CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022

			Millions of yen	Thousands of U.S. dollars (Note A)
	2020	2021	2022	2022
For the fiscal year:				
Revenues from operations	¥6,644,359	¥5,766,718	¥8,749,752	$75,428,896
Operating income	424,266	366,329	387,653	3,341,836
Income before income taxes	346,469	258,776	311,854	2,688,396
Net income attributable to owners of parent	218,185	179,262	210,774	1,817,017
Capital expenditures (Note B)	360,909	377,299	439,630	3,789,913
Depreciation and amortization (Note C)	226,475	235,504	292,561	2,522,077
At fiscal year-end:				
Total assets	¥5,996,887	¥6,946,832	¥8,739,279	$75,338,612
Cash and cash equivalents	1,354,856	2,183,837	1,414,890	12,197,327
Total current assets	2,471,921	3,350,223	2,604,774	22,454,948
Total current liabilities	2,157,172	2,782,433	2,480,725	21,385,560
Long-term debt	705,744	945,737	2,613,833	22,533,043
Total net assets	2,757,222	2,831,335	3,147,732	27,135,620

			Yen	U.S. dollars (Note A)
	2020	2021	2022	2022
Per share data:				
Net income per share (basic)	¥246.95	¥203.03	¥238.68	$2.05
Net income per share (diluted)	246.85	203.02	238.68	2.05
Cash dividends	98.50	98.50	100.00	0.86
Financial ratios:				
Operating income ratio (Note D)	6.4%	6.4%	4.4%	4.4%
Ratio of net income attributable to owners of parent (to net sales) (Note D)	3.3%	3.1%	2.4%	2.4%
ROE	8.5%	6.8%	7.5%	7.5%
ROA	3.6%	2.6%	2.4%	2.4%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥116=U.S.$1, the approximate rate of exchange prevailing on February 28, 2022.

(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 29, 2020, February 28, 2021 and February 28, 2022

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
ASSETS				
Current assets:				
Cash and cash equivalents (Note 5)	¥1,354,856	¥2,183,837	¥1,414,890	$12,197,327
Notes and accounts receivable:				
Trade (Note 5)	351,915	318,142	365,746	3,152,982
Financial services	102,723	95,010	91,662	790,189
Franchisees and other	183,077	230,541	224,397	1,934,456
Allowance for doubtful accounts (Note 5)	(6,868)	(7,353)	(7,829)	(67,491)
	630,849	636,340	673,976	5,810,137
Inventories	178,095	161,326	248,815	2,144,956
ATM-related temporary payments	153,057	216,471	107,883	930,025
Prepaid expenses and other current assets (Note 5)	155,062	152,249	159,207	1,372,474
Total current assets	2,471,921	3,350,223	2,604,774	22,454,948
Property and equipment, at cost (Notes 8, 9, 14 and 19)	4,151,516	4,230,350	5,481,593	47,255,112
Less: Accumulated depreciation	(1,968,140)	(2,024,326)	(2,249,245)	(19,390,043)
	2,183,375	2,206,023	3,232,347	27,865,060
Intangible assets:				
Goodwill	359,618	349,882	1,741,604	15,013,827
Software and other (Notes 9 and 14)	249,264	295,991	398,397	3,434,456
	608,883	645,873	2,140,002	18,448,293
Investments and other assets:				
Investments in securities (Notes 5, 6 and 19)	184,670	204,107	220,615	1,901,853
Long-term loans receivable	13,836	14,194	14,633	126,146
Long-term leasehold deposits (Notes 5 and 19)	360,725	339,405	330,285	2,847,284
Net defined benefit asset (Note 12)	55,986	79,888	86,217	743,250
Deferred income taxes (Note 11)	57,071	44,352	43,539	375,336
Other	63,154	66,127	69,888	602,482
Allowance for doubtful accounts (Note 5)	(2,737)	(3,364)	(3,024)	(26,068)
	732,706	744,711	762,155	6,570,301
Total assets	¥5,996,887	¥6,946,832	¥8,739,279	$75,338,612

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

	2020	2021	Millions of yen 2022	Thousands of U.S. dollars (Note 3) 2022
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 5 and 13)	¥129,456	¥619,953	¥140,146	$1,208,155
Current portion of long-term debt (Notes 5, 13 and 19)	183,911	227,673	201,690	1,738,706
Notes and accounts payable:				
Trade (Notes 5 and 7)	219,606	204,626	305,921	2,637,250
Trade for franchised stores (Notes 5 and 20)	191,187	180,663	177,987	1,534,370
Other	183,215	170,334	195,322	1,683,810
	594,009	555,624	679,231	5,855,439
Accrued expenses	131,328	124,070	235,274	2,028,224
Income taxes payable	37,854	21,283	22,716	195,827
Deposits received	228,415	236,400	223,146	1,923,672
ATM-related temporary advances	74,227	130,167	73,901	637,077
Deposits received in banking business (Note 5)	655,036	741,422	787,879	6,792,060
Allowance for bonuses to employees	14,275	14,853	13,937	120,146
Allowance for sales promotion expenses	18,996	19,859	17,649	152,146
Allowance for loss on future collection of gift certificates	1,142	933	602	5,189
Provision for sales returns	80	27	34	293
Other (Notes 5,11 and 15)	88,438	90,163	84,515	728,577
Total current liabilities	2,157,172	2,782,433	2,480,725	21,385,560
Long-term debt (Notes 5, 7, 13 and 19)	705,744	945,737	2,613,833	22,533,043
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	859	774	569	4,905
Allowance for stock payments	3,432	4,008	4,272	36,827
Net defined benefit liability (Note 12)	8,619	9,309	12,702	109,500
Deferred income taxes (Note 11)	63,949	78,879	109,825	946,767
Deposits received from tenants and franchised stores (Note 4)	52,646	50,783	51,422	443,293
Asset retirement obligations (Note 15)	95,721	99,072	130,456	1,124,620
Other liabilities	151,518	144,498	187,738	1,618,431
Total liabilities	3,239,665	4,115,497	5,591,546	48,202,982
Commitments and contingent liabilities (Note 19)				
Net assets (Note 17):				
Shareholders' equity:				
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2020, 2021 and 2022	50,000	50,000	50,000	431,034
Capital surplus	409,262	409,069	408,645	3,522,801
Retained earnings	2,106,920	2,198,805	2,319,155	19,992,715
Treasury stock, at cost, 3,596,516 shares in 2020 and 3,475,704 shares in 2021 and 3,325,685 shares in 2022	(11,313)	(10,851)	(10,282)	(88,637)
	2,554,869	2,647,023	2,767,517	23,857,905
Accumulated other comprehensive income (loss):				
Unrealized gains on available-for-sale securities, net of taxes (Note 6)	25,953	35,729	37,696	324,965
Unrealized gains (losses) on hedging derivatives, net of taxes	(277)	1,580	4,270	36,810
Foreign currency translation adjustments	17,515	(30,835)	157,570	1,358,362
Remeasurements of defined benefit plans	3,533	15,427	13,901	119,836
Total accumulated other comprehensive income	46,725	21,902	213,438	1,839,982
Subscription rights to shares (Note 18)	331	56	56	482
Non-controlling interests	155,295	162,352	166,719	1,437,232
Total net assets	2,757,222	2,831,335	3,147,732	27,135,620
Total liabilities and net assets	¥5,996,887	¥6,946,832	¥8,739,279	$75,338,612

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 29, 2020, February 28, 2021 and February 28, 2022

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Revenues from operations:				
Net sales	¥5,329,919	¥4,518,821	¥7,429,576	$64,048,068
Operating revenues (Note 21)	1,314,439	1,247,896	1,320,175	11,380,818
	6,644,359	5,766,718	8,749,752	75,428,896
Costs and expenses:				
Cost of sales	4,239,583	3,480,025	6,017,372	51,873,896
Selling, general and administrative expenses (Notes 12, 14, 18 and 21)	1,980,510	1,920,363	2,344,726	20,213,155
	6,220,093	5,400,388	8,362,099	72,087,060
Operating income	424,266	366,329	387,653	3,341,836
Other income (expenses):				
Interest and dividend income	4,830	4,004	4,313	37,181
Interest expenses and interest on bonds	(10,592)	(10,585)	(29,349)	(253,008)
Equity in earnings (losses) of affiliates	937	(885)	2,643	22,784
Impairment loss (Note 9)	(27,981)	(31,604)	(26,410)	(227,672)
Gain on sales of property and equipment (Note 21)	5,701	3,010	6,372	54,931
Gain on sales of property and equipment related to restructuring (Notes 21 and 23)	905	1,106	2,554	22,017
Insurance income	–	790	1,389	11,974
Insurance income related to disasters	944	956	–	–
Gain on sales of investments in securities	123	252	3,222	27,775
Loss on disposals of property and equipment (Note 21)	(15,556)	(12,180)	(13,666)	(117,810)
Loss related to novel coronavirus (COVID-19) (Note 22)	–	(40,534)	(10,380)	(89,482)
Restructuring expenses (Notes 9, 21 and 23)	(7,740)	(10,213)	(4,163)	(35,887)
Commitment fee	–	(1,508)	(3,534)	(30,465)
Loss on digital and settlement services (Notes 9, 21 and 24)	(13,463)	–	–	–
Subsidy income (Note 25)	–	4,108	7,648	65,931
Income from electronic money breakage	818	1,179	1,205	10,387
Other, net (Notes 6 and 21)	(16,723)	(15,451)	(17,643)	(152,094)
	(77,796)	(107,553)	(75,798)	(653,431)
Income before income taxes	346,469	258,776	311,854	2,688,396
Income taxes (Note 11):				
Current	77,542	46,369	66,886	576,603
Deferred	33,721	18,069	21,727	187,301
	111,263	64,439	88,613	763,905
Net income	235,206	194,337	223,241	1,924,491
Net income attributable to non-controlling interests	17,020	15,074	12,466	107,465
Net income attributable to owners of parent	¥218,185	¥179,262	¥210,774	$1,817,017

			Yen	U.S. dollars (Note 3)
	2020	2021	2022	2022
Per share information:				
Net income per share (Basic)	¥246.95	¥203.03	¥238.68	$2.05
Net income per share (Diluted)	246.85	203.02	238.68	2.05
Cash dividends	98.50	98.50	100.00	0.86

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 29, 2020, February 28, 2021 and February 28, 2022

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Net income	¥235,206	¥194,337	¥223,241	$1,924,491
Other comprehensive income (loss) (Note 16):				
Unrealized gains (losses) on available-for-sale securities, net of taxes	(212)	9,627	2,073	17,870
Unrealized gains (losses) on hedging derivatives, net of taxes	(209)	1,857	2,689	23,181
Foreign currency translation adjustments	(6,340)	(48,474)	189,239	1,631,370
Remeasurements of defined benefit plans	2,822	11,976	(1,515)	(13,060)
Share of other comprehensive income (loss) of entities accounted for using equity method	(12)	(8)	156	1,344
Total other comprehensive income (loss)	(3,952)	(25,021)	192,642	1,660,706
Comprehensive income	¥231,253	¥169,315	¥415,883	$3,585,198
Comprehensive income attributable to:				
Owners of parent	¥214,323	¥154,439	¥402,228	$3,467,482
Non-controlling interests	16,930	14,876	13,655	117,715

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	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	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
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 re-stated)	¥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 March 1, 2021	¥50,000	¥409,069	¥2,198,805	¥(10,851)	¥35,729	¥1,580	¥(30,835)	¥15,427	¥56	¥162,352	¥2,831,335
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(2,847)		82						(2,765)
Balance at the beginning of the current period reflecting the increase (decrease) due to the adoption of IFRS in foreign subsidiaries	50,000	409,069	2,195,957	(10,851)	35,811	1,580	(30,835)	15,427	56	162,352	2,828,569
Net income attributable to owners of parent			210,774								210,774
Cash dividends			(87,576)								(87,576)
Purchase of treasury stock				(22)							(22)
Disposal of treasury stock		0		591							592
Other		(424)		(0)							(425)
Net changes of items other than shareholders' equity					1,884	2,689	188,405	(1,525)	–	4,366	195,820
Net increase (decrease) for the year	—	(424)	123,197	568	1,884	2,689	188,405	(1,525)	–	4,366	319,163
Balance at February 28, 2022	¥50,000	¥408,645	¥2,319,155	¥(10,282)	¥37,696	¥4,270	¥157,570	¥13,901	¥56	¥166,719	¥3,147,732

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	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	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2021	$431,034	$3,526,456	$18,955,215	$(93,543)	$308,008	$13,620	$(265,818)	$132,991	$482	$1,399,586	$24,408,060
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(24,543)		706						(23,836)
Balance at the beginning of the current period reflecting the increase (decrease) due to the adoption of IFRS in foreign subsidiaries	431,034	3,526,456	18,930,663	(93,543)	308,715	13,620	(265,818)	132,991	482	1,399,586	24,384,215
Net income attributable to owners of parent			1,817,017								1,817,017
Cash dividends			(754,965)								(754,965)
Purchase of treasury stock				(189)							(189)
Disposal of treasury stock		0		5,094							5,103
Other		(3,655)		(0)							(3,663)
Net changes of items other than shareholders' equity					16,241	23,181	1,624,181	(13,146)	–	37,637	1,688,103
Net increase (decrease) for the year	–	(3,655)	1,062,043	4,896	16,241	23,181	1,624,181	(13,146)	–	37,637	2,751,405
Balance at February 28, 2022	$431,034	$3,522,801	$19,992,715	$(88,637)	$324,965	$36,810	$1,358,362	$119,836	$482	$1,437,232	$27,135,620

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 29, 2020, February 28, 2021 and February 28, 2022

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Cash flows from operating activities:				
Income before income taxes	¥346,469	¥258,776	¥311,854	$2,688,396
Depreciation and amortization	226,475	235,504	292,561	2,522,077
Impairment loss	35,477	35,484	27,775	239,439
Amortization of goodwill	23,574	25,040	71,276	614,448
Increase (decrease) in allowance for bonuses to employees	453	654	(956)	(8,241)
Increase in net defined benefit asset	(6,807)	(6,280)	(8,514)	(73,396)
Interest and dividend income	(4,830)	(4,004)	(4,313)	(37,181)
Interest expenses and interest on bonds	10,592	10,585	29,349	253,008
Equity in (earnings) losses of affiliates	(937)	885	(2,643)	(22,784)
Insurance income	–	(790)	(1,389)	(11,974)
Insurance income related to disasters	(944)	(956)	–	–
Gain on sales of property and equipment	(6,607)	(4,116)	(8,927)	(76,956)
Subsidy income	–	(4,094)	(7,648)	(65,931)
Loss on disposals of property and equipment	15,905	12,193	13,667	117,818
Loss (gain) on sales of investment securities	331	–	(3,211)	(27,681)
(Increase) decrease in notes and accounts receivable, trade	(16,380)	31,472	(9,227)	(79,543)
(Increase) decrease in notes and accounts receivable, financial services	(1,232)	7,713	3,348	28,862
Decrease (increase) in inventories	2,163	13,844	(26,209)	(225,939)
Increase (decrease) in notes and accounts payable, trade	753	(21,610)	3,015	25,991
Increase (decrease) in deposits received	54,067	7,854	(13,396)	(115,482)
Net decrease in loans in banking business	(10,000)	–	–	–
Net decrease in bonds in banking business	(10,000)	(20,000)	–	–
Net increase in deposits received in banking business	66,640	86,386	46,456	400,482
Net (increase) decrease in ATM-related temporary accounts	(26,663)	(7,475)	52,386	451,603
Other	(33,936)	(18,225)	12,713	109,594
Subtotal	664,565	638,840	777,967	6,706,612
Interest and dividends received	2,794	2,201	4,505	38,836
Interest paid	(10,735)	(10,129)	(20,781)	(179,146)
Proceeds from settlement of interest rate swaps	–	–	5,993	51,663
Insurance income received	–	790	1,389	11,974
Insurance income related to disasters received	944	956	–	–
Subsidies income received	–	4,092	7,647	65,922
Income taxes paid	(92,629)	(102,693)	(67,411)	(581,129)
Income taxes refund	11,732	5,935	27,165	234,181
Net cash provided by operating activities	576,670	539,995	736,476	6,348,931

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Cash flows from investing activities:				
Acquisition of property and equipment (Note 9)	(297,693)	(297,859)	(337,505)	(2,909,525)
Proceeds from sales of property and equipment	17,365	13,442	147,745	1,273,663
Acquisition of intangible assets	(41,649)	(51,972)	(86,926)	(749,362)
Payment for purchase of investments in securities	(24,678)	(22,239)	(25,519)	(219,991)
Proceeds from sales of investments in securities	33,928	14,690	106,380	917,068
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 9)	–	(41,973)	(2,295,563)	(19,789,336)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	12	–	–	–
Payment for long-term leasehold deposits	(10,593)	(9,938)	(12,357)	(106,525)
Refund of long-term leasehold deposits	27,049	26,971	24,536	211,517
Proceeds from deposits from tenants	2,864	2,428	4,002	34,500
Refund of deposits from tenants	(3,443)	(2,963)	(2,841)	(24,491)
Payment for acquisition of business (Note 9)	(16,631)	(11,447)	(11,661)	(100,525)
Payment for time deposits	(2,364)	(4,081)	(3,996)	(34,448)
Proceeds from withdrawal of time deposits	2,834	1,963	4,083	35,198
Other	(5,046)	(11,146)	(15,943)	(137,439)
Net cash used in investing activities	(318,047)	(394,127)	(2,505,566)	(21,599,706)
Cash flows from financing activities:				
Net (decrease) increase in short-term loans	(13,707)	490,506	(479,923)	(4,137,267)
Proceeds from long-term debts	53,580	125,793	832,298	7,174,982
Repayment of long-term debts	(98,555)	(93,579)	(261,954)	(2,258,224)
Proceeds from commercial paper	–	263,118	81,872	705,793
Payment for redemption of commercial paper	–	(263,118)	(81,872)	(705,793)
Proceeds from issuance of bonds	–	349,307	1,192,710	10,281,982
Payment for redemption of bonds	(40,000)	(60,000)	(231,768)	(1,998,000)
Capital contribution from non-controlling interests	1,488	183	337	2,905
Purchase of treasury shares	(6,718)	(12)	(22)	(189)
Dividends paid	(83,976)	(87,081)	(87,490)	(754,224)
Dividends paid to non-controlling interests	(8,224)	(7,482)	(7,348)	(63,344)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,857)	(770)	(1,821)	(15,698)
Other	(13,233)	(26,321)	(17,941)	(154,663)
Net cash (used in) provided by financing activities	(213,204)	690,542	937,077	8,078,250
Effect of exchange rate changes on cash and cash equivalents	(1,292)	(7,430)	63,065	543,663
Net increase (decrease) in cash and cash equivalents	44,126	828,980	(768,946)	(6,628,844)
Cash and cash equivalents at beginning of year	1,310,729	1,354,856	2,183,837	18,826,181
Cash and cash equivalents at end of year	¥1,354,856	¥2,183,837	¥1,414,890	$12,197,327

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 173 consolidated subsidiaries as of February 28, 2022 (148 as of February 28, 2021 and 141 as of February 29, 2020) 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.

Consolidated subsidiaries increased by 26
(Establishment, etc.)
The company included 4 companies including 7-Eleven International LLC in the scope of the consolidation, which will contribute to the growth of the 7-Eleven brand globally as well as provide value and support for existing overseas licensees.
(Acquisition of shares and other interests)
SEI Speedway Holdings, LLC, which was established as a wholly-owned subsidiary of 7-Eleven, Inc., the Company’s consolidated subsidiary, carried out the acquisition of Speedway LLC and other 20 companies shares and other interests from U.S. company, Marathon Petroleum Corporation.

Consolidated subsidiaries decreased by 1
Disappearing company included Seven & i Asset Management Co., Ltd., which was merged into Sogo & Seibu Co., Ltd.

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, 2022 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.

24 affiliates as of February 28, 2022 (25 affiliates as of February 28, 2021 and February 29, 2020), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

Affiliates to which the equity method is applied increased by 2
(Acquisition of shares and other interests)
Two companies became affiliates to which the equity method is applied through acquisition of shares and other interests from U.S. company, Marathon Petroleum Corporation.

Affiliates to which the equity method is applied decreased by 3
(Transfer of shares)
BALS INTERNATIONAL LIMITED and 2 other companies

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 collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

(b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used in the future as at the balance sheet date in accordance with the sales promotion point card program.

(c) Allowance for bonuses to employees

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

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

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

(e) Provision for sales returns

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

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

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

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

(g) Allowance for stock payments

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

(11) Accounting method for retirement benefits

(a) Allocation method of estimated total retirement benefits

Benefit formula basis

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

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

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

(12) Hedge accounting

Forward foreign exchange contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated monetary assets and liabilities. Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans and bonds. Interest rate and currency swap contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated loans. 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 designated accounting treatment when they meet certain criteria for the treatment. 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 Company applies integral accounting treatment (specific accounting treatment, designated accounting treatment) to interest rate and currency swap contracts that meet the requirements of integral accounting treatment.

The hedge effectiveness is assessed by comparing the fluctuation quarterly except when they meet specific hedging criteria for specific accounting treatment and integral accounting treatment.

(13) Per share information

Owners' equity (excluding non-controlling interests and subscription rights to shares) per share as of February 29, 2020, February 28, 2021 and February 28, 2022 is ¥2,946.83, ¥3,022.68 and ¥3,375.50 ($29.09), respectively. Net income per share for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022 is ¥246.95, ¥203.03 and ¥238.68 ($2.05), respectively. Diluted net income per share for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022 is ¥246.85, ¥203.02 and ¥238.68 ($2.05), 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 29, 2020, February 28, 2021 and February 28, 2022 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Net income attributable to owners of parent	¥218,185	¥179,262	¥210,774	$1,817,017
Less components not pertaining to common shareholders	–	–	–	–
Net income pertaining to common shareholders	218,185	179,262	210,774	1,817,017
Weighted-average number of shares of common stock outstanding (shares)	883,508,868	882,927,577	883,065,915	883,065,915

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 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, 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.

- Implementation Guidance on Accounting Standard for Fair Value Measurement (Revised ASBJ Guidance No. 31, June 17, 2021)

(a) Overview
The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31) was published on July 4, 2019 and revised and on June 17, 2021.This is because it is considered that a certain period of time is required for the review of the "Fair value measurement of investment trusts" for consultation with related parties, etc., and also for the note on the market value of the "Investments in partnerships, etc., which are recorded in the net amount of equity on a balance sheet, " for a certain period of time, it was decided that the review would take approximately 1 year after the publication of the "Accounting Standard for Fair Value Measurement".

(b) Scheduled date of application
The above standard is scheduled to be applied from the beginning of the fiscal year ending February 29, 2024.

(c) Effects of application of the standards
The effects of the application on the Consolidated Financial Statements have not yet been determined.

(Group Tax Sharing System)
- Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021)

(a) Overview
On March 27, 2020, the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020) was enacted to transfer from Consolidated Taxation System to the Group Tax Sharing System. Accordingly, ASBJ issued this practical solution for the purposes of clarifying treatments of corporate taxes, local taxes and tax effect accounting and their disclosures when adopting the Group Tax Sharing System.

(b) Scheduled date of application
The above standard is scheduled to be applied from the beginning of the fiscal year ending February 29, 2024.

(c) Effects of application of the standard
The effects of the application on the Consolidated Financial Statements have not yet been determined.

(Accounting Standard for Leases)
- Accounting Standard for Leases (FASB ASC Topic 842)

(a) Overview
The application of this accounting standard requires lessees, in principle, 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
From the application of the standard, the following accounts are assumed to increase: right-of-use as-

sets included in property and equipment, at cost by ¥721,314 million ($6,218,224 thousand), lease obligations included in current portion of long-term debt and long-term debt by ¥743,972 million ($6,413,551 thousand), and the beginning balance of retained earnings by ¥36,014 million ($310,465 thousand).

(21) Reclassification
Certain prior year amounts have been reclassified to conform to the current year's presentation.

(22) Application of Accounting Standard for Disclosure of Accounting Estimates
The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied for the Consolidated Financial Statements for the fiscal year ended February 28, 2022, and the note regarding significant accounting estimates is included in the Consolidated Financial Statements.

However, in accordance with the transitional treatment stipulated in the proviso of paragraph 11 of the said Accounting Standard, the note does not include information related to the details for the fiscal years ended February 29, 2020 and February 28, 2021.

(23) 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, 2022, the carrying amount and the number of Company's shares remaining in the BIP Trust are ¥3,187 million ($27,474 thousand) and 834 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, 2022, the carrying

amount and the number of Company's shares remaining in the Trust are ¥2,436 million ($21,000 thousand) and 635 thousand shares, respectively.

(Accounting Estimates Associated with the spread of 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.

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 ¥116=US$1, the approximate rate of exchange prevailing as of February 28, 2022. 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. SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are based on reasonable amounts based on information available at the time of preparation of the consolidated financial statements. Among the amounts which include accounting estimates recorded in the consolidated financial statements for the current fiscal year, the following items have risks of having a material effect on the consolidated financial statements for the following fiscal year:

1. The valuation of intangible assets (trademark rights) and the amortization period of goodwill arising from the acquisition of Speedway shares

(1) Major assets and liabilities for the current fiscal year

As discussed in Note 26 "BUSINESS COMBINATIONS", the Company has recorded the following provisionally calculated amounts in the consolidated balance sheets as the allocation of the acquisition costs has not been completed:

Goodwill	¥1,357,134 million	($11,699,431 thousand)
Intangible assets (trademark rights)	¥ 22,126 million	($190,741 thousand)

As discussed in Note 26 "BUSINESS COMBINATIONS", the amortization period of goodwill is estimated to be 20 years.

(2) Information on the content of significant accounting estimates for identified items

(a)Calculation method

The consideration transferred in a business combination is allocated principally based on the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date within one year from the acquisition date, and the excess of the consideration transferred over the net amount recognized for the identifiable assets acquired and the liabilities assumed is accounted for as goodwill.

In allocating the cost of acquiring Speedway shares, among the identifiable assets, intangible assets (trademark rights) were measured using the income approach based on management's business plans, royalty rates and other key assumptions. In addition, the amortization period of goodwill is determined based on the period over which synergies from the acquisition of Speedway shares and others based on the business plan and market environment forecasts.

(b)Key assumptions

The Company has determined that the key assumptions in determining the fair value of intangible assets (trademark rights) are the management's business plans, royalty rates, etc. In addition, the Company has determined that the key assumptions in estimating the amortization period for goodwill are the period in which synergies are expected to be realized from the acquisition of Speedway shares.

(c)Effect on the consolidated financial statements for the following fiscal year

Although the fair value calculation and amortization period are based on the management's best estimates, they may be affected by future changes in uncertain economic conditions. If it becomes necessary to revise the assumptions, this may have a significant impact on the Consolidated Financial Statements for the following fiscal year.

2. The recognition of impairment losses on long-lived assets

(1) Amounts recorded in the consolidated financial statements for the current fiscal year

Our Group operates retail stores in a variety of formats, including department stores, GMS, and food supermarkets. Of these, Ito-Yokado Co., Ltd., which is included in the Superstore operations segment, operates a superstore business, and Sogo & Seibu Co., Ltd. which is included in the Department and specialty store operations segment, operates a department store business. Due to the nature of the business, the book value of fixed assets per store tends to be relatively large. Amounts recorded in the consolidated balance sheets and consolidated statements of income for the current fiscal year at Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)		
Company Name	Property and equipment	Intangible assets	Impairment loss	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥328,554	¥12,682	¥4,431	$2,832,362	$109,327	$38,198
Sogo & Seibu Co., Ltd.	202,598	71,812	1,242	1,746,534	619,068	10,706

(2) Information on the content of significant accounting estimates for identified items

(a) Calculation method

At Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. the smallest group of assets that generates independent cash flow is mainly each store. Although each company has been implementing business structural reforms and continuously working to improve their profitability through various measures to attract customers and improve gross profit margin, there were indications of impairment for several stores as shortened business hours and temporary closure aimed at preventing the spread of COVID-19 infections had a significant impact on their operating performance.

Whenever there is an indication of impairment for long-lived assets of a store of each company, it is necessary to determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows to be generated from the store’s long-lived assets with their carrying amount. If it is determined that an impairment loss should be recognized, the carrying amount is reduced to the recoverable amount and the resulting reduction is recognized as an impairment loss.

In addition, the business environment surrounding Sogo & Seibu Co., Ltd. has been severely impacted by changes in customer values and behaviors as a result of the COVID-19 pandemic and its operating performance has been continuously negative. Due to the circumstances, there was an indication of impairment for larger groups of assets that include the corporate assets for Sogo & Seibu Co., Ltd. Accordingly, the Company assessed whether an impairment loss should be recognized on the larger groups of assets that include corporate assets in addition to its assessment on each store. Because the estimated total undiscounted future cash flows exceeded the carrying amount of long-lived assets, including corporate assets, it was determined that the recognition of an impairment loss was not necessary.

(b) Key Assumptions

The undiscounted future cash flows used to determine whether an impairment loss is required to be recognized include significant assumptions such as sales growth rates, gross margin ratios and cost reduction measures which involved uncertainty. In addition, some stores used real estate appraisal values calculated by real estate appraisers as their net realizable value, which required expert judgment.

(c) Effect on the consolidated financial statements for the following fiscal year

The estimates and assumptions discussed above may be affected by future changes in uncertain economic conditions. Any changes in the assumptions may have a material effect on the consolidated financial statements for the following fiscal year.

In addition, valuations from real estate appraisers based on real estate appraisal standards and other factors may be affected by future trends in the real estate market. If the net sales value declines as a result, this may have a material effect to the consolidated financial statements for the following fiscal year.

5. 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 designates 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, 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 and long-term loans denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations, which is mitigated by currency swap contracts and interest rate and 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 contracts and interest rate and currency swap contracts.

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

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

(3) Supplementary information on fair values
Fair values of financial instruments are measured through quoted market prices when available. When quoted market prices are not available, fair values are estimated by using reasonable valuation methods. The assumptions of such estimations include variable factors and, accordingly, if different assumptions are adopted, estimated fair values may change. The contract amounts of the derivatives discussed in Note 7, "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 29, 2020, February 28, 2021 and February 28, 2022 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		
	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[a]	(3,643)		

	348,272	352,012	3,739
Investments in securities	134,072	137,722	3,650
Long-term leasehold deposits[b]	264,357		
Allowance for doubtful accounts[c]	(86)		
	264,270	277,977	13,706
Total assets	¥2,101,472	¥2,122,568	¥21,096
Notes and accounts payable, trade[d]	¥410,793	¥410,793	¥–
Short-term loans	129,456	129,456	–
Deposits received in banking business	655,036	655,134	98
Bonds[e]	361,915	365,945	4,029
Long-term loans[f]	491,588	496,672	5,084
Deposits received from tenants and franchised stores[g]	26,355	26,328	(27)
Total liabilities	¥2,075,146	¥2,084,331	¥9,184
Derivative instruments[h]	¥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[a]	(3,458)		
	314,683	318,228	3,544
Investments in securities	154,028	159,676	5,647
Long-term leasehold deposits[b]	258,381		
Allowance for doubtful accounts[c]	(76)		
	258,305	266,268	7,963
Total assets	¥2,910,854	¥2,928,009	¥17,155
Notes and accounts payable, trade[d]	¥385,289	¥385,289	¥–
Short-term loans	619,953	619,953	–
Deposits received in banking business	741,422	741,503	80
Bonds[e]	631,917	634,060	2,143
Long-term loans[f]	509,339	521,734	12,394
Deposits received from tenants and franchised stores[g]	27,337	26,783	(553)
Total liabilities	¥2,915,260	¥2,929,324	¥14,063
Derivative instruments[h]	¥2,192	¥2,192	¥–

	Millions of yen		
	2022		
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,414,890	¥1,414,890	¥–
Notes and accounts receivable, trade	365,746		
Allowance for doubtful accounts[a]	(3,326)		
	362,420	365,980	3,560
Investments in securities	166,383	171,647	5,264
Long-term leasehold deposits[b]	248,261		
Allowance for doubtful accounts[c]	(126)		
	248,134	254,282	6,147
Total assets	¥2,191,828	¥2,206,800	¥14,972
Notes and accounts payable, trade[d]	¥483,908	¥483,908	¥–
Short-term loans	140,146	140,146	–
Deposits received in banking business	787,879	787,940	61
Bonds[e]	1,642,906	1,602,699	(40,207)
Long-term loans[f]	1,115,680	1,119,861	4,180
Deposits received from tenants and franchised stores[g]	27,614	26,941	(672)
Total liabilities	¥4,198,135	¥4,161,497	¥(36,637)
Derivative instruments[h]	¥(176)	¥(176)	¥–

	Thousands of U.S. dollars (Note 3)		
	2022		
	Book value	Fair value	Difference
Cash and cash equivalents	$12,197,327	$12,197,327	$–
Notes and accounts receivable, trade	3,152,982		
Allowance for doubtful accounts[a]	(28,672)		
	3,124,310	3,155,000	30,689
Investments in securities	1,434,336	1,479,715	45,379
Long-term leasehold deposits[b]	2,140,181		
Allowance for doubtful accounts[c]	(1,086)		
	2,139,086	2,192,086	52,991
Total assets	$18,895,068	$19,024,137	$129,068
Notes and accounts payable, trade[d]	$4,171,620	$4,171,620	$–
Short-term loans	1,208,155	1,208,155	–
Deposits received in banking business	6,792,060	6,792,586	525
Bonds[e]	14,162,982	13,816,370	(346,612)
Long-term loans[f]	9,617,931	9,653,974	36,034
Deposits received from tenants and franchised stores[g]	238,051	232,250	(5,793)
Total liabilities	$36,190,818	$35,874,974	$(315,836)
Derivative instruments[h]	$(1,517)	$(1,517)	$–

Notes:

(a) The amount of allowance for doubtful accounts relates only to notes and accounts receivable, trade.

(b) The amount of long-term leasehold deposits includes a portion of leasehold deposits maturing within one year.

(c) The amount of allowance for doubtful accounts relates only to long-term leasehold deposits.

(d) The amount of notes and accounts payable, trade includes trade for franchised stores.

(e) The amount of bonds includes bonds due within one year.

(f) The amount of long-term loans includes long-term loans due within one year.

(g) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.

(h) The value of assets and liabilities arising from derivative instruments is shown by net value. Net liabilities are shown in parentheses.

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

Assets
(1) Cash and cash equivalents
The relevant book values are used as they are due in a short period; hence market prices are equivalent to book values.

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

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

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

Liabilities
(1) Notes and accounts payable, trade, (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 designated accounting treatment, 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. Variable-rate long-term loans are subject to specific accounting treatment for interest rate swap contracts or integral accounting treatment (specific accounting treatment, designated accounting treatment) for interest rate and currency swap contracts. Their fair value is based on the present value, which is obtained by discounting the total of principal and interest treated together with the related interest rate swap or interest rate and currency swap according to the reasonably estimated 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 7, “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)
	2020	2021	2022	2022
	Book value			
Investments in securities[(a)]:				
Unlisted securities	¥10,646	¥12,617	¥14,605	$125,905
Shares of affiliates	33,009	31,197	29,695	255,991
Other	6,942	6,264	9,930	85,603
Long-term leasehold deposits[(b)]	103,937	88,240	88,400	762,068
Deposits received from tenants and franchised stores[(b)]	27,837	24,787	25,059	216,025

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

	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:				
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:				
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

	2022			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,414,890	¥–	¥–	¥–
Notes and accounts receivable, trade	352,332	11,238	1,818	357
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,400	20,615	–	–
Bonds	23,400	31,600	–	–
Other	–	–	–	–
Long-term leasehold deposits	33,348	64,717	61,180	89,014
Total	¥1,830,371	¥128,170	¥62,999	¥89,371

	Thousands of U.S. dollars (Note 3)			
	2022			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$12,197,327	$–	$–	$–
Notes and accounts receivable, trade	3,037,344	96,879	15,672	3,077
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	55,172	177,715	–	–
Bonds	201,724	272,413	–	–
Other	–	–	–	–
Long-term leasehold deposits	287,482	557,905	527,413	767,362
Total	$15,779,060	$1,104,913	$543,094	$770,439

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

	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	¥–	¥–

	Millions of yen			
	2022			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥673,250	¥114,628	¥–	¥–

	Thousands of U.S. dollars (Note 3)			
	2022			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$5,803,879	$988,172	$–	$–

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					
	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

	Millions of yen					
	2022					
	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	¥60,000	¥333,320	¥272,574	¥210,000	¥142,619	¥624,392
Long-term loans	121,280	138,378	308,460	139,188	100,670	307,701
Total	¥181,280	¥471,699	¥581,034	¥349,188	¥243,290	¥932,093

	Thousands of U.S. dollars (Note 3)					
	2022					
	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	$517,241	$2,873,448	$2,349,775	$1,810,344	$1,229,474	$5,382,689
Long-term loans	1,045,517	1,192,913	2,659,137	1,199,896	867,844	2,652,594
Total	$1,562,758	$4,066,370	$5,008,913	$3,010,241	$2,097,327	$8,035,284

6. 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 29, 2020, February 28, 2021 and February 28, 2022 (excluding non-marketable securities of ¥10,646 million, ¥12,617 million and ¥14,605 million ($125,905 thousand) as of February 29, 2020, February 28, 2021 and February 28, 2022, respectively):

	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

	Millions of yen		
	2022		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥73,603	¥21,976	¥51,627
Debt securities			
Governmental and municipal bonds, etc.	8,450	8,449	1
Corporate bonds	5,102	5,102	0
Subtotal	87,157	35,527	51,629
Securities with book value not exceeding acquisition cost:			
Equity securities	1,614	1,833	(218)
Debt securities			
Governmental and municipal bonds, etc.	18,583	18,609	(25)
Corporate bonds	50,094	50,156	(61)
Subtotal	70,292	70,598	(306)
Total	¥157,449	¥106,126	¥51,323

	Thousands of U.S. dollars (Note 3)		
	2022		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$634,508	$189,448	$445,060
Debt securities			
Governmental and municipal bonds, etc.	72,844	72,836	8
Corporate bonds	43,982	43,982	0
Subtotal	751,353	306,267	445,077
Securities with book value not exceeding acquisition cost:			
Equity securities	13,913	15,801	(1,879)
Debt securities			
Governmental and municipal bonds, etc.	160,198	160,422	(215)
Corporate bonds	431,844	432,379	(525)
Subtotal	605,965	608,603	(2,637)
Total	$1,357,318	$914,879	$442,439

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Sales amounts	¥3,309	¥320	¥115	$991
Gain on sales of available-for-sale securities	123	252	95	818
Loss on sales of available-for-sale securities	454	0	–	–

(3) Impairment loss on securities

For the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, the Companies recognized ¥93 million, ¥229 million and ¥301 million ($2,594 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 29, 2020, February 28, 2021 and February 28, 2022 were ¥42,039 million, ¥40,245 million and ¥38,629 million ($333,008 thousand), respectively.

7. DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward foreign exchange contracts, currency swap contracts and interest rate 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 29, 2020, February 28, 2021 and February 28, 2022 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			
	2020			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
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			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,543	¥–	¥25	¥25
Buy Euro	149	–	4	4
Buy Chinese yuan	82	–	2	2

	Millions of yen			
	2022			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,123	¥–	¥16	¥16
Buy Euro	165	–	(2)	(2)
Buy Chinese yuan	126	–	3	3

	Thousands of U.S. dollars (Note 3)			
	2022			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	$9,681	$–	$137	$137
Buy Euro	1,422	–	(17)	(17)
Buy Chinese yuan	1,086	–	25	25

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

Derivatives designated as hedging instruments
(1) Currency-related transactions

	Millions of yen		
	2020		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,402	¥–	¥5[(a)]
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	44	–	–[(b)]
Currency swap contracts, accounted for by designated accounting treatment			
Receive U.S. dollar / Pay Japanese yen	66,918	66,918	–[(b)]

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

	Millions of yen		
	2022		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,885	¥–	¥27[(a)]
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	103	–	–[(b)]

	Thousands of U.S. dollars (Note 3)		
	2022		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$16,250	$–	$232[(a)]
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	887	–	–[(b)]

Notes:

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

(b) Forward foreign exchange contracts and currency swap contracts, accounted for by designated accounting treatment 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		
	2020		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	¥–	¥–	¥–

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

	Millions of yen		
	2022		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	¥8,626	¥8,626	¥(220)[(a)]
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	1,625	1,125	–[(b)]
Interest rate and currency swap contracts, accounted for by integral accounting treatment (specific accounting treatment, designated accounting treatment)			
Receive float / Pay fixed Receive U.S. dollar / Pay Japanese yen	298,974	298,974	–[(c)]

	Thousands of U.S. dollars (Note 3)		
	2022		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	$74,362	$74,362	$(1,896)[(a)]
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	14,008	9,698	–[(b)]
Interest rate and currency swap contracts, accounted for by integral accounting treatment (specific accounting treatment, designated accounting treatment)			
Receive float / Pay fixed Receive U.S. dollar / Pay Japanese yen	2,577,362	2,577,362	–[(c)]

Notes:

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

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

(c) Interest rate and currency swap contracts, where certain criteria for integral accounting treatment (specific accounting treatment, designated accounting treatment) are met, are accounted for as part of long-term debt. Therefore, the estimated fair value of a contract is included in the fair value of the underlying long-term debt.

8. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2020, February 28, 2021 and February 28, 2022 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Buildings and structures	¥2,337,208	¥2,367,606	¥3,011,407	$25,960,405
Furniture, fixtures and other	968,774	1,006,439	1,239,662	10,686,741
	3,305,983	3,374,045	4,251,070	36,647,155
Less: Accumulated depreciation	(1,968,140)	(2,024,326)	(2,249,245)	(19,390,043)
	1,337,843	1,349,719	2,001,825	17,257,112
Land	746,914	746,284	1,119,796	9,653,413
Construction in progress	98,618	110,019	110,725	954,525
Total	¥2,183,375	¥2,206,023	¥3,232,347	$27,865,060

9. IMPAIRMENT LOSS

For the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, the Companies recognized ¥35,477 million, ¥35,484 million and ¥27,775 million ($239,439 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 29, 2020:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	108 Stores	¥29,642
			Department and specialty stores	41 Stores	
		Osaka Pref.	Domestic convenience stores	71 Stores	
			Department and specialty stores	5 Stores	
		Aichi Pref.	Domestic convenience stores	57 Stores	
			Department and specialty stores	6 Stores	
		U.S. & others	Overseas convenience stores	119 Stores	
Digital and settlement services	Software, etc.	Tokyo Met.			4,615
Other facilities, etc.	Land and buildings, 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:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	84 Stores	¥34,105
			Department and specialty stores	22 Stores	
			Superstores	2 Stores	
			Others	2 Stores	
		Aichi Pref.	Domestic convenience stores	44 Stores	
			Department and specialty stores	4 Stores	
		Kanagawa Pref.	Domestic convenience stores	35 Stores	
			Department and specialty stores	11 Stores	
			Others	1 Store	
		U.S. & others	Overseas convenience stores	175 Stores	
Other facilities, etc.	Software, etc.	Tokyo Met., Kyoto Pref., Nagano Pref., & others			1,378
Total					¥35,484

Note: ¥3,879 million (Stores) is included in “Restructuring expenses” in the Consolidated Statements of Income.

Fiscal year ended February 28, 2022:

Description	Classification	Location			Millions of yen	Thousands of U.S. dollars (Note 3)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	94 Stores	¥25,070	$216,120
			Department and specialty stores	49 Stores		
			Superstores	2 Stores		
			Others	1 Store		
		Aichi Pref.	Domestic convenience stores	98 Stores		
			Department and specialty stores	9 Stores		
		Osaka Pref.	Domestic convenience stores	93 Stores		
			Department and specialty stores	4 Stores		
			Others	1 Store		
		U.S. & others	Overseas convenience stores	150 Stores		
Other facilities, etc.	Software, etc.	Tokyo Met., Fukushima Pref., Nagano Pref., & others			2,705	23,318
Total					¥27,775	$239,439

Note: ¥1,365 million ($11,767 thousand) (Stores) is included in "Restructuring expenses" in the Consolidated Statements of Income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the smallest group of assets that generates independent cash flow. 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 the total undiscounted future cash flows, and such deducted amount was recorded as impairment loss in other income (expenses).

A breakdown of impairment loss is as follows:
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 (Buildings and structures), ¥23 million (Furniture, fixtures and equipment),¥330 million (Land) and ¥28 million (Others) are included in "Restructuring expenses" in the Consolidated Statements of Income.

Fiscal year ended February 28, 2022:

	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥20,055	¥474	¥20,530
Furniture, fixtures and equipment	2,455	32	2,487
Land	1,669	165	1,834
Software	5	1,829	1,834
Others	884	204	1,088
Total	¥25,070	¥2,705	¥27,775

	Thousands of U.S. dollars (Note 3)		
	Stores	Other facilities, etc.	Total
Buildings and structures	$172,887	$4,086	$176,982
Furniture, fixtures and equipment	21,163	275	21,439
Land	14,387	1,422	15,810
Software	43	15,767	15,810
Others	7,620	1,758	9,379
Total	$216,120	$23,318	$239,439

Note: ¥1,291 million ($11,129 thousand) (Buildings and structures), ¥2 million ($17 thousand) (Furniture, fixtures and equipment), ¥71 million ($612 thousand) (Others) are included in “Restructuring expenses” in the Consolidated Statements of Income.

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 3.1-6.0% discount rates in 2020 and 3.3-6.0% in 2021 and 4.0-9.4% in 2022 were applied.

10. 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
	2021
Current assets	¥4,097
Non-current assets	17,250
Goodwill	28,472
Current liabilities	(3,675)
Non-current liabilities	(2,892)
Acquisition cost	43,252
Cash and cash equivalents	(1,278)
Payment for acquisition of shares	¥41,973

Fiscal year ended February 28, 2022:
Speedway LLC and others

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2022	2022
Current assets	¥108,625	$936,422
Non-current assets	1,074,482	9,262,775
Goodwill	1,348,179	11,622,232
Current liabilities	(159,410)	(1,374,224)
Non-current liabilities	(54,754)	(472,017)
Acquisition cost	2,317,122	19,975,189
Payable included in acquisition cost	(3,846)	(33,155)
Cash and cash equivalents	(17,712)	(152,689)
Payment for acquisition of shares	¥2,295,563	$19,789,336

(2) Major non-cash transactions

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Finance lease obligations for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥7,180	¥11,625	¥6,799	$58,612
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	13,276	13,352	12,622	108,810

(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)
	2020	2021	2022	2022
Inventories	¥426	¥324	¥468	$4,034
Goodwill	14,917	8,962	10,891	93,887
Other	1,287	2,160	301	2,594
Subtotal	16,631	11,447	11,661	100,525
Property and equipment	4,309	3,580	5,348	46,103
Total	¥20,941	¥15,027	¥17,010	$146,637

The property and equipment set out above at an amount of ¥4,309 million, ¥3,580 million and ¥5,348 million ($46,103 thousand) are included in acquisition of property and equipment in the Consolidated Statements of Cash Flows for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, respectively.

11. 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 30.6% for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, respectively.

(1) The significant components of deferred tax assets and liabilities as of February 29, 2020, February 28, 2021 and February 28, 2022 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Deferred tax assets:				
Allowance for bonuses to employees	¥4,397	¥4,553	¥4,244	$36,586
Allowance for sales promotion expenses	5,509	5,623	4,970	42,844
Accrued payroll	7,790	7,396	12,570	108,362
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	264	238	176	1,517
Allowance for accrued pension and severance costs	1,003	927	974	8,396
Allowance for loss on future collection of gift certificates	349	285	363	3,129
Depreciation and amortization	11,365	10,334	9,992	86,137
Tax loss carried forward [a]	43,450	50,595	131,835	1,136,508
Valuation loss on available-for-sale securities	3,943	791	826	7,120
Allowance for doubtful accounts	1,734	1,873	1,583	13,646
Unrealized loss on property and equipment	7,326	8,668	9,863	85,025
Impairment loss on property and equipment valuation and loss on land	58,563	53,465	49,866	429,879
Accrued enterprise taxes and business office taxes	4,525	4,016	3,987	34,370
Accrued expenses	11,248	13,925	13,327	114,887
Asset retirement obligations	21,456	22,397	25,001	215,525
Unearned revenue	14,151	13,103	12,211	105,267
Trademark rights	263	–	–	–
Others	20,463	24,871	28,879	248,956
Subtotal	217,808	223,067	310,676	2,678,241
Valuation allowance for tax loss carried forward [a]	(42,437)	(46,301)	(46,562)	(401,396)
Valuation allowance for deductible temporary differences	(41,123)	(39,055)	(36,495)	(314,612)
Less: Valuation allowance	(83,560)	(85,357)	(83,058)	(716,017)
Total	134,247	137,709	227,617	1,962,215

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Deferred tax liabilities:				
Unrealized gains on property and equipment	¥(63,453)	¥(87,551)	¥(203,079)	$(1,750,681)
Royalties, etc.	(32,831)	(28,416)	(32,063)	(276,405)
Reserve for advanced depreciation of property and equipment	(713)	(700)	(688)	(5,931)
Unrealized gains on available-for-sale securities	(10,968)	(15,444)	(16,127)	(139,025)
Net defined benefit asset	(17,126)	(24,430)	(26,364)	(227,275)
Unrealized intercompany profit	(4,594)	(4,599)	(4,055)	(34,956)
Removal cost related to asset retirement obligations	(7,789)	(7,568)	(10,062)	(86,741)
Others	(3,648)	(3,525)	(1,462)	(12,603)
Total	(141,125)	(172,236)	(293,903)	(2,533,646)
Net deferred tax assets [(b)]	¥(6,878)	¥(34,526)	¥(66,285)	$(571,422)

Notes:

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

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

							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	¥50,595
Valuation allowance	3,512	4,067	4,732	6,758	3,900	23,329	46,301
Deferred tax assets	21	–	57	65	0	4,149	(**) 4,293

							Millions of yen
							2022
	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 (*)	¥3,659	¥4,520	¥6,631	¥3,948	¥6,718	¥106,358	¥131,835
Valuation allowance	3,659	4,511	6,623	3,908	6,658	21,200	46,562
Deferred tax assets	–	8	7	40	59	85,157	85,273

	Thousands of U.S. dollars (Note 3)						
	2022						
	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 (*)	$31,543	$38,965	$57,163	$34,034	$57,913	$916,879	$1,136,508
Valuation allowance	31,543	38,887	57,094	33,689	57,396	182,758	401,396
Deferred tax assets	-	68	60	344	508	734,112	735,112

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

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

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Investments and other assets - Deferred income taxes	¥57,071	¥44,352	¥43,539	$375,336
Non-current liabilities - Deferred income taxes	(63,949)	(78,879)	(109,825)	(946,767)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022 is as follows:

	2020	2021	2022
Statutory tax rate	30.6%	30.6%	30.6%
Adjustments:			
Equity in (earnings) losses of affiliates	(0.1)	0.1	(0.3)
Non-deductible items, such as entertainment expenses	0.4	0.8	0.8
(Decrease) increase in valuation allowance	0.5	0.7	(0.7)
Inhabitant taxes per capital	0.5	0.7	0.5
Amortization of goodwill	2.1	3.0	7.0
Difference from applicable tax rates of foreign subsidiaries	(1.8)	(3.6)	(4.7)
CARES Act influence	–	(6.0)	–
Others	0.1	(1.4)	(4.8)
Effective tax rate	32.1%	24.9%	28.4%

12. 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. Certain consolidated subsidiaries apply a simplified method to determine retirement benefit obligations.

(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)
	2020	2021	2022	2022
Balance at beginning of year	¥276,704	¥279,674	¥282,309	$2,433,698
Service cost[a]	13,037	13,116	13,100	112,931
Interest cost	1,655	1,629	1,633	14,077
Actuarial differences	766	1,933	(747)	(6,439)
Benefits paid	(12,395)	(13,588)	(14,796)	(127,551)
Prior service cost	–	10	–	–
Increase due to acquisition of consolidated subsidiaries[b]	–	–	1,814	15,637
Others	(94)	(467)	1,128	9,724
Balance at end of year	¥279,674	¥282,309	¥284,440	$2,452,068

Notes:

(a) Consolidated subsidiaries applying a simplified method account for retirement benefit expenses as “service cost.”

(b) “Increase due to acquisition of consolidated subsidiaries” presents an increase due to 7-Eleven, Inc.’s acquisition of shares and other interests of Speedway LLC and other 20 companies.

(b) Change in plan assets

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Balance at beginning of year	¥312,837	¥327,040	¥352,887	$3,042,129
Expected return on plan assets	6,243	6,527	7,043	60,715
Actuarial differences	7,934	20,503	646	5,568
Employer contribution	11,919	11,852	11,819	101,887
Benefits paid	(11,893)	(13,036)	(14,441)	(124,491)
Balance at end of year	¥327,040	¥352,887	¥357,956	$3,085,827

(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)
	2020	2021	2022	2022
Funded retirement benefit obligations	¥271,054	¥272,999	¥271,738	$2,342,568
Plan assets	(327,040)	(352,887)	(357,956)	(3,085,827)
	(55,986)	(79,888)	(86,217)	(743,250)
Unfunded retirement benefit obligations	8,619	9,309	12,702	109,500
	¥(47,366)	¥(70,578)	¥(73,515)	$(633,750)
Net defined benefit liability	¥8,619	¥9,309	¥12,702	$109,500
Net defined benefit asset	(55,986)	(79,888)	(86,217)	(743,250)
	¥(47,366)	¥(70,578)	¥(73,515)	$(633,750)

(d) Retirement benefit costs

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Service cost	¥13,037	¥13,116	¥13,100	$112,931
Interest cost	1,655	1,629	1,633	14,077
Expected return on plan assets	(6,243)	(6,527)	(7,043)	(60,715)
Amortization of actuarial differences	(2,566)	(1,725)	(3,242)	(27,948)
Amortization of prior service cost	(2)	(2)	(0)	(0)
Additional retirement benefits	264	1,903	2,393	20,629
Total retirement benefit costs	¥6,144	¥8,394	¥6,840	$58,965

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Prior service cost	¥(2)	¥(12)	¥(2)	$(17)
Actuarial differences	4,627	16,989	(2,211)	(19,060)
Total	¥4,625	¥16,976	¥(2,213)	$(19,077)

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Unrecognized prior service cost	¥(4)	¥8	¥10	$86
Unrecognized actuarial differences	(5,519)	(22,509)	(20,300)	(175,000)
Others	–	(227)	(253)	(2,181)
Total	¥(5,523)	¥(22,729)	¥(20,543)	$(177,094)

(g) Plan assets
(i) The asset allocation for the plans

	2020	2021	2022
Bonds	59%	55%	62%
Equity	31%	35%	28%
Others	10%	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

	2020	2021	2022
Discount rate	mainly 0.5%	mainly 0.5%	mainly 0.5%
Discount rate (consolidated subsidiaries in the United States)	3.4%	2.7%	3.0%
Long-term expected rate of return on plan assets	mainly 2.0%	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 the Company, some of the Company's domestic consolidated subsidiaries and consolidated subsidiaries in the United States amounted to ¥4,987 million, ¥4,545 million and ¥7,481 million ($64,491 thousand) for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, respectively.

13. 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)
	2020	2021	2022	2022
Outstanding balance at fiscal year-end:				
Short-term bank loans [a]	¥129,456	¥619,953	¥140,146	$1,208,155
Weighted-average interest rate at year-end:				
Short-term bank loans	0.23%	0.23%	0.40%	

Note:

(a) The total amounts of short-term loans with collateral as of February 29, 2020, February 28, 2021 and February 28, 2022 were nil (Note 19).

Long-term debt as of February 29, 2020, February 28, 2021 and February 28, 2022 consists of the following:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Outstanding balance as of fiscal year-end:				
Loans, principally from banks and insurance companies, due 2023 to 2031 with interest rates ranging from 0.094 to 4.2% (b)	¥491,588	¥509,339	¥1,115,680	$9,617,931
Lease obligations	36,151	32,154	56,937	490,836
Seven & i Holdings Co., Ltd.:				
1.399% unsecured straight bonds, due June 19, 2020	60,000	–	–	–
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	172,413
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	60,000	517,241
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	30,000	258,620
0.060% unsecured straight bonds, due December 20, 2023	–	130,000	130,000	1,120,689
0.190% unsecured straight bonds, due December 19, 2025	–	180,000	180,000	1,551,724
0.280% unsecured straight bonds, due December 20, 2027	–	40,000	40,000	344,827
3.350% unsecured straight bonds, due September 17, 2021	66,915	66,917	–	–
7-Eleven, Inc.:				
0.625% unsecured straight bonds, due February 10, 2023	–	–	143,320	1,235,517
0.800% unsecured straight bonds, due February 10, 2024	–	–	257,574	2,220,465
0.950% unsecured straight bonds, due February 10, 2026	–	–	142,619	1,229,474
1.300% unsecured straight bonds, due February 10, 2028	–	–	113,936	982,206
1.800% unsecured straight bonds, due February 10, 2031	–	–	194,025	1,672,629
2.500% unsecured straight bonds, due February 10, 2041	–	–	84,620	729,482
2.800% unsecured straight bonds, due February 10, 2051	–	–	141,809	1,222,491
Seven Bank, Ltd.:				
0.460% unsecured straight bonds, due March 19, 2020	20,000	–	–	–
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	172,413
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	15,000	129,310
0.390% unsecured straight bonds, due September 17, 2027	30,000	30,000	30,000	258,620
0.160% unsecured straight bonds, due December 20, 2023	20,000	20,000	20,000	172,413
0.385% unsecured straight bonds, due December 20, 2028	20,000	20,000	20,000	172,413
	889,656	1,173,411	2,815,524	24,271,758
Current portion of long-term debt	(183,911)	(227,673)	(201,690)	(1,738,706)
	¥705,744	¥945,737	¥2,613,833	$22,533,043

Note:

(a) The total amounts of long-term debt with collateral as of February 29, 2020, February 28, 2021 and February 28, 2022 were ¥9,947 million, ¥13,420 million and ¥9,717 million ($83,767 thousand), respectively (Note 19).

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)
2023	¥201,690	$1,738,706
2024	479,404	4,132,793
2025	587,047	5,060,750
2026	353,895	3,050,818
2027	246,921	2,128,629
Thereafter	946,564	8,160,034
	¥2,815,524	$24,271,758

14. 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 29, 2020, February 28, 2021 and February 28, 2022 are as follows:

As lessee:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Due within one year	¥100,796	¥101,610	¥131,551	$1,134,060
Due after one year	614,067	632,351	854,502	7,366,396
Total	¥714,864	¥733,962	¥986,053	$8,500,456

As lessor:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Due within one year	¥8,715	¥10,247	¥10,599	$91,370
Due after one year	22,934	22,662	21,397	184,456
Total	¥31,649	¥32,909	¥31,997	$275,836

15. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022:

(1) Summary of asset retirement obligations

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

(2) Calculation method of the asset retirement obligations

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

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Balance at beginning of year	¥87,850	¥97,339	¥101,796	$877,551
Increase due to acquisition of property and equipment	4,358	9,061	8,709	75,077
Adjustment due to passage of time	1,389	1,419	1,761	15,181
Decrease due to settlement of asset retirement obligations	(3,161)	(3,974)	(4,900)	(42,241)
Decrease due to release from restoration obligations	–	(2,620)	(197)	(1,698)
Increase due to change in estimation	7,528	2,871	2,151	18,543
Decrease due to reconciliation of estimated cost and actual cost	(143)	(850)	(606)	(5,224)
Increase due to acquisition of consolidated subsidiaries[(a)]	–	–	22,176	191,172
Others[(b)]	(482)	(1,451)	2,283	19,681
Balance at end of year	¥97,339	¥101,796	¥133,175	$1,148,060

Notes:

(a) “Increase due to acquisition of consolidated subsidiaries” presents an increase due to 7-Eleven Inc’s acquisition of shares and other interests of Speedway LLC and other 20 companies.

(b) Others are mainly due to fluctuations in foreign currency rates.

(4) Change in estimation

For the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, 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 ¥7,528 million, ¥2,871 million and ¥2,151 million ($18,543 thousand), respectively, from the balance of asset retirement obligation before revision.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) including reclassification adjustments and tax effects for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Unrealized gains (losses) on available-for-sale securities, net of taxes:				
Increase during the fiscal year	¥174	¥14,555	¥3,211	$27,681
Reclassification adjustments	60	(567)	(406)	(3,500)
Amount before tax	234	13,988	2,805	24,181
Tax effects	(447)	(4,360)	(731)	(6,301)
Subtotal	(212)	9,627	2,073	17,870
Unrealized gains (losses) on hedging derivatives, net of taxes:				
Increase (decrease) during the fiscal year	(277)	2,476	3,595	30,991
Reclassification adjustments	–	–	–	–
Amount before tax	(277)	2,476	3,595	30,991
Tax effects	68	(618)	(905)	(7,801)
Subtotal	(209)	1,857	2,689	23,181
Foreign currency translation adjustments:				
Increase (decrease) during the fiscal year	(6,340)	(48,474)	189,239	1,631,370
Remeasurements of defined benefit plans, net of taxes:				
Increase during the fiscal year	7,168	18,558	1,391	11,991
Reclassification adjustments	(2,543)	(1,582)	(3,605)	(31,077)
Amount before tax	4,625	16,976	(2,213)	(19,077)
Tax effects	(1,802)	(5,000)	698	6,017
Subtotal	2,822	11,976	(1,515)	(13,060)
Share of other comprehensive income (loss) of entities accounted for using equity method:				
Increase (decrease) during the fiscal year	(12)	(8)	156	1,344
Total other comprehensive income (loss)	¥(3,952)	¥(25,021)	¥192,642	$1,660,706

17. 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 26, 2022, the shareholders approved cash dividends amounting to ¥45,999 million ($396,543 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2022 because those are recognized in the period in which they are approved by the shareholders. The total amount of cash dividends includes ¥76 million ($655 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

18. STOCK OPTIONS

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of Income was nil for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022.

(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[a]	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[a]	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[a]	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, 2022. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2022:
Number of stock options

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twentieth grant
Before vested:				
As of February 28, 2021	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2021	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
Before vested:		
As of February 28, 2021	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding	–	–
After vested:		
As of February 28, 2021	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 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–	–	–
Fair value at the grant date[(a)]	¥533,000 ($4,594) per subscription to share	¥361,300 ($3,114) per subscription to share	¥369,800 ($3,187) per subscription to share	¥380,800 ($3,282) per subscription to share

	Twenty-first grant	Twenty-second grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–
Fair value at the grant date[(a)]	¥380,600 ($3,281) per subscription to share	¥380,400 ($3,279) 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.

19. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

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.
As of February 28, 2022
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥42 million ($362 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 29, 2020, February 28, 2021 and February 28, 2022 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Buildings and structures	¥523	¥489	¥463	$3,991
Land	1,258	1,258	1,258	10,844
Investments in securities	62,099	68,087	79,715	687,198
Long-term leasehold deposits	4,499	2,662	1,162	10,017
Total	¥68,380	¥72,497	¥82,599	$712,060

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.
Debts for the pledged assets above as of February 28, 2022 are as follows: long-term loans (including current portion), ¥9,717 million ($83,767 thousand).

(b) The amount of assets pledged as collateral for the debts of affiliates as of February 29, 2020, February 28, 2021 and February 28, 2022 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Buildings and structures	¥306	¥–	¥–	$–
Land	1,331	–	–	–
Total	¥1,637	¥–	¥–	$–

Debts of affiliates for the pledged assets above are ¥2,651 million as of February 29, 2020, and nil as of February 28, 2021 and February 28, 2022.

(c) Other

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 and ¥800 million, respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million and nil, respectively. In addition, ¥304 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2022
The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥2,516 million ($21,689 thousand) and ¥1,700 million ($14,655 thousand), respectively. The amounts of assets pledged as collateral for real estate business and for installment sales are ¥55 million ($474 thousand) and nil, respectively. In addition, ¥292 million ($2,517 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 29, 2020, February 28, 2021 and February 28, 2022 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Credit availability of cash loan business	¥855,436	¥790,424	¥832,746	$7,178,844
Outstanding balance	(45,407)	(44,002)	(42,048)	(362,482)
Unused credit balance	¥810,029	¥746,421	¥790,697	$6,816,353

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.

20. 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.

21. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from Seven-Eleven Japan Co., Ltd.'s franchised stores and 7-Eleven, Inc.'s franchised stores 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)
	2020	2021	2022	2022
Franchise commission from franchised stores	¥795,486	¥762,514	¥765,199	$6,596,543
Net sales of franchised stores	4,914,928	4,781,626	4,853,881	41,843,801

7-Eleven, Inc.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Franchise commission from franchised stores	¥259,531	¥245,210	¥294,374	$2,537,706
Net sales of franchised stores	1,503,717	1,505,369	1,695,895	14,619,784

(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)
	2020	2021	2022	2022
Buildings and structures	¥1,474	¥1,194	¥2,200	$18,965
Land	4,845	2,286	6,497	56,008
Others	287	635	229	1,974
Total	¥6,607	¥4,116	¥8,927	$76,956

Note: ¥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 (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. ¥108 million ($931 thousand) (Buildings and structures), ¥2,440 million ($21,034 thousand) (Land) and ¥5 million ($43 thousand) (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 28, 2022.

(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)
	2020	2021	2022	2022
Buildings and structures	¥6,437	¥3,710	¥4,264	$36,758
Furniture, fixtures and equipment	3,774	3,309	3,490	30,086
Others	5,693	5,172	5,911	50,956
Total	¥15,905	¥12,193	¥13,667	$117,818

Note: ¥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 (Others) is included in “Restructuring expenses” in the Consolidated Statements of Income for the year ended February 28, 2021. ¥0 million ($0 thousand) (Buildings and structures) is included in “Restructuring expenses” in the Consolidated Statements of Income for the year ended February 28, 2022.

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Advertising and decoration expenses	¥135,938	¥112,921	¥123,214	$1,062,189
Salaries and wages	466,448	450,665	564,770	4,868,706
Provision for allowance for bonuses to employees	14,208	14,796	13,861	119,491
Retirement benefit costs	8,861	10,541	14,045	121,077
Legal welfare expenses	63,565	61,137	75,217	648,422
Land and building rent	388,098	376,771	396,241	3,415,870
Depreciation and amortization	214,354	220,434	279,082	2,405,879
Utility expenses	115,535	104,457	121,954	1,051,327
Store maintenance and repair expenses	73,305	73,778	92,481	797,250

22. LOSS RELATED TO NOVEL CORONAVIRUS (COVID-19)

The Companies recognized loss related to novel coronavirus (COVID-19) for the years ended February 28, 2021 and February 28, 2022. A breakdown of loss related to novel coronavirus (COVID-19) is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Fixed cost during temporary closure (Salaries and wages, land and building rent, etc.)	¥–	¥24,066	¥8,625	$74,353
Cost of support to franchisees	–	5,193	1,492	12,862
Cost of infection prevention and control	–	7,571	–	–
Others	–	3,702	262	2,258
Total	¥–	¥40,534	¥10,380	$89,482

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 for the year ended February 28, 2021. The "Cost of infection prevention and control" was recorded as "other expenses " for the year ended February 28, 2021, because it was extraordinary expenses. However, it has been considered to be recurring expenses and has been recorded as "Selling, general and administrative expenses" for the year ended February 28, 2022.

23. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 29, 2020, February 28, 2021 and February 28, 2022 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Impairment loss	¥2,880	¥3,879	¥1,365	$11,767
Early retirement benefit	2,183	2,765	247	2,129
Store closing losses	1,828	1,388	–	–
Loss on sales of property and equipment	608	30	–	–
Others	239	2,149	2,550	21,982
Total	¥7,740	¥10,213	¥4,163	$35,887

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 29, 2020, February 28, 2021 and February 28, 2022 in the amount of ¥905 million, ¥1,106 million and ¥2,554 million ($22,017 thousand), respectively.

24. 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)
	2020	2021	2022	2022
Impairment loss	¥4,615	¥–	¥–	$–
Expenses for security measures	4,344	–	–	–
Others	4,502	–	–	–
Total	¥13,463	¥–	¥–	$–

25. SUBSIDY INCOME

The Companies recognized subsidy income for the years ended February 28, 2021 and February 28, 2022. A breakdown of the subsidy income is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2020	2021	2022	2022
Subsidy income related to COVID-19	¥–	¥13	¥5,741	$49,491
Subsidies for employment adjustment	–	4,094	1,907	16,439
Total	¥–	¥4,108	¥7,648	$65,931

26. 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, 2022 was described as follows:

Fiscal year ended February 28, 2022

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.

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

(1) Overview
(a) Name and main business of the acquired company
Name: Speedway LLC
Details of business: Operation of convenience store business and fuel retail business

(b) Main reason for the business combination
The growth of the Company's convenience store business centered around 7-Eleven, Inc. in the North American 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:

(i) 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 American 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 merchandise sales and improve gross profit 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.

(ii) Financial effect

We anticipate synergies and a tax savings due to beneficial tax treatment in the U.S.

(iii) ESG Leadership

In May 2019, the Group, including 7-Eleven, Inc. as a global retailer representing Japan, announced the "GREEN CHALLENGE 2050," the Company's environmental declaration. The Group is committed to achieving the declaration's four themes: (i) reducing CO_2 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 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 CO_2 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.

(c) Date of the business combination
May 14, 2021

(d) Legal form of the business combination
Acquisition of shares and other interests

(e) The acquired company's name after the business combination
The names of the companies will not change subsequent to the business combination.

(f) Ratio of voting rights acquired
100%

(g) Reason for determining the acquired company
The Company's subsidiary acquired the shares and other interests of the companies in exchange for cash.

(2) Period of performance of the acquired company included in the consolidated financial statements
From May 14, 2021 to December 31, 2021

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

Consideration for acquisition: Cash	$21,083,918 thousand	(¥2,332,513 million)
Acquisition cost	$21,083,918 thousand	(¥2,332,513 million)

(4) Details and amounts of main acquisition-related costs
Payment for financial and legal investigations: $134,084 thousand (¥14,833 million)

(5) Amount, reason for recognition, and period and method of amortization of goodwill
(a) Amount of goodwill
$12,267,329 thousand (¥1,357,134 million)
The amount above is provisional since the purchase price allocation has not been finalized and fair value measurement of identifiable assets and liabilities at the acquisition date has not been finalized.

(b) Reason for recognition of goodwill
Future excess earning power expected from future business development.

(c) Period and method of amortization of goodwill
Straight-line method over 20 years

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

Current assets	$988,406 thousand	(¥109,347 million)
Non-current assets	$9,776,912 thousand	(¥1,081,619 million)
Total assets	$10,765,319 thousand	(¥1,190,967 million)
Current liabilities	$1,450,507 thousand	(¥160,469 million)
Non-current liabilities	$498,223 thousand	(¥55,118 million)
Total liabilities	$1,948,730 thousand	(¥215,588 million)

Note: Converted at the rate of $1 = ¥110.63 (as of May 13, 2021) on (3), (4), (5) and (6).

(7) Approximate amounts of impact of the business combination on the Company's consolidated statements of income for the fiscal year assuming the business was completed at the beginning of the fiscal year, and the calculation method thereof

Net sales	$8,420 million	(¥925,358 million)
Operating income	$183 million	(¥20,111 million)
Income before income taxes	$177 million	(¥19,452 million)
Net income attributable to owners of parent	$132 million	(¥14,552 million)
Net income per share	$0.15	(¥16.49)

(Method of calculation of estimated amount)
The difference between the net sales and profit/loss information calculated as if the business combination had been completed at the beginning of the consolidated fiscal year and the net sales and

profit/loss information in the consolidated statement of income of the acquired company is the estimated amount of impact. The estimated amount includes an adjustment for amortization of goodwill and other items, assuming that the goodwill and other items recognized at the time of the business combination were recognized as of the beginning of the current fiscal year.

These notes are not audited.

Note: Converted at the rate of $1 = ¥109.90 (average exchange rate during the period) on (7).

27. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022

No items required to report.

28. 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.

From the fiscal year ended February 28, 2022, changes have been made to the classification of reportable segments.

Accordingly, the figures for the fiscal years ended February 29, 2020 and February 28, 2021 reflect the current segment classification following the change.

Under the holding company structure, the Company has classified its consolidated subsidiaries into six segments which are “Domestic convenience store operations”, “Overseas convenience store operations”, “Superstore operations”, “Department and specialty store operations”, “Financial services”, 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 directly-managed 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 and specialty store operations” operate a retail business that collects and provides various and high-value merchandise and services as well as advanced and unique merchandise and services. “Financial services” operate a banking business, credit card business and leasing business. “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 29, 2020

Millions of yen

	Reportable segment								
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥895,630	¥2,811,402	¥1,841,346	¥908,892	¥179,262	¥7,777	¥6,644,312	¥47	¥6,644,359
Intersegment	2,216	1,701	7,774	3,167	38,104	11,928	64,894	(64,894)	-
Total revenues	¥897,847	¥2,813,104	¥1,849,121	¥912,060	¥217,367	¥19,706	¥6,709,206	¥(64,847)	¥6,644,359
Segment income (loss)	¥255,260	¥103,351	¥21,306	¥8,279	¥53,610	¥(1,223)	¥440,585	¥(16,319)	¥424,266
Segment assets	¥1,197,774	¥1,427,902	¥959,974	¥563,278	¥1,666,038	¥39,155	¥5,854,124	¥142,763	¥5,996,887
Segment liabilities (interest-bearing debt)	¥-	¥219,041	¥-	¥178,742	¥348,261	¥-	¥746,044	¥236,915	¥982,960
Other items:									
Depreciation	¥75,010	¥78,713	¥26,071	¥14,335	¥29,031	¥1,074	¥224,237	¥2,238	¥226,475
Amortization of goodwill	¥-	¥19,653	¥3,098	¥462	¥359	¥-	¥23,574	¥-	¥23,574
Investment in entities accounted for using the equity method	¥8,558	¥6,362	¥6,316	¥13,895	¥2,000	¥4,906	¥42,039	¥-	¥42,039
Impairment loss	¥11,801	¥3,565	¥10,102	¥5,302	¥4,651	¥39	¥35,463	¥14	¥35,477
Net increase in property and equipment, and intangible assets	¥96,978	¥136,396	¥45,870	¥20,108	¥31,110	¥1,969	¥332,435	¥13,955	¥346,391

Fiscal year ended February 28, 2021

Millions of yen

	Reportable segment								
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥857,222	¥2,251,627	¥1,802,625	¥681,919	¥167,259	¥5,976	¥5,766,631	¥86	¥5,766,718
Intersegment	1,553	1,727	8,258	2,740	31,668	11,346	57,296	(57,296)	–
Total revenues	¥858,776	¥2,253,355	¥1,810,884	¥684,660	¥198,927	¥17,323	¥5,823,927	¥(57,209)	¥5,766,718
Segment income (loss)	¥233,700	¥98,664	¥29,681	¥(17,444)	¥48,077	¥(570)	¥392,109	¥(25,779)	¥366,329
Segment assets	¥1,227,004	¥2,309,842	¥964,187	¥566,491	¥1,788,607	¥34,701	¥6,890,836	¥55,996	¥6,946,832
Segment liabilities (interest-bearing debt)	¥–	¥281,974	¥–	¥187,191	¥283,127	¥–	¥752,293	¥1,008,917	¥1,761,210
Other items:									
Depreciation	¥78,430	¥82,725	¥26,929	¥14,598	¥28,766	¥1,016	¥232,466	¥3,038	¥235,504
Amortization of goodwill	¥–	¥21,119	¥3,098	¥462	¥359	¥–	¥25,040	¥–	¥25,040
Investment in associates accounted for using the equity method	¥8,881	¥5,463	¥6,694	¥13,038	¥1,685	¥4,481	¥40,245	¥–	¥40,245
Impairment loss	¥8,859	¥5,911	¥11,589	¥7,585	¥1	¥1,529	¥35,477	¥7	¥35,484
Net increase in property and equipment, and intangible assets	¥121,686	¥145,951	¥46,625	¥25,090	¥35,606	¥967	¥375,927	¥(12,030)	¥363,897

Fiscal year ended February 28, 2022

Millions of yen

	Reportable segment								
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥871,294	¥5,191,910	¥1,804,516	¥709,472	¥165,361	¥7,072	¥8,749,628	¥123	¥8,749,752
Intersegment	1,944	2,417	6,212	2,810	29,037	13,268	55,690	(55,690)	–
Total revenues	¥873,239	¥5,194,327	¥1,810,728	¥712,282	¥194,399	¥20,340	¥8,805,319	¥(55,567)	¥8,749,752
Segment income (loss)	¥223,396	¥159,866	¥18,791	¥(8,153)	¥37,549	¥(115)	¥431,334	¥(43,681)	¥387,653
Segment assets	¥1,182,328	¥4,126,637	¥972,803	¥531,990	¥1,711,943	¥36,070	¥8,561,773	¥177,506	¥8,739,279
Segment liabilities (interest-bearing debt)	¥–	¥1,500,345	¥–	¥169,806	¥287,607	¥–	¥1,957,759	¥940,974	¥2,898,733
Other items:									
Depreciation	¥80,781	¥127,193	¥28,600	¥14,460	¥31,783	¥877	¥283,696	¥8,865	¥292,561
Amortization of goodwill	¥–	¥67,355	¥3,098	¥462	¥359	¥–	¥71,276	¥–	¥71,276
Investment in associates accounted for using the equity method	¥9,497	¥5,771	¥7,178	¥10,867	¥1,378	¥3,937	¥38,629	¥–	¥38,629
Impairment loss	¥9,944	¥2,359	¥6,359	¥7,882	¥761	¥67	¥27,374	¥400	¥27,775
Net increase in property and equipment, and intangible assets	¥91,785	¥178,432	¥60,747	¥13,848	¥34,046	¥2,322	¥381,182	¥44,438	¥425,621

Thousands of U.S. dollars (Note 3)

	Reportable segment								
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	$7,511,155	$44,757,844	$15,556,172	$6,116,137	$1,425,525	$60,965	$75,427,827	$1,060	$75,428,896
Intersegment	16,758	20,836	53,551	24,224	250,318	114,379	480,086	(480,086)	–
Total revenues	$7,527,922	$44,778,681	$15,609,724	$6,140,362	$1,675,853	$175,344	$75,907,922	$(479,025)	$75,428,896
Segment income (loss)	$1,925,827	$1,378,155	$161,991	$(70,284)	$323,698	$(991)	$3,718,396	$(376,560)	$3,341,836
Segment assets	$10,192,482	$35,574,456	$8,386,232	$4,586,120	$14,758,129	$310,948	$73,808,387	$1,530,224	$75,338,612
Segment liabilities (interest-bearing debt)	$–	$12,934,008	$–	$1,463,844	$2,479,370	$–	$16,877,232	$8,111,844	$24,989,077
Other items:									
Depreciation	$696,387	$1,096,491	$246,551	$124,655	$273,991	$7,560	$2,445,655	$76,422	$2,522,077
Amortization of goodwill	$–	$580,646	$26,706	$3,982	$3,094	$–	$614,448	$–	$614,448
Investment in entities accounted for using the equity method	$81,870	$49,750	$61,879	$93,681	$11,879	$33,939	$333,008	$–	$333,008
Impairment loss	$85,724	$20,336	$54,818	$67,948	$6,560	$577	$235,982	$3,448	$239,439
Net increase in property and equipment, and intangible assets	$791,250	$1,538,206	$523,681	$119,379	$293,500	$20,017	$3,286,051	$383,086	$3,669,146

Notes:
1. The adjustments of ¥(16,319) million, ¥(25,779) million and ¥(43,681) million ($(376,560) thousand) for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, respectively.
2. The adjustments of ¥142,763 million, ¥55,996 million and ¥177,506 million ($1,530,224 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 29, 2020, February 28, 2021 and February 28, 2022, respectively.
3. The adjustments of ¥236,915 million, ¥1,008,917 million and ¥940,974 million ($8,111,844 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 29, 2020,

February 28, 2021 and February 28, 2022, respectively. The amount of each segment liability does not include intersegment transactions.
4. The adjustment of ¥8,865 million ($76,422 thousand) for depreciation is the depreciation of corporate assets for the fiscal year ended February 28, 2022.
5. The adjustment of ¥44,438 million ($383,086 thousand) for net increase in property and equipment, and intangible assets is eliminations of intersegment transactions and corporate assets for the fiscal year ended February 28, 2022.
6. Segment income (loss) is reconciled with the operating income in the Consolidated Statements of Income.
7. ¥2,880 million, ¥3,879 million and ¥1,365 million ($11,767 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 29, 2020, February 28, 2021 and February 28, 2022, 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 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

Millions of yen

Fiscal year ended February 28, 2022	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,467,722	¥5,169,616	¥112,413	¥8,749,752	¥–	¥8,749,752
Intersegment	1,118	436	87	1,642	(1,642)	–
Total revenues	¥3,468,840	¥5,170,053	¥112,500	¥8,751,394	¥(1,642)	¥8,749,752
Operating income (loss)	¥227,174	¥159,507	¥1,029	¥387,711	¥(58)	¥387,653

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2022	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$29,894,155	$44,565,655	$969,077	$75,428,896	$–	$75,428,896
Intersegment	9,637	3,758	750	14,155	(14,155)	–
Total revenues	$29,903,793	$44,569,422	$969,827	$75,443,051	$(14,155)	$75,428,896
Operating income (loss)	$1,958,396	$1,375,060	$8,870	$3,342,336	$(500)	$3,341,836

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 29, 2020, February 28, 2021 and February 28, 2022

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 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

Fiscal year ended February 28, 2022

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥3,467,722	¥5,169,616 [¥4,893,774]	¥112,413	¥8,749,752

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$29,894,155	$44,565,655 [$42,187,706]	$969,077	$75,428,896

(2) Property and equipment

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

Fiscal year ended February 28, 2022

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,457,749	¥1,755,359 [¥1,692,085]	¥19,238	¥3,232,347

			Thousands of U.S. dollars (Note 3)
Japan	North America [of which, the U.S.]	Others	Total
$12,566,801	$15,132,405 [$14,586,939]	$165,844	$27,865,060

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 29, 2020	Reportable segment: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill									
Amortization	¥–	¥19,653	¥3,098	¥462	¥359	¥–	¥23,574	¥–	¥23,574
Balance at the end of year	2,826	329,406	20,147	3,340	3,980	–	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: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill									
Amortization	¥–	¥21,119	¥3,098	¥462	¥359	¥–	¥25,040	¥–	¥25,040
Balance at the end of year	2,498	323,804	17,135	2,876	3,621	–	349,937	–	349,937
Negative goodwill									
Amortization	–	–	23	4	–	–	27	–	27
Balance at the end of year	–	–	46	8	–	–	55	–	55

Millions of yen

Fiscal year ended February 28, 2022	Reportable segment: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill									
Amortization	¥–	¥67,355	¥3,098	¥462	¥359	¥–	¥71,276	¥–	¥71,276
Balance at the end of year	2,229	1,719,693	14,032	2,413	3,262	–	1,741,632	–	1,741,632
Negative goodwill									
Amortization	–	–	23	4	–	–	27	–	27
Balance at the end of year	–	–	23	4	–	–	27	–	27

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2022	Reportable segment: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill									
Amortization	$–	$580,646	$26,706	$3,982	$3,094	$–	$614,448	$–	$614,448
Balance at the end of year	19,215	14,824,939	120,965	20,801	28,120	–	15,014,068	–	15,014,068
Negative goodwill									
Amortization	–	–	198	34	–	–	232	–	232
Balance at the end of year	–	–	198	34	–	–	232	–	232

6. Information regarding gain on negative goodwill by reportable segment
None

29. SUBSEQUENT EVENTS

I. Cash dividend

Subsequent to February 28, 2022, the Company’s Board of Directors declared a year-end cash dividend of ¥45,999 million ($396,543 thousand) to be payable on May 27, 2022 to shareholders on record as of February 28, 2022. The amount of cash dividends includes ¥76 million ($655 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 26, 2022.

KPMG

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, 2022, February 28, 2021 and February 29, 2020, 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, 2022, February 28, 2021 and February 29, 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Appropriateness of the valuation of intangible assets (trademark rights) and the amortization period of goodwill arising from the acquisition of Speedway shares</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 26 "BUSINESS COMBINATIONS", 7-Eleven, Inc. ("SEI"), a U.S. consolidated subsidiary of Seven & i Holdings Co., Ltd. (the "Company"), acquired, through its subsidiaries, the shares and other interests of several companies including Speedway LLC ("Speedway shares"), for ¥2,332,513 million. In the consolidated balance sheet, the Company recorded ¥ 1,357,134 million of goodwill and ¥22,126 million of intangible assets (trademark rights) included in other intangible assets on a provisional basis as a result of the purchase price allocation pertaining to the transaction. The Company amortizes such goodwill over 20 years.

The consideration transferred in a business</td><td>In order to assess the appropriateness of the valuation of intangible assets (trademark rights) and the amortization period of goodwill arising from the acquisition of Speedway shares, we have instructed the component auditor of SEI to conduct an audit. We then received and evaluated its report to conclude on whether sufficient and appropriate audit evidence was obtained from the following audit procedures, among others:

• Tested the design and operating effectiveness of certain internal controls relevant to the purchase price allocation with a particular focus on controls related to the evaluation of external expert's work;

• Confirmed the consistency of the</td></tr>
</table>

combination is allocated principally based on the fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date within one year from the acquisition date, and the excess of the consideration transferred over the net amount recognized for the identifiable assets acquired and the liabilities assumed is accounted for as goodwill. In the consolidated financial statements, goodwill is amortized in a systematic manner using the straight-line method or other reasonable methods over the period in which its effects are expected to be realized. The purchase price allocation of the acquisition of Speedway shares required subjective management's judgment in determining identifiable assets and liabilities, and their fair values. Among the identifiable assets, intangible assets (trademark rights) were measured using the income approach based on management's business plans, royalty rates and other key assumptions. External experts were used to select relevant evaluation models and calculate discount rates. Accordingly, in addition to the subjective management's judgment, such evaluation required a high level of valuation expertise. In addition, the amortization period of goodwill was determined based on the period over which synergies from the acquisition of Speedway shares are expected to be realized according to the business plan and market environment forecasts, which included key assumptions made by management. Further, due to the significance of goodwill recognized from the acquisition of Speedway shares, the estimate of the amortization period had a significant impact on the periodic net income reported in the Company's consolidated financial statements. We, therefore, determined that the appropriateness of the valuation of intangible assets (trademark rights) and the amortization period of goodwill arising from the acquisition of Speedway shares was one of the most significant matters in the audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	understanding of the acquisition of Speedway shares including its purpose and the accounting treatment through inspection of the minutes of the board meetings, the contracts and other relevant materials, as well as inquiry of the personnel responsible for the transaction; • Traced the amount paid for the acquisition to relevant supporting document; • Obtained a schedule of identifiable assets and liabilities at the acquisition date, and assessed the completeness of the identifiable assets and liabilities through inspection of the due diligence reports, and the contract and other relevant materials; • Obtained an understanding of the methods and assumptions used to measure the fair value of identifiable assets and traced the recorded amounts of the identifiable assets and liabilities to relevant supporting documents; • Assessed the reasonableness of the business plans and the royalty rates used to measure the fair value of intangible assets (trademark rights) through a comparative analysis with historical performance and data obtained from third party sources; and • Assessed the reasonableness of the valuation models and the discount rates used to measure intangible assets (trademark rights) with the assistance of a valuation specialist within the network firms of the component auditor of SEI. In addition, in order to assess the appropriateness of the amortization period of goodwill relating to the acquisition of Speedway shares, we performed the following procedures: • Tested the design and operating effectiveness of certain internal controls relevant to the determination of amortization period of goodwill with a particular focus on controls to examine the reasonableness of the period over which synergies are expected to be realized; and • Evaluated management's analysis on the period over which the synergies of the acquisition of Speedway shares are expected to be realized, which was the basis for determining the amortization period of goodwill at 20 years, through inquiry of management and a comparative

	analysis with data obtained from third party sources.

<table>
<tr><td colspan="2">Appropriateness of the recognition and measurement of impairment losses on long-lived assets related to Ito-Yokado and Sogo & Seibu</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In the consolidated balance sheet of Seven & i Holdings Co., Ltd. (the "Company"), Property and equipment of ¥3,232,347 million and Intangible assets of ¥2,140,002 million were recorded for the current fiscal year. As described in Note 4 "SIGNIFICANT ACCOUNTING ESTIMATES", property and equipment of Ito-Yokado Co., Ltd. ("Ito-Yokado"), which is included in the Superstore operations segment, were ¥328,554 million, and property and equipment, and intangible assets of Sogo & Seibu Co., Ltd. ("Sogo & Seibu"), which is included in the Department and specialty store operations segment, were ¥202,598 million and ¥71,812 million, respectively. In the current fiscal year, the Company recorded impairment losses of ¥4,431 million for Ito-Yokado stores and ¥1,242 million for Sogo & Seibu stores.

At Ito-Yokado and Sogo & Seibu, the smallest group of assets that generates independent cash flows is mainly each store. Whenever there is an indication of impairment for long-lived assets of a store of each company, it is necessary to determine whether an impairment loss should be recognized by comparing the total undiscounted future cash flows to be generated from the store's long-lived assets with their carrying amount. If it is determined that an impairment loss should be recognized, the carrying amount is reduced to the recoverable amount and the resulting reduction is recognized as an impairment loss.

Ito-Yokado operates a superstore business and Sogo & Seibu operates a department store business. Due to the nature of their businesses, the carrying amount of long-lived assets per store tends to be relatively large. During the current fiscal year, both companies considered the following indicators of impairment, among others, for each store, and determined whether the recognition of an impairment loss was necessary.
• Stores with continuous operating losses;
• Stores with long-lived assets whose market value has declined significantly; and
• Stores that have been determined to be</td><td>In order to assess the appropriateness of the recognition and measurement of impairment losses on long-lived assets of Ito-Yokado and Sogo & Seibu, we performed the following audit procedures, among others:

(1) Internal control testing
We tested the design and operating effectiveness of certain internal controls relevant to the recognition and measurement of impairment losses on long-lived assets with a particular focus on controls designed to prevent or detect the adoption of key assumptions, such as sales growth rates, gross margin ratios and cost reduction measures, in the business plan that are inconsistent with historical performance.

(2) Assessment of the reasonableness of the estimated future cash flows
In order to assess the reasonableness of key assumptions that formed the basis for the estimated future cash flows, we inquired of management regarding the rationale behind these assumptions and performed the following procedures:
• Evaluated the accuracy of management's estimates by comparing the previous years' business plans with actual performance;
• Assessed the reasonableness of the estimated sales growth rates, which included the timeline over which the effect of the COVID-19 pandemic would last and prospect for post-COVID-19 recovery, through inquiring of management and other personnel, confirming consistency with information announced externally, understanding the content of the measures to attract customers, and comparing their effects with similar measures taken in the past;
• Performed an analysis for consistency between changes in the sales mix and changes in gross margin ratios, and assessed the reasonableness of the effects from the gross margin improvement measures by comparing their effects with</td></tr>
</table>

closed. Although Ito-Yokado and Sogo & Seibu have been implementing business structural reforms and continuously working to improve their profitability through various measures to attract customers and improve gross profit margin, there were indications of impairment for several stores as shortened business hours and temporary closure aimed at preventing the spread of COVID-19 infections had a significant impact on their operating performance. The business environment surrounding Sogo & Seibu has been severely impacted by changes in customer values and behaviors as a result of the COVID-19 pandemic and its operating performance has been continuously negative. Due to the circumstances, there was an indication of impairment for larger groups of assets that include the corporate assets for Sogo & Seibu. Accordingly, the Company assessed whether an impairment loss should be recognized on the larger groups of assets that include corporate assets in addition to its assessment on each store. Because the estimated total undiscounted future cash flows exceeded the carrying amount of long-lived assets, including corporate assets, it was determined that the recognition of an impairment loss was not necessary. The estimated undiscounted future cash flows used in determining whether an impairment loss should be recognized were developed by considering historical performance, changes in the external environment and business strategies. The undiscounted future cash flows included key assumptions, such as sales growth rates, gross margin ratios and cost reduction measures which involved uncertainty. Accordingly, management's judgment thereon had a significant impact on the estimated future cash flows. In addition, some stores used real estate appraisal values calculated by real estate appraisers as their net realizable value, which required expert judgment. We, therefore, determined that the appropriateness of the recognition and measurement of impairment losses on long-lived assets related to Ito-Yokado and Sogo & Seibu was one of the most significant matters in the audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	similar measures taken in the past; and • Assessed the reasonableness of the effects from the cost reduction measures by comparing their effects with similar measures taken in the past. In addition, we performed the following procedures with respect to Sogo & Seibu with the assistance of specialists: • Assessed the reasonableness of management judgment involved in the determination of real estate appraisal values obtained from external appraisers, including key assumptions and the valuation methods adopted, by involving a real estate valuation specialist within our network firms.

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.

From the matters communicated with Audit & Supervisory Board Members and Audit & Supervisory Board we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2022 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 27, 2022

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.