

# CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021

			Millions of yen	Thousands of U.S. dollars (Note A)
	2019	2020		
<b>For the fiscal year:</b>				
Revenues from operations	¥6,791,215	¥6,644,359	¥5,766,718	\$54,403,000
Operating income	411,596	424,266	366,329	3,455,933
Income before income taxes	317,411	346,469	258,776	2,441,283
Net income attributable to owners of parent	203,004	218,185	179,262	1,691,150
Capital expenditures (Note B)	539,328	360,909	377,299	3,559,424
Depreciation and amortization (Note C)	221,133	226,475	235,504	2,221,735
<b>At fiscal year-end:</b>				
Total assets	¥5,795,065	¥5,996,887	¥6,946,832	\$65,536,150
Cash and cash equivalents	1,310,729	1,354,856	2,183,837	20,602,235
Total current assets	2,326,459	2,471,921	3,350,223	31,605,877
Total current liabilities	1,992,763	2,157,172	2,782,433	26,249,367
Long-term debt	829,344	705,744	945,737	8,922,047
Total net assets	2,672,486	2,757,222	2,831,335	26,710,707
			Yen	U.S. dollars (Note A)
	2019	2020		
<b>Per share data:</b>				
Net income per share (basic)	¥229.50	¥246.95	¥203.03	\$1.91
Net income per share (diluted)	229.31	246.85	203.02	1.91
Cash dividends	95.00	98.50	98.50	0.92
<b>Financial ratios:</b>				
Operating income ratio (Note D)	6.1%	6.4%	6.4%	6.4%
Ratio of net income attributable to owners of parent (to net sales) (Note D)	3.0%	3.3%	3.1%	3.1%
ROE	8.2%	8.5%	6.8%	6.8%
ROA	3.6%	3.6%	2.6%	2.6%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate rate of exchange prevailing on February 28, 2021.

(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) 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, 2019, February 29, 2020 and February 28, 2021

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents (Note 4)	¥1,310,729	¥1,354,856	¥2,183,837	\$20,602,235
Notes and accounts receivable:				
Trade (Note 4)	336,070	351,915	318,142	3,001,339
Financial services	101,490	102,723	95,010	896,320
Franchisees and other	157,993	183,077	230,541	2,174,915
Allowance for doubtful accounts (Note 4)	(5,747)	(6,868)	(7,353)	(69,367)
	589,806	630,849	636,340	6,003,207
Inventories	181,021	178,095	161,326	1,521,943
ATM-related temporary payments	95,694	153,057	216,471	2,042,179
Prepaid expenses and other current as- sets (Note 4)	149,206	155,062	152,249	1,436,311
Total current assets	2,326,459	2,471,921	3,350,223	31,605,877
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,994,586	4,151,516	4,230,350	39,908,962
Less: Accumulated depreciation	(1,875,955)	(1,968,140)	(2,024,326)	(19,097,415)
	2,118,630	2,183,375	2,206,023	20,811,537
Intangible assets:				
Goodwill	371,969	359,618	349,882	3,300,773
Software and other (Notes 8 and 13)	236,518	249,264	295,991	2,792,367
	608,487	608,883	645,873	6,093,141
Investments and other assets:				
Investments in securities (Notes 4, 5 and 18)	191,985	184,670	204,107	1,925,537
Long-term loans receivable	14,415	13,836	14,194	133,905
Long-term leasehold deposits (Notes 4 and 18)	372,348	360,725	339,405	3,201,933
Net defined benefit asset (Note 11)	43,666	55,986	79,888	753,660
Deferred income taxes (Note 10)	57,424	57,071	44,352	418,415
Other	64,528	63,154	66,127	623,839
Allowance for doubtful accounts (Note 4)	(2,881)	(2,737)	(3,364)	(31,735)
	741,487	732,706	744,711	7,025,575
Total assets	¥5,795,065	¥5,996,887	¥6,946,832	\$65,536,150

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Short-term loans (Notes 4 and 12)	¥143,160	¥129,456	¥619,953	\$5,848,613
Current portion of long-term debt (Notes 4, 12 and 18)	172,154	183,911	227,673	2,147,858
Notes and accounts payable:				
Trade (Notes 4 and 6)	231,999	219,606	204,626	1,930,433
Trade for franchised stores (Notes 4 and 19)	179,603	191,187	180,663	1,704,367
Other	187,977	183,215	170,334	1,606,924
	599,579	594,009	555,624	5,241,735
Accrued expenses	128,802	131,328	124,070	1,170,471
Income taxes payable	42,642	37,854	21,283	200,783
Deposits received	174,043	228,415	236,400	2,230,188
ATM-related temporary advances	43,530	74,227	130,167	1,227,990
Deposits received in banking business (Note 4)	588,395	655,036	741,422	6,994,547
Allowance for bonuses to employees	13,829	14,275	14,853	140,122
Allowance for sales promotion expenses	19,467	18,996	19,859	187,349
Allowance for loss on future collection of gift certificates	1,296	1,142	933	8,801
Provision for sales returns	98	80	27	254
Other (Notes 4, 10 and 14)	65,762	88,438	90,163	850,594
Total current liabilities	1,992,763	2,157,172	2,782,433	26,249,367
Long-term debt (Notes 4, 6, 12 and 18)	829,344	705,744	945,737	8,922,047
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	925	859	774	7,301
Allowance for stock payments	159	3,432	4,008	37,811
Net defined benefit liability (Note 11)	7,534	8,619	9,309	87,820
Deferred income taxes (Note 10)	43,926	63,949	78,879	744,141
Deposits received from tenants and franchised stores (Note 4)	53,145	52,646	50,783	479,084
Asset retirement obligations (Note 14)	85,971	95,721	99,072	934,641
Other liabilities	108,807	151,518	144,498	1,363,188
Total liabilities	3,122,578	3,239,665	4,115,497	38,825,443
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 2019, 2020 and 2021	50,000	50,000	50,000	471,698
Capital surplus	409,859	409,262	409,069	3,859,141
Retained earnings	2,015,630	2,106,920	2,198,805	20,743,443
Treasury stock, at cost, 1,873,384 shares in 2019, 3,596,516 shares in 2020 and 3,475,704 shares in 2021	(4,680)	(11,313)	(10,851)	(102,367)
	2,470,808	2,554,869	2,647,023	24,971,915
Accumulated other comprehensive income (loss):				
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	26,150	25,953	35,729	337,066
Unrealized gains (losses) on hedging derivatives, net of taxes	(69)	(277)	1,580	14,905
Foreign currency translation adjustments	23,768	17,515	(30,835)	(290,896)
Remeasurements of defined benefit plans	737	3,533	15,427	145,537
Total accumulated other comprehensive income	50,587	46,725	21,902	206,622
Subscription rights to shares (Note 17)	2,805	331	56	528
Non-controlling interests	148,285	155,295	162,352	1,531,622
Total net assets	2,672,486	2,757,222	2,831,335	26,710,707
Total liabilities and net assets	¥5,795,065	¥5,996,887	¥6,946,832	\$65,536,150

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, 2019, February 29, 2020 and February 28, 2021

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Revenues from operations:				
Net sales	¥5,508,600	¥5,329,919	¥4,518,821	\$42,630,386
Operating revenues (Note 20)	1,282,615	1,314,439	1,247,896	11,772,603
	6,791,215	6,644,359	5,766,718	54,403,000
Costs and expenses:				
Cost of sales	4,411,816	4,239,583	3,480,025	32,830,424
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,967,802	1,980,510	1,920,363	18,116,632
	6,379,618	6,220,093	5,400,388	50,947,056
Operating income	411,596	424,266	366,329	3,455,933
Other income (expenses):				
Interest and dividend income	6,111	4,830	4,004	37,773
Interest expenses and interest on bonds	(12,111)	(10,592)	(10,585)	(99,858)
Equity in earnings (losses) of affiliates	961	937	(885)	(8,349)
Impairment loss (Note 8)	(55,776)	(27,981)	(31,604)	(298,150)
Gain on sales of property and equipment (Note 20)	11,214	5,701	3,010	28,396
Gain on sales of property and equipment related to restructuring (Notes 20 and 22)	427	905	1,106	10,433
Insurance income	—	944	956	9,018
Gain on sales of investments in securities	2,665	123	—	—
Loss on disposals of property and equipment (Note 20)	(18,956)	(15,556)	(12,180)	(114,905)
Restructuring expenses (Notes 8, 20 and 22)	(2,619)	(7,740)	(10,213)	(96,349)
Loss on digital and settlement services (Notes 8, 20 and 23)	—	(13,463)	—	—
Amortization of goodwill (Note 24)	(3,895)	—	—	—
Loss on sales of shares of subsidiaries	(3,320)	—	—	—
Subsidies for employment adjustment	—	—	4,094	38,622
Loss related to novel coronavirus (COVID-19) (Note 21)	—	—	(40,534)	(382,396)
Income from electronic money breakage	768	818	1,179	11,122
Other, net (Notes 5 and 20)	(19,653)	(16,723)	(15,902)	(150,018)
	(94,184)	(77,796)	(107,553)	(1,014,650)
Income before income taxes	317,411	346,469	258,776	2,441,283
Income taxes (Note 10):				
Current	96,076	77,542	46,369	437,443
Deferred	8,275	33,721	18,069	170,462
	104,351	111,263	64,439	607,915
Net income	213,060	235,206	194,337	1,833,367
Net income attributable to non-controlling interests	10,056	17,020	15,074	142,207
Net income attributable to owners of parent	¥203,004	¥218,185	¥179,262	\$1,691,150

			Yen	U.S. dollars (Note 3)
	2019	2020	2021	2021
Per share information:				
Net income per share (Basic)	¥229.50	¥246.95	¥203.03	\$1.91
Net income per share (Diluted)	229.31	246.85	203.02	1.91
Cash dividends	95.00	98.50	98.50	0.92

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, 2019, February 29, 2020 and February 28, 2021

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Net income	¥213,060	¥235,206	¥194,337	\$1,833,367
Other comprehensive income (loss) (Note 15):				
Unrealized gains (losses) on available-for-sale securities, net of taxes	(1,512)	(212)	9,627	90,820
Unrealized gains (losses) on hedging derivatives, net of taxes	15	(209)	1,857	17,518
Foreign currency translation adjustments	(23,298)	(6,340)	(48,474)	(457,301)
Remeasurements of defined benefit plans	(3,272)	2,822	11,976	112,981
Share of other comprehensive income (loss) of entities accounted for using equity method	(28)	(12)	(8)	(75)
Total other comprehensive income (loss)	(28,096)	(3,952)	(25,021)	(236,047)
Comprehensive income	¥184,963	¥231,253	¥169,315	\$1,597,311
Comprehensive income attributable to:				
Owners of parent	¥175,167	¥214,323	¥154,439	\$1,456,971
Non-controlling interests	9,795	16,930	14,876	140,339

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# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021

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, 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 March 1, 2020	¥50,000	¥409,262	¥2,106,920	¥(11,313)	¥25,953	¥(277)	¥17,515	¥3,533	¥331	¥155,295	¥2,757,222	
Net income attributable to owners of parent			179,262								179,262	
Cash dividends			(87,134)								(87,134)	
Purchase of treasury stock				(12)							(12)	
Disposal of treasury stock		0		472							472	
Other		(193)	(242)	2							(433)	
Net changes of items other than shareholders' equity					9,776	1,858	(48,350)	11,893	(274)	7,056	(18,041)	
Net increase (decrease) for the year	-	(193)	91,885	462	9,776	1,858	(48,350)	11,893	(274)	7,056	74,112	
Balance at February 28, 2021	¥50,000	¥409,069	¥2,198,805	¥(10,851)	¥35,729	¥1,580	¥(30,835)	¥15,427	¥56	¥162,352	¥2,831,335	

Thousands of U.S. dollars (Note 3)

Thousands of U.S. dollars (Note 3)												
	Shareholders' equity				Accumulated other comprehensive income (loss)					Subscription rights to shares	Non-controlling interests	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				
Balance at March 1, 2020	\$471,698	\$3,860,962	\$19,876,603	\$(106,726)	\$244,839	\$(2,613)	\$165,235	\$33,330	\$3,122	\$1,465,047	\$26,011,528	
Net income attributable to owners of parent			1,691,150								1,691,150	
Cash dividends			(822,018)								(822,018)	
Purchase of treasury stock				(113)							(113)	
Disposal of treasury stock		0		4,452							4,452	
Other		(1,820)	(2,283)	18							(4,084)	
Net changes of items other than shareholders' equity					92,226	17,528	(456,132)	112,198	(2,584)	66,566	(170,198)	
Net increase (decrease) for the year		(1,820)	866,839	4,358	92,226	17,528	(456,132)	112,198	(2,584)	66,566	699,169	
Balance at February 28, 2021	\$471,698	\$3,859,141	\$20,743,443	\$(102,367)	\$337,066	\$14,905	\$(290,896)	\$145,537	\$528	\$1,531,622	\$26,710,707	

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, 2019, February 29, 2020 and February 28, 2021

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Cash flows from operating activities:				
Income before income taxes	¥317,411	¥346,469	¥258,776	\$2,441,283
Depreciation and amortization	221,133	226,475	235,504	2,221,735
Impairment loss	57,368	35,477	35,484	334,754
Amortization of goodwill	27,079	23,574	25,040	236,226
(Decrease) increase in allowance for bonuses to employees	(893)	453	654	6,169
Increase in net defined benefit asset	(3,296)	(6,807)	(6,280)	(59,245)
Interest and dividend income	(6,111)	(4,830)	(4,004)	(37,773)
Interest expenses and interest on bonds	12,111	10,592	10,585	99,858
Equity in (earnings) losses of affiliates	(961)	(937)	885	8,349
Insurance income	—	(944)	(956)	(9,018)
Gain on sales of property and equipment	(11,642)	(6,607)	(4,116)	(38,830)
Subsidies for employment adjustment	—	—	(4,094)	(38,622)
Loss on disposals of property and equipment	18,974	15,905	12,193	115,028
Loss on sales of shares of subsidiaries	3,320	—	—	—
(Gain) loss on sales of investment securities	(2,665)	331	—	—
(Increase) decrease in notes and accounts receivable, trade	(7,411)	(16,380)	31,472	296,905
(Increase) decrease in notes and accounts receivable, financial services	(6,008)	(1,232)	7,713	72,764
Decrease in inventories	7,159	2,163	13,844	130,603
(Decrease) increase in notes and accounts payable, trade	(537)	753	(21,610)	(203,867)
Increase in deposits received	1,303	54,067	7,854	74,094
Net decrease in loans in banking business	—	(10,000)	—	—
Net increase (decrease) in bonds in banking business	25,000	(10,000)	(20,000)	(188,679)
Net increase in deposits received in banking business	34,873	66,640	86,386	814,962
Net increase in ATM-related temporary accounts	(509)	(26,663)	(7,475)	(70,518)
Other	(18,433)	(33,936)	(18,225)	(171,933)
Subtotal	667,267	664,565	639,630	6,034,245
Interest and dividends received	3,833	2,794	2,201	20,764
Interest paid	(11,729)	(10,735)	(10,129)	(95,556)
Insurance income	—	944	956	9,018
Subsidies for employment adjustment received	—	—	4,092	38,603
Income taxes paid	(81,493)	(92,629)	(102,693)	(968,801)
Income taxes refund	—	11,732	5,935	55,990
Net cash provided by operating activities	577,878	576,670	539,995	5,094,292



	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Cash flows from investing activities:				
Acquisition of property and equipment (Note 9)	(478,451)	(297,693)	(297,859)	(2,809,990)
Proceeds from sales of property and equipment	131,908	17,365	13,442	126,811
Acquisition of intangible assets	(33,083)	(41,649)	(51,972)	(490,301)
Payment for purchase of investments in securities	(36,623)	(24,678)	(22,239)	(209,801)
Proceeds from sales of investments in securities	22,608	33,928	14,690	138,584
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 9)	(470)	—	(41,973)	(395,971)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	12	—	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(127)	—	—	—
Payment for long-term leasehold deposits	(14,308)	(10,593)	(9,938)	(93,754)
Refund of long-term leasehold deposits	27,430	27,049	26,971	254,443
Proceeds from deposits from tenants	3,004	2,864	2,428	22,905
Refund of deposits from tenants	(3,122)	(3,443)	(2,963)	(27,952)
Payment for acquisition of business (Note 9)	(177,763)	(16,631)	(11,447)	(107,990)
Payment for time deposits	(11,869)	(2,364)	(4,081)	(38,500)
Proceeds from withdrawal of time deposits	16,665	2,834	1,963	18,518
Other	(3,295)	(5,046)	(11,146)	(105,150)
Net cash used in investing activities	(557,497)	(318,047)	(394,127)	(3,718,179)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	15,904	(13,707)	490,506	4,627,415
Proceeds from long-term debts	160,696	53,580	125,793	1,186,726
Repayment of long-term debts	(83,993)	(98,555)	(93,579)	(882,820)
Proceeds from commercial paper	2,319	—	263,118	2,482,245
Payment for redemption of commercial paper	(2,319)	—	(263,118)	(2,482,245)
Proceeds from issuance of bonds	66,478	—	349,307	3,295,349
Payment for redemption of bonds	(60,000)	(40,000)	(60,000)	(566,037)
Capital contribution from non-controlling interests	0	1,488	183	1,726
Purchase of treasury shares	(20)	(6,718)	(12)	(113)
Dividends paid	(81,784)	(83,976)	(87,081)	(821,518)
Dividends paid to non-controlling interests	(7,196)	(8,224)	(7,482)	(70,584)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(3,857)	(770)	(7,264)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	716	—	—	—
Other	(16,126)	(13,233)	(26,321)	(248,311)
Net cash (used in) provided by financing activities	(5,324)	(213,204)	690,542	6,514,547
Effect of exchange rate changes on cash and cash equivalents				
	(5,231)	(1,292)	(7,430)	(70,094)
Net increase in cash and cash equivalents	9,824	44,126	828,980	7,820,566
Cash and cash equivalents at beginning of year	1,300,917	1,310,729	1,354,856	12,781,660
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	(11)	—	—	—
Cash and cash equivalents at end of year	¥1,310,729	¥1,354,856	¥2,183,837	\$20,602,235

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 148 consolidated subsidiaries as of February 28, 2021 (141 as of February 29, 2020 and 135 as of February 28, 2019) 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.

Nine entities have been additionally included in the scope of consolidation following their establishment of six entities and the acquisition of shares of three entities, while two entities have been excluded from the scope of consolidation in connection with the dissolution resulting from merger and the liquidation for the fiscal year ended February 28, 2021.

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 28, 2021 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 28, 2021 (25 affiliates as of February 29, 2020 and 24 affiliates as of February 28, 2019), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

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 five 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**

- (a) Business commencement expenses

Business commencement expenses are amortized using the straight-line method over five years.

- (b) Bond issuance cost

Bond issuance cost are amortized using the straight-line method over the redemption period.

**(10) Allowances**

- (a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on col-

lection. 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, 2019, February 29, 2020 and February 28, 2021 is ¥2,850.42, ¥2,946.83 and ¥3,022.68 (\$28.51), respectively. Net income per share for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021 is ¥229.50, ¥246.95 and ¥203.03 (\$1.91), respectively. Diluted net income per share for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021 is ¥229.31, ¥246.85 and ¥203.02 (\$1.91), 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, 2019, February 29, 2020 and February 28, 2021 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2019	2020	2021	2021
Net income attributable to owners of parent	¥203,004	¥218,185	¥179,262	\$1,691,150
Less components not pertaining to common shareholders	—	—	—	—
Net income pertaining to common shareholders	203,004	218,185	179,262	1,691,150
Weighted-average number of shares of common stock outstanding (shares)	884,568,131	883,508,868	882,927,577	882,927,577

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) Adoption of tax effect accounting for the transition from the Consolidated Taxation System to the Group Tax Sharing System

With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with transition from the Consolidated Taxation System to the Group Tax Sharing System, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF (Practical Issue Task Force) No. 39, March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

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

(Accounting Standard for Revenue Recognition)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)

### **(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) Scheduled date of application**

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.

(Accounting Standard for Fair Value Measurement)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Management (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

### **(a) Overview**

Both IASB and FASB each established a nearly identical and detailed guidance for fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Accounting Standards Codification Topic 820 “Fair Value Measurement” in US GAAP). To respond to the development, ASBJ made efforts for ensuring consistency of Japanese standards with international standards regarding the guidance and disclosure mainly about fair value of financial instruments. As the result, ASBJ issued the “Accounting Standard for Fair Value Measurement.”

In developing the accounting standard for fair value measurement, ASBJ basically adopted entire IFRS 13 with the unified measurement methodology for a better comparability of the financial statements of domestic and foreign enterprises. ASBJ, on the other side, specified other alternative treatments in individual items considering the current practices under Japanese GAAP as far as such treatments would not significantly impair international comparability.

### **(b) Scheduled date of application**

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 have not yet been determined.

(Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections)

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020)

(a) Overview

Responding to the request to improve the note disclosure of “Accounting principle and procedure adopted when related accounting standards are not clearly defined”, ASBJ accordingly issued the revised “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.”

In order not to create any other conflicts in accounting practices when related accounting standards are clearly defined, Note 1-2 of annotations of Accounting Principles for Business Enterprises is still effective at improving the Accounting principle and procedure adopted when related accounting standards are not clearly defined.

(b) Scheduled date of application

The above standard is scheduled to be applied from the end of the fiscal year ending February 28, 2022.

(Accounting Standard for Disclosure of Accounting Estimates)

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(a) Overview

“Major sources of estimation uncertainty,” which is required to disclose in Paragraph 125 of IAS 1 “Presentation of Financial Statements” issued by IASB in 2003, is also discussed and requested in Japan to reflect in Japanese GAAP as a note disclosure requirement since such information is useful for users of financial statements. Responding to that, ASBJ developed and issued the “Accounting Standard for Disclosure of Accounting Estimates.”

In developing the accounting standard in reference to Paragraph 125 of IAS 1, ASBJ basically did not improve individual note disclosure requirement, but set the basic principle (disclosure purposes) where individual enterprise determines what to disclose according to the disclosure purposes.

(b) Scheduled date of application

The above standard is scheduled to be applied from the end of the fiscal year ending February 28, 2022.

(Accounting Standard for Leases)

- Accounting Standard for Leases (FASB ASC Topic 842)

(a) Overview

The application of this accounting standard requires lessees, in principal, to record all leases as assets and liabilities on the balance sheets.

(b) Scheduled date of application

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

(c) Effects of application of the standard

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.

(Consolidated Statements of Income)

“Income from electronic money breakage,” which was previously included in “Other, net” of other income (expenses) in the fiscal year ended February 29, 2020, as its materiality has increased, and is separately presented for the fiscal year ended February 28, 2021.

To reflect this change in method of presentation, the Company reclassified Consolidated Financial Statements for the fiscal year ended February 28, 2019 and February 29, 2020.

As a result, ¥(18,884) million that was presented as “Other, net” in other income (expenses) in the fiscal year ended February 28, 2019 has been reclassified as “Income from electronic money breakage” of ¥768 million and “Other, net” of ¥(19,653) million, while ¥(15,904) million that was presented as “Other, net” in other income (expenses) in the fiscal year ended February 29, 2020 has been reclassified as “Income from electronic money breakage” of ¥818 million and “Other, net” of ¥(16,723) million.

## **(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 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 28, 2021, the carrying amount and the number of Company's shares remaining in the BIP Trust are ¥3,552 million (\$33,509 thousand) and 930 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 28, 2021, the carrying amount and the number of Company's shares remaining in the Trust are ¥2,663 million (\$25,122 thousand) and 694 thousand shares, respectively.

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

The Companies assume that the effect 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 third declaration of state of emergency in Japan on April 25, 2021 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 ¥106=US\$1, the approximate rate of exchange prevailing as of February 28, 2021. 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.

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 and short-term loans are used mainly to raise funds for business operation and M&A using bridge loans, while long-term loans and bonds are used mainly for capital investments and M&A. These debts are managed comprehensively based on the asset-liability management ("ALM") model.

Bonds denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations, which is mitigated by currency swap contracts.

Variable-rate bonds and long-term loans are exposed to the risk of fluctuations in interest rates, but for some of them, the Companies seek to avoid or mitigate this risk through interest rate swap transactions.

In relation to the derivative instruments (i.e. forward foreign exchange contracts, currency swap contracts, interest rate swap transactions) 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, 2019, February 29, 2020 and February 28, 2021 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		
	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
Total assets	¥2,067,157	¥2,090,781	¥23,624
Notes and accounts payable, trade <sup>(d)</sup>	¥411,602	¥411,602	¥-
Short-term loans	143,160	143,160	-
Deposits received in banking business	588,395	588,544	148
Bonds <sup>(f)</sup>	411,914	416,975	5,060
Long-term loans <sup>(g)</sup>	550,114	547,557	(2,556)
Deposits received from tenants and franchised stores <sup>(h)</sup>	27,335	27,085	(249)
Total liabilities	¥2,132,522	¥2,134,925	¥2,402
Derivative instruments <sup>(i)</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
Total assets	¥2,101,472	¥2,122,568	¥21,096
Notes and accounts payable, trade <sup>(d)</sup>	¥410,793	¥410,793	¥-
Short-term loans	129,456	129,456	-
Deposits received in banking business	655,036	655,134	98
Bonds <sup>(f)</sup>	361,915	365,945	4,029
Long-term loans <sup>(g)</sup>	491,588	496,672	5,084
Deposits received from tenants and franchised stores <sup>(h)</sup>	26,355	26,328	(27)
Total liabilities	¥2,075,146	¥2,084,331	¥9,184
Derivative instruments <sup>(i)</sup>	¥20	¥20	¥-

Millions of yen

	2021		
	Book value	Fair value	Difference
Cash and cash equivalents	¥2,183,837	¥2,183,837	¥-
Notes and accounts receivable, trade	318,142		
Allowance for doubtful accounts <sup>(a)</sup>	(3,458)		
	314,683	318,228	3,544
Investments in securities	154,028	159,676	5,647
Long-term leasehold deposits <sup>(b)</sup>	258,381		
Allowance for doubtful accounts <sup>(c)</sup>	(76)		
	258,305	266,268	7,963
Total assets	¥2,910,854	¥2,928,009	¥17,155
Notes and accounts payable, trade <sup>(d)</sup>	¥385,289	¥385,289	¥-
Short-term loans <sup>(e)</sup>	619,953	619,953	-
Deposits received in banking business	741,422	741,503	80
Bonds <sup>(f)</sup>	631,917	634,060	2,143
Long-term loans <sup>(g)</sup>	509,339	521,734	12,394
Deposits received from tenants and franchised stores <sup>(h)</sup>	27,337	26,783	(553)
Total liabilities	¥2,915,260	¥2,929,324	¥14,063
Derivative instruments <sup>(i)</sup>	¥2,192	¥2,192	¥-

Thousands of U.S. dollars (Note 3)

	2021		
	Book value	Fair value	Difference
Cash and cash equivalents	\$20,602,235	\$20,602,235	\$-
Notes and accounts receivable, trade	3,001,339		
Allowance for doubtful accounts <sup>(a)</sup>	(32,622)		
	2,968,707	3,002,150	33,433
Investments in securities	1,453,094	1,506,377	53,273
Long-term leasehold deposits <sup>(b)</sup>	2,437,556		
Allowance for doubtful accounts <sup>(c)</sup>	(716)		
	2,436,839	2,511,962	75,122
Total assets	\$27,460,886	\$27,622,726	\$161,839
Notes and accounts payable, trade <sup>(d)</sup>	\$3,634,801	\$3,634,801	\$-
Short-term loans <sup>(e)</sup>	5,848,613	5,848,613	-
Deposits received in banking business	6,994,547	6,995,311	754
Bonds <sup>(f)</sup>	5,961,481	5,981,698	20,216
Long-term loans <sup>(g)</sup>	4,805,084	4,922,018	116,924
Deposits received from tenants and franchised stores <sup>(h)</sup>	257,896	252,669	(5,216)
Total liabilities	\$27,502,452	\$27,635,132	\$132,669
Derivative instruments <sup>(i)</sup>	\$20,679	\$20,679	\$-

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) Short-term loans is stated in the notes from the fiscal year ended February 28, 2021 as its materiality has increased. To reflect this change in presentation, information for the fiscal years ended February 28, 2019 and February 29, 2020 have been also presented.
- (f) The amount of bonds includes bonds due within one year.
- (g) The amount of long-term loans includes long-term loans due within one year.
- (h) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.
- (i) 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, (2) Short-term loans**

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

#### **(3) 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.

#### **(4) 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.

#### **(5) 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.

#### **(6) 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 U.S. dollars (Note 3)
	2019	2020	2021	2021
	Book value			
Investments in securities <sup>(a)</sup> :				
Unlisted securities	¥11,399	¥10,646	¥12,617	\$119,028
Shares of affiliates	30,454	33,009	31,197	294,311
Other	5,799	6,942	6,264	59,094
Long-term leasehold deposits <sup>(b)</sup>	101,757	103,937	88,240	832,452
Deposits received from tenants and franchised stores <sup>(b)</sup>	27,612	27,837	24,787	233,839

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 (6) 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			
	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 year	After one year within five years	After five years within ten years	After ten 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
Total	¥1,729,622	¥143,998	¥66,770	¥94,983

	Millions of yen			
	2021			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥2,183,837	¥–	¥–	¥–
Notes and accounts receivable, trade	303,645	12,344	1,816	335
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	700	20,315	–	–
Bonds	10,600	38,700	–	–
Other	–	–	–	–
Long-term leasehold deposits	26,962	72,227	62,286	96,905
Total	¥2,525,744	¥143,586	¥64,103	¥97,241

	Thousands of U.S. dollars (Note 3)			
	2021			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	\$20,602,235	\$–	\$–	\$–
Notes and accounts receivable, trade	2,864,575	116,452	17,132	3,160
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,603	191,650	–	–
Bonds	100,000	365,094	–	–
Other	–	–	–	–
Long-term leasehold deposits	254,358	681,386	587,603	914,198
Total	\$23,827,773	\$1,354,584	\$604,745	\$917,367

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

	Millions of yen			
	2019			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥473,460	¥114,935	¥–	¥–

	Millions of yen			
	2020			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥539,718	¥115,318	¥–	¥–

	Millions of yen			
	2021			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥625,298	¥116,124	¥–	¥–

Thousands of U.S. dollars (Note 3)				
2021				
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	\$5,899,037	\$1,095,509	\$–	\$–

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						
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

Millions of yen						
2021						
	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	¥66,917	¥60,000	¥190,000	¥15,000	¥210,000	¥90,000
Long-term loans	146,747	64,268	81,446	62,524	66,008	88,344
Total	¥213,665	¥124,268	¥271,446	¥77,524	¥276,008	¥178,344

Thousands of U.S. dollars (Note 3)						
2021						
	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	\$631,292	\$566,037	\$1,792,452	\$141,509	\$1,981,132	\$849,056
Long-term loans	1,384,405	606,301	768,358	589,849	622,716	833,433
Total	\$2,015,707	\$1,172,339	\$2,560,811	\$731,358	\$2,603,849	\$1,682,490

## 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, 2019, February 29, 2020 and February 28, 2021 (excluding non-marketable securities of ¥11,399 million, ¥10,646 million and ¥12,617 million (\$119,028 thousand) as of February 28, 2019, February 29, 2020 and February 28, 2021, respectively):

Millions of yen			
2019			
	Book value	Acquisition cost	Net unrealized gains (losses)
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



	Millions of yen		
	2021		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥72,744	¥21,802	¥50,942
Debt securities			
Governmental and municipal bonds, etc.	16,825	16,819	6
Corporate bonds	14,111	14,106	5
Subtotal	103,681	52,728	50,953
Securities with book value not exceeding acquisition cost:			
Equity securities	1,618	2,164	(546)
Debt securities			
Governmental and municipal bonds, etc.	4,283	4,285	(2)
Corporate bonds	35,396	35,421	(25)
Subtotal	41,298	41,872	(573)
Total	¥144,980	¥94,600	¥50,380

	Thousands of U.S. dollars (Note 3)		
	2021		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	\$686,264	\$205,679	\$480,584
Debt securities			
Governmental and municipal bonds, etc.	158,726	158,669	56
Corporate bonds	133,122	133,075	47
Subtotal	978,122	497,433	480,688
Securities with book value not exceeding acquisition cost:			
Equity securities	15,264	20,415	(5,150)
Debt securities			
Governmental and municipal bonds, etc.	40,405	40,424	(18)
Corporate bonds	333,924	334,160	(235)
Subtotal	389,603	395,018	(5,405)
Total	\$1,367,735	\$892,452	\$475,283

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Sales amounts	¥2,681	¥3,309	¥320	\$3,018
Gain on sales of available-for-sale securities	2,665	123	252	2,377
Loss on sales of available-for-sale securities	32	454	0	0

### (3) Impairment loss on securities

For the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, the Companies recognized ¥11 million, ¥93 million and ¥229 million (\$2,160 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, 2019, February 29, 2020 and February 28, 2021 were ¥39,130 million, ¥42,039 million and ¥40,245 million (\$379,669 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, 2019, February 29, 2020 and February 28, 2021 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				
2019				
	Contract amount		Estimated fair value	Unrealized 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 fair value	Unrealized 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

Millions of yen				
2021				
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,543	¥—	¥25	¥25
Buy Euro	149	—	4	4
Buy Chinese yuan	82	—	2	2

Thousands of U.S. dollars (Note 3)				
2021				
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	After one year		
Forward foreign exchange contracts:				
Buy U.S. dollar	\$14,556	\$—	\$235	\$235
Buy Euro	1,405	—	37	37
Buy Chinese yuan	773	—	18	18

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 2019			
	Contract amount		Estimated 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 2020			
	Contract amount		Estimated 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>

Millions of yen 2021			
	Contract amount		Estimated fair value
	Total	After one year	
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,342	¥—	¥18 <sup>(a)</sup>
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	8	—	— <sup>(b)</sup>
Currency swap contracts, accounted for by designation method			
Receive U.S. dollar / Pay Japanese yen	66,918	—	— <sup>(b)</sup>

Thousands of U.S. dollars (Note 3)			
2021			
	Contract amount		Estimated fair value
	Total	After one year	
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	\$12,660	\$—	\$169 <sup>(a)</sup>
Forward foreign exchange contracts, accounted for by designation method			
Buy U.S. dollar	75	—	— <sup>(b)</sup>
Currency swap contracts, accounted for by designation method			
Receive U.S. dollar / Pay Japanese yen	631,301	—	— <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			
2019			
	Contract amount		Estimated 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 fair value
	Total	After one year	
Interest rate swap contracts, where certain criteria are met <sup>(b)</sup>			
Receive float / Pay fixed	¥—	¥—	¥—

Millions of yen			
2021			
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, accounted for by deferral hedge accounting <sup>(b)</sup>			
Receive float / Pay fixed	¥245,812	¥245,812	¥2,142 <sup>(c)</sup>

Thousands of U.S. dollars (Note 3)			
2021			
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, accounted for by deferral hedge accounting <sup>(b)</sup>			
Receive float / Pay fixed	\$2,318,981	\$2,318,981	\$20,207 <sup>(c)</sup>

Notes:

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

- (c) The estimated fair values of these interest rate swaps are measured by reference to prices or indices indicated by financial institutions.

## 7. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2019, February 29, 2020 and February 28, 2021 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Buildings and structures	¥2,241,428	¥2,337,208	¥2,367,606	\$22,335,905
Furniture, fixtures and other	912,078	968,774	1,006,439	9,494,707
	3,153,506	3,305,983	3,374,045	31,830,613
Less: Accumulated depreciation	(1,875,955)	(1,968,140)	(2,024,326)	(19,097,415)
	1,277,550	1,337,843	1,349,719	12,733,198
Land	751,616	746,914	746,284	7,040,415
Construction in progress	89,463	98,618	110,019	1,037,915
Total	¥2,118,630	¥2,183,375	¥2,206,023	\$20,811,537

## 8. IMPAIRMENT LOSS

For the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, the Companies recognized ¥57,368 million, ¥35,477 million and ¥35,484 million (\$334,754 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2019:

Description	Classification	Location	Millions of yen
Stores	Land and buildings, etc.	Tokyo Met. Domestic convenience stores 102 Stores	¥47,480
		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:

FY2023				Millions of yen	
Description	Classification	Location			
Stores	Land and build-ings, 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 set- tlement ser- vices	Software, etc.	Tokyo Met.			4,615
Other facilities, etc.	Land and build-ings, etc.	Tokyo Met., Nagano Pref., Niigata Pref. & others			1,219
Total					¥35,477

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

Fiscal year ended February 28, 2021:

Fiscal year ended February 28, 2021					Thousands of U.S. dollars (Note 3)	
Description	Classifica- tion	Location		Millions of yen		
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	84 Stores	¥34,105	\$321,745
			Specialty stores	22 Stores		
			Superstores	2 Stores		
			Others	2 Stores		
		Aichi Pref.	Domestic convenience stores	44 Stores		
			Specialty stores	4 Stores		
		Kanagawa Pref.	Domestic convenience stores	35 Stores		
			Specialty stores	11 Stores		
			Others	1 Store		
		U.S. & oth- ers	Overseas convenience stores	175 Stores		
Other facilities, etc.	Software, etc.	Tokyo Met., Kyoto Pref., Nagano Pref., & others		1,378	13,000	
Total				¥35,484	\$334,754	

Note: ¥3,879 million (\$36,594 thousand) (Stores) is included in "Restructuring expenses" in the Consolidated State-ments 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 rec-orded as impairment loss in special losses.

A breakdown of impairment loss is as follows:  
Fiscal year ended February 28, 2019:

	Millions of yen			
	Stores	Overseas ATM related business	Other facilities, 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
Others	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 (Others) are included in “Restructuring expenses” in the Consolidated Statements of Income.

Fiscal year ended February 29, 2020:

	Millions of yen			
	Stores	Digital and settlement services	Other facilities, 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
Others	2,022	580	55	2,658
Total	¥29,642	¥4,615	¥1,219	¥35,477

Note: ¥2,685 million (Buildings and structures), ¥73 million (Furniture, fixtures and equipment), and ¥121 million (Others) are included in “Restructuring expenses” in the Consolidated Statements of Income. In addition, ¥14 million (Buildings and structures), ¥22 million (Furniture, fixtures and equipment), ¥3,998 million (Software), and ¥580 million (Others) are included in “Loss on digital and settlement services” in the Consolidated Statements of Income.

Fiscal year ended February 28, 2021:

	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥27,335	¥470	¥27,805
Furniture, fixtures and equipment	3,732	87	3,820
Land	1,585	2	1,587
Software	461	632	1,094
Others	990	186	1,176
Total	¥34,105	¥1,378	¥35,484

Note: ¥3,497 million (\$32,990 thousand) (Buildings and structures), ¥23 million (\$216 thousand) (Furniture, fixtures and equipment), ¥330 million (\$3,113 thousand) (Land) and ¥28 million (\$264 thousand) (Others) are included in “Restructuring expenses” in the Consolidated Statements of Income.

	Thousands of U.S. dollars (Note 3)		
	Stores	Other facilities, etc.	Total
Buildings and structures	\$257,877	\$4,433	\$262,311
Furniture, fixtures and equipment	35,207	820	36,037
Land	14,952	18	14,971
Software	4,349	5,962	10,320
Others	9,339	1,754	11,094
Total	\$321,745	\$13,000	\$334,754

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 3.1-11.5% discount rates in 2019, 3.1-6.0% in 2020 and 3.3-6.0% in 2021 were applied.

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

(1) Summary of net assets (assets and liabilities) and net payment for the acquisition of shares of companies newly consolidated

Fiscal year ended February 28, 2021:

Brown-Thompson General Partnership and 7-Eleven, L.L.C.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2021
Current assets	¥4,097	\$38,650
Non-current assets	17,250	162,735
Goodwill	28,472	268,603
Current liabilities	(3,675)	(34,669)
Non-current liabilities	(2,892)	(27,283)
Acquisition cost	43,252	408,037
Cash and cash equivalents	(1,278)	(12,056)
Payment for acquisition of shares	¥41,973	\$395,971

(2) Major non-cash transactions

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Finance lease obligations for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥9,156	¥7,180	¥11,625	\$109,669
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	10,378	13,276	13,352	125,962

(3) 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 U.S. dollars (Note 3)
	2019	2020	2021	2021
Inventories	¥14,205	¥426	¥324	\$3,056
Goodwill	156,797	14,917	8,962	84,547
Other	6,760	1,287	2,160	20,377
Subtotal	177,763	16,631	11,447	107,990
Property and equipment	184,311	4,309	3,580	33,773
Total	¥362,075	¥20,941	¥15,027	\$141,764

The property and equipment set out above at an amount of ¥184,311 million, ¥4,309 million and ¥3,580 million (\$33,773 thousand) are included in acquisition of property and equipment in the Consolidated Statements of Cash Flows for the fiscal years ended February 28, 2019 February 29, 2020 and February 28, 2021, 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%, 30.6% and 30.6% for the fiscal years ended February 28, 2019, February 29, 2020, and February 28, 2021, respectively.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2019, February 29, 2020 and February 28, 2021 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Deferred tax assets:				
Allowance for bonuses to employees	¥4,344	¥4,397	¥4,553	\$42,952
Allowance for sales promotion expenses	5,679	5,509	5,623	53,047
Accrued payroll	7,830	7,790	7,396	69,773
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	287	264	238	2,245
Allowance for accrued pension and severance costs	859	1,003	927	8,745
Allowance for loss on future collection of gift certificates	408	349	285	2,688
Depreciation and amortization	11,911	11,365	10,334	97,490
Tax loss carried forward <sup>(a)</sup>	41,473	43,450	50,595	477,311
Valuation loss on available-for-sale securities	1,045	3,943	791	7,462
Allowance for doubtful accounts	1,629	1,734	1,873	17,669
Unrealized loss on property and equipment	7,597	7,326	8,668	81,773
Impairment loss on property and equipment valuation and loss on land	62,794	58,563	53,465	504,386
Accrued enterprise taxes and business office taxes	4,350	4,525	4,016	37,886
Accrued expenses	9,823	11,248	13,925	131,367
Asset retirement obligations	20,427	21,456	22,397	211,292
Unearned revenue	—	14,151	13,103	123,613
Rights of trademark	1,110	263	—	0
Others	19,861	20,463	24,871	234,632
Subtotal	201,435	217,808	223,067	2,104,405
Valuation allowance for tax loss carried forward <sup>(a)</sup>	—	(42,437)	(46,301)	(436,801)
Valuation allowance for deductible temporary differences	—	(41,123)	(39,055)	(368,443)
Less: Valuation allowance	(83,178)	(83,560)	(85,357)	(805,254)
Total	118,257	134,247	137,709	1,299,141
Deferred tax liabilities:				
Unrealized gains on property and equipment	(36,592)	(63,453)	(87,551)	(825,952)
Royalties, etc.	(27,702)	(32,831)	(28,416)	(268,075)
Reserve for advanced depreciation of property and equipment	(751)	(713)	(700)	(6,603)
Unrealized gains on available-for-sale securities	(10,931)	(10,968)	(15,444)	(145,698)
Net defined benefit asset	(13,360)	(17,126)	(24,430)	(230,471)
Unrealized intercompany profit	(4,594)	(4,594)	(4,599)	(43,386)
Removal cost related to asset retirement obligations	(7,847)	(7,789)	(7,568)	(71,396)
Others	(2,979)	(3,648)	(3,525)	(33,254)

Total	(104,758)	(141,125)	(172,236)	(1,624,867)
Net deferred tax assets <sup>(b)</sup>	¥13,498	¥(6,878)	¥(34,526)	\$(325,716)

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
Valuation allowance	2,124	4,227	4,060	4,724	6,767	20,531
Deferred tax assets	51	41	–	59	8	852
						(**) 1,012

Millions of yen						
2021						
	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 (*)	¥3,534	¥4,067	¥4,790	¥6,824	¥3,900	¥27,478
Valuation allowance	3,512	4,067	4,732	6,758	3,900	23,329
Deferred tax assets	21	–	57	65	0	4,149
						(**) 4,293

Thousands of U.S. dollars (Note 3)						
2021						
	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 (*)	\$33,339	\$38,367	\$45,188	\$64,377	\$36,792	\$259,226
Valuation allowance	33,132	38,367	44,641	63,754	36,792	220,084
Deferred tax assets	198	–	537	613	0	39,141
						(**) 40,500

(\*) 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.

			Thousands of U.S. dollars (Note 3)
			Millions of yen
	2019	2020	2021
Other assets - Deferred income taxes	¥57,424	¥57,071	¥44,352
Non-current liabilities - Deferred income taxes	(43,926)	(63,949)	(78,879)
			(744,141)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021 is as follows:

	2019	2020	2021
Statutory tax rate	30.9%	30.6%	30.6%
Adjustments:			
Equity in earnings of affiliates	(0.1)	(0.1)	0.1
Non-deductible items, such as entertainment expenses	0.4	0.4	0.8
Decrease in valuation allowance	(0.1)	0.5	0.7
Inhabitant taxes per capital	0.5	0.5	0.7
Amortization of goodwill	2.6	2.1	3.0

Difference from applicable tax rates of foreign subsidiaries	(1.9)	(1.8)	(3.6)
CARES Act influence	—	—	(6.0)
Others	0.6	0.1	(1.4)
Effective tax rate	32.9%	32.1%	24.9%

## 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 U.S. dollars (Note 3)
	2019	2020	2021	2021
Balance at beginning of year	¥274,648	¥276,704	¥279,674	\$2,638,433
Service cost	12,973	13,037	13,116	123,735
Interest cost	1,603	1,655	1,629	15,367
Actuarial differences	1,085	766	1,933	18,235
Benefits paid	(12,314)	(12,395)	(13,588)	(128,188)
Prior service cost	—	—	10	94
Decrease due to deconsolidation	(1,319)	—	—	—
Others	27	(94)	(467)	(4,405)
Balance at end of year	¥276,704	¥279,674	¥282,309	\$2,663,292

#### (b) Change in plan assets

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Balance at beginning of year	¥311,083	¥312,837	¥327,040	\$3,085,283
Expected return on plan assets	7,750	6,243	6,527	61,575
Actuarial differences	(6,205)	7,934	20,503	193,424
Employer contribution	11,891	11,919	11,852	111,811
Benefits paid	(11,682)	(11,893)	(13,036)	(122,981)
Balance at end of year	¥312,837	¥327,040	¥352,887	\$3,329,122

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Funded retirement benefit obligations	¥269,170	¥271,054	¥272,999	\$2,575,462
Plan assets	(312,837)	(327,040)	(352,887)	(3,329,122)
	(43,666)	(55,986)	(79,888)	(753,660)
Unfunded retirement benefit obligations	7,534	8,619	9,309	87,820
	¥(36,132)	¥(47,366)	¥(70,578)	\$(665,830)
Net defined benefit liability	¥7,534	¥8,619	¥9,309	\$87,820
Net defined benefit asset	(43,666)	(55,986)	(79,888)	(753,660)

	¥(36,132)	¥(47,366)	¥(70,578)	\$(665,830)
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(d) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Service cost	¥12,973	¥13,037	¥13,116	\$123,735
Interest cost	1,603	1,655	1,629	15,367
Expected return on plan assets	(7,750)	(6,243)	(6,527)	(61,575)
Amortization of actuarial differences	2,730	(2,566)	(1,725)	(16,273)
Amortization of prior service cost	(236)	(2)	(2)	(18)
Additional retirement benefits	911	264	1,903	17,952
Total retirement benefit costs	¥10,231	¥6,144	¥8,394	\$79,188

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Prior service cost	¥(236)	¥(2)	¥(12)	\$(113)
Actuarial differences	(4,513)	4,627	16,989	160,273
Total	¥(4,750)	¥4,625	¥16,976	\$160,150

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Unrecognized prior service cost	¥(6)	¥(4)	¥8	\$75
Unrecognized actuarial differences	(892)	(5,519)	(22,509)	(212,349)
Others	—	—	(227)	(2,141)
Total	¥(898)	¥(5,523)	¥(22,729)	\$(214,424)

(g) Plan assets

(i) The asset allocation for the plans

	2019	2020	2021
Bonds	59%	59%	55%
Equity	30%	31%	35%
Others	11%	10%	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

	2019	2020	2021
Discount rate	mainly 0.5%	mainly 0.5%	mainly 0.5%
Discount rate (consolidated subsidiaries in the United States)	4.4%	3.4%	2.7%
Long-term expected rate of return on plan assets	mainly 2.5%	mainly 2.0%	mainly 2.0%
Expected rate of salary increase	mainly 2.5%	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 ¥2,871 million, ¥4,987 million and ¥4,545 million (\$42,877 thousand) for the fiscal years ended February 28, 2019, February 29, 2020, and February 28, 2021, respectively.

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

The following summarizes information concerning short-term loans:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Outstanding balance at fiscal year-end:				
Short-term bank loans <sup>(a)</sup>	¥143,160	¥129,456	¥619,953	\$5,848,613
Weighted-average interest rate at year-end:				
Short-term bank loans	0.21%	0.23%	0.23%	0.23%

Note:

(a) The total amounts of short-term loans with collateral as of February 28, 2019, February 29, 2020 and February 28, 2021 were nil (Note 18).

Long-term debt as of February 28, 2019, February 29, 2020 and February 28, 2021 consists of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Outstanding balance as of fiscal year-end:				
Loans, principally from banks and insurance companies, due 2022 to 2031 with interest rates ranging from 0.05 to 4.1955% <sup>(b)</sup>	¥550,114	¥491,588	¥509,339	\$4,805,084
Lease obligations	39,469	36,151	32,154	303,339
Seven & i Holdings Co., Ltd.:				
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	—	—
0.383% unsecured straight bonds, due June 20, 2019	40,000	—	—	—
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	188,679
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	60,000	566,037
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	30,000	283,018
0.060% unsecured straight bonds, due December 20, 2023	—	—	130,000	1,226,415
0.190% unsecured straight bonds, due December 19, 2025	—	—	180,000	1,698,113
0.280% unsecured straight bonds, due December 20, 2027	—	—	40,000	377,358
3.350% unsecured straight bonds, due September 17, 2021	66,914	66,915	66,917	631,292
Seven Bank, Ltd.:				
0.613% unsecured straight bonds, due June 20, 2019	10,000	—	—	—
0.460% unsecured straight bonds, due March 19, 2020	20,000	20,000	—	—
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	188,679
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	15,000	141,509
0.390% unsecured straight bonds, due September 17, 2027	30,000	30,000	30,000	283,018
0.160% unsecured straight bonds, due December 20, 2023	20,000	20,000	20,000	188,679
0.385% unsecured straight bonds, due December 20, 2028	20,000	20,000	20,000	188,679
	1,001,499	889,656	1,173,411	11,069,915
Current portion of long-term debt	(172,154)	(183,911)	(227,673)	(2,147,858)
	¥829,344	¥705,744	¥945,737	\$8,922,047

Note:

(b) The total amounts of long-term debt with collateral as of February 28, 2019, February 29, 2020 and February 28, 2021 were ¥8,862 million, ¥9,947 million and ¥13,420 million (\$126,603 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)
2022	¥227,672	\$2,147,849
2023	128,450	1,211,792
2024	274,974	2,594,094
2025	80,313	757,669
2026	278,076	2,623,358
Thereafter	183,927	1,735,160
	¥1,173,411	\$11,069,915

### 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, 2019, February 29, 2020 and February 28, 2021 are as follows:

As lessee:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Due within one year	¥98,736	¥100,796	¥101,610	\$958,584
Due after one year	605,325	614,067	632,351	5,965,575
Total	¥704,061	¥714,864	¥733,962	\$6,924,169

As lessor:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Due within one year	¥6,403	¥8,715	¥10,247	\$96,669
Due after one year	18,619	22,934	22,662	213,792
Total	¥25,022	¥31,649	¥32,909	\$310,462

### 14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021:

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

Asset retirement obligations recorded by the Companies are mainly related to the obligations to re-store 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, 2019, February 29, 2020 and February 28, 2021**

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Balance at beginning of year	¥81,390	¥87,850	¥97,339	\$918,292
Increase due to acquisition of property and equipment	9,958	4,358	9,061	85,481
Adjustment due to passage of time	1,434	1,389	1,419	13,386
Decrease due to settlement of asset retirement obligations	(3,873)	(3,161)	(3,974)	(37,490)
Decrease due to release from restoration obligations	(25)	—	(2,620)	(24,716)
Increase (decrease) due to change in estimation	53	7,528	2,871	27,084
Decrease due to reconciliation of estimated cost and actual cost	(569)	(143)	(850)	(8,018)
Others	(517)	(482)	(1,451)	(13,688)
Balance at end of year	¥87,850	¥97,339	¥101,796	\$960,339

Note: Others are mainly due to fluctuations in foreign currency rates.

**(4) Change in estimation**

For the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, 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 increased by ¥53 million, ¥7,528 million and ¥2,871 million (\$27,084 thousand), respectively, from the balance of asset retirement obligation before revision.

## 15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) including reclassification adjustments and tax effects for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Unrealized gains (losses) on available-for-sale securities, net of taxes:				
Increase (decrease) during the fiscal year	¥(504)	¥174	¥14,555	\$137,311
Reclassification adjustments	11	60	(567)	(5,349)
Amount before tax	(493)	234	13,988	131,962
Tax effects	(1,019)	(447)	(4,360)	(41,132)
Subtotal	(1,512)	(212)	9,627	90,820
Unrealized gains (losses) on hedging derivatives, net of taxes:				
Increase (decrease) during the fiscal year	18	(277)	2,476	23,358
Reclassification adjustments	0	—	-	-
Amount before tax	19	(277)	2,476	23,358
Tax effects	(3)	68	(618)	(5,830)
Subtotal	15	(209)	1,857	17,518
Foreign currency translation adjustments:				
Decrease during the fiscal year	(23,298)	(6,340)	(48,474)	(457,301)
Remeasurements of defined benefit plans, net of taxes:				
Increase (decrease) during the fiscal year	(7,290)	7,168	18,558	175,075
Reclassification adjustments	2,539	(2,543)	(1,582)	(14,924)
Amount before tax	(4,750)	4,625	16,976	160,150
Tax effects	1,478	(1,802)	(5,000)	(47,169)
Subtotal	(3,272)	2,822	11,976	112,981
Share of other comprehensive income (loss) of entities accounted for using equity method:				
Decrease during the fiscal year	(28)	(12)	(8)	(75)
Total other comprehensive income (loss)	¥(28,096)	¥(3,952)	¥(25,021)	\$(236,047)

## 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 27, 2021, the shareholders approved cash dividends amounting to ¥45,115 million (\$425,613 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2021 because those are recognized in the period in which they are approved by the shareholders. The total amount of cash dividends includes ¥82 million (\$773 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

## 17. STOCK OPTIONS

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of Income amounted to ¥491 million for the fiscal year ended February 28, 2019 and was nil for the fiscal years ended February 29, 2020 and February 28, 2021.

### (1) The Company

#### (a) Outline of stock options

	Fifteenth grant	Seventeenth grant
Title and number of grantees	8 directors of the Company	7 directors of the Company
Number of stock options <sup>(a)</sup>	28,100 ordinary shares	16,500 ordinary shares
Grant date	August 5, 2015	August 3, 2016
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2016 to August 5, 2035	From February 28, 2017 to August 3, 2036
	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 28, 2021. The number of stock options is translated into the number of shares.

**Fiscal year ended February 28, 2021:****Number of stock options**

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twentieth grant
<b>Before vested:</b>				
As of February 29, 2020	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
<b>After vested:</b>				
As of February 29, 2020	3,000	3,000	3,000	1,000
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding	3,000	3,000	3,000	1,000
	Twenty-first grant	Twenty-second grant		
<b>Before vested:</b>				
As of February 29, 2020	—	—		
Granted	—	—		
Forfeited	—	—		
Vested	—	—		
Outstanding	—	—		
<b>After vested:</b>				
As of February 29, 2020	3,000	1,000		
Vested	—	—		
Exercised	—	—		
Forfeited	—	—		
Outstanding	3,000	1,000		

## Price information

	Fifteenth grant	Seventeenth 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	—	—	—	—
Fair value at the grant date <sup>(a)</sup>	¥533,000 (\$5,028) per subscription to share	¥361,300 (\$3,408) per subscription to share	¥369,800 (\$3,488) per subscription to share	¥380,800 (\$3,592) 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	—	—
Fair value at the grant date <sup>(a)</sup>	¥380,600 (\$3,590) per subscription to share	¥380,400 (\$3,588) 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
	Second grant-2	Third grant-1
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
	Fourth grant-1	Fourth grant-2
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
	Fifth grant-1	Fifth grant-2
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
	Sixth grant-1	Sixth grant-2
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 28, 2021. The number of stock options is translated into the number of shares.

**Fiscal year ended February 28, 2021:****Number of stock options**

	First grant-1	Second grant-1	Second grant-2	Third grant-1
<b>Before vested:</b>				
As of February 29, 2020	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
<b>After vested:</b>				
As of February 29, 2020	45,000	55,000	9,000	180,000
Vested	—	—	—	—
Exercised	—	—	9,000	32,000
Forfeited	45,000	55,000	—	148,000
Outstanding	—	—	—	—
	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
<b>Before vested:</b>				
As of February 29, 2020	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
<b>After vested:</b>				
As of February 29, 2020	187,000	13,000	146,000	20,000
Vested	—	—	—	—
Exercised	33,000	—	25,000	—
Forfeited	154,000	13,000	121,000	20,000
Outstanding	—	—	—	—
	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
<b>Before vested:</b>				
As of February 29, 2020	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
<b>After vested:</b>				
As of February 29, 2020	93,000	10,000	81,000	18,000
Vested	—	—	—	—
Exercised	19,000	—	17,000	—
Forfeited	74,000	10,000	64,000	18,000
Outstanding	—	—	—	—

	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
<b>Before vested:</b>				
As of February 29, 2020	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
<b>After vested:</b>				
As of February 29, 2020	58,000	19,000	160,000	39,000
Vested	—	—	—	—
Exercised	12,000	—	32,000	—
Forfeited	46,000	19,000	128,000	39,000
Outstanding	—	—	—	—

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-1	Second grant-1	Second grant-2	Third grant-1
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	—	—	¥302 (\$2.8) per subscription to share	¥302 (\$2.8) per subscription to share
Fair value at the grant date <sup>(a)</sup>	¥236,480 (\$2,230) per sub- scription to share	¥221,862 (\$2,093) per sub- scription to share	¥221,862 (\$2,093) per sub- scription to share	¥139,824 (\$1,319) per sub- scription to share
	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
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	¥302 (\$2.8) per subscription to share	—	¥302 (\$2.8) per subscription to share	—
Fair value at the grant date <sup>(a)</sup>	¥127,950 (\$1,207) per sub- scription to share	¥127,950 (\$1,207) per sub- scription to share	¥175,000 (\$1,650) per sub- scription to share	¥175,000 (\$1,650) per sub- scription to share
	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
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	¥302 (\$2.8) per subscription to share	—	¥302 (\$2.8) per subscription to share	—
Fair value at the grant date <sup>(a)</sup>	¥312,000 (\$2,943) per sub- scription to share	¥312,000 (\$2,943) per sub- scription to share	¥370,000 (\$3,490) per sub- scription to share	¥370,000 (\$3,490) per sub- scription to share
	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
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	¥302 (\$2.8) per subscription to share	—	¥302 (\$2.8) per subscription to share	—
Fair value at the grant date <sup>(a)</sup>	¥537,000 (\$5,066) per sub- scription to share	¥537,000 (\$5,066) per sub- scription to share	¥302,000 (\$2,849) per sub- scription to share	¥302,000 (\$2,849) per sub- scription to 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, 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.

As of February 28, 2021

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥57 million (\$537 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, 2019, February 29, 2020 and February 28, 2021 is as follows:**

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Buildings and structures	¥563	¥523	¥489	\$4,613
Land	1,258	1,258	1,258	11,867
Investments in securities	74,135	62,099	68,087	642,330
Long-term leasehold deposits	4,564	4,499	2,662	25,113
Total	¥80,522	¥68,380	¥72,497	\$683,933

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.

Debts for the pledged assets above as of February 28, 2021 are as follows: long-term loans (including current portion), ¥13,420 million (\$126,603 thousand).

**(b) The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2019, February 29, 2020 and February 28, 2021 is as follows:**

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Buildings and structures	¥327	¥306	¥—	\$—
Land	1,331	1,331	—	—
Total	¥1,658	¥1,637	¥—	\$—

Debts of affiliates for the pledged assets above as of February 28, 2019, February 29, 2020 and February 28, 2021 are ¥2,743 million, ¥2,651 million and nil, respectively.

**(c) Other**

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 and ¥800 million, respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million and ¥1,334 million, respectively. In addition, ¥382 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2021

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥2,529 million (\$23,858 thousand) and ¥800 million (\$7,547 thousand), respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million (\$518 thousand) and nil, respectively. In addition, ¥304 million (\$2,867 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, 2019, February 29, 2020 and February 28, 2021 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Credit availability of cash loan business	¥857,286	¥855,436	¥790,424	\$7,456,830
Outstanding balance	(44,855)	(45,407)	(44,002)	(415,113)
Unused credit balance	¥812,430	¥810,029	¥746,421	\$7,041,707

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 U.S. dollars (Note 3)
	2019	2020	2021	2021
Franchise commission from franchised stores	¥773,188	¥795,486	¥762,514	\$7,193,528
Net sales of franchised stores	4,795,151	4,914,928	4,781,626	45,109,679

7-Eleven, Inc.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Franchise commission from franchised stores	¥255,516	¥259,531	¥245,210	\$2,313,301
Net sales of franchised stores	1,472,966	1,503,717	1,505,369	14,201,594

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Buildings and structures	¥3,427	¥1,474	¥1,194	\$11,264
Land	6,996	4,845	2,286	21,566
Others	1,218	287	635	5,990
Total	¥11,642	¥6,607	¥4,116	\$38,830

Note: ¥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 Statements of Income for the year ended February 28, 2019. ¥5 million (Buildings and structures), ¥900 million (Land) and ¥0 million (Others) are included in "Gain on sales of property and equipment related to restructuring" in the Consolidated Statements of Income for the year ended February 29, 2020. ¥1,106 million (\$10,433 thousand) (Land) is included in "Gain on sales of property and equipment related to restructuring" in the Consolidated Statements of Income for the year ended February 28, 2021.

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Buildings and structures	¥10,959	¥6,437	¥3,710	\$35,000
Furniture, fixtures and equipment	3,552	3,774	3,309	31,216
Others	4,462	5,693	5,172	48,792
Total	¥18,974	¥15,905	¥12,193	\$115,028

Note: ¥18 million (Others) are included in "Restructuring expenses" in the Consolidated Statements of Income for the year ended February 28, 2019. ¥0 million (Others) and ¥218 million (Others) are included in "Restructuring expenses" and "Loss on digital and settlement services," respectively, in the Consolidated Statements of Income for the year ended February 29, 2020. Furthermore, ¥17 million (Buildings and structures), ¥10 million (Furniture, fixtures and equipment) and ¥101 million (Others) are included in "Other, net" in the Consolidated Statements of Income for the year ended February 29, 2020. ¥12 million (\$113 thousand) (Others) are included in "Restructuring expenses" in the Consolidated Statements of Income for the year ended February 28, 2021.

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Advertising and decoration expenses	¥134,850	¥135,938	¥112,921	\$1,065,292
Salaries and wages	473,273	466,448	450,665	4,251,556
Provision for allowance for bonuses to employees	13,809	14,208	14,796	139,584
Retirement benefit costs	12,365	8,861	10,541	99,443
Legal welfare expenses	62,611	63,565	61,137	576,764
Land and building rent	379,510	388,098	376,771	3,554,443
Depreciation and amortization	210,190	214,354	220,434	2,079,566
Utility expenses	118,428	115,535	104,457	985,443
Store maintenance and repair expenses	74,264	73,305	73,778	696,018

## 21. Loss related to novel coronavirus (COVID-19)

The Companies recognized loss related to novel coronavirus (COVID-19) for the year ended February 28, 2021. A breakdown of loss related to novel coronavirus (COVID-19) is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Fixed cost during temporary closure (Salaries and wages, Land and building rent, etc.)	¥—	¥—	¥24,066	\$227,037
Cost of infection prevention and control	—	—	7,571	71,424
Cost of support to franchisees	—	—	5,193	48,990
Others	—	—	3,702	34,924
Total	¥—	¥—	¥40,534	\$382,396

Note: In addition to the above, 7-Eleven, Inc. and other entities also provide support to franchisees. In accordance with U.S. GAAP, etc., the franchise commission included in “Operating revenues” has been reduced by ¥11,322 million (\$106,811 thousand).

## 22. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2019	2020	2021	2021
Impairment loss	¥1,591	¥2,880	¥3,879	\$36,594
Early retirement benefit	245	2,183	2,765	26,084
Store closing losses	204	1,828	1,388	13,094
Loss on sales of property and equipment	—	608	30	283
Others	578	239	2,149	20,273
Total	¥2,619	¥7,740	¥10,213	\$96,349

Note: In addition to the above restructuring expenses, the Companies recognized “Gain on sales of property and equipment related to restructuring” for the years ended February 28, 2019, February 29, 2020 and February 28, 2021 in the amount of ¥427 million, ¥905 million and ¥1,106 million (\$10,433 thousand), respectively.

### 23. 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 U.S. dollars (Note 3)
	2019	2020	2021	2021
Impairment loss	¥—	¥4,615	¥—	\$—
Expenses for security measures	—	4,344	—	—
Others	—	4,502	—	—
Total	¥—	¥13,463	¥—	\$—

## 24. 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.

## 25. BUSINESS COMBINATIONS

There were no significant business combinations for the years ended February 29, 2020 and February 28, 2021. 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).

## 26. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021

No items required to report.

## **27. 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.

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

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

	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	¥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 28, 2021

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	¥919,523	¥2,189,327	¥1,802,625	¥419,183	¥167,259	¥262,736	¥5,976	¥5,766,631	¥86	¥5,766,718
Intersegment	1,309	2,056	8,258	5,969	31,668	1,066	16,034	66,364	(66,364)	-
Total revenues	¥920,832	¥2,191,383	¥1,810,884	¥425,153	¥198,927	¥263,803	¥22,011	¥5,832,995	¥(66,277)	¥5,766,718
Segment income (loss)	¥234,258	¥98,097	¥29,683	¥(6,248)	¥48,077	¥(13,572)	¥1,944	¥392,241	¥(25,911)	¥366,329
Segment assets	¥1,252,296	¥2,284,682	¥963,545	¥297,593	¥1,788,607	¥151,604	¥156,651	¥6,894,981	¥51,850	¥6,946,832
Segment liabilities (interest-bearing debt)	¥-	¥281,974	¥-	¥146,193	¥283,127	¥40,998	¥-	¥752,293	¥1,008,917	¥1,761,210
Other items:										
Depreciation	¥79,856	¥81,299	¥26,929	¥9,091	¥28,766	¥4,254	¥2,269	¥232,466	¥3,038	¥235,504
Amortization of goodwill	¥-	¥21,119	¥3,098	¥-	¥359	¥462	¥-	¥25,040	¥-	¥25,040
Investment in entities accounted for using the equity method	¥8,881	¥5,463	¥6,694	¥310	¥1,685	¥12,727	¥4,481	¥40,245	¥-	¥40,245
Impairment loss	¥8,859	¥5,911	¥11,589	¥3,332	¥1	¥4,252	¥1,529	¥35,477	¥7	¥35,484
Net increase in property and equipment, and intangible assets	¥122,467	¥145,170	¥46,625	¥15,540	¥35,606	¥8,761	¥1,756	¥375,927	¥(12,030)	¥363,897

Fiscal year ended February 28, 2021

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	\$8,674,745	\$20,654,028	\$17,005,896	\$3,954,556	\$1,577,915	\$2,478,641	\$56,377	\$54,402,179	\$811	\$54,403,000
Intersegment	12,349	19,396	77,905	56,311	298,754	10,056	151,264	626,075	(626,075)	-
Total revenues	\$8,687,094	\$20,673,424	\$17,083,811	\$4,010,877	\$1,876,669	\$2,488,707	\$207,650	\$55,028,254	\$(625,254)	\$54,403,000
Segment income (loss)	\$2,209,981	\$925,443	\$280,028	\$(58,943)	\$453,556	\$(128,037)	\$18,339	\$3,700,386	\$(244,443)	\$3,455,933
Segment assets	\$11,814,113	\$21,553,603	\$9,090,047	\$2,807,481	\$16,873,650	\$1,430,226	\$1,477,839	\$65,046,990	\$489,150	\$65,536,150
Segment liabilities (interest-bearing debt)	\$-	\$2,660,132	\$-	\$1,379,179	\$2,671,009	\$386,773	\$-	\$7,097,103	\$9,518,084	\$16,615,188
Other items:										
Depreciation	\$753,358	\$766,971	\$254,047	\$85,764	\$271,377	\$40,132	\$21,405	\$2,193,075	\$28,660	\$2,221,735
Amortization of goodwill	\$-	\$199,235	\$29,226	\$-	\$3,386	\$4,358	\$-	\$236,226	\$-	\$236,226
Investment in entities accounted for using the equity method	\$83,783	\$51,537	\$63,150	\$2,924	\$15,896	\$120,066	\$42,273	\$379,669	\$-	\$379,669
Impairment loss	\$83,575	\$55,764	\$109,330	\$31,433	\$9	\$40,113	\$14,424	\$334,688	\$66	\$334,754
Net increase in property and equipment, and intangible assets	\$1,155,349	\$1,369,528	\$439,858	\$146,603	\$335,905	\$82,650	\$16,566	\$3,546,481	\$(113,490)	\$3,432,990

Notes:

1. The adjustments of ¥(14,515) million, ¥(16,296) million and ¥(25,911) million (\$244,443) thousand for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.
2. The adjustments of ¥194,920 million, ¥138,909 million and ¥51,850 million (\$489,150 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2019, February 29, 2020 and February 28, 2021, respectively.
3. The adjustments of ¥281,914 million, ¥236,915 million and ¥1,008,917 million (\$9,518,084 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2019,

February 29, 2020 and February 28, 2021, 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. ¥1,591 million, ¥2,880 million and ¥3,879 million (\$36,594 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, 2019, February 29, 2020 and February 28, 2021, respectively. Furthermore, ¥4,615 million out of "Impairment loss" in the tables above are included in "Loss on digital and settlement services" in the Consolidated Statements of Income for the year ended February 29, 2020.

(Reference)

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

						Millions of yen
Fiscal year ended February 28, 2019	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

						Millions of yen
Fiscal year ended February 29, 2020	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

						Millions of yen
Fiscal year ended February 28, 2021	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,434,175	¥2,231,893	¥100,649	¥5,766,718	¥-	¥5,766,718
Intersegment	971	340	58	1,371	(1,371)	-
Total revenues	¥3,435,146	¥2,232,234	¥100,707	¥5,768,089	¥(1,371)	¥5,766,718
Operating income (loss)	¥266,096	¥99,582	¥805	¥366,484	¥(154)	¥366,329

						Thousands of U.S. dollars (Note 3)
Fiscal year ended February 28, 2021	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	\$32,397,877	\$21,055,594	\$949,518	\$54,403,000	\$-	\$54,403,000
Intersegment	9,160	3,207	547	12,933	(12,933)	-
Total revenues	\$32,407,037	\$21,058,811	\$950,066	\$54,415,933	\$(12,933)	\$54,403,000
Operating income (loss)	\$2,510,339	\$939,452	\$7,594	\$3,457,396	\$(1,452)	\$3,455,933

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, 2019, February 29, 2020 and February 28, 2021

### 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, 2019

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

Fiscal year ended February 29, 2020

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

Fiscal year ended February 28, 2021

Millions of yen			
Japan	North America [of which, the U.S.]	Others	Total
¥3,434,175	¥2,231,893 [¥2,011,844]	¥100,649	¥5,766,718

Thousands of U.S. dollars (Note 3)			
Japan	North America [of which, the U.S.]	Others	Total
\$32,397,877	\$21,055,594 [\$18,979,660]	\$949,518	\$54,403,000

#### (2) Property and equipment

Fiscal year ended February 28, 2019

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

Fiscal year ended February 29, 2020

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

Fiscal year ended February 28, 2021

Millions of yen			
Japan	North America [of which, the U.S.]	Others	Total
¥1,439,654	¥762,571 [¥704,752]	¥3,798	¥2,206,023

Thousands of U.S. dollars (Note 3)			
Japan	North America [of which, the U.S.]	Others	Total
\$13,581,641	\$7,194,066 [\$6,648,603]	\$35,830	\$20,811,537

### 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

Millions of yen										
Fiscal year ended February 28, 2019	Reportable segment							Total	Eliminations / Corporate	Consoli- dated total
	Domestic con- venience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store oper- ations	Others			
Goodwill										
Amortization	¥ –	¥18,832	¥3,098	¥ –	¥4,735	¥413	¥ –	¥27,079	¥ –	¥27,079
Balance at the end 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 of year	–	–	93	–	–	16	–	110	–	110

Millions of yen										
Fiscal year ended February 29, 2020	Reportable segment							Total	Eliminations / Corporate	Consoli- dated total
	Domestic con- venience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store oper- ations	Others			
Goodwill										
Amortization	¥ –	¥19,653	¥3,098	¥ –	¥359	¥462	¥ –	¥23,574	¥ –	¥23,574
Balance at the end 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 of year	–	–	70	–	–	12	–	82	–	82

	Millions of yen									
Fiscal year ended February 28, 2021	Reportable segment							Total	Eliminations / Corporate	Consoli- dated total
	Domestic con- venience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store oper- ations	Others			
Goodwill										
Amortization	¥ —	¥21,119	¥3,098	¥ —	¥359	¥462	¥ —	¥25,040	¥ —	¥25,040
Balance at the end of year	2,498	323,804	17,135	—	3,621	2,876	—	349,937	—	349,937
Negative goodwill										
Amortization	—	—	23	—	—	4	—	27	—	27
Balance at the end of year	—	—	46	—	—	8	—	55	—	55

	Thousands of U.S. dollars (Note 3)									
	Reportable segment									
Fiscal year ended February 28, 2021	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store oper- ations	Others	Total	Eliminations / Corporate	Consoli- dated total
Goodwill										
Amortization	\$ –	\$199,235	\$29,226	\$ –	\$3,386	\$4,358	\$ –	\$236,226	\$ –	\$236,226
Balance at the end of year	23,566	3,054,754	161,650	–	34,160	27,132	–	3,301,292	–	3,301,292
Negative goodwill										
Amortization	–	–	216	–	–	37	–	254	–	254
Balance at the end of year	–	–	433	–	–	75	–	518	–	518

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

None

## 28. SUBSEQUENT EVENTS

### I. Cash dividend

Subsequent to February 28, 2021, the Company's Board of Directors declared a year-end cash dividend of ¥45,115 million (\$425,613 thousand) to be payable on May 28, 2021 to shareholders on record as of February 28, 2021. The amount of cash dividends includes ¥82 million (\$773 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 27, 2021.

### II. Business combination by acquisition

As of August 3, 2020, the Company's consolidated subsidiary, 7-Eleven, Inc. executed an agreement with U.S. company Marathon Petroleum Corporation ("MPC"), to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses of MPC mainly under the Speedway brand (excluding certain fuel retail operations with direct dealers and other certain businesses) (hereinafter, the agreement is referred to as the "Transaction Agreement," and the acquisition is referred to as the "Transaction"). 7-Eleven, Inc. acquired the shares and other interests of the companies as of May 14, 2021 through SEI Speedway Holdings, LLC established as the Company's wholly-owned subsidiary. In parallel, the Company entered into a 15-year gasoline supply agreement for the acquired stores with MPC.

#### 1. Overview

Although the business to be acquired in the Transaction consists of multiple companies, we only disclose the information of one representative company in "(1) Name and main business of the acquired company" and "(6) Ratio of voting rights acquired."

(1) Name and main business of the acquired company

Name: Speedway LLC



Details of business: Operation of convenience store business and fuel retail business

(2) Main reason for the business combination

The growth of the Company's convenience store business centered around 7-Eleven, Inc. in the North America market, where solid economic growth is expected, is positioned as an important growth engine for our group, and we have been proactively leveraging the positive effects of acquisitions, expansion of our store network and optimization of our supply chain.

By carrying out the Transaction, we intend to achieve the following objectives:

(a) Strategic expansion of store network

By combining the powerful 7-Eleven brand that has been cultivated thus far with Speedway's solid brand, we will add economies of scale in the North America market, and furthermore, by utilizing the product strength and operational know-how of the business cultivated by 7-Eleven, Inc. in the U.S. to increase product sales and improve gross product margin, we expect that it will be possible to further reduce costs, strengthen the customer base, and realize further innovation and an even greater increase in corporate value.

(b) Financial effect

We anticipate synergies and a tax savings due to beneficial tax treatment in the U.S. Furthermore, the Company plans to increase investment efficiency by using sale and leaseback transactions concerning stores acquired by 7-Eleven, Inc. pursuant to the Transaction. Following the Transaction, both the operating income and EBITDA of the business of the Company group in the U.S. are expected to be more than double those of 7-Eleven, Inc. in 2019.

(c) ESG Leadership

In May 2019, the Company group, including 7-Eleven, Inc. as a global retailer representing Japan, announced the "GREEN CHALLENGE 2050," the Company's environmental declaration. The Company group is committed to achieving the declaration's four themes: (i) reducing CO2 emissions to achieve a carbon-free society; (ii) measures to realize a circular economy with respect to plastics; (iii) measures for food loss and recycling; and (iv) sustainable procurement to achieve a society that coexists with nature. Following the Transaction, the Company group, including 7-Eleven, Inc. as a leading global retailer, reaffirms that it remains committed to the environmental declaration as part of its ESG efforts, and it will further accelerate these efforts in the North American market through expansion of its network and presence.

7-Eleven, Inc., as a chance of the Transactions, will set mutual and shared targets for 2027 to reduce CO2 emissions, to utilize more ecofriendly packaging and sustainable food supplies, and to drive reduction in plastic usage for both newly acquired stores and existing stores and aim to enhance long-term corporate value.

(3) Date of the business combination

May 14, 2021

The fiscal year-end of the Company's overseas subsidiaries is December 31. The financial statements of those subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements. The acquired company will be, therefore, included in the scope of consolidation from the second quarter of the fiscal year ending February 28, 2022.

(4) Legal form of the business combination

Acquisition of shares and other interests

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

The names of the companies will not change subsequent to the business combination.

(6) Ratio of voting rights acquired

100%

(7) Reason for selecting the acquired company

The Company's subsidiary acquired the shares and other interests of the companies in exchange for cash.

2. Acquisition cost of acquired business and breakdown by type of consideration

Consideration for acquisition: Cash \$21,000 million (¥2,323,230 million)

Acquisition cost: \$21,000 million (¥2,323,230 million)

The consideration for acquisition and acquisition cost will be adjusted based on changes in working capital and other factors up to the closing date in accordance with the Transaction Agreement.

3. Details and amounts of main acquisition-related costs  
Not determined at this time.
4. Amount, reason for recognition, and period and method of amortization of goodwill  
Not determined at this time.
5. Total amounts and principal breakdowns of assets received and liabilities assumed on the effective date of the business combination  
Not determined at this time.

Note: Converted at the rate of \$1 = ¥110.63 (as of May 13, 2021).

### III. Issuance of bonds

7-Eleven, Inc., which is a consolidated subsidiary of the Company, carried out the issuance of senior unsecured notes denominated in U.S. dollars on February 10, 2021. 7-Eleven, Inc. to use the net proceeds from the sale of the notes in this offering, together with borrowings, to finance the acquisition of Marathon Petroleum Corporation's convenience store business, including the sale of transportation fuel and the operation of convenience stores and to pay fees and expenses incurred in connection with the acquisition and other related transactions. A summary of this issuance is as follows:

1. U.S. dollar-denominated senior unsecured notes due 2022
  - (1) Amount: \$1.50 billion
  - (2) Interest rate: 3 month U.S. dollar LIBOR, plus 0.45% per annum
  - (3) Issue price: 100% of the principal amount
  - (4) Maturity date: August 10, 2022
  - (5) Optional redemption date: August 10, 2021
2. U.S. dollar-denominated senior unsecured notes due 2023
  - (1) Amount: \$1.25 billion
  - (2) Interest rate: 0.625% per annum
  - (3) Issue price: 99.917% of the principal amount
  - (4) Maturity date: February 10, 2023
  - (5) Optional redemption date: February 10, 2022
3. U.S. dollar-denominated senior unsecured notes due 2024
  - (1) Amount: \$2.25 billion
  - (2) Interest rate: 0.800% per annum
  - (3) Issue price: 99.917% of the principal amount
  - (4) Maturity date: February 10, 2024
  - (5) Optional redemption date: February 10, 2022
4. U.S. dollar-denominated senior unsecured notes due 2026
  - (1) Amount: \$1.25 billion
  - (2) Interest rate: 0.950% per annum
  - (3) Issue price: 99.762% of the principal amount
  - (4) Maturity date: February 10, 2026
5. U.S. dollar-denominated senior unsecured notes due 2028
  - (1) Amount: \$1.00 billion
  - (2) Interest rate: 1.300% per annum
  - (3) Issue price: 99.687% of the principal amount
  - (4) Maturity date: February 10, 2028
6. U.S. dollar-denominated senior unsecured notes due 2031
  - (1) Amount: \$1.70 billion
  - (2) Interest rate: 1.800% per annum
  - (3) Issue price: 99.945% of the principal amount
  - (4) Maturity date: February 10, 2031
7. U.S. dollar-denominated senior unsecured notes due 2041

- (1) Amount: \$0.75 billion
- (2) Interest rate: 2.500% per annum
- (3) Issue price: 98.911% of the principal amount
- (4) Maturity date: February 10, 2041

8. U.S. dollar-denominated senior unsecured notes due 2051

- (1) Amount: \$1.25 billion
- (2) Interest rate: 2.800% per annum
- (3) Issue price: 99.617% of the principal amount
- (4) Maturity date: February 10, 2051



## **Independent Auditor's Report**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at February 28, 2021, February 29, 2020 and February 28, 2019, 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 notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2021, February 29, 2020 and February 28, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

We draw attention to Note 28 Subsequent events to the consolidated financial statements, As of August 3, 2020, the Company's consolidated subsidiary, 7-Eleven, Inc. executed an agreement with U.S. company Marathon Petroleum Corporation, to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses of mainly under the Speedway brand. 7-Eleven, Inc. acquired the shares and other interests of the companies as of May 14, 2021 through SEI Speedway Holdings, LLC established as the Company's wholly-owned subsidiary. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Audit & Supervisory Board Members and Audit & Supervisory Board for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board Members and Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board Members and Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board Members and Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2021 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.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Masahiko Chino  
Designated Engagement Partner  
Certified Public Accountant

Masahiro Sasaki  
Designated Engagement Partner  
Certified Public Accountant

Daisuke Nakamura  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
May 28, 2021

**Notes to the Reader of Independent Auditor's Report:**

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.