **(b) Company’s shares remaining in the ESOP Trust**

The Company’s shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 29, 2020, the carrying amount and the number of Company’s shares remaining in the Trust are ¥2,813 million (\$25,807 thousand) and 733 thousand shares, respectively.

(Accounting Estimates Associated with the spread of the Novel Coronavirus Disease (COVID-19))

The Companies assume that the effect of the spread of COVID-19 will remain at least for a certain period of time. Accounting estimates based on the assumptions are accordingly reflected in the accounting treatments such as determining impairment losses.

Prolonged exposure to COVID-19 could have a material effect on operating results and financial position of the Companies in the following fiscal year, considering the temporary closure or shortened operating hours at certain stores responding to the declaration of state of emergency in Japan on April 7, 2020 as well as many uncertainties in the effect of the spread of COVID-19.

### 3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥109=US\$1, the approximate rate of exchange prevailing as of February 29, 2020. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

### 4. FINANCIAL INSTRUMENTS

Qualitative information on financial instruments

#### (1) Policies relating to financial instruments

For the management of surplus funds, the Companies' basic policy is to give priority to safety, liquidity, and efficiency, investing only in instruments such as deposits at banks. The Companies mainly raise funds through bank loans and bond issuance.

Also, the Companies use derivative instruments to mitigate the risk of currency exchange rates fluctuations for receivables and payables denominated in foreign currencies and the risk of fluctuations in the interest rates of interest-bearing debt as well as to optimize cash flows for future interest payments. The Companies do not hold or issue derivative instruments for trading or speculative purposes.

#### (2) Details of financial instruments, associated risk, and risk management systems

The Companies' risk management policy is incorporated in the "Fundamental Risk Management Policy," which designated the divisions that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.

Notes and accounts receivable, trade are exposed to individual customer's credit risk. The Companies regularly monitor due dates and outstanding balances, as well as customer creditworthiness, to identify any concerns and mitigate losses associated with their collectability.

Long-term leasehold deposits, mainly arising from store rental agreements, are also exposed to individual lessor's credit risk. As with notes and accounts receivable, trade, the Companies monitor lessor creditworthiness to identify any concerns and mitigate losses associated with their collectability.

Marketable securities mainly consist of negotiable certificates of deposit used for the management of surplus funds. Investments in securities mainly consist of shares of companies with which the Companies have operational relationships and Japanese government bonds held by Seven Bank, Ltd., which is a subsidiary of the Company. These investments are exposed to market risk. The Companies regularly reconsider the holding status of these securities by monitoring market prices and the issuers' financial position, in light of the Companies' business partnerships. Bonds denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations, which is mitigated by currency swap contracts.

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations. In order to mitigate the risk, the Companies enter into forward foreign exchange contracts that cover a portion of the settlement amount. With regards to the forward foreign exchange contracts, the Companies regularly monitor their valuation.

Among loans, short-term loans and commercial paper are used mainly to raise operating funds, while long-term loans and bonds are used mainly for capital investments. These debts are managed comprehensively based on the asset-liability management ("ALM") model.

In relation to the derivative instruments (i.e. forward foreign exchange contracts, currency swap contracts) discussed above, the Companies mitigate credit risk by restricting counterparties to financial institutions that have high creditworthiness.

Trade payables, loans and bonds are exposed to liquidity risk, which is the risk of failing to settle as scheduled. The Companies manage the risk through adequately maintaining fund management plans, as well as by the Company conducting entity-wide cash management.

#### (3) Supplementary information on fair values

Fair values of financial instruments are measured through quoted market prices when available. When quoted market prices are not available, fair values are estimated by using reasonable valuation methods. The assumptions of such estimations include variable factors and, accordingly, if different assumptions are adopted, estimated fair values may change. The contract amounts of the derivatives discussed in Note 6, "Derivative Transactions," below are not an indicator of the market risk associated with derivative transactions.



## Fair values of financial instruments

Book values and fair values of the financial instruments on the Consolidated Balance Sheets as of February 28, 2018, 2019 and February 29, 2020 are as follows.

Certain items that are deemed to be immaterial are not included in the table. Financial instruments whose fair value is deemed highly difficult to measure are also excluded from the table (refer to Note 2 below).

|   | Millions of yen   |                   |                |
|---|-------------------|-------------------|----------------|
|   | 2018              |                   |                |
|   | Book value        | Fair value        | Difference     |
| Cash and cash equivalents   | ¥1,300,917        | ¥1,300,917        | ¥-             |
| Notes and accounts receivable, trade                                | 337,938           |                   |                |
| Allowance for doubtful accounts <sup>(a)</sup>                      | (3,133)           |                   |                |
|   | 334,805           | 338,403           | 3,598          |
| Investments in securities   | 131,957           | 144,699           | 12,741         |
| Long-term leasehold deposits <sup>(b)</sup>                         | 288,395           |                   |                |
| Allowance for doubtful accounts <sup>(c)</sup>                      | (358)             |                   |                |
|   | 288,036           | 300,694           | 12,658         |
| <b>Total assets</b>   | <b>¥2,055,717</b> | <b>¥2,084,715</b> | <b>¥28,998</b> |
| Notes and accounts payable, trade <sup>(d)</sup>                    | ¥420,012          | ¥420,012          | ¥-             |
| Deposits received in banking business                               | 553,522           | 553,872           | 350            |
| Bonds <sup>(e)</sup>  | 379,999           | 386,121           | 6,121          |
| Long-term loans <sup>(f)</sup>                                      | 475,806           | 473,001           | (2,804)        |
| Deposits received from tenants and franchised stores <sup>(g)</sup> | 28,381            | 28,002            | (379)          |
| <b>Total liabilities</b>  | <b>¥1,857,722</b> | <b>¥1,861,010</b> | <b>¥3,288</b>  |
| Derivative instruments <sup>(h)</sup>                               | ¥(150)            | ¥(150)            | ¥-             |

|   | Millions of yen   |                   |                |
|---|-------------------|-------------------|----------------|
|   | 2019              |                   |                |
|   | Book value        | Fair value        | Difference     |
| Cash and cash equivalents   | ¥1,310,729        | ¥1,310,729        | ¥-             |
| Notes and accounts receivable, trade                                | 336,070           |                   |                |
| Allowance for doubtful accounts <sup>(a)</sup>                      | (3,292)           |                   |                |
|   | 332,777           | 336,456           | 3,678          |
| Investments in securities   | 144,331           | 152,091           | 7,759          |
| Long-term leasehold deposits <sup>(b)</sup>                         | 279,383           |                   |                |
| Allowance for doubtful accounts <sup>(c)</sup>                      | (64)              |                   |                |
|   | 279,318           | 291,504           | 12,185         |
| <b>Total assets</b>   | <b>¥2,067,157</b> | <b>¥2,090,781</b> | <b>¥23,624</b> |
| Notes and accounts payable, trade <sup>(d)</sup>                    | ¥411,602          | ¥411,602          | ¥-             |
| Deposits received in banking business                               | 588,395           | 588,544           | 148            |
| Bonds <sup>(e)</sup>  | 411,914           | 416,975           | 5,060          |
| Long-term loans <sup>(f)</sup>                                      | 550,114           | 547,557           | (2,556)        |
| Deposits received from tenants and franchised stores <sup>(g)</sup> | 27,335            | 27,085            | (249)          |
| <b>Total liabilities</b>  | <b>¥1,989,362</b> | <b>¥1,991,765</b> | <b>¥2,402</b>  |
| Derivative instruments <sup>(h)</sup>                               | ¥(39)             | ¥(39)             | ¥-             |

|   | Millions of yen   |                   |                |
|---|-------------------|-------------------|----------------|
|   | 2020              |                   |                |
|   | Book value        | Fair value        | Difference     |
| Cash and cash equivalents   | ¥1,354,856        | ¥1,354,856        | ¥-             |
| Notes and accounts receivable, trade                                | 351,915           |                   |                |
| Allowance for doubtful accounts <sup>(a)</sup>                      | (3,643)           |                   |                |
|   | 348,272           | 352,012           | 3,739          |
| Investments in securities   | 134,072           | 137,722           | 3,650          |
| Long-term leasehold deposits <sup>(b)</sup>                         | 264,357           |                   |                |
| Allowance for doubtful accounts <sup>(c)</sup>                      | (86)              |                   |                |
|   | 264,270           | 277,977           | 13,706         |
| <b>Total assets</b>   | <b>¥2,101,472</b> | <b>¥2,122,568</b> | <b>¥21,096</b> |
| Notes and accounts payable, trade <sup>(d)</sup>                    | ¥410,793          | ¥410,793          | ¥-             |
| Deposits received in banking business                               | 655,036           | 655,134           | 98             |
| Bonds <sup>(e)</sup>  | 361,915           | 365,945           | 4,029          |
| Long-term loans <sup>(f)</sup>                                      | 491,588           | 496,672           | 5,084          |
| Deposits received from tenants and franchised stores <sup>(g)</sup> | 26,355            | 26,328            | (27)           |
| <b>Total liabilities</b>  | <b>¥1,945,690</b> | <b>¥1,954,875</b> | <b>¥9,184</b>  |
| Derivative instruments <sup>(h)</sup>                               | ¥20               | ¥20               | ¥-             |

|   | Thousands of U.S. dollars (Note 3) |                     |                  |
|---|------------------------------------|---------------------|------------------|
|   | 2020                               |                     |                  |
|   | Book value                         | Fair value          | Difference       |
| Cash and cash equivalents   | \$12,429,871                       | \$12,429,871        | \$-              |
| Notes and accounts receivable, trade                                | 3,228,577                          |                     |                  |
| Allowance for doubtful accounts <sup>(a)</sup>                      | (33,422)                           |                     |                  |
|   | 3,195,155                          | 3,229,467           | 34,302           |
| Investments in securities   | 1,230,018                          | 1,263,504           | 33,486           |
| Long-term leasehold deposits <sup>(b)</sup>                         | 2,425,293                          |                     |                  |
| Allowance for doubtful accounts <sup>(c)</sup>                      | (788)                              |                     |                  |
|   | 2,424,495                          | 2,550,247           | 125,743          |
| <b>Total assets</b>   | <b>\$19,279,559</b>                | <b>\$19,473,100</b> | <b>\$193,541</b> |
| Notes and accounts payable, trade <sup>(d)</sup>                    | \$3,768,743                        | \$3,768,743         | \$-              |
| Deposits received in banking business                               | 6,009,504                          | 6,010,403           | 899              |
| Bonds <sup>(e)</sup>  | 3,320,321                          | 3,357,293           | 36,963           |
| Long-term loans <sup>(f)</sup>                                      | 4,509,981                          | 4,556,623           | 46,642           |
| Deposits received from tenants and franchised stores <sup>(g)</sup> | 241,788                            | 241,541             | (247)            |
| <b>Total liabilities</b>  | <b>\$17,850,366</b>                | <b>\$17,934,633</b> | <b>\$84,256</b>  |
| Derivative instruments <sup>(h)</sup>                               | \$183                              | \$183               | \$-              |

Notes:

- (a) The amount of allowance for doubtful accounts relates only to notes and accounts receivable, trade.
- (b) The amount of long-term leasehold deposits includes a portion of leasehold deposits maturing within one year.
- (c) The amount of allowance for doubtful accounts relates only to long-term leasehold deposits.
- (d) The amount of notes and accounts payable, trade includes trade for franchised stores.
- (e) The amount of bonds includes bonds due within one year.
- (f) The amount of long-term loans includes long-term loans due within one year.
- (g) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.
- (h) The value of assets and liabilities arising from derivative instruments is shown by net value. Net liabilities are shown in parentheses.

## **Note 1: Items relating to the calculation of the fair value of financial instruments and derivative instruments**

### **Assets**

#### (1) Cash and cash equivalents

The relevant book values are used as they are due in a short period; hence market prices are equivalent to book values.

#### (2) Notes and accounts receivable, trade

For notes and accounts receivable, trade the relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values. The fair value of items with long settlement periods is the present value, which is obtained by discounting the total sum of the capital and interest that reflects credit risk according to the corresponding interest rate of government bonds over the remaining period.

#### (3) Investments in securities

For the fair value of equity securities, market prices are used. For debt securities, market prices or the prices indicated by correspondent financial institutions are used.

#### (4) Long-term leasehold deposits

The fair value of items with long settlement periods is the present value, which is calculated by discounting the future cash flows that reflect credit risks according to the corresponding interest rate of government bonds over the remaining period.

### **Liabilities**

#### (1) Notes and accounts payable, trade

The relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values.

#### (2) Deposits received in banking business

The fair value of deposit on demand is measured at the amount payable on demand at the balance sheet date (book value). The fair value of time deposits is measured at their present value, which is obtained by categorizing the balance in accordance with their maturity and discounting the relevant future cash flows by each category. The discount rate is the interest rate that would be applied to newly accepted deposits. For time deposits that are due within one year, the relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values.

#### (3) Bonds

The fair value of domestic bonds that have market prices is based on those prices. The fair value of bonds that do not have market prices is based on the present value, which is obtained by discounting the total principal and interest over the remaining period according to the interest rate that reflects credit risk. The fair value of foreign currency-denominated bonds, that meet specific hedging criteria and are accounted for by the designation method, is based on the present value, which is obtained by discounting future cash flows treated together with the related currency swap according to the interest rate that would be applied if similar Japanese domestic bonds were newly issued.

#### (4) Long-term loans

The fair value of long-term loans is based on the present value, which is obtained by discounting the total of principal and interest according to the interest rate that would be applied if similar new borrowings were entered into.

#### (5) Deposits received from tenants and franchised stores

The fair value of deposits received from tenants is the present value, which is obtained by discounting future cash flows according to the corresponding interest rate of government bonds over the remaining period.

### **Derivative instruments**

Refer to Note 6, "Derivative Transactions."

**Note 2: Items for which fair value is deemed highly difficult to measure**

|   | Millions of yen |         |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|---------|---------|--|
|   | 2018            | 2019    | 2020    | 2020                                     |
|   | Book value      |         |         |  |
| Investments in securities <sup>(a)</sup> :                          |                 |         |         |  |
| Unlisted securities   | ¥11,000         | ¥11,399 | ¥10,646 | \$97,669                                 |
| Shares of affiliates  | 28,469          | 30,454  | 33,009  | 302,834                                  |
| Other   | 4,428           | 5,799   | 6,942   | 63,688                                   |
| Long-term leasehold deposits <sup>(b)</sup>                         | 103,440         | 101,757 | 103,937 | 953,550                                  |
| Deposits received from tenants and franchised stores <sup>(b)</sup> | 28,760          | 27,612  | 27,837  | 255,385                                  |

Notes:

- (a) They are not included in Assets (3) Investments in securities since determining their estimated fair values was deemed to be highly difficult, due to the fact that they do not have market prices and the future cash flows cannot be estimated.
- (b) They are not included in Assets (4) Long-term leasehold deposits and Liabilities (5) Deposits received from tenants and franchised stores since determining their fair values was deemed to be highly difficult, due to the fact that the amount to be repaid cannot be reasonably estimated.

**Note 3: Redemption schedule for receivables and marketable securities with maturities**

|   | Millions of yen |                                  |                                   |                 |
|---|-----------------|----------------------------------|-----------------------------------|-----------------|
|   | 2018            |                                  |                                   |                 |
|   | Within one year | After one year within five years | After five years within ten years | After ten years |
| Cash and cash equivalents                     | ¥1,300,917      | ¥-                               | ¥-                                | ¥-              |
| Notes and accounts receivable, trade          | 323,993         | 12,438                           | 1,303                             | 202             |
| Investments in securities:                    |                 |                                  |                                   |                 |
| Held-to-maturity debt securities              |                 |                                  |                                   |                 |
| Governmental and municipal bonds              | -               | -                                | -                                 | -               |
| Available-for-sale securities with maturities |                 |                                  |                                   |                 |
| Governmental and municipal bonds              | 6,700           | 16,820                           | -                                 | -               |
| Bonds   | 13,230          | 24,600                           | -                                 | -               |
| Other   | -               | -                                | -                                 | -               |
| Long-term leasehold deposits                  | 29,131          | 81,748                           | 72,570                            | 104,944         |
| Total   | ¥1,673,972      | ¥135,607                         | ¥73,874                           | ¥105,147        |

|   | Millions of yen |                                  |                                   |                 |
|---|-----------------|----------------------------------|-----------------------------------|-----------------|
|   | 2019            |                                  |                                   |                 |
|   | Within one year | After one year within five years | After five years within ten years | After ten years |
| Cash and cash equivalents                     | ¥1,310,729      | ¥-                               | ¥-                                | ¥-              |
| Notes and accounts receivable, trade          | 320,854         | 13,299                           | 1,622                             | 292             |
| Investments in securities:                    |                 |                                  |                                   |                 |
| Held-to-maturity debt securities              |                 |                                  |                                   |                 |
| Governmental and municipal bonds              | -               | -                                | -                                 | -               |
| Available-for-sale securities with maturities |                 |                                  |                                   |                 |
| Governmental and municipal bonds              | 9,350           | 19,383                           | -                                 | -               |
| Bonds   | 21,300          | 24,400                           | -                                 | -               |
| Other   | -               | -                                | -                                 | -               |
| Long-term leasehold deposits                  | 30,630          | 68,305                           | 54,665                            | 125,781         |
| Total   | ¥1,692,864      | ¥125,388                         | ¥56,288                           | ¥126,074        |

|   | Millions of yen    |  |   |                    |
|---|--------------------|--|---|--------------------|
|   | 2020               |  |   |                    |
|   | Within one<br>year | After one year<br>within five<br>years | After five<br>years within<br>ten years | After ten<br>years |
| Cash and cash equivalents                     | ¥1,354,856         | ¥-                                     | ¥-                                      | ¥-                 |
| Notes and accounts receivable, trade          | 335,992            | 13,787                                 | 1,812                                   | 323                |
| Investments in securities:                    |                    |  |   |                    |
| Held-to-maturity debt securities              |                    |  |   |                    |
| Governmental and municipal bonds              | -                  | -                                      | -                                       | -                  |
| Available-for-sale securities with maturities |                    |  |   |                    |
| Governmental and municipal bonds              | 6,770              | 16,975                                 | -                                       | -                  |
| Bonds   | 5,800              | 34,700                                 | -                                       | -                  |
| Other   | -                  | -                                      | -                                       | -                  |
| Long-term leasehold deposits                  | 26,203             | 78,536                                 | 64,958                                  | 94,659             |
| <b>Total</b>                                  | <b>¥1,729,622</b>  | <b>¥143,998</b>                        | <b>¥66,770</b>                          | <b>¥94,983</b>     |

|   | Thousands of U.S. dollars (Note 3) |  |   |                    |
|---|------------------------------------|--|---|--------------------|
|   | 2020                               |  |   |                    |
|   | Within one<br>year                 | After one year<br>within five<br>years | After five<br>years within<br>ten years | After ten<br>years |
| Cash and cash equivalents                     | \$12,429,871                       | \$-                                    | \$-                                     | \$-                |
| Notes and accounts receivable, trade          | 3,082,495                          | 126,486                                | 16,623                                  | 2,963              |
| Investments in securities:                    |                                    |  |   |                    |
| Held-to-maturity debt securities              |                                    |  |   |                    |
| Governmental and municipal bonds              | -                                  | -                                      | -                                       | -                  |
| Available-for-sale securities with maturities |                                    |  |   |                    |
| Governmental and municipal bonds              | 62,110                             | 155,733                                | -                                       | -                  |
| Bonds   | 53,211                             | 318,348                                | -                                       | -                  |
| Other   | -                                  | -                                      | -                                       | -                  |
| Long-term leasehold deposits                  | 240,394                            | 720,513                                | 595,944                                 | 868,431            |
| <b>Total</b>                                  | <b>\$15,868,091</b>                | <b>\$1,321,082</b>                     | <b>\$612,568</b>                        | <b>\$871,403</b>   |

**Note 4: Redemption schedule for deposits received in banking business with maturities**

|                                       | Millions of yen    |  |   |                    |
|---------------------------------------|--------------------|--|---|--------------------|
|                                       | 2018               |  |   |                    |
|                                       | Within one<br>year | After one year<br>within five<br>years | After five<br>years within<br>ten years | After ten<br>years |
| Deposits received in banking business | ¥449,668           | ¥103,853                               | ¥-                                      | ¥-                 |

|                                       | Millions of yen    |  |   |                    |
|---------------------------------------|--------------------|--|---|--------------------|
|                                       | 2019               |  |   |                    |
|                                       | Within one<br>year | After one year<br>within five<br>years | After five<br>years within<br>ten years | After ten<br>years |
| Deposits received in banking business | ¥473,460           | ¥114,935                               | ¥-                                      | ¥-                 |

|                                       | Millions of yen    |  |   |                    |
|---------------------------------------|--------------------|--|---|--------------------|
|                                       | 2020               |  |   |                    |
|                                       | Within one<br>year | After one year<br>within five<br>years | After five<br>years within<br>ten years | After ten<br>years |
| Deposits received in banking business | ¥539,718           | ¥115,318                               | ¥-                                      | ¥-                 |

Thousands of U.S. dollars (Note 3)

|                                       | 2020            |                                  |                                   |                 |
|---------------------------------------|-----------------|----------------------------------|-----------------------------------|-----------------|
|                                       | Within one year | After one year within five years | After five years within ten years | After ten years |
| Deposits received in banking business | \$4,951,541     | \$1,057,963                      | \$-                               | \$-             |

Note: Deposits received in banking business due within one year include deposits on demand.

**Note 5: Redemption schedule for long-term debt with maturities**

|                 | Millions of yen |                                 |                                    |                                     |                                    |                  |
|-----------------|-----------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|
|                 | 2018            |                                 |                                    |                                     |                                    |                  |
|                 | Within one year | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years |
| Bonds           | ¥74,999         | ¥50,000                         | ¥80,000                            | ¥-                                  | ¥60,000                            | ¥115,000         |
| Long-term loans | 82,656          | 94,314                          | 46,675                             | 114,698                             | 44,043                             | 93,419           |
| Total           | ¥157,655        | ¥144,314                        | ¥126,675                           | ¥114,698                            | ¥104,043                           | ¥208,419         |

|                 | Millions of yen |                                 |                                    |                                     |                                    |                  |
|-----------------|-----------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|
|                 | 2019            |                                 |                                    |                                     |                                    |                  |
|                 | Within one year | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years |
| Bonds           | ¥50,000         | ¥80,000                         | ¥66,914                            | ¥60,000                             | ¥60,000                            | ¥95,000          |
| Long-term loans | 106,688         | 78,498                          | 131,904                            | 53,032                              | 62,301                             | 117,688          |
| Total           | ¥156,688        | ¥158,498                        | ¥198,819                           | ¥113,032                            | ¥122,301                           | ¥212,688         |

|                 | Millions of yen |                                 |                                    |                                     |                                    |                  |
|-----------------|-----------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|
|                 | 2020            |                                 |                                    |                                     |                                    |                  |
|                 | Within one year | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years |
| Bonds           | ¥80,000         | ¥66,915                         | ¥60,000                            | ¥60,000                             | ¥15,000                            | ¥80,000          |
| Long-term loans | 88,437          | 137,655                         | 57,835                             | 80,597                              | 29,012                             | 98,051           |
| Total           | ¥168,437        | ¥204,570                        | ¥117,835                           | ¥140,597                            | ¥44,012                            | ¥178,051         |

|                 | Thousands of U.S. dollars (Note 3) |                                 |                                    |                                     |                                    |                  |
|-----------------|------------------------------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|
|                 | 2020                               |                                 |                                    |                                     |                                    |                  |
|                 | Within one year                    | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years |
| Bonds           | \$733,944                          | \$613,899                       | \$550,458                          | \$550,458                           | \$137,614                          | \$733,944        |
| Long-term loans | 811,348                            | 1,262,889                       | 530,596                            | 739,422                             | 266,165                            | 899,550          |
| Total           | \$1,545,293                        | \$1,876,788                     | \$1,081,055                        | \$1,289,880                         | \$403,779                          | \$1,633,495      |

## 5. SECURITIES INFORMATION

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2018, 2019 and February 29, 2020 (excluding non-marketable securities of ¥11,000 million, ¥11,399 million and ¥10,646 million (\$97,669 thousand) as of February 28, 2018, 2019 and February 29, 2020, respectively):

|  | Millions of yen |                  |                               |
|--|-----------------|------------------|-------------------------------|
|  | Book value      | Acquisition cost | Net unrealized gains (losses) |
|  |                 |                  | 2018                          |
| Securities with book value exceeding acquisition cost:     |                 |                  |                               |
| Equity securities  | ¥61,055         | ¥23,194          | ¥37,860                       |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 10,956          | 10,955           | 0                             |
| Corporate bonds  | 6,229           | 6,228            | 1                             |
| Subtotal   | 78,241          | 40,378           | 37,863                        |
| Securities with book value not exceeding acquisition cost: |                 |                  |                               |
| Equity securities  | 794             | 974              | (179)                         |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 12,846          | 12,847           | (1)                           |
| Corporate bonds  | 31,817          | 31,827           | (10)                          |
| Subtotal   | 45,458          | 45,649           | (191)                         |
| Total  | ¥123,699        | ¥86,027          | ¥37,671                       |

|  | Millions of yen |                  |                               |
|--|-----------------|------------------|-------------------------------|
|  | Book value      | Acquisition cost | Net unrealized gains (losses) |
|  |                 |                  | 2019                          |
| Securities with book value exceeding acquisition cost:     |                 |                  |                               |
| Equity securities  | ¥59,106         | ¥22,158          | ¥36,948                       |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 18,028          | 18,020           | 8                             |
| Corporate bonds  | 1,011           | 1,011            | 0                             |
| Subtotal   | 78,147          | 41,190           | 36,956                        |
| Securities with book value not exceeding acquisition cost: |                 |                  |                               |
| Equity securities  | 1,583           | 1,964            | (381)                         |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 10,926          | 10,926           | (0)                           |
| Corporate bonds  | 44,998          | 45,013           | (15)                          |
| Subtotal   | 57,508          | 57,904           | (396)                         |
| Total  | ¥135,655        | ¥99,095          | ¥36,559                       |

|  | Millions of yen |                  |                               |
|--|-----------------|------------------|-------------------------------|
|  | 2020            |                  |                               |
|  | Book value      | Acquisition cost | Net unrealized gains (losses) |
| Securities with book value exceeding acquisition cost:     |                 |                  |                               |
| Equity securities  | ¥58,773         | ¥21,776          | ¥36,996                       |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 19,545          | 19,533           | 12                            |
| Corporate bonds  | 27,104          | 27,083           | 20                            |
| Subtotal   | 105,423         | 68,393           | 37,030                        |
| Securities with book value not exceeding acquisition cost: |                 |                  |                               |
| Equity securities  | 1,625           | 2,283            | (658)                         |
| Debt securities  |                 |                  |                               |
| Governmental and municipal bonds, etc.                     | 4,301           | 4,301            | (0)                           |
| Corporate bonds  | 13,691          | 13,698           | (7)                           |
| Subtotal   | 19,618          | 20,283           | (665)                         |
| Total  | ¥125,041        | ¥88,677          | ¥36,364                       |

|  | Thousands of U.S. dollars (Note 3) |                  |                               |
|--|------------------------------------|------------------|-------------------------------|
|  | 2020                               |                  |                               |
|  | Book value                         | Acquisition cost | Net unrealized gains (losses) |
| Securities with book value exceeding acquisition cost:     |                                    |                  |                               |
| Equity securities  | \$539,201                          | \$199,779        | \$339,412                     |
| Debt securities  |                                    |                  |                               |
| Governmental and municipal bonds, etc.                     | 179,311                            | 179,201          | 110                           |
| Corporate bonds  | 248,660                            | 248,467          | 183                           |
| Subtotal   | 967,183                            | 627,458          | 339,724                       |
| Securities with book value not exceeding acquisition cost: |                                    |                  |                               |
| Equity securities  | 14,908                             | 20,944           | (6,036)                       |
| Debt securities  |                                    |                  |                               |
| Governmental and municipal bonds, etc.                     | 39,458                             | 39,458           | (0)                           |
| Corporate bonds  | 125,605                            | 125,669          | (64)                          |
| Subtotal   | 179,981                            | 186,082          | (6,100)                       |
| Total  | \$1,147,165                        | \$813,550        | \$333,614                     |

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2018, 2019 and February 29, 2020 are as follows:

|  | Millions of yen |        |        | Thousands of U.S. dollars (Note 3) |
|--|-----------------|--------|--------|------------------------------------|
|  | 2018            | 2019   | 2020   | 2020                               |
| Sales amounts                                  | ¥31             | ¥2,681 | ¥3,309 | \$30,357                           |
| Gain on sales of available-for-sale securities | 10              | 2,665  | 123    | 1,128                              |
| Loss on sales of available-for-sale securities | 0               | 32     | 454    | 4,165                              |

(3) Impairment loss on securities

For the fiscal years ended February 28, 2018, 2019 and February 29, 2020, the Companies recognized nil, ¥11 million and ¥93 million (\$853 thousand) as impairment loss on securities, respectively.

The Companies consider securities to be irrecoverable where market prices decline by more than or equal to 50% of their acquisition cost. Where market prices decline by between 30% and 50% of their acquisition cost, the Companies assess the recoverability and, to the extent necessary, recognize impairment losses on such securities.



(4) Investments in affiliates included in investments in securities in the accompanying Consolidated Balance Sheets as of February 28, 2018, 2019 and February 29, 2020 were ¥36,727 million, ¥39,130 million and ¥42,039 million (\$385,678 thousand), respectively.

## 6. DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward foreign exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing financing costs as well as optimizing future cash flow. The Companies do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible divisions in the Companies enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2018, 2019 and February 29, 2020 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments  
Currency-related transactions

|                                     | Millions of yen |    |                         |                              |
|-------------------------------------|-----------------|----|-------------------------|------------------------------|
|                                     | 2018            |    |                         |                              |
|                                     | Contract amount |    | Estimated<br>fair value | Unrealized<br>gains (losses) |
| Total                               | After one year  |    |                         |                              |
| Forward foreign exchange contracts: |                 |    |                         |                              |
| Buy U.S. dollar                     | ¥2,683          | ¥- | ¥(102)                  | ¥(102)                       |
| Buy Euro                            | 261             | -  | (2)                     | (2)                          |
| Buy Chinese yuan                    | 116             | -  | (1)                     | (1)                          |
| Buy Hong Kong dollar                | 20              | -  | (1)                     | (1)                          |
| Sell U.S. dollar                    | 1,105           | -  | 11                      | 11                           |

|                                     | Millions of yen |    |                         |                              |
|-------------------------------------|-----------------|----|-------------------------|------------------------------|
|                                     | 2019            |    |                         |                              |
|                                     | Contract amount |    | Estimated<br>fair value | Unrealized<br>gains (losses) |
| Total                               | After one year  |    |                         |                              |
| Forward foreign exchange contracts: |                 |    |                         |                              |
| Buy U.S. dollar                     | ¥1,984          | ¥- | ¥(13)                   | ¥(13)                        |
| Buy Euro                            | 293             | -  | (7)                     | (7)                          |
| Buy Chinese yuan                    | 133             | -  | 4                       | 4                            |
| Buy Hong Kong dollar                | 60              | -  | (0)                     | (0)                          |
| Sell U.S. dollar                    | 863             | -  | (17)                    | (17)                         |

|                                     | Millions of yen |    |                         |                              |
|-------------------------------------|-----------------|----|-------------------------|------------------------------|
|                                     | 2020            |    |                         |                              |
|                                     | Contract amount |    | Estimated<br>fair value | Unrealized<br>gains (losses) |
| Total                               | After one year  |    |                         |                              |
| Forward foreign exchange contracts: |                 |    |                         |                              |
| Buy U.S. dollar                     | ¥1,891          | ¥- | ¥7                      | ¥7                           |
| Buy Euro                            | 207             | -  | 1                       | 1                            |
| Buy Chinese yuan                    | 116             | -  | (2)                     | (2)                          |
| Buy Hong Kong dollar                | 68              | -  | (0)                     | (0)                          |
| Sell U.S. dollar                    | 95              | -  | (0)                     | (0)                          |
| Non-deliverable forward:            |                 |    |                         |                              |
| Sell Indonesian Rupiah              | 297             | -  | 10                      | 10                           |

| Thousands of U.S. dollars (Note 3)  |                 |                |                         |                              |
|-------------------------------------|-----------------|----------------|-------------------------|------------------------------|
| 2020                                |                 |                |                         |                              |
|                                     | Contract amount |                | Estimated<br>fair value | Unrealized<br>gains (losses) |
|                                     | Total           | After one year |                         |                              |
| Forward foreign exchange contracts: |                 |                |                         |                              |
| Buy U.S. dollar                     | \$17,348        | \$–            | \$64                    | \$64                         |
| Buy Euro                            | 1,899           | –              | 9                       | 9                            |
| Buy Chinese yuan                    | 1,064           | –              | (18)                    | (18)                         |
| Buy Hong Kong dollar                | 623             | –              | (0)                     | (0)                          |
| Sell U.S. dollar                    | 871             | –              | (0)                     | (0)                          |
| Non-deliverable forward:            |                 |                |                         |                              |
| Sell Indonesian Rupiah              | 2,724           | –              | 91                      | 91                           |

Note: The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.

#### Derivatives designated as hedging instruments

##### (1) Currency-related transactions

| Millions of yen<br>2018  |                 |                |                         |
|--|-----------------|----------------|-------------------------|
|  | Contract amount |                | Estimated<br>fair value |
|  | Total           | After one year |                         |
| Forward foreign exchange contracts, accounted for by deferral hedge accounting |                 |                |                         |
| Buy U.S. dollar  | ¥1,464          | ¥–             | ¥(55) <sup>(a)</sup>    |
| Forward foreign exchange contracts, accounted for by designation method        |                 |                |                         |
| Buy U.S. dollar  | 5               | –              | – <sup>(b)</sup>        |

| Millions of yen<br>2019  |                 |                |                         |
|--|-----------------|----------------|-------------------------|
|  | Contract amount |                | Estimated<br>fair value |
|  | Total           | After one year |                         |
| Forward foreign exchange contracts, accounted for by deferral hedge accounting |                 |                |                         |
| Buy U.S. dollar  | ¥1,050          | ¥–             | ¥(5) <sup>(a)</sup>     |
| Forward foreign exchange contracts, accounted for by designation method        |                 |                |                         |
| Buy U.S. dollar  | 53              | –              | – <sup>(b)</sup>        |
| Currency swap contracts, accounted for by designation method                   |                 |                |                         |
| Receive U.S. dollar / Pay Japanese yen   | 66,918          | 66,918         | – <sup>(b)</sup>        |

| Millions of yen<br>2020  |                 |                |                         |
|--|-----------------|----------------|-------------------------|
|  | Contract amount |                | Estimated<br>fair value |
|  | Total           | After one year |                         |
| Forward foreign exchange contracts, accounted for by deferral hedge accounting |                 |                |                         |
| Buy U.S. dollar  | ¥1,402          | ¥–             | ¥5 <sup>(a)</sup>       |
| Forward foreign exchange contracts, accounted for by designation method        |                 |                |                         |
| Buy U.S. dollar  | 44              | –              | – <sup>(b)</sup>        |
| Currency swap contracts, accounted for by designation method                   |                 |                |                         |
| Receive U.S. dollar / Pay Japanese yen   | 66,918          | 66,918         | – <sup>(b)</sup>        |

|  | Thousands of U.S. dollars (Note 3) |         |                         |
|--|------------------------------------|---------|-------------------------|
|  | 2020                               |         |                         |
|  | Contract amount                    |         | Estimated<br>fair value |
| Total  | After one year                     |         |                         |
| Forward foreign exchange contracts, accounted for by deferral hedge accounting |                                    |         |                         |
| Buy U.S. dollar  | \$12,862                           | \$–     | \$45 <sup>(a)</sup>     |
| Forward foreign exchange contracts, accounted for by designation method        |                                    |         |                         |
| Buy U.S. dollar  | 403                                | –       | – <sup>(b)</sup>        |
| Currency swap contracts, accounted for by designation method                   |                                    |         |                         |
| Receive U.S. dollar / Pay Japanese yen   | 613,926                            | 613,926 | – <sup>(b)</sup>        |

Notes:

(a) The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.

(b) Forward foreign exchange contracts and currency swap contracts, accounted for by designation method are accounted for as part of notes and accounts payable, trade, and foreign currency-denominated bonds, respectively. Therefore, the estimated fair value of these contracts is included in the fair value of the underlying notes and accounts payable, trade, and foreign currency-denominated bonds.

(2) Interest rate related transactions

|   | Millions of yen |         |                         |
|---|-----------------|---------|-------------------------|
|   | 2018            |         |                         |
|   | Contract amount |         | Estimated<br>fair value |
| Total   | After one year  |         |                         |
| Interest rate swap contracts, where certain criteria are met <sup>(b)</sup> |                 |         |                         |
| Receive float / Pay fixed   | ¥10,000         | ¥10,000 | ¥– <sup>(a)</sup>       |

|   | Millions of yen |    |                         |
|---|-----------------|----|-------------------------|
|   | 2019            |    |                         |
|   | Contract amount |    | Estimated<br>fair value |
| Total   | After one year  |    |                         |
| Interest rate swap contracts, where certain criteria are met <sup>(b)</sup> |                 |    |                         |
| Receive float / Pay fixed   | ¥10,000         | ¥– | ¥– <sup>(a)</sup>       |

|   | Millions of yen |    |                         |
|---|-----------------|----|-------------------------|
|   | 2020            |    |                         |
|   | Contract amount |    | Estimated<br>fair value |
| Total   | After one year  |    |                         |
| Interest rate swap contracts, where certain criteria are met <sup>(b)</sup> |                 |    |                         |
| Receive float / Pay fixed   | ¥–              | ¥– | ¥– <sup>(a)</sup>       |

|   | Thousands of U.S. dollars (Note 3) |     |                         |
|---|------------------------------------|-----|-------------------------|
|   | 2020                               |     |                         |
|   | Contract amount                    |     | Estimated<br>fair value |
| Total   | After one year                     |     |                         |
| Interest rate swap contracts, where certain criteria are met <sup>(b)</sup> |                                    |     |                         |
| Receive float / Pay fixed   | \$–                                | \$– | \$– <sup>(a)</sup>      |

Notes:

(a) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.

(b) The estimated fair value of these interest rate swaps is, in effect, included in and presented with that of the hedged item. For details, refer to Note 2 (12), "Hedge accounting."

## 7. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2018, 2019 and February 29, 2020 are as follows:

|                                | Millions of yen   |                   |                   | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------------|-------------------|-------------------|-------------------|--|
|                                | 2018              | 2019              | 2020              | 2020                                     |
| Buildings and structures       | ¥2,139,523        | ¥2,241,428        | ¥2,337,208        | \$21,442,275                             |
| Furniture, fixtures and other  | 965,830           | 912,078           | 968,774           | 8,887,834                                |
|                                | 3,105,353         | 3,153,506         | 3,305,983         | 30,330,119                               |
| Less: Accumulated depreciation | (1,894,756)       | (1,875,955)       | (1,968,140)       | (18,056,330)                             |
|                                | 1,210,597         | 1,277,550         | 1,337,843         | 12,273,788                               |
| Land                           | 725,180           | 751,616           | 746,914           | 6,852,422                                |
| Construction in progress       | 53,677            | 89,463            | 98,618            | 904,752                                  |
| <b>Total</b>                   | <b>¥1,989,455</b> | <b>¥2,118,630</b> | <b>¥2,183,375</b> | <b>\$20,030,963</b>                      |

## 8. IMPAIRMENT LOSS

For the fiscal years ended February 28, 2018, 2019 and February 29, 2020, the Companies recognized ¥88,879 million, ¥57,368 million and ¥35,477 million (\$325,477 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2018:

| Description            | Classification                  | Location  | Millions of<br>yen |
|------------------------|---------------------------------|---|--------------------|
| Stores                 | Land and build-<br>ings, etc.   | Tokyo Met. Domestic convenience stores          | 78 Stores          |
|                        |                                 | Superstores                                     | 5 Stores           |
|                        |                                 | Specialty stores                                | 11 Stores          |
|                        |                                 | Osaka Pref. Domestic convenience stores         | 76 Stores          |
|                        |                                 | Specialty stores                                | 2 Stores           |
|                        |                                 |   | ¥61,809            |
|                        |                                 | Aichi Pref. Domestic convenience stores         | 61 Stores          |
|                        |                                 | Specialty stores                                | 3 Stores           |
|                        |                                 | U.S. & others Overseas convenience stores       | 143 Stores         |
| omni7                  | Software and<br>buildings, etc. | Tokyo Met., Saitama Pref., Osaka Pref. & others | 23,492             |
| Other facilities, etc. | Land and build-<br>ings, etc.   | Kyoto Pref., Tokyo Met., Nagano Pref. & others  | 3,576              |
| <b>Total</b>           |                                 |   | <b>¥88,879</b>     |

Note: ¥29,001 million (Stores) and ¥2,808 million (Other facilities, etc.) are included in "Restructuring expenses" in the Consolidated Statements of Income.

Fiscal year ended February 28, 2019:

| Description                   | Classification                          | Location                                       |                             | Millions of yen |
|-------------------------------|---|--|-----------------------------|-----------------|
| Stores                        | Land and buildings, etc.                | Tokyo Met.                                     | Domestic convenience stores | 102 Stores      |
|                               |   |  | Superstores                 | 5 Stores        |
|                               |   |  | Specialty stores            | 12 Stores       |
|                               |   | Osaka Pref.                                    | Domestic convenience stores | 80 Stores       |
|                               |   |  | Specialty stores            | 1 Store         |
|                               | Aichi Pref.                             | Domestic convenience stores                    | 79 Stores                   |                 |
|                               | U.S. & others                           | Overseas convenience stores                    | 208 Stores                  |                 |
| Overseas ATM related business | Furniture, fixtures and equipment, etc. | U.S. & others                                  |                             | 7,193           |
| Other facilities, etc.        | Land and buildings, etc.                | Kyoto Pref., Nagano Pref., Tokyo Met. & others |                             | 2,694           |
| Total                         |   |  |                             | ¥57,368         |

Note: ¥1,591 million (Stores) are included in "Restructuring expenses" in the Consolidated Statements of Income.

Fiscal year ended February 29, 2020:

| Description                     | Classification           | Location   |                             | Millions of yen | Thousands of U.S. dollars (Note 3) |
|---------------------------------|--------------------------|--|-----------------------------|-----------------|------------------------------------|
| Stores                          | Land and buildings, etc. | Tokyo Met.                                       | Domestic convenience stores | 108 Stores      |                                    |
|                                 |                          |  | Specialty stores            | 41 Stores       |                                    |
|                                 |                          | Osaka Pref.                                      | Domestic convenience stores | 71 Stores       |                                    |
|                                 |                          |  | Specialty stores            | 5 Stores        |                                    |
|                                 |                          | Aichi Pref.                                      | Domestic convenience stores | 57 Stores       |                                    |
|                                 | Specialty stores         | 6 Stores   |                             |                 |                                    |
|                                 | U.S. & others            | Overseas convenience stores                      | 119 Stores                  |                 |                                    |
| Digital and settlement services | Software, etc.           | Tokyo Met.                                       |                             | 4,615           | 42,339                             |
| Other facilities, etc.          | Land and buildings, etc. | Tokyo Met., Nagano Pref., Niigata Pref. & others |                             | 1,219           | 11,183                             |
| Total                           |                          |  |                             | ¥35,477         | \$325,477                          |

Note: ¥2,880 million (\$26,422 thousand) (Stores) and ¥4,615 million (\$42,339 thousand) (Digital and settlement services) are included in "Restructuring expenses" and "Loss on digital and settlement services," respectively, in the Consolidated Statements of Income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:  
Fiscal year ended February 28, 2018:

|                          | Millions of yen |         |                           |         |
|--------------------------|-----------------|---------|---------------------------|---------|
|                          | Stores          | omni7   | Other facilities,<br>etc. | Total   |
| Buildings and structures | ¥29,496         | ¥670    | ¥708                      | ¥30,875 |
| Land                     | 20,965          | –       | 389                       | 21,354  |
| Software                 | 0               | 19,587  | 1,224                     | 20,813  |
| Other                    | 11,347          | 3,234   | 1,254                     | 15,836  |
| Total                    | ¥61,809         | ¥23,492 | ¥3,576                    | ¥88,879 |

Note: ¥9,601 million (Buildings and structures), ¥18,367 million (Land), ¥809 million (Software), and ¥3,030 million (Other) are included in “Restructuring expenses” in the Consolidated Statements of Income.

Fiscal year ended February 28, 2019:

|                                   | Millions of yen |                                     |                           |         |
|-----------------------------------|-----------------|-------------------------------------|---------------------------|---------|
|                                   | Stores          | Overseas<br>ATM related<br>business | Other facilities,<br>etc. | Total   |
| Buildings and structures          | ¥24,424         | ¥26                                 | ¥368                      | ¥24,819 |
| Furniture, fixtures and equipment | 9,631           | 4,132                               | 51                        | 13,815  |
| Land                              | 5,224           | –                                   | 955                       | 6,179   |
| Software                          | 1,592           | 314                                 | 105                       | 2,012   |
| Other                             | 6,606           | 2,720                               | 1,214                     | 10,541  |
| Total                             | ¥47,480         | ¥7,193                              | ¥2,694                    | ¥57,368 |

Note: ¥1,144 million (Buildings and structures), ¥167 million (Furniture, fixtures and equipment), ¥196 million (Land), and ¥83 million (Other) are included in “Restructuring expenses” in the Consolidated Statements of Income.

Fiscal year ended February 29, 2020:

|                                   | Millions of yen |                                       |                           |         |
|-----------------------------------|-----------------|---------------------------------------|---------------------------|---------|
|                                   | Stores          | Digital and<br>settlement<br>services | Other facilities,<br>etc. | Total   |
| Buildings and structures          | ¥21,847         | ¥14                                   | ¥559                      | ¥22,420 |
| Furniture, fixtures and equipment | 2,504           | 22                                    | 66                        | 2,592   |
| Land                              | 2,392           | –                                     | 207                       | 2,599   |
| Software                          | 875             | 3,998                                 | 331                       | 5,205   |
| Other                             | 2,022           | 580                                   | 55                        | 2,658   |
| Total                             | ¥29,642         | ¥4,615                                | ¥1,219                    | ¥35,477 |

Note: ¥2,685 million (\$24,633 thousand) (Buildings and structures), ¥73 million (\$669 thousand) (Furniture, fixtures and equipment), and ¥121 million (\$1,110 thousand) (Other) are included in “Restructuring expenses” in the Consolidated Statements of Income. In addition, ¥14 million (\$128 thousand) (Buildings and structures), ¥22 million (\$201 thousand) (Furniture, fixtures and equipment), ¥3,998 million (\$36,678 thousand) (Software), and ¥580 million (\$5,321 thousand) (Other) are included in “Loss on digital and settlement services” in the Consolidated Statements of Income.

|                                   | Thousands of U.S. dollars (Note 3) |                                       |                           |           |
|-----------------------------------|------------------------------------|---------------------------------------|---------------------------|-----------|
|                                   | Stores                             | Digital and<br>settlement<br>services | Other facilities,<br>etc. | Total     |
| Buildings and structures          | \$200,431                          | \$128                                 | \$5,128                   | \$205,688 |
| Furniture, fixtures and equipment | 22,972                             | 201                                   | 605                       | 23,779    |
| Land                              | 21,944                             | –                                     | 1,899                     | 23,844    |
| Software                          | 8,027                              | 36,678                                | 3,036                     | 47,752    |
| Other                             | 18,550                             | 5,321                                 | 504                       | 24,385    |
| Total                             | \$271,944                          | \$42,339                              | \$11,183                  | \$325,477 |

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards etc., and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 1.7-6.0% discount rates in 2018, 3.1-11.5% in 2019 and 3.1-6.0% in 2020 were applied.

## 9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (1) Major non-cash transactions

|  | Millions of yen |        |        | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|--------|--------|--|
|  | 2018            | 2019   | 2020   | 2020                                     |
| Finance lease obligations for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year | ¥5,952          | ¥9,156 | ¥7,180 | \$65,871                                 |
| Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year                         | 6,554           | 10,378 | 13,276 | 121,798                                  |

### (2) Acquisition of business

The followings are the details of payment made by 7-Eleven, Inc. to acquire the assets and liabilities related to business acquisition.

|                        | Millions of yen |          |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|------------------------|-----------------|----------|---------|--|
|                        | 2018            | 2019     | 2020    | 2020                                     |
| Inventories            | ¥128            | ¥14,205  | ¥426    | \$3,908                                  |
| Goodwill               | 4,692           | 156,797  | 14,917  | 136,853                                  |
| Other                  | (103)           | 6,760    | 1,287   | 11,807                                   |
| Subtotal               | 4,717           | 177,763  | 16,631  | 152,577                                  |
| Property and equipment | 2,589           | 184,311  | 4,309   | 39,532                                   |
| Total                  | ¥7,307          | ¥362,075 | ¥20,941 | \$192,119                                |

The property and equipment set out above at an amount of ¥2,589 million, ¥184,311 million and ¥4,309 million (\$39,532 thousand) are included in acquisition of property and equipment in the Consolidated Statements of Cash Flows for the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.

## 10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different tax rates based on income which, in aggregate, indicate statutory rates of approximately 30.9% for the fiscal years ended February 28, 2018 and 2019, and 30.6% for the fiscal year ended February 29, 2020.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2018, 2019 and February 29, 2020 are as follows:

|  | Millions of<br>yen |           |           | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|--------------------|-----------|-----------|--|
|  | 2018               | 2019      | 2020      | 2020                                     |
| <b>Deferred tax assets:</b>  |                    |           |           |  |
| Allowance for bonuses to employees   | ¥4,642             | ¥4,344    | ¥4,397    | \$40,339                                 |
| Allowance for sales promotion expenses   | 5,870              | 5,679     | 5,509     | 50,541                                   |
| Accrued payroll  | 7,126              | 7,830     | 7,790     | 71,467                                   |
| Allowance for retirement benefits to Directors and Audit & Supervisory Board Members | 314                | 287       | 264       | 2,422                                    |
| Allowance for accrued pension and severance costs                                    | 1,242              | 859       | 1,003     | 9,201                                    |
| Allowance for loss on future collection of gift certificates                         | 499                | 408       | 349       | 3,201                                    |
| Depreciation and amortization  | 12,174             | 11,911    | 11,365    | 104,266                                  |
| Tax loss carried forward <sup>(a)</sup>  | 42,724             | 41,473    | 43,450    | 398,623                                  |
| Valuation loss on available-for-sale securities                                      | 1,045              | 1,045     | 3,943     | 36,174                                   |
| Allowance for doubtful accounts  | 1,776              | 1,629     | 1,734     | 15,908                                   |
| Unrealized loss on property and equipment  | 7,712              | 7,597     | 7,326     | 67,211                                   |
| Impairment loss on property and equipment valuation and loss on land                 | 57,219             | 62,794    | 58,563    | 537,275                                  |
| Accrued enterprise taxes and business office taxes                                   | 4,044              | 4,350     | 4,525     | 41,513                                   |
| Accrued expenses   | 13,014             | 9,823     | 11,248    | 103,192                                  |
| Asset retirement obligations   | 19,590             | 20,427    | 21,456    | 196,844                                  |
| Unearned revenue   | –                  | –         | 14,151    | 129,825                                  |
| Rights of trademark  | 1,235              | 1,110     | 263       | 2,412                                    |
| Other  | 21,422             | 19,861    | 20,463    | 187,733                                  |
| Subtotal   | 201,657            | 201,435   | 217,808   | 1,998,238                                |
| Valuation allowance for tax loss carried forward <sup>(a)</sup>                      | –                  | –         | (42,437)  | (389,330)                                |
| Valuation allowance for deductible temporary differences                             | –                  | –         | (41,123)  | (377,275)                                |
| Less: Valuation allowance  | (83,228)           | (83,178)  | (83,560)  | (766,605)                                |
| Total  | 118,429            | 118,257   | 134,247   | 1,231,623                                |
| <b>Deferred tax liabilities:</b>   |                    |           |           |  |
| Unrealized gains on property and equipment   | (35,271)           | (36,592)  | (63,453)  | (582,137)                                |
| Royalties, etc.  | (21,742)           | (27,702)  | (32,831)  | (301,201)                                |
| Reserve for advanced depreciation of property and equipment                          | (765)              | (751)     | (713)     | (6,541)                                  |
| Unrealized gains on available-for-sale securities                                    | (9,910)            | (10,931)  | (10,968)  | (100,623)                                |
| Net defined benefit asset  | (13,911)           | (13,360)  | (17,126)  | (157,119)                                |
| Unrealized intercompany profit   | (4,594)            | (4,594)   | (4,594)   | (42,146)                                 |
| Removal cost related to asset retirement obligations                                 | (7,550)            | (7,847)   | (7,789)   | (71,458)                                 |
| Other  | (3,777)            | (2,979)   | (3,648)   | (33,467)                                 |
| Total  | (97,525)           | (104,758) | (141,125) | (1,294,724)                              |
| Net deferred tax assets <sup>(b)</sup>   | ¥20,903            | ¥13,498   | ¥(6,878)  | \$(63,100)                               |



Notes:

(a) Tax loss carried forward and its deferred tax assets by expiration periods

|                              | Millions of yen |                                 |                                    |                                     |                                    |                  |            |
|------------------------------|-----------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|------------|
|                              | 2020            |                                 |                                    |                                     |                                    |                  |            |
|                              | Within one year | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years | Total      |
| Tax loss carried forward (*) | ¥2,175          | ¥4,269                          | ¥4,060                             | ¥4,783                              | ¥6,776                             | ¥21,384          | ¥43,450    |
| Valuation allowance          | 2,124           | 4,227                           | 4,060                              | 4,724                               | 6,767                              | 20,531           | 42,437     |
| Deferred tax assets          | 51              | 41                              | –                                  | 59                                  | 8                                  | 852              | (**) 1,012 |

|                              | Thousands of U.S. dollars (Note 3) |                                 |                                    |                                     |                                    |                  |            |
|------------------------------|------------------------------------|---------------------------------|------------------------------------|-------------------------------------|------------------------------------|------------------|------------|
|                              | 2020                               |                                 |                                    |                                     |                                    |                  |            |
|                              | Within one year                    | After one year within two years | After two years within three years | After three years within four years | After four years within five years | After five years | Total      |
| Tax loss carried forward (*) | \$19,954                           | \$39,165                        | \$37,247                           | \$43,880                            | \$62,165                           | \$196,183        | \$398,623  |
| Valuation allowance          | 19,486                             | 38,779                          | 37,247                             | 43,339                              | 62,082                             | 188,357          | 389,330    |
| Deferred tax assets          | 467                                | 376                             | –                                  | 541                                 | 73                                 | 7,816            | (**) 9,284 |

(\*) The amount of tax loss carried forward was calculated by using the statutory tax rate.

(\*\*) We judged the respective deferred tax assets related to tax loss carried forward as recoverable based on the estimated future taxable income.

(b) Net deferred tax assets are included in the assets and liabilities shown below.

|   | Millions of yen |          |          | Thousands of U.S. dollars (Note 3) |
|---|-----------------|----------|----------|------------------------------------|
|   | 2018            | 2019     | 2020     | 2020                               |
| Other assets - Deferred income taxes            | ¥56,038         | ¥57,424  | ¥57,071  | \$523,587                          |
| Non-current liabilities - Deferred income taxes | (35,134)        | (43,926) | (63,949) | (586,688)                          |

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2018, 2019 and February 29, 2020 is as follows:

|   | 2018  | 2019  | 2020  |
|---|-------|-------|-------|
| Statutory tax rate  | 30.9% | 30.9% | 30.6% |
| Adjustments:  |       |       |       |
| Equity in earnings of affiliates  | (0.2) | (0.1) | (0.1) |
| Non-deductible items, such as entertainment expenses                              | 0.3   | 0.4   | 0.4   |
| Decrease in valuation allowance   | 1.9   | (0.1) | 0.5   |
| Inhabitant taxes per capital  | 0.6   | 0.5   | 0.5   |
| Amortization of goodwill  | 1.9   | 2.6   | 2.1   |
| Difference from applicable tax rates of foreign subsidiaries                      | –     | (1.9) | (1.8) |
| Decrease in deferred tax assets at the fiscal year end due to changes in tax rate | (6.5) | –     | –     |
| Other   | (0.2) | 0.6   | 0.1   |
| Effective tax rate  | 28.7% | 32.9% | 32.1% |

## 11. RETIREMENT BENEFITS

### (1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries mainly provide the employee pension fund plan in the form of a defined benefit plan. The Company and some of its subsidiaries also provide an optional defined contribution pension plan. Some of the domestic subsidiaries provide a defined contribution pension plan or a lump severance payment plan. Additional retirement benefits may be added upon the retirement of employees.

Certain consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

**(2) Defined benefit plans, including a plan applying a simplified method****(a) Change in retirement benefit obligations**

|                                 | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|---------------------------------|-----------------|----------|----------|--|
|                                 | 2018            | 2019     | 2020     | 2020                                     |
| Balance at beginning of year    | ¥253,979        | ¥274,648 | ¥276,704 | \$2,538,568                              |
| Service cost                    | 11,729          | 12,973   | 13,037   | 119,605                                  |
| Interest cost                   | 2,744           | 1,603    | 1,655    | 15,183                                   |
| Actuarial differences           | 17,777          | 1,085    | 766      | 7,027                                    |
| Benefits paid                   | (11,603)        | (12,314) | (12,395) | (113,715)                                |
| Prior service cost              | 2               | –        | –        | –  |
| Decrease due to deconsolidation | –               | (1,319)  | –        | –  |
| Other                           | 18              | 27       | (94)     | (862)                                    |
| Balance at end of year          | ¥274,648        | ¥276,704 | ¥279,674 | \$2,565,816                              |

**(b) Change in plan assets**

|                                | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------------|-----------------|----------|----------|--|
|                                | 2018            | 2019     | 2020     | 2020                                     |
| Balance at beginning of year   | ¥289,444        | ¥311,083 | ¥312,837 | \$2,870,064                              |
| Expected return on plan assets | 7,210           | 7,750    | 6,243    | 57,275                                   |
| Actuarial differences          | 13,375          | (6,205)  | 7,934    | 72,788                                   |
| Employer contribution          | 11,788          | 11,891   | 11,919   | 109,348                                  |
| Benefits paid                  | (10,737)        | (11,682) | (11,893) | (109,110)                                |
| Balance at end of year         | ¥311,083        | ¥312,837 | ¥327,040 | \$3,000,366                              |

**(c) Reconciliation from retirement benefit obligations and plan assets to liabilities and assets for retirement benefits**

|   | Millions of yen |           |           | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|-----------|-----------|--|
|   | 2018            | 2019      | 2020      | 2020                                     |
| Funded retirement benefit obligations   | ¥265,463        | ¥269,170  | ¥271,054  | \$2,486,733                              |
| Plan assets                             | (311,083)       | (312,837) | (327,040) | (3,000,366)                              |
|   | (45,620)        | (43,666)  | (55,986)  | (513,633)                                |
| Unfunded retirement benefit obligations | 9,185           | 7,534     | 8,619     | 79,073                                   |
|   | ¥(36,435)       | ¥(36,132) | ¥(47,366) | \$(434,550)                              |
| Net defined benefit liability           | ¥9,185          | ¥7,534    | ¥8,619    | \$79,073                                 |
| Net defined benefit asset               | (45,620)        | (43,666)  | (55,986)  | (513,633)                                |
|   | ¥(36,435)       | ¥(36,132) | ¥(47,366) | \$(434,550)                              |

(d) Retirement benefit costs

|                                       | Millions of yen |         |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|---------------------------------------|-----------------|---------|---------|--|
|                                       | 2018            | 2019    | 2020    | 2020                                     |
| Service cost                          | ¥11,729         | ¥12,973 | ¥13,037 | \$119,605                                |
| Interest cost                         | 2,744           | 1,603   | 1,655   | 15,183                                   |
| Expected return on plan assets        | (7,210)         | (7,750) | (6,243) | (57,275)                                 |
| Amortization of actuarial differences | 4,180           | 2,730   | (2,566) | (23,541)                                 |
| Amortization of prior service cost    | (28)            | (236)   | (2)     | (18)                                     |
| Additional retirement benefits        | 610             | 911     | 264     | 2,422                                    |
| Total retirement benefit costs        | ¥12,025         | ¥10,231 | ¥6,144  | \$56,366                                 |

(e) Remeasurements of defined benefit plans (pretax) recognized in other comprehensive income

|                       | Millions of yen |          |        | Thousands of<br>U.S. dollars<br>(Note 3) |
|-----------------------|-----------------|----------|--------|--|
|                       | 2018            | 2019     | 2020   | 2020                                     |
| Prior service cost    | ¥(31)           | ¥(236)   | ¥(2)   | \$(18)                                   |
| Actuarial differences | (144)           | (4,513)  | 4,627  | 42,449                                   |
| Total                 | ¥(175)          | ¥(4,750) | ¥4,625 | \$42,431                                 |

(f) Remeasurements of defined benefit plans (pretax) recognized in accumulated other comprehensive income

|                                    | Millions of yen |        |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|------------------------------------|-----------------|--------|----------|--|
|                                    | 2018            | 2019   | 2020     | 2020                                     |
| Unrecognized prior service cost    | ¥(243)          | ¥(6)   | ¥(4)     | \$(36)                                   |
| Unrecognized actuarial differences | (5,409)         | (892)  | (5,519)  | (50,633)                                 |
| Total                              | ¥(5,652)        | ¥(898) | ¥(5,523) | \$(50,669)                               |

(g) Plan assets

(i) The asset allocation for the plans

|        | 2018 | 2019 | 2020 |
|--------|------|------|------|
| Bonds  | 45%  | 59%  | 59%  |
| Equity | 38%  | 30%  | 31%  |
| Other  | 17%  | 11%  | 10%  |
| Total  | 100% | 100% | 100% |

(ii) Method for setting long-term expected rate of return

To set the expected rate of return on plan assets, the Company takes into account the current and expected allocation of plan assets and the expected present and future long-term rate of return on the diverse range of assets that make up plan assets.

(h) Actuarial assumptions

|  | 2018        | 2019        | 2020        |
|--|-------------|-------------|-------------|
| Discount rate  | mainly 0.5% | mainly 0.5% | mainly 0.5% |
| Discount rate (consolidated subsidiaries in the United States) | 3.8%        | 4.4%        | 3.4%        |
| Long-term expected rate of return on plan assets               | mainly 2.5% | mainly 2.5% | mainly 2.0% |
| Expected rate of salary increase                               | mainly 2.9% | mainly 2.5% | mainly 2.5% |

**(3) Defined contribution plans**

Contribution made to the defined contribution plans by some of the Company's domestic consolidated subsidiaries and consolidated subsidiaries in the United States amounted to ¥3,125 million, ¥2,871 million and ¥4,987 million (\$45,752 thousand) for the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.

**12. SHORT-TERM LOANS AND LONG-TERM DEBT**

The following summarizes information concerning short-term loans:

|   | 2018     | 2019     | Millions of<br>yen | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|----------|----------|--------------------|--|
|   | 2018     | 2019     | 2020               | 2020                                     |
| Outstanding balance at fiscal year-end:     |          |          |                    |  |
| Short-term bank loans <sup>(a)</sup>        | ¥127,255 | ¥143,160 | ¥129,456           | \$1,187,669                              |
| Weighted-average interest rate at year-end: |          |          |                    |  |
| Short-term bank loans                       | 0.23%    | 0.21%    | 0.23%              | 0.23%                                    |

Note:

(a) The total amounts of short-term loans with collateral as of February 28, 2018, 2019 and February 29, 2020 were ¥3,795 million, nil and nil, respectively (Note 18).

Long-term debt as of February 28, 2018, 2019 and February 29, 2020 consists of the following:

|  | Millions of<br>yen |           |           | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|--------------------|-----------|-----------|--|
|  | 2018               | 2019      | 2020      | 2020                                     |
| Outstanding balance as of fiscal year-end:   |                    |           |           |  |
| Loans, principally from banks and insurance companies, due fiscal 2020 to 2030 with interest rates ranging from 0.08% to 6.0% <sup>(b)</sup> | ¥475,806           | ¥550,114  | ¥491,588  | \$4,509,981                              |
| Lease obligations  | 38,694             | 39,469    | 36,151    | 331,660                                  |
| Seven & i Holdings Co., Ltd.:  |                    |           |           |  |
| 1.940% unsecured straight bonds, due June 20, 2018   | 29,999             | –         | –         | –  |
| 1.399% unsecured straight bonds, due June 19, 2020   | 60,000             | 60,000    | 60,000    | 550,458                                  |
| 0.383% unsecured straight bonds, due June 20, 2019   | 40,000             | 40,000    | –         | –  |
| 0.671% unsecured straight bonds, due March 20, 2023  | 20,000             | 20,000    | 20,000    | 183,486                                  |
| 0.150% unsecured straight bonds, due June 20, 2018   | 30,000             | –         | –         | –  |
| 0.514% unsecured straight bonds, due June 20, 2022   | 60,000             | 60,000    | 60,000    | 550,458                                  |
| 0.781% unsecured straight bonds, due June 20, 2025   | 30,000             | 30,000    | 30,000    | 275,229                                  |
| 3.350% unsecured straight bonds, due September 17, 2021  | –                  | 66,914    | 66,915    | 613,899                                  |
| Seven Bank, Ltd.:  |                    |           |           |  |
| 0.613% unsecured straight bonds, due June 20, 2019   | 10,000             | 10,000    | –         | –  |
| 0.243% unsecured straight bonds, due March 20, 2018  | 15,000             | –         | –         | –  |
| 0.460% unsecured straight bonds, due March 19, 2020  | 20,000             | 20,000    | 20,000    | 183,486                                  |
| 0.803% unsecured straight bonds, due March 20, 2023  | 20,000             | 20,000    | 20,000    | 183,486                                  |
| 0.536% unsecured straight bonds, due December 20, 2024   | 15,000             | 15,000    | 15,000    | 137,614                                  |
| 0.390% unsecured straight bonds, due September 17, 2027  | 30,000             | 30,000    | 30,000    | 275,229                                  |
| 0.160% unsecured straight bonds, due December 20, 2023   | –                  | 20,000    | 20,000    | 183,486                                  |
| 0.385% unsecured straight bonds, due December 20, 2028   | –                  | 20,000    | 20,000    | 183,486                                  |
|  | 894,500            | 1,001,499 | 889,656   | 8,161,981                                |
| Current portion of long-term debt  | (173,816)          | (172,154) | (183,911) | (1,687,256)                              |
|  | ¥720,683           | ¥829,344  | ¥705,744  | \$6,474,715                              |

Note:

(b) The total amounts of long-term debt with collateral as of February 28, 2018, 2019 and February 29, 2020 were ¥8,739 million, ¥8,862 million and ¥9,947 million (\$91,256 thousand), respectively (Note 18).

The aggregate annual maturities of long-term debt are as follows:

| Fiscal year ending February 28 or 29: | Millions of yen | Thousands of U.S. dollars (Note 3) |
|---------------------------------------|-----------------|------------------------------------|
| 2021                                  | ¥183,911        | \$1,687,256                        |
| 2022                                  | 209,137         | 1,918,688                          |
| 2023                                  | 121,682         | 1,116,348                          |
| 2024                                  | 143,833         | 1,319,568                          |
| 2025                                  | 46,570          | 427,247                            |
| Thereafter                            | 184,521         | 1,692,853                          |
|                                       | ¥889,656        | \$8,161,981                        |

### 13. LEASES

#### Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2018, 2019 and February 29, 2020 are as follows:

As lessee:

|                     | Millions of yen |          |          | Thousands of U.S. dollars (Note 3) |
|---------------------|-----------------|----------|----------|------------------------------------|
|                     | 2018            | 2019     | 2020     | 2020                               |
| Due within one year | ¥91,193         | ¥98,736  | ¥100,796 | \$924,733                          |
| Due after one year  | 517,601         | 605,325  | 614,067  | 5,633,642                          |
| Total               | ¥608,795        | ¥704,061 | ¥714,864 | \$6,558,385                        |

As lessor:

|                     | Millions of yen |         |         | Thousands of U.S. dollars (Note 3) |
|---------------------|-----------------|---------|---------|------------------------------------|
|                     | 2018            | 2019    | 2020    | 2020                               |
| Due within one year | ¥4,070          | ¥6,403  | ¥8,715  | \$79,954                           |
| Due after one year  | 12,677          | 18,619  | 22,934  | 210,403                            |
| Total               | ¥16,747         | ¥25,022 | ¥31,649 | \$290,357                          |

### 14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2018, 2019 and February 29, 2020:

#### (1) Summary of asset retirement obligations

Asset retirement obligations recorded by the Companies are mainly related to the obligations to restore stores to their original condition upon termination of their lease contracts.

#### (2) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Companies estimate terms of use between 1 and 50 years and use a discount rate between 0% and 8.3%

**(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2018, 2019 and February 29, 2020**

|  | Millions of yen |         |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|---------|---------|--|
|  | 2018            | 2019    | 2020    | 2020                                     |
| Balance at beginning of year                                     | ¥83,672         | ¥81,390 | ¥87,850 | \$805,963                                |
| Increase due to acquisition of property and equipment            | 5,576           | 9,958   | 4,358   | 39,981                                   |
| Adjustment due to passage of time                                | 1,285           | 1,434   | 1,389   | 12,743                                   |
| Decrease due to settlement of asset retirement obligations       | (7,271)         | (3,873) | (3,161) | (29,000)                                 |
| Decrease due to release from restoration obligations             | (181)           | (25)    | –       | –  |
| Increase (decrease) due to change in estimation                  | (263)           | 53      | 7,528   | 69,064                                   |
| Decrease due to reconciliation of estimated cost and actual cost | (838)           | (569)   | (143)   | (1,311)                                  |
| Others   | (587)           | (517)   | (482)   | (4,422)                                  |
| Balance at end of year   | ¥81,390         | ¥87,850 | ¥97,339 | \$893,018                                |

**(4) Change in estimation**

For the fiscal years ended February 28, 2018, 2019 and February 29, 2020, the estimated amount for restoration expenses and the expected period of use for asset retirement obligation recognized for the restoration have been revised based on the latest information about the actual restoration expenses, etc. As a result of this revision, asset retirement obligation decreased by ¥263 million, and increased by ¥53 million and ¥7,528 million (\$69,064 thousand), respectively, from the balance of asset retirement obligation before revision.

(Change in presentation)

“Increase (decrease) due to change in estimation” which was previously included in “Others” was reclassified as a separate line item effective from the fiscal year ended February 29, 2020 due to the increase of its materiality. The respective item at February 28, 2018 and 2019 in the amount of ¥(263) million and ¥53 million, respectively, was accordingly reclassified in order to reflect this change.

## 15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) including reclassification adjustments and tax effects for the fiscal years ended February 28, 2018, 2019 and February 29, 2020 are as follows:

|   | Millions of yen  |                  |                 | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|------------------|------------------|-----------------|--|
|   | 2018             | 2019             | 2020            | 2020                                     |
| Unrealized losses on available-for-sale securities, net of taxes:                         |                  |                  |                 |  |
| Increase (decrease) during the fiscal year  | ¥(566)           | ¥(504)           | ¥174            | \$1,596                                  |
| Reclassification adjustments  | 3                | 11               | 60              | 550                                      |
| Amount before tax   | (563)            | (493)            | 234             | 2,146                                    |
| Tax effects   | (0)              | (1,019)          | (447)           | (4,100)                                  |
| Subtotal  | (563)            | (1,512)          | (212)           | (1,944)                                  |
| Unrealized gains (losses) on hedging derivatives, net of taxes:                           |                  |                  |                 |  |
| Increase (decrease) during the fiscal year  | (156)            | 18               | (277)           | (2,541)                                  |
| Reclassification adjustments  | –                | 0                | –               | –  |
| Amount before tax   | (156)            | 19               | (277)           | (2,541)                                  |
| Tax effects   | 47               | (3)              | 68              | 623                                      |
| Subtotal  | (108)            | 15               | (209)           | (1,917)                                  |
| Foreign currency translation adjustments:   |                  |                  |                 |  |
| Decrease during the fiscal year   | (10,008)         | (23,298)         | (6,340)         | (58,165)                                 |
| Remeasurements of defined benefit plans, net of taxes:                                    |                  |                  |                 |  |
| Increase (decrease) during the fiscal year  | (4,328)          | (7,290)          | 7,168           | 65,761                                   |
| Reclassification adjustments  | 4,152            | 2,539            | (2,543)         | (23,330)                                 |
| Amount before tax   | (175)            | (4,750)          | 4,625           | 42,431                                   |
| Tax effects   | 69               | 1,478            | (1,802)         | (16,532)                                 |
| Subtotal  | (106)            | (3,272)          | 2,822           | 25,889                                   |
| Share of other comprehensive income (loss) of entities accounted for using equity method: |                  |                  |                 |  |
| Decrease during the fiscal year   | (36)             | (28)             | (12)            | (110)                                    |
| <b>Total other comprehensive income (loss)</b>  | <b>¥(10,823)</b> | <b>¥(28,096)</b> | <b>¥(3,952)</b> | <b>\$(36,256)</b>                        |



## 16. NET ASSETS

Net assets are comprised of four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and non-controlling interests.

Under the Japanese Companies Act ("the Act") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Act, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Act.

At the annual shareholders' meeting held on May 28, 2020, the shareholders approved cash dividends amounting to ¥45,115 million (\$413,899 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 29, 2020 because those are recognized in the period in which they are approved by the shareholders. The total amount of cash dividends includes ¥89 million (\$816 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(Significant variance in the amount of shareholders' equity)

Subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)" from the fiscal year ended February 29, 2020. The effect associated with this adjustment is described in "2. Summary of Significant Accounting Policies (19) Changes in significant accounting policies for the preparation of Consolidated Financial Statements."

## 17. STOCK OPTIONS

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of Income for the fiscal years ended February 28, 2018, 2019 and February 29, 2020 amounted to ¥478 million, ¥491 million and nil, respectively.

### (1) The Company

#### (a) Outline of stock options

|  | First grant                             | Second grant  |
|--|---|---|
| Title and number of grantees           | 4 directors of the Company              | 92 executive officers of the Company and directors and executive officers of subsidiaries of the Company  |
| Number of stock options <sup>(a)</sup> | 15,900 ordinary shares                  | 95,800 ordinary shares  |
| Grant date                             | August 6, 2008                          | August 6, 2008  |
| Exercise condition                     | (b)                                     | (b)   |
| Intended service period                | No provisions                           | No provisions   |
| Exercise period                        | From May 1, 2009 to August 6, 2028      | From August 7, 2009 to August 6, 2038   |
|  | Third grant                             | Fourth grant  |
| Title and number of grantees           | 6 directors of the Company              | 106 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 24,000 ordinary shares                  | 129,700 ordinary shares   |
| Grant date                             | June 15, 2009                           | June 15, 2009   |
| Exercise condition                     | (b)                                     | (b)   |
| Intended service period                | No provisions                           | No provisions   |
| Exercise period                        | From February 28, 2010 to June 15, 2029 | From February 28, 2010 to June 15, 2039   |
|  | Fifth grant                             | Sixth grant   |
| Title and number of grantees           | 6 directors of the Company              | 115 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 21,100 ordinary shares                  | 114,400 ordinary shares   |
| Grant date                             | June 16, 2010                           | July 2, 2010  |
| Exercise condition                     | (b)                                     | (b)   |
| Intended service period                | No provisions                           | No provisions   |
| Exercise period                        | From February 28, 2011 to June 16, 2030 | From February 28, 2011 to July 2, 2040  |
|  | Seventh grant                           | Eighth grant  |
| Title and number of grantees           | 6 directors of the Company              | 121 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 25,900 ordinary shares                  | 128,000 ordinary shares   |
| Grant date                             | June 15, 2011                           | June 15, 2011   |
| Exercise condition                     | (b)                                     | (b)   |
| Intended service period                | No provisions                           | No provisions   |
| Exercise period                        | From February 29, 2012 to June 15, 2031 | From February 29, 2012 to June 15, 2041   |

|  | Ninth grant                              | Tenth grant   |
|--|--|---|
| Title and number of grantees           | 7 directors of the Company               | 118 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 27,000 ordinary shares                   | 126,100 ordinary shares   |
| Grant date                             | July 6, 2012                             | July 6, 2012  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2013 to July 6, 2032   | From February 28, 2013 to July 6, 2042  |
|  | Eleventh grant                           | Twelfth grant   |
| Title and number of grantees           | 7 directors of the Company               | 108 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 24,900 ordinary shares                   | 110,500 ordinary shares   |
| Grant date                             | August 7, 2013                           | August 7, 2013  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2014 to August 7, 2033 | From February 28, 2014 to August 7, 2043  |
|  | Thirteenth grant                         | Fourteenth grant  |
| Title and number of grantees           | 7 directors of the Company               | 113 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 24,000 ordinary shares                   | 102,800 ordinary shares   |
| Grant date                             | August 6, 2014                           | August 6, 2014  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2015 to August 6, 2034 | From February 28, 2015 to August 6, 2044  |
|  | Fifteenth grant                          | Sixteenth grant   |
| Title and number of grantees           | 8 directors of the Company               | 114 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 28,100 ordinary shares                   | 101,800 ordinary shares   |
| Grant date                             | August 5, 2015                           | August 5, 2015  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 29, 2016 to August 5, 2035 | From February 29, 2016 to August 5, 2045  |
|  | Seventeenth grant                        | Eighteenth grant  |
| Title and number of grantees           | 7 directors of the Company               | 107 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 16,500 ordinary shares                   | 86,800 ordinary shares  |
| Grant date                             | August 3, 2016                           | August 3, 2016  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2017 to August 3, 2036 | From February 28, 2017 to August 3, 2046  |

|  | Nineteenth grant                         | Twentieth grant   |
|--|--|---|
| Title and number of grantees           | 6 directors of the Company               | 115 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 16,100 ordinary shares                   | 110,700 ordinary shares   |
| Grant date                             | August 4, 2017                           | August 4, 2017  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2018 to August 4, 2037 | From February 28, 2018 to August 4, 2047  |
|  | Twenty-first grant                       | Twenty-second grant   |
| Title and number of grantees           | 7 directors of the Company               | 112 executive officers of the Company and directors and executive officers of subsidiaries of the Company |
| Number of stock options <sup>(a)</sup> | 18,200 ordinary shares                   | 111,100 ordinary shares   |
| Grant date                             | August 3, 2018                           | August 3, 2018  |
| Exercise condition                     | (b)                                      | (b)   |
| Intended service period                | No provisions                            | No provisions   |
| Exercise period                        | From February 28, 2019 to August 3, 2038 | From February 28, 2019 to August 3, 2048  |

Notes:

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.

(b) Within 10 days from the day following the day that a subscription holder loses their position as a director or executive officer of the Company or of its subsidiaries.

**(b) Scale and changes in stock options**

The following describes the scale and changes in stock options that existed during the fiscal year ended February 29, 2020. The number of stock options is translated into the number of shares.

**Fiscal year ended February 29, 2020:****Number of stock options**

|                         | First grant | Second grant | Third grant    | Fourth grant  |
|-------------------------|-------------|--------------|----------------|---------------|
| <b>Before vested:</b>   |             |              |                |               |
| As of February 28, 2019 | –           | –            | –              | –             |
| Granted                 | –           | –            | –              | –             |
| Forfeited               | –           | –            | –              | –             |
| Vested                  | –           | –            | –              | –             |
| Outstanding             | –           | –            | –              | –             |
| <b>After vested:</b>    |             |              |                |               |
| As of February 28, 2019 | 1,800       | 21,400       | 4,100          | 29,400        |
| Vested                  | –           | –            | –              | –             |
| Exercised               | –           | 1,400        | –              | 1,400         |
| Forfeited               | 1,800       | 20,000       | 4,100          | 28,000        |
| Outstanding             | –           | –            | –              | –             |
|                         | Fifth grant | Sixth grant  | Seventh grant  | Eighth grant  |
| <b>Before vested:</b>   |             |              |                |               |
| As of February 28, 2019 | –           | –            | –              | –             |
| Granted                 | –           | –            | –              | –             |
| Forfeited               | –           | –            | –              | –             |
| Vested                  | –           | –            | –              | –             |
| Outstanding             | –           | –            | –              | –             |
| <b>After vested:</b>    |             |              |                |               |
| As of February 28, 2019 | 3,800       | 33,200       | 4,700          | 48,100        |
| Vested                  | –           | –            | –              | –             |
| Exercised               | –           | 1,400        | –              | 2,100         |
| Forfeited               | 3,800       | 31,800       | 4,700          | 46,000        |
| Outstanding             | –           | –            | –              | –             |
|                         | Ninth grant | Tenth grant  | Eleventh grant | Twelfth grant |
| <b>Before vested:</b>   |             |              |                |               |
| As of February 28, 2019 | –           | –            | –              | –             |
| Granted                 | –           | –            | –              | –             |
| Forfeited               | –           | –            | –              | –             |
| Vested                  | –           | –            | –              | –             |
| Outstanding             | –           | –            | –              | –             |
| <b>After vested:</b>    |             |              |                |               |
| As of February 28, 2019 | 4,500       | 52,200       | 4,100          | 53,200        |
| Vested                  | –           | –            | –              | –             |
| Exercised               | –           | 1,400        | –              | 1,400         |
| Forfeited               | 4,500       | 50,800       | 4,100          | 51,800        |
| Outstanding             | –           | –            | –              | –             |

|                         | Thirteenth grant   | Fourteenth grant    | Fifteenth grant  | Sixteenth grant |
|-------------------------|--------------------|---------------------|------------------|-----------------|
| <b>Before vested:</b>   |                    |                     |                  |                 |
| As of February 28, 2019 | –                  | –                   | –                | –               |
| Granted                 | –                  | –                   | –                | –               |
| Forfeited               | –                  | –                   | –                | –               |
| Vested                  | –                  | –                   | –                | –               |
| Outstanding             | –                  | –                   | –                | –               |
| <b>After vested:</b>    |                    |                     |                  |                 |
| As of February 28, 2019 | 3,800              | 58,200              | 6,800            | 67,500          |
| Vested                  | –                  | –                   | –                | –               |
| Exercised               | –                  | 1,700               | –                | 3,700           |
| Forfeited               | 3,800              | 56,500              | 3,800            | 63,800          |
| Outstanding             | –                  | –                   | 3,000            | –               |
|                         | Seventeenth grant  | Eighteenth grant    | Nineteenth grant | Twentieth grant |
| <b>Before vested:</b>   |                    |                     |                  |                 |
| As of February 28, 2019 | –                  | –                   | –                | –               |
| Granted                 | –                  | –                   | –                | –               |
| Forfeited               | –                  | –                   | –                | –               |
| Vested                  | –                  | –                   | –                | –               |
| Outstanding             | –                  | –                   | –                | –               |
| <b>After vested:</b>    |                    |                     |                  |                 |
| As of February 28, 2019 | 12,400             | 64,300              | 16,100           | 102,300         |
| Vested                  | –                  | –                   | –                | –               |
| Exercised               | –                  | 3,700               | –                | 5,200           |
| Forfeited               | 9,400              | 60,600              | 13,100           | 96,100          |
| Outstanding             | 3,000              | –                   | 3,000            | 1,000           |
|                         | Twenty-first grant | Twenty-second grant |                  |                 |
| <b>Before vested:</b>   |                    |                     |                  |                 |
| As of February 28, 2019 | –                  | –                   |                  |                 |
| Granted                 | –                  | –                   |                  |                 |
| Forfeited               | –                  | –                   |                  |                 |
| Vested                  | –                  | –                   |                  |                 |
| Outstanding             | –                  | –                   |                  |                 |
| <b>After vested:</b>    |                    |                     |                  |                 |
| As of February 28, 2019 | 18,200             | 111,100             |                  |                 |
| Vested                  | –                  | –                   |                  |                 |
| Exercised               | –                  | 5,200               |                  |                 |
| Forfeited               | 15,200             | 104,900             |                  |                 |
| Outstanding             | 3,000              | 1,000               |                  |                 |

Note: Stock options were forfeited due to a shift to the Stock Compensation Plan using Directors' Compensation BIP Trust and the ESOP Trust.

## Price information

|   | First grant                                  | Second grant                                 | Third grant                                  | Fourth grant                                 |
|---|--|--|--|--|
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,535 (\$41.6) per subscription to share    | –  | ¥4,535 (\$41.6) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥307,000 (\$2,816) per subscription to share | ¥311,300 (\$2,855) per subscription to share | ¥204,500 (\$1,876) per subscription to share | ¥211,100 (\$1,936) per subscription to share |
|   | Fifth grant                                  | Sixth grant                                  | Seventh grant                                | Eighth grant                                 |
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,535 (\$41.6) per subscription to share    | –  | ¥4,535 (\$41.6) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥185,000 (\$1,697) per subscription to share | ¥168,900 (\$1,549) per subscription to share | ¥188,900 (\$1,733) per subscription to share | ¥185,300 (\$1,700) per subscription to share |
|   | Ninth grant                                  | Tenth grant                                  | Eleventh grant                               | Twelfth grant                                |
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,535 (\$41.6) per subscription to share    | –  | ¥4,535 (\$41.6) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥216,400 (\$1,985) per subscription to share | ¥206,400 (\$1,893) per subscription to share | ¥345,700 (\$3,171) per subscription to share | ¥330,600 (\$3,033) per subscription to share |
|   | Thirteenth grant                             | Fourteenth grant                             | Fifteenth grant                              | Sixteenth grant                              |
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,535 (\$41.6) per subscription to share    | –  | ¥4,398 (\$40.3) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥388,500 (\$3,564) per subscription to share | ¥383,700 (\$3,520) per subscription to share | ¥533,000 (\$4,889) per subscription to share | ¥545,500 (\$5,004) per subscription to share |
|   | Seventeenth grant                            | Eighteenth grant                             | Nineteenth grant                             | Twentieth grant                              |
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,398 (\$40.3) per subscription to share    | –  | ¥4,405 (\$40.4) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥361,300 (\$3,314) per subscription to share | ¥381,600 (\$3,500) per subscription to share | ¥369,800 (\$3,392) per subscription to share | ¥380,800 (\$3,493) per subscription to share |

|   | Twenty-first grant                           | Twenty-second grant                          |
|---|--|--|
| Exercise price                              | ¥1 (\$0.009) per share                       | ¥1 (\$0.009) per share                       |
| Average exercise price                      | –  | ¥4,405 (\$40.4) per subscription to share    |
| Fair value at the grant date <sup>(a)</sup> | ¥380,600 (\$3,491) per subscription to share | ¥380,400 (\$3,489) per subscription to share |

Note:

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 ordinary shares of the Company.

**(c) Estimation of the number of stock options vested**

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.



**(2) Seven Bank, Ltd.****(a) Outline of stock options**

|  | First grant-1                            | Second grant-1                           |
|--|--|--|
| Title and number of grantees           | 5 directors of Seven Bank, Ltd.          | 4 directors of Seven Bank, Ltd.          |
| Number of stock options <sup>(a)</sup> | 184,000 ordinary shares                  | 171,000 ordinary shares                  |
| Grant date                             | August 12, 2008                          | August 3, 2009                           |
| Exercise condition                     | (b)                                      | (b)                                      |
| Intended service period                | No provisions                            | No provisions                            |
| Exercise period                        | From August 13, 2008 to August 12, 2038  | From August 4, 2009 to August 3, 2039    |
|  | <b>Second grant-2</b>                    | <b>Third grant-1</b>                     |
| Title and number of grantees           | 5 executive officers of Seven Bank, Ltd. | 5 directors of Seven Bank, Ltd.          |
| Number of stock options <sup>(a)</sup> | 38,000 ordinary shares                   | 423,000 ordinary shares                  |
| Grant date                             | August 3, 2009                           | August 9, 2010                           |
| Exercise condition                     | (c)                                      | (b)                                      |
| Intended service period                | No provisions                            | No provisions                            |
| Exercise period                        | From August 4, 2009 to August 3, 2039    | From August 10, 2010 to August 9, 2040   |
|  | <b>Fourth grant-1</b>                    | <b>Fourth grant-2</b>                    |
| Title and number of grantees           | 5 directors of Seven Bank, Ltd.          | 8 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 440,000 ordinary shares                  | 118,000 ordinary shares                  |
| Grant date                             | August 8, 2011                           | August 8, 2011                           |
| Exercise condition                     | (b)                                      | (c)                                      |
| Intended service period                | No provisions                            | No provisions                            |
| Exercise period                        | From August 9, 2011 to August 8, 2041    | From August 9, 2011 to August 8, 2041    |
|  | <b>Fifth grant-1</b>                     | <b>Fifth grant-2</b>                     |
| Title and number of grantees           | 6 directors of Seven Bank, Ltd.          | 7 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 363,000 ordinary shares                  | 77,000 ordinary shares                   |
| Grant date                             | August 6, 2012                           | August 6, 2012                           |
| Exercise condition                     | (b)                                      | (c)                                      |
| Intended service period                | No provisions                            | No provisions                            |
| Exercise period                        | From August 7, 2012 to August 6, 2042    | From August 7, 2012 to August 6, 2042    |
|  | <b>Sixth grant-1</b>                     | <b>Sixth grant-2</b>                     |
| Title and number of grantees           | 6 directors of Seven Bank, Ltd.          | 7 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 216,000 ordinary shares                  | 43,000 ordinary shares                   |
| Grant date                             | August 5, 2013                           | August 5, 2013                           |
| Exercise condition                     | (b)                                      | (c)                                      |
| Intended service period                | No provisions                            | No provisions                            |
| Exercise period                        | From August 6, 2013 to August 5, 2043    | From August 6, 2013 to August 5, 2043    |

|  | Seventh grant-1                       | Seventh grant-2                          |
|--|---------------------------------------|--|
| Title and number of grantees           | 6 directors of Seven Bank, Ltd.       | 8 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 193,000 ordinary shares               | 44,000 ordinary shares                   |
| Grant date                             | August 4, 2014                        | August 4, 2014                           |
| Exercise condition                     | (b)                                   | (c)                                      |
| Intended service period                | No provisions                         | No provisions                            |
| Exercise period                        | From August 5, 2014 to August 4, 2044 | From August 5, 2014 to August 4, 2044    |

|  | Eighth grant-1                          | Eighth grant-2                           |
|--|---|--|
| Title and number of grantees           | 6 directors of Seven Bank, Ltd.         | 9 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 138,000 ordinary shares                 | 39,000 ordinary shares                   |
| Grant date                             | August 10, 2015                         | August 10, 2015                          |
| Exercise condition                     | (b)                                     | (c)                                      |
| Intended service period                | No provisions                           | No provisions                            |
| Exercise period                        | From August 11, 2015 to August 10, 2045 | From August 11, 2015 to August 10, 2045  |

|  | Ninth grant-1                         | Ninth grant-2                            |
|--|---------------------------------------|--|
| Title and number of grantees           | 6 directors of Seven Bank, Ltd.       | 9 executive officers of Seven Bank, Ltd. |
| Number of stock options <sup>(a)</sup> | 278,000 ordinary shares               | 72,000 ordinary shares                   |
| Grant date                             | August 8, 2016                        | August 8, 2016                           |
| Exercise condition                     | (b)                                   | (c)                                      |
| Intended service period                | No provisions                         | No provisions                            |
| Exercise period                        | From August 9, 2016 to August 8, 2046 | From August 9, 2016 to August 8, 2046    |

Notes:

- (a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
- (b) Within 10 days from the day following the day that a subscription holder loses their position as a director of Seven Bank, Ltd.
- (c) Within 10 days from the day following the day that a subscription holder loses their position as an executive officer of Seven Bank, Ltd.

**(b) Scale and changes in stock options**

The following describes the scale and changes in stock options that existed during the fiscal year ended February 29, 2020. The number of stock options is translated into the number of shares.

**Fiscal year ended February 29, 2020:****Number of stock options**

|                         | First grant-1  | Second grant-1 | Second grant-2  | Third grant-1   |
|-------------------------|----------------|----------------|-----------------|-----------------|
| <b>Before vested:</b>   |                |                |                 |                 |
| As of February 28, 2019 | –              | –              | –               | –               |
| Granted                 | –              | –              | –               | –               |
| Forfeited               | –              | –              | –               | –               |
| Vested                  | –              | –              | –               | –               |
| Outstanding             | –              | –              | –               | –               |
| <b>After vested:</b>    |                |                |                 |                 |
| As of February 28, 2019 | 45,000         | 55,000         | 9,000           | 180,000         |
| Vested                  | –              | –              | –               | –               |
| Exercised               | –              | –              | –               | –               |
| Forfeited               | –              | –              | –               | –               |
| Outstanding             | 45,000         | 55,000         | 9,000           | 180,000         |
|                         | Fourth grant-1 | Fourth grant-2 | Fifth grant-1   | Fifth grant-2   |
| <b>Before vested:</b>   |                |                |                 |                 |
| As of February 28, 2019 | –              | –              | –               | –               |
| Granted                 | –              | –              | –               | –               |
| Forfeited               | –              | –              | –               | –               |
| Vested                  | –              | –              | –               | –               |
| Outstanding             | –              | –              | –               | –               |
| <b>After vested:</b>    |                |                |                 |                 |
| As of February 28, 2019 | 187,000        | 42,000         | 171,000         | 30,000          |
| Vested                  | –              | –              | –               | –               |
| Exercised               | –              | 29,000         | 25,000          | 10,000          |
| Forfeited               | –              | –              | –               | –               |
| Outstanding             | 187,000        | 13,000         | 146,000         | 20,000          |
|                         | Sixth grant-1  | Sixth grant-2  | Seventh grant-1 | Seventh grant-2 |
| <b>Before vested:</b>   |                |                |                 |                 |
| As of February 28, 2019 | –              | –              | –               | –               |
| Granted                 | –              | –              | –               | –               |
| Forfeited               | –              | –              | –               | –               |
| Vested                  | –              | –              | –               | –               |
| Outstanding             | –              | –              | –               | –               |
| <b>After vested:</b>    |                |                |                 |                 |
| As of February 28, 2019 | 107,000        | 15,000         | 98,000          | 23,000          |
| Vested                  | –              | –              | –               | –               |
| Exercised               | 14,000         | 5,000          | 17,000          | 5,000           |
| Forfeited               | –              | –              | –               | –               |
| Outstanding             | 93,000         | 10,000         | 81,000          | 18,000          |

|                         | Eighth grant-1 | Eighth grant-2 | Ninth grant-1 | Ninth grant-2 |
|-------------------------|----------------|----------------|---------------|---------------|
| <b>Before vested:</b>   |                |                |               |               |
| As of February 28, 2019 | –              | –              | –             | –             |
| Granted                 | –              | –              | –             | –             |
| Forfeited               | –              | –              | –             | –             |
| Vested                  | –              | –              | –             | –             |
| Outstanding             | –              | –              | –             | –             |
| <b>After vested:</b>    |                |                |               |               |
| As of February 28, 2019 | 70,000         | 24,000         | 185,000       | 57,000        |
| Vested                  | –              | –              | –             | –             |
| Exercised               | 12,000         | 5,000          | 25,000        | 18,000        |
| Forfeited               | –              | –              | –             | –             |
| Outstanding             | 58,000         | 19,000         | 160,000       | 39,000        |

### Price information

|   | First grant-1   | Second grant-1  | Second grant-2  | Third grant-1   |
|---|---|---|---|---|
| Exercise price                              | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               |
| Average exercise price                      | –   | –   | –   | –   |
| Fair value at the grant date <sup>(a)</sup> | ¥236,480<br>(\$2,169) per sub-<br>scription to<br>share | ¥221,862<br>(\$2,035) per sub-<br>scription to<br>share | ¥221,862<br>(\$2,035) per sub-<br>scription to<br>share | ¥139,824<br>(\$1,282) per sub-<br>scription to<br>share |

|   | Fourth grant-1  | Fourth grant-2  | Fifth grant-1   | Fifth grant-2   |
|---|---|---|---|---|
| Exercise price                              | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               |
| Average exercise price                      | –   | ¥279 (\$2.5) per<br>subscription to<br>share            | ¥277 (\$2.5) per<br>subscription to<br>share            | ¥282 (\$2.5) per<br>subscription to<br>share            |
| Fair value at the grant date <sup>(a)</sup> | ¥127,950<br>(\$1,173) per sub-<br>scription to<br>share | ¥127,950<br>(\$1,173) per sub-<br>scription to<br>share | ¥175,000<br>(\$1,605) per sub-<br>scription to<br>share | ¥175,000<br>(\$1,605) per sub-<br>scription to<br>share |

|   | Sixth grant-1   | Sixth grant-2   | Seventh grant-1   | Seventh grant-2   |
|---|---|---|---|---|
| Exercise price                              | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               |
| Average exercise price                      | ¥277 (\$2.5) per<br>subscription to<br>share            | ¥282 (\$2.5) per<br>subscription to<br>share            | ¥277 (\$2.5) per<br>subscription to<br>share            | ¥282 (\$2.5) per<br>subscription to<br>share            |
| Fair value at the grant date <sup>(a)</sup> | ¥312,000<br>(\$2,862) per sub-<br>scription to<br>share | ¥312,000<br>(\$2,862) per sub-<br>scription to<br>share | ¥370,000<br>(\$3,394) per sub-<br>scription to<br>share | ¥370,000<br>(\$3,394) per sub-<br>scription to<br>share |

|   | Eighth grant-1  | Eighth grant-2  | Ninth grant-1   | Ninth grant-2   |
|---|---|---|---|---|
| Exercise price                              | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               | ¥1 (\$0.009)<br>per share                               |
| Average exercise price                      | ¥277 (\$2.5) per<br>subscription to<br>share            | ¥282 (\$2.5) per<br>subscription to<br>share            | ¥277 (\$2.5) per<br>subscription to<br>share            | ¥290 (\$2.6) per<br>subscription to<br>share            |
| Fair value at the grant date <sup>(a)</sup> | ¥537,000<br>(\$4,926) per sub-<br>scription to<br>share | ¥537,000<br>(\$4,926) per sub-<br>scription to<br>share | ¥302,000<br>(\$2,770) per sub-<br>scription to<br>share | ¥302,000<br>(\$2,770) per sub-<br>scription to<br>share |

Note:

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 ordinary shares of Seven Bank, Ltd.

**(c) Estimation of the number of stock options vested**

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.

**18. COMMITMENTS AND CONTINGENT LIABILITIES****(1) Guarantees**

As of February 28, 2018

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥95 million.

As of February 28, 2019

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥134 million.

As of February 29, 2020

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥69 million (\$633 thousand).

**(2) Pledged assets**

**(a) The amount of assets pledged as collateral by the Companies for their loans from certain financial institutions as of February 28, 2018, 2019 and February 29, 2020 is as follows:**

|                              | Millions of yen |                |                | Thousands of<br>U.S. dollars<br>(Note 3) |
|------------------------------|-----------------|----------------|----------------|--|
|                              | 2018            | 2019           | 2020           | 2020                                     |
| Buildings and structures     | ¥2,854          | ¥563           | ¥523           | \$4,798                                  |
| Land                         | 3,537           | 1,258          | 1,258          | 11,541                                   |
| Investments in securities    | 59,345          | 74,135         | 62,099         | 569,715                                  |
| Long-term leasehold deposits | 4,661           | 4,564          | 4,499          | 41,275                                   |
| <b>Total</b>                 | <b>¥70,398</b>  | <b>¥80,522</b> | <b>¥68,380</b> | <b>\$627,339</b>                         |

Debts for the pledged assets above as of February 28, 2018 are as follows: short-term loans, ¥3,795 million; long-term loans (including current portion), ¥8,739 million; and long-term deposits received from tenants and franchised stores, ¥36 million.

Debts for the pledged assets above as of February 28, 2019 are as follows: long-term loans (including current portion), ¥8,862 million.

Debts for the pledged assets above as of February 29, 2020 are as follows: long-term loans (including current portion), ¥9,947 million (\$91,256 thousand).

**(b) The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2018, 2019 and February 29, 2020 is as follows:**

|                          | Millions of yen |               |               | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------|-----------------|---------------|---------------|--|
|                          | 2018            | 2019          | 2020          | 2020                                     |
| Buildings and structures | ¥348            | ¥327          | ¥306          | \$2,807                                  |
| Land                     | 1,368           | 1,331         | 1,331         | 12,211                                   |
| <b>Total</b>             | <b>¥1,717</b>   | <b>¥1,658</b> | <b>¥1,637</b> | <b>\$15,018</b>                          |

Debts of affiliates for the pledged assets above as of February 28, 2018, 2019 and February 29, 2020 are ¥2,843 million, ¥2,743 million and ¥2,651 million (\$24,321 thousand), respectively.

**(c) Other**

As of February 28, 2018

The amounts of assets pledged as collateral for fund transfer and real estate business are ¥2,504 million and ¥55 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥340 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2019

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥829 million and ¥400 million, respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million and ¥1,335 million, respectively. In addition, ¥452 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2020

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥1,543 million (\$14,155 thousand) and ¥800 million (\$7,339 thousand), respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million (\$504 thousand) and ¥1,334 million (\$12,238 thousand), respectively. In addition, ¥382 million (\$3,504 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

### (3) Cash loan business

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2018, 2019 and February 29, 2020 is as follows:

|   | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|----------|----------|--|
|   | 2018            | 2019     | 2020     | 2020                                     |
| Credit availability of cash loan business | ¥856,256        | ¥857,286 | ¥855,436 | \$7,848,036                              |
| Outstanding balance                       | (45,041)        | (44,855) | (45,407) | (416,577)                                |
| Unused credit balance                     | ¥811,215        | ¥812,430 | ¥810,029 | \$7,431,458                              |

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical record. Some financial subsidiaries will cease finance services or reduce the credit limit based on the credit situation of customers or other justifiable reasons.

### (4) Others

Bonds held by Seven Bank, Ltd.

Seven Bank, Ltd., one of the Company's consolidated subsidiaries, holds bonds to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These bonds are recorded in "Investments in securities" in the Consolidated Balance Sheets due to its nature of restriction even if they have redemption at maturity less than one year.

## 19. NOTES AND ACCOUNTS PAYABLE, TRADE FOR FRANCHISED STORES

The balance of notes and accounts payable, trade for franchised stores represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. These two companies centralize all purchasing procedures for merchandise purchased by an individual franchised store and make collective payments to all vendors on behalf of the franchisees.

## 20. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from Seven-Eleven Japan Co., Ltd.'s franchised stores and 7-Eleven, Inc.'s is included in operating revenues. The franchise commission from franchised stores and net sales of franchised stores are as follows:

Seven-Eleven Japan Co., Ltd.

|   | Millions of yen |           |           | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|-----------|-----------|--|
|   | 2018            | 2019      | 2020      | 2020                                     |
| Franchise commission from franchised stores | ¥743,393        | ¥773,188  | ¥795,486  | \$7,298,036                              |
| Net sales of franchised stores              | 4,575,931       | 4,795,151 | 4,914,928 | 45,091,082                               |

## 7-Eleven, Inc.

|   | Millions of yen |           |           | Thousands of<br>U.S. dollars<br>(Note 3) |
|---|-----------------|-----------|-----------|--|
|   | 2018            | 2019      | 2020      | 2020                                     |
| Franchise commission from franchised stores | ¥251,197        | ¥255,516  | ¥259,531  | \$2,381,018                              |
| Net sales of franchised stores              | 1,440,311       | 1,472,966 | 1,503,717 | 13,795,568                               |

(2) Major items included in gain on sales of property and equipment are as follows:

|                          | Millions of yen |         |        | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------|-----------------|---------|--------|--|
|                          | 2018            | 2019    | 2020   | 2020                                     |
| Buildings and structures | ¥934            | ¥3,427  | ¥1,474 | \$13,522                                 |
| Land                     | 10,002          | 6,996   | 4,845  | 44,449                                   |
| Others                   | 102             | 1,218   | 287    | 2,633                                    |
| Total                    | ¥11,038         | ¥11,642 | ¥6,607 | \$60,614                                 |

Note: ¥228 million (Buildings and structures), ¥2,380 million (Land) and ¥54 million (Others) are included in "Gain on sales of property and equipment related to restructuring" in the Consolidated Statement of Income for the year ended February 28, 2018. ¥5 million (Buildings and structures) and ¥421 million (Land) are included in "Gain on sales of property and equipment related to restructuring" in the Consolidated Statement of Income for the year ended February 28, 2019. ¥5 million (\$45 thousand) (Buildings and structures), ¥900 million (\$8,256 thousand) (Land) and ¥0 million (\$0 thousand) (Others) are included in "Gain on sales of property and equipment related to restructuring" in the Consolidated Statement of Income for the year ended February 29, 2020.

(3) Major items included in loss on disposals of property and equipment are as follows:

|                                   | Millions of yen |         |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|-----------------------------------|-----------------|---------|---------|--|
|                                   | 2018            | 2019    | 2020    | 2020                                     |
| Buildings and structures          | ¥9,467          | ¥10,959 | ¥6,437  | \$59,055                                 |
| Furniture, fixtures and equipment | 5,395           | 3,552   | 3,774   | 34,623                                   |
| Others                            | 5,997           | 4,462   | 5,693   | 52,229                                   |
| Total                             | ¥20,860         | ¥18,974 | ¥15,905 | \$145,917                                |

Note: ¥104 million (Buildings and structures), ¥11 million (Furniture, fixtures and equipment) and ¥108 million (Others) are included in "Restructuring expenses" in the Consolidated Statement of Income for the year ended February 28, 2018. ¥18 million (Others) are included in "Restructuring expenses" in the Consolidated Statement of Income for the year ended February 28, 2019. ¥0 million (\$0 thousand) (Others) and ¥218 million (\$2,000 thousand) (Others) are included in "Restructuring expenses" and "Loss on digital and settlement services," respectively, in the Consolidated Statement of Income for the year ended February 29, 2020. Furthermore, ¥17 million (\$155 thousand) (Buildings and structures), ¥10 million (\$91 thousand) (Furniture, fixtures and equipment) and ¥101 million (\$926 thousand) (Others) are included in "Other, net" in the Consolidated Statement of Income for the year ended February 29, 2020.

(4) Major items included in selling, general and administrative expenses are as follows:

|  | Millions of yen |          |          | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|----------|----------|--|
|  | 2018            | 2019     | 2020     | 2020                                     |
| Advertising and decoration expenses              | ¥136,473        | ¥134,850 | ¥135,938 | \$1,247,137                              |
| Salaries and wages                               | 450,662         | 473,273  | 466,448  | 4,279,339                                |
| Provision for allowance for bonuses to employees | 14,606          | 13,809   | 14,208   | 130,348                                  |
| Retirement benefit costs                         | 14,471          | 12,365   | 8,861    | 81,293                                   |
| Legal welfare expenses                           | 61,857          | 62,611   | 63,565   | 583,165                                  |
| Land and building rent                           | 360,547         | 379,510  | 388,098  | 3,560,532                                |
| Depreciation and amortization                    | 203,694         | 210,190  | 214,354  | 1,966,550                                |
| Utility expenses                                 | 112,938         | 118,428  | 115,535  | 1,059,954                                |
| Store maintenance and repair expenses            | 74,120          | 74,264   | 73,305   | 672,522                                  |

## 21. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 28, 2018, 2019 and February 29, 2020 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

|  | Millions of yen |               |               | Thousands of<br>U.S. dollars<br>(Note 3) |
|--|-----------------|---------------|---------------|--|
|  | 2018            | 2019          | 2020          | 2020                                     |
| Impairment loss                                      | ¥31,809         | ¥1,591        | ¥2,880        | \$26,422                                 |
| Gain on transfer from business divestitures          | (1,090)         | —             | —             | —  |
| Loss on inventory disposal on business closure, etc. | 3,233           | —             | —             | —  |
| Early retirement benefit                             | 403             | 245           | 2,183         | 20,027                                   |
| Store closing losses                                 | 2,451           | 204           | 1,828         | 16,770                                   |
| Loss on sales of property and equipment              | 4,200           | —             | 608           | 5,577                                    |
| Others   | 1,671           | 578           | 239           | 2,192                                    |
| <b>Total</b>   | <b>¥42,680</b>  | <b>¥2,619</b> | <b>¥7,740</b> | <b>\$71,009</b>                          |



## 22. LOSS ON DIGITAL AND SETTLEMENT SERVICES

The Companies recognized loss on digital and settlement services for the year ended February 29, 2020. A breakdown of the loss on digital and settlement services is as follows:

|                                | Millions of yen |      |         | Thousands of<br>U.S. dollars<br>(Note 3) |
|--------------------------------|-----------------|------|---------|--|
|                                | 2018            | 2019 | 2020    | 2020                                     |
| Impairment loss                | ¥-              | ¥-   | ¥4,615  | \$42,339                                 |
| Expenses for security measures | -               | -    | 4,344   | 39,853                                   |
| Others                         | -               | -    | 4,502   | 41,302                                   |
| Total                          | ¥-              | ¥-   | ¥13,463 | \$123,513                                |

## 23. AMORTIZATION OF GOODWILL

During the fiscal year ended February 28, 2019, the Company recorded the loss on valuation of shares of subsidiaries and affiliates on its non-consolidated financial statements. In consequence, in accordance with Paragraph 32 of "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Practice Committee Statement No. 7, February 16, 2018), the Company recorded accelerated amortization of goodwill of ¥3,895 million on FCTI, Inc. for the fiscal year ended February 28, 2019.

## 24. BUSINESS COMBINATIONS

There were no significant business combinations for the year ended February 28, 2018 and February 29, 2020.

Significant business combination for the year ended February 28, 2019 was described as follows:

Fiscal year ended February 28, 2019

### Business combination by acquisition

(a) Outline of the business combination

(i) Name and main business of the acquired company

Name: Sunoco LP

Main business: Operation of fuel wholesale and retail, and convenience store business

(ii) Main reason for the business combination

In accordance with the Medium-Term Management Plan for the Group announced in October 2016, 7-Eleven, Inc. is aiming to achieve average daily merchandise sales per store of \$5,000 and 10,000 stores by the fiscal year ending February 29, 2020, and is working to strengthen its merchandizing capabilities and expand its store network. Sunoco LP ("SUN") has a large number of stores in the State of Texas and the eastern area of the United States, where 7-Eleven, Inc. currently operates stores. By acquiring part of SUN's convenience store business and gasoline retail business, 7-Eleven, Inc. will expand its store network and offer greater convenience, while also improving profitability. Regarding the stores acquired, 7-Eleven, Inc. signed a contract to receive gasoline from SUN for the next 15 years.

(iii) Date of the business combination

January 23, 2018

(iv) Legal form of the business combination

Acquisition of business

(v) The acquired company's name after the business combination

No change

(vi) Main reason for the decision of the acquiring company

7-Eleven, Inc. acquired the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the Consolidated Financial Statements

From January 23, 2018 to December 31, 2018

(c) Acquisition cost of acquired business and breakdown by type of consideration

|                                     | Millions of yen |
|-------------------------------------|-----------------|
| Consideration for acquisition: Cash | ¥359,291        |
| Acquisition cost                    | ¥359,291        |

(d) Details and amounts of main acquisition-related costs

Payment for financial and legal investigation: ¥3,893 million

(e) Amount, reason for recognition, and period and method of amortization of goodwill

(i) Amount of goodwill

¥154,843 million

The amount of goodwill was determined as the purchase price allocation was completed during the year ended February 28, 2019.

(ii) Reason for recognition of goodwill

Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill

20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

|                         | Millions of yen |
|-------------------------|-----------------|
| Current assets          | ¥14,490         |
| Non-current assets      | 203,039         |
| Total assets            | ¥217,529        |
| Non-current liabilities | ¥13,082         |
| Total liabilities       | ¥13,082         |

(g) Approximate amounts of impact of the business combination on the Consolidated Statements of Income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof  
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the January 23, 2018 rate (US\$1 = ¥110.84).

## 25. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2018, 2019 and February 29, 2020

No items required to report.

## **26. SEGMENT INFORMATION**

### **(1) Overview of reportable segments**

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

Under the holding company structure, the Company has classified its consolidated subsidiaries into seven segments which are “Domestic convenience store operations,” “Overseas convenience store operations,” “Superstore operations,” “Department store operations,” “Financial services,” “Specialty store operations,” and “Others” according to the nature of products, services and sales operations.

“Domestic convenience store operations” operate a convenience store business comprising directly-managed corporate stores and franchised stores mainly under Seven-Eleven Japan Co., Ltd. “Overseas convenience store operations” operate a convenience store business comprising corporate stores and franchised stores mainly under 7-Eleven, Inc. “Superstore operations” operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. “Department store operations” operate a retail business that provides a various and wide assortment of high-quality merchandise. “Financial services” operate a banking business, credit card business and leasing business. “Specialty store operations” operate a retail business providing highly specialized, distinctively characterized merchandise and services. “Others” operate several businesses including the real estate business.

### **(2) Calculation methodology for revenues from operations, income or loss, assets and liabilities and other items for each reportable segment**

The accounting treatment of each reportable segment is in line with Note 2. “Summary of Significant Accounting Policies.”

Segment income (loss) and segment liabilities as reported in this section are based on operating income and interest-bearing debt, respectively.

Intersegment revenues and transfers are calculated at prevailing market prices.

As described in “Change in significant accounting policies for the preparation of Consolidated Financial Statements” under Note 2. “Summary of Significant Accounting Policies,” subsidiaries in North America that adopt US GAAP have applied ASU No. 2014-09 “Revenue from Contracts with Customers (Topic 606)” from the fiscal year ended February 29, 2020. The effect of this adjustment on revenues and segment income (loss) for the fiscal year ended February 29, 2020 is immaterial.

In addition, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018), etc. have been applied from the beginning of the fiscal year ended February 29, 2020. The standard has been retrospectively applied for the amounts of segment assets for the year ended February 28, 2018 and 2019.

### (3) Information on revenues from operations, income or loss, assets, liabilities and other monetary items for each reportable segment

Fiscal year ended February 28, 2018

|   | Reportable segment                    |                                       |                       |                             |                    |                            |          |            | Millions of yen |                    |
|---|---------------------------------------|---------------------------------------|-----------------------|-----------------------------|--------------------|----------------------------|----------|------------|-----------------|--------------------|
|   | Domestic convenience store operations | Overseas convenience store operations | Superstore operations | Department store operations | Financial services | Specialty store operations | Others   | Total      | Adjustments     | Consolidated total |
| Revenues from operations:                                     |                                       |                                       |                       |                             |                    |                            |          |            |                 |                    |
| Customers   | ¥927,205                              | ¥1,980,897                            | ¥1,891,260            | ¥649,353                    | ¥166,664           | ¥414,287                   | ¥8,146   | ¥6,037,815 | ¥-              | ¥6,037,815         |
| Intersegment  | 1,443                                 | 636                                   | 9,903                 | 8,533                       | 36,278             | 2,329                      | 15,386   | 74,510     | (74,510)        | -                  |
| Total revenues  | ¥928,649                              | ¥1,981,533                            | ¥1,901,164            | ¥657,886                    | ¥202,942           | ¥416,616                   | ¥23,533  | ¥6,112,326 | ¥(74,510)       | ¥6,037,815         |
| Segment income (loss)   | ¥245,249                              | ¥79,078                               | ¥21,260               | ¥5,369                      | ¥49,713            | ¥435                       | ¥3,670   | ¥404,778   | ¥(13,120)       | ¥391,657           |
| Segment assets  | ¥1,127,614                            | ¥1,179,292                            | ¥969,037              | ¥343,191                    | ¥1,434,793         | ¥160,737                   | ¥156,221 | ¥5,370,889 | ¥123,741        | ¥5,494,630         |
| Segment liabilities (interest-bearing debt)                   | ¥-                                    | ¥163,867                              | ¥1,912                | ¥175,711                    | ¥318,896           | ¥52,673                    | ¥-       | ¥713,062   | ¥269,999        | ¥983,061           |
| Other items:  |                                       |                                       |                       |                             |                    |                            |          |            |                 |                    |
| Depreciation  | ¥66,500                               | ¥69,582                               | ¥23,893               | ¥9,727                      | ¥28,926            | ¥5,588                     | ¥2,257   | ¥206,476   | ¥6,691          | ¥213,167           |
| Amortization of goodwill                                      | ¥-                                    | ¥11,770                               | ¥3,098                | ¥1                          | ¥1,336             | ¥413                       | ¥-       | ¥16,620    | ¥-              | ¥16,620            |
| Investment in entities accounted for using the equity method  | ¥7,174                                | ¥6,492                                | ¥5,183                | ¥293                        | ¥-                 | ¥12,911                    | ¥4,671   | ¥36,727    | ¥-              | ¥36,727            |
| Impairment loss   | ¥9,197                                | ¥3,393                                | ¥19,186               | ¥29,674                     | ¥-                 | ¥5,697                     | ¥3       | ¥67,152    | ¥21,727         | ¥88,879            |
| Net increase in property and equipment, and intangible assets | ¥129,116                              | ¥94,285                               | ¥36,037               | ¥11,755                     | ¥33,013            | ¥7,716                     | ¥3,571   | ¥315,497   | ¥10,529         | ¥326,026           |

Fiscal year ended February 28, 2019

|   | Reportable segment                    |                                       |                       |                             |                    |                            |          |            | Millions of yen |                    |
|---|---------------------------------------|---------------------------------------|-----------------------|-----------------------------|--------------------|----------------------------|----------|------------|-----------------|--------------------|
|   | Domestic convenience store operations | Overseas convenience store operations | Superstore operations | Department store operations | Financial services | Specialty store operations | Others   | Total      | Adjustments     | Consolidated total |
| Revenues from operations:                                     |                                       |                                       |                       |                             |                    |                            |          |            |                 |                    |
| Customers   | ¥954,090                              | ¥2,818,899                            | ¥1,893,959            | ¥585,011                    | ¥177,334           | ¥353,967                   | ¥7,918   | ¥6,791,179 | ¥35             | ¥6,791,215         |
| Intersegment  | 1,353                                 | 2,154                                 | 8,548                 | 7,088                       | 37,673             | 1,507                      | 15,802   | 74,129     | (74,129)        | -                  |
| Total revenues  | ¥955,443                              | ¥2,821,053                            | ¥1,902,507            | ¥592,100                    | ¥215,007           | ¥355,474                   | ¥23,720  | ¥6,865,309 | ¥(74,093)       | ¥6,791,215         |
| Segment income (loss)   | ¥246,721                              | ¥92,266                               | ¥21,173               | ¥3,737                      | ¥52,874            | ¥6,680                     | ¥2,659   | ¥426,112   | ¥(14,515)       | ¥411,596           |
| Segment assets  | ¥1,147,777                            | ¥1,371,383                            | ¥945,406              | ¥328,082                    | ¥1,514,897         | ¥133,429                   | ¥159,168 | ¥5,600,144 | ¥194,920        | ¥5,795,065         |
| Segment liabilities (interest-bearing debt)                   | ¥-                                    | ¥260,757                              | ¥637                  | ¥163,564                    | ¥354,018           | ¥44,296                    | ¥-       | ¥823,274   | ¥281,914        | ¥1,105,189         |
| Other items:  |                                       |                                       |                       |                             |                    |                            |          |            |                 |                    |
| Depreciation  | ¥72,717                               | ¥76,141                               | ¥24,475               | ¥8,667                      | ¥31,072            | ¥4,141                     | ¥2,267   | ¥219,482   | ¥1,651          | ¥221,133           |
| Amortization of goodwill                                      | ¥-                                    | ¥18,832                               | ¥3,098                | ¥-                          | ¥4,735             | ¥413                       | ¥-       | ¥27,079    | ¥-              | ¥27,079            |
| Investment in entities accounted for using the equity method  | ¥7,393                                | ¥5,761                                | ¥5,597                | ¥281                        | ¥2,009             | ¥13,250                    | ¥4,836   | ¥39,130    | ¥-              | ¥39,130            |
| Impairment loss   | ¥19,500                               | ¥3,435                                | ¥20,349               | ¥2,994                      | ¥10,756            | ¥3,888                     | ¥-       | ¥60,926    | ¥(3,557)        | ¥57,368            |
| Net increase in property and equipment, and intangible assets | ¥106,297                              | ¥288,221                              | ¥58,233               | ¥16,245                     | ¥29,263            | ¥8,801                     | ¥2,889   | ¥509,953   | ¥10,070         | ¥520,024           |

Fiscal year ended February 29, 2020

Millions of yen

|   | Reportable segment                    |                                       |                       |                             |                    |                            |          |            | Adjustments | Consolidated total |
|---|---------------------------------------|---------------------------------------|-----------------------|-----------------------------|--------------------|----------------------------|----------|------------|-------------|--------------------|
|   | Domestic convenience store operations | Overseas convenience store operations | Superstore operations | Department store operations | Financial services | Specialty store operations | Others   | Total      |             |                    |
| Revenues from operations:                                     |                                       |                                       |                       |                             |                    |                            |          |            |             |                    |
| Customers   | ¥969,257                              | ¥2,737,775                            | ¥1,841,346            | ¥570,694                    | ¥179,262           | ¥338,198                   | ¥7,777   | ¥6,644,312 | ¥47         | ¥6,644,359         |
| Intersegment  | 1,979                                 | 2,057                                 | 7,774                 | 6,938                       | 38,104             | 1,462                      | 17,424   | 75,742     | (75,742)    | –                  |
| Total revenues  | ¥971,236                              | ¥2,739,833                            | ¥1,849,121            | ¥577,633                    | ¥217,367           | ¥339,660                   | ¥25,202  | ¥6,720,054 | ¥(75,695)   | ¥6,644,359         |
| Segment income (loss)   | ¥256,601                              | ¥102,001                              | ¥21,307               | ¥797                        | ¥53,610            | ¥4,690                     | ¥1,554   | ¥440,562   | ¥(16,296)   | ¥424,266           |
| Segment assets  | ¥1,224,157                            | ¥1,401,418                            | ¥959,853              | ¥308,969                    | ¥1,666,038         | ¥136,657                   | ¥160,882 | ¥5,857,978 | ¥138,909    | ¥5,996,887         |
| Segment liabilities (interest-bearing debt)                   | ¥–                                    | ¥219,041                              | ¥–                    | ¥160,999                    | ¥348,261           | ¥17,743                    | ¥–       | ¥746,044   | ¥236,915    | ¥982,960           |
| Other items:  |                                       |                                       |                       |                             |                    |                            |          |            |             |                    |
| Depreciation  | ¥76,519                               | ¥77,204                               | ¥26,071               | ¥9,083                      | ¥29,031            | ¥3,879                     | ¥2,447   | ¥224,237   | ¥2,238      | ¥226,475           |
| Amortization of goodwill                                      | ¥–                                    | ¥19,653                               | ¥3,098                | ¥–                          | ¥359               | ¥462                       | ¥–       | ¥23,574    | ¥–          | ¥23,574            |
| Investment in entities accounted for using the equity method  | ¥8,558                                | ¥6,362                                | ¥6,316                | ¥295                        | ¥2,000             | ¥13,600                    | ¥4,906   | ¥42,039    | ¥–          | ¥42,039            |
| Impairment loss   | ¥11,801                               | ¥3,565                                | ¥10,102               | ¥3,179                      | ¥4,651             | ¥2,123                     | ¥39      | ¥35,463    | ¥14         | ¥35,477            |
| Net increase in property and equipment, and intangible assets | ¥98,691                               | ¥134,684                              | ¥45,870               | ¥9,730                      | ¥31,110            | ¥9,641                     | ¥2,706   | ¥332,435   | ¥13,955     | ¥346,391           |

Fiscal year ended February 29, 2020

Thousands of U.S. dollars (Note 3)

|   | Reportable segment                    |                                       |                       |                             |                    |                            |             |              | Adjustments | Consolidated total |
|---|---------------------------------------|---------------------------------------|-----------------------|-----------------------------|--------------------|----------------------------|-------------|--------------|-------------|--------------------|
|   | Domestic convenience store operations | Overseas convenience store operations | Superstore operations | Department store operations | Financial services | Specialty store operations | Others      | Total        |             |                    |
| Revenues from operations:                                     |                                       |                                       |                       |                             |                    |                            |             |              |             |                    |
| Customers   | \$8,892,266                           | \$25,117,201                          | \$16,893,082          | \$5,235,724                 | \$1,644,605        | \$3,102,733                | \$71,348    | \$60,956,990 | \$431       | \$60,957,422       |
| Intersegment  | 18,155                                | 18,871                                | 71,321                | 63,651                      | 349,577            | 13,412                     | 159,853     | 694,880      | (694,880)   | –                  |
| Total revenues  | \$8,910,422                           | \$25,136,082                          | \$16,964,412          | \$5,299,385                 | \$1,994,192        | \$3,116,146                | \$231,211   | \$61,651,871 | \$(694,449) | \$60,957,422       |
| Segment income (loss)   | \$2,354,137                           | \$935,788                             | \$195,477             | \$7,311                     | \$491,834          | \$43,027                   | \$14,256    | \$4,041,853  | \$(149,504) | \$3,892,348        |
| Segment assets  | \$11,230,798                          | \$12,857,045                          | \$8,805,990           | \$2,834,577                 | \$15,284,752       | \$1,253,733                | \$1,475,981 | \$53,742,917 | \$1,274,394 | \$55,017,311       |
| Segment liabilities (interest-bearing debt)                   | \$–                                   | \$2,009,550                           | \$–                   | \$1,477,055                 | \$3,195,055        | \$162,779                  | \$–         | \$6,844,440  | \$2,173,532 | \$9,017,981        |
| Other items:  |                                       |                                       |                       |                             |                    |                            |             |              |             |                    |
| Depreciation  | \$702,009                             | \$708,293                             | \$239,183             | \$83,330                    | \$266,339          | \$35,587                   | \$22,449    | \$2,057,220  | \$20,532    | \$2,077,752        |
| Amortization of goodwill                                      | \$–                                   | \$180,302                             | \$28,422              | \$–                         | \$3,293            | \$4,238                    | \$–         | \$216,275    | \$–         | \$216,275          |
| Investment in entities accounted for using the equity method  | \$78,513                              | \$58,366                              | \$57,944              | \$2,706                     | \$18,348           | \$124,770                  | \$45,009    | \$385,678    | \$–         | \$385,678          |
| Impairment loss   | \$108,266                             | \$32,706                              | \$92,678              | \$29,165                    | \$42,669           | \$19,477                   | \$357       | \$325,348    | \$128       | \$325,477          |
| Net increase in property and equipment, and intangible assets | \$905,422                             | \$1,235,633                           | \$420,825             | \$89,266                    | \$285,412          | \$88,449                   | \$24,825    | \$3,049,862  | \$128,027   | \$3,177,899        |

Notes:

1. The adjustments of ¥(13,120) million, ¥(14,515) million and ¥(16,296) million (\$ (149,504) thousand) for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.
2. The adjustments of ¥123,741 million, ¥194,920 million and ¥138,909 million (\$1,274,394 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2018, 2019 and February 29, 2020, respectively.
3. The adjustments of ¥269,999 million, ¥281,914 million and ¥236,915 million (\$2,173,532 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2018,

2019 and February 29, 2020, respectively. The amount of each segment liability does not include intersegment transactions.

4. Segment income (loss) is reconciled with the operating income in the Consolidated Statements of Income.
5. ¥31,809 million, ¥1,591 million and ¥2,880 million (\$26,422 thousand) out of "Impairment loss" in the tables above are included in "Restructuring expenses" in the Consolidated Statements of Income for the years ended February 28, 2018, 2019 and February 29, 2020, respectively. Furthermore, ¥4,615 million (\$42,339 thousand) out of "Impairment loss" in the tables above are included in "Loss on digital and settlement services" in the Consolidated Statement of Income for the year ended February 29, 2020.
6. The main cause of the ¥21,727 million adjustment of impairment loss for the fiscal year ended February 28, 2018 was concerning the omni7 software.

(Reference)

Revenues from operations and operating income by geographic area segments are as described below.

| Fiscal year ended February 28, 2018 | Millions of yen |               |          |                           |              |                    |
|-------------------------------------|-----------------|---------------|----------|---------------------------|--------------|--------------------|
|                                     | Japan           | North America | Others   | Total before eliminations | Eliminations | Consolidated total |
| Revenues from operations:           |                 |               |          |                           |              |                    |
| Customers                           | ¥3,907,066      | ¥2,016,771    | ¥113,977 | ¥6,037,815                | ¥—           | ¥6,037,815         |
| Intersegment                        | 768             | 321           | 14       | 1,104                     | (1,104)      | —                  |
| Total revenues                      | ¥3,907,835      | ¥2,017,092    | ¥113,992 | ¥6,038,919                | ¥(1,104)     | ¥6,037,815         |
| Operating income (loss)             | ¥314,700        | ¥75,626       | ¥1,320   | ¥391,647                  | ¥10          | ¥391,657           |

| Fiscal year ended February 28, 2019 | Millions of yen |               |          |                           |              |                    |
|-------------------------------------|-----------------|---------------|----------|---------------------------|--------------|--------------------|
|                                     | Japan           | North America | Others   | Total before eliminations | Eliminations | Consolidated total |
| Revenues from operations:           |                 |               |          |                           |              |                    |
| Customers                           | ¥3,811,410      | ¥2,862,249    | ¥117,555 | ¥6,791,215                | ¥—           | ¥6,791,215         |
| Intersegment                        | 790             | 377           | —        | 1,167                     | (1,167)      | —                  |
| Total revenues                      | ¥3,812,200      | ¥2,862,627    | ¥117,555 | ¥6,792,382                | ¥(1,167)     | ¥6,791,215         |
| Operating income (loss)             | ¥319,613        | ¥90,411       | ¥1,562   | ¥411,587                  | ¥9           | ¥411,596           |

| Fiscal year ended February 29, 2020 | Millions of yen |               |          |                           |              |                    |
|-------------------------------------|-----------------|---------------|----------|---------------------------|--------------|--------------------|
|                                     | Japan           | North America | Others   | Total before eliminations | Eliminations | Consolidated total |
| Revenues from operations:           |                 |               |          |                           |              |                    |
| Customers                           | ¥3,744,516      | ¥2,781,724    | ¥118,118 | ¥6,644,359                | ¥—           | ¥6,644,359         |
| Intersegment                        | 958             | 331           | —        | 1,289                     | (1,289)      | —                  |
| Total revenues                      | ¥3,745,475      | ¥2,782,055    | ¥118,118 | ¥6,645,649                | ¥(1,289)     | ¥6,644,359         |
| Operating income (loss)             | ¥321,441        | ¥101,777      | ¥1,199   | ¥424,419                  | ¥(152)       | ¥424,266           |

| Fiscal year ended February 29, 2020 | Thousands of U.S. dollars (Note 3) |               |             |                           |              |                    |
|-------------------------------------|------------------------------------|---------------|-------------|---------------------------|--------------|--------------------|
|                                     | Japan                              | North America | Others      | Total before eliminations | Eliminations | Consolidated total |
| Revenues from operations:           |                                    |               |             |                           |              |                    |
| Customers                           | \$34,353,357                       | \$25,520,403  | \$1,083,651 | \$60,957,422              | \$—          | \$60,957,422       |
| Intersegment                        | 8,788                              | 3,036         | —           | 11,825                    | (11,825)     | —                  |
| Total revenues                      | \$34,362,155                       | \$25,523,440  | \$1,083,651 | \$60,969,256              | \$(11,825)   | \$60,957,422       |
| Operating income (loss)             | \$2,949,000                        | \$933,733     | \$11,000    | \$3,893,752               | \$(1,394)    | \$3,892,348        |

Notes:

1. The classification of geographic area segments is determined according to geographical distances.
2. Others consist of the business results in the People's Republic of China, etc.

## Related Information

Fiscal years ended February 28, 2018, 2019 and February 29, 2020

### 1. Information on products and services

Information is omitted since it is described in the segment information.

### 2. Information by region

#### (1) Revenues from operations

Fiscal year ended February 28, 2018

| Millions of yen |                                       |          |            |
|-----------------|---------------------------------------|----------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others   | Total      |
| ¥3,907,066      | ¥2,016,771<br>[¥1,751,698]            | ¥113,977 | ¥6,037,815 |

Fiscal year ended February 28, 2019

| Millions of yen |                                       |          |            |
|-----------------|---------------------------------------|----------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others   | Total      |
| ¥3,811,410      | ¥2,862,249<br>[¥2,579,649]            | ¥117,555 | ¥6,791,215 |

Fiscal year ended February 29, 2020

| Millions of yen |                                       |          |            |
|-----------------|---------------------------------------|----------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others   | Total      |
| ¥3,744,516      | ¥2,781,724<br>[¥2,520,681]            | ¥118,118 | ¥6,644,359 |

Thousands of U.S. dollars (Note 3)

| Japan        | North America<br>[of which, the U.S.] | Others      | Total        |
|--------------|---------------------------------------|-------------|--------------|
| \$34,353,357 | \$25,520,403<br>[\$23,125,513]        | \$1,083,651 | \$60,957,422 |

#### (2) Property and equipment

Fiscal year ended February 28, 2018

| Millions of yen |                                       |        |            |
|-----------------|---------------------------------------|--------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others | Total      |
| ¥1,400,794      | ¥585,165<br>[¥519,457]                | ¥3,494 | ¥1,989,455 |

Fiscal year ended February 28, 2019

| Millions of yen |                                       |        |            |
|-----------------|---------------------------------------|--------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others | Total      |
| ¥1,407,274      | ¥707,211<br>[¥648,113]                | ¥4,144 | ¥2,118,630 |

Fiscal year ended February 29, 2020

| Millions of yen |                                       |        |            |
|-----------------|---------------------------------------|--------|------------|
| Japan           | North America<br>[of which, the U.S.] | Others | Total      |
| ¥1,423,476      | ¥755,889<br>[¥702,525]                | ¥4,009 | ¥2,183,375 |

Thousands of U.S. dollars (Note 3)

| Japan        | North America<br>[of which, the U.S.] | Others   | Total        |
|--------------|---------------------------------------|----------|--------------|
| \$13,059,412 | \$6,934,761<br>[\$6,445,183]          | \$36,779 | \$20,030,963 |

### 3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the Consolidated Statements of Income.

### 4. Information regarding impairment loss on non-current assets by reportable segment

Information is omitted since it is described in the segment information.

### 5. Information on amortization and outstanding balance of goodwill by reportable segment

| Fiscal year ended<br>February 28, 2018 | Reportable segment                               |  |                          |                                   |                       |                                    |        | Total   | Eliminations<br>/ Corporate | Consoli-<br>dated total |
|--|--|--|--------------------------|-----------------------------------|-----------------------|------------------------------------|--------|---------|-----------------------------|-------------------------|
|  | Domestic con-<br>venience<br>store<br>operations | Overseas<br>convenience<br>store<br>operations | Superstore<br>operations | Department<br>store<br>operations | Financial<br>services | Specialty<br>store oper-<br>ations | Others |         |                             |                         |
| Goodwill                               |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | ¥ -  | ¥11,770  | ¥3,098                   | ¥1                                | ¥1,336                | ¥413                               | ¥ -    | ¥16,620 | ¥ -                         | ¥16,620                 |
| Balance at the end<br>of year          | 3,295  | 208,812  | 26,345                   | -                                 | 9,181                 | 3,736                              | -      | 251,371 | -                           | 251,371                 |
| Negative goodwill                      |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | -  | -  | 23                       | -                                 | -                     | 4                                  | -      | 27      | -                           | 27                      |
| Balance at the end<br>of year          | -  | -  | 116                      | -                                 | -                     | 21                                 | -      | 137     | -                           | 137                     |

| Fiscal year ended<br>February 28, 2019 | Reportable segment                               |  |                          |                                   |                       |                                    |        | Total   | Eliminations<br>/ Corporate | Consoli-<br>dated total |
|--|--|--|--------------------------|-----------------------------------|-----------------------|------------------------------------|--------|---------|-----------------------------|-------------------------|
|  | Domestic con-<br>venience<br>store<br>operations | Overseas<br>convenience<br>store<br>operations | Superstore<br>operations | Department<br>store<br>operations | Financial<br>services | Specialty<br>store oper-<br>ations | Others |         |                             |                         |
| Goodwill                               |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | ¥ -  | ¥18,832  | ¥3,098                   | ¥ -                               | ¥4,735                | ¥413                               | ¥ -    | ¥27,079 | ¥ -                         | ¥27,079                 |
| Balance at the end<br>of year          | 3,082  | 337,606  | 23,246                   | -                                 | 4,340                 | 3,803                              | -      | 372,079 | -                           | 372,079                 |
| Negative goodwill                      |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | -  | -  | 23                       | -                                 | -                     | 4                                  | -      | 27      | -                           | 27                      |
| Balance at the end<br>of year          | -  | -  | 93                       | -                                 | -                     | 16                                 | -      | 110     | -                           | 110                     |



Millions of yen

| Fiscal year ended<br>February 29, 2020 | Reportable segment                               |  |                          |                                   |                       |                                    |        | Total   | Eliminations<br>/ Corporate | Consoli-<br>dated total |
|--|--|--|--------------------------|-----------------------------------|-----------------------|------------------------------------|--------|---------|-----------------------------|-------------------------|
|  | Domestic con-<br>venience<br>store<br>operations | Overseas<br>convenience<br>store<br>operations | Superstore<br>operations | Department<br>store<br>operations | Financial<br>services | Specialty<br>store oper-<br>ations | Others |         |                             |                         |
| Goodwill                               |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | ¥ -  | ¥19,653  | ¥3,098                   | ¥ -                               | ¥359                  | ¥462                               | ¥ -    | ¥23,574 | ¥ -                         | ¥23,574                 |
| Balance at the end<br>of year          | 2,826  | 329,406  | 20,147                   | -                                 | 3,980                 | 3,340                              | -      | 359,701 | -                           | 359,701                 |
| Negative goodwill                      |  |  |                          |                                   |                       |                                    |        |         |                             |                         |
| Amortization                           | -  | -  | 23                       | -                                 | -                     | 4                                  | -      | 27      | -                           | 27                      |
| Balance at the end<br>of year          | -  | -  | 70                       | -                                 | -                     | 12                                 | -      | 82      | -                           | 82                      |

Thousands of U.S. dollars (Note 3)

| Fiscal year ended<br>February 29, 2020 | Reportable segment                               |  |                          |                                   |                       |                                    |        | Total     | Eliminations<br>/ Corporate | Consoli-<br>dated total |
|--|--|--|--------------------------|-----------------------------------|-----------------------|------------------------------------|--------|-----------|-----------------------------|-------------------------|
|  | Domestic con-<br>venience<br>store<br>operations | Overseas<br>convenience<br>store<br>operations | Superstore<br>operations | Department<br>store<br>operations | Financial<br>services | Specialty<br>store oper-<br>ations | Others |           |                             |                         |
| Goodwill                               |  |  |                          |                                   |                       |                                    |        |           |                             |                         |
| Amortization                           | \$ -   | \$180,302                                      | \$28,422                 | \$ -                              | \$3,293               | \$4,238                            | \$ -   | \$216,275 | \$ -                        | \$216,275               |
| Balance at the end<br>of year          | 25,926   | 3,022,073                                      | 184,834                  | -                                 | 36,513                | 30,642                             | -      | 3,300,009 | -                           | 3,300,009               |
| Negative goodwill                      |  |  |                          |                                   |                       |                                    |        |           |                             |                         |
| Amortization                           | -  | -  | 211                      | -                                 | -                     | 36                                 | -      | 247       | -                           | 247                     |
| Balance at the end<br>of year          | -  | -  | 642                      | -                                 | -                     | 110                                | -      | 752       | -                           | 752                     |

**6. Information regarding gain on negative goodwill by reportable segment**

None

**27. SUBSEQUENT EVENTS****Cash dividend**

Subsequent to February 29, 2020, the Company's Board of Directors declared a year-end cash dividend of ¥45,115 million (\$413,899 thousand) to be payable on May 29, 2020 to shareholders on record as of February 29, 2020. The amount of cash dividends includes ¥89 million (\$816 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

The dividend declared was approved by the shareholders at the meeting held on May 28, 2020.



## Independent Auditor's Report

To the Board of Directors of Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 29, 2020, February 28, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as at February 29, 2020, February 28, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

May 28, 2020  
Tokyo, Japan