CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2021, February 28, 2022 and February 28, 2023

			Millions of yen	Thousands of U.S. dollars (Note A)
	2021	2022	2023	2023
For the fiscal year:				
Revenues from operations	¥5,766,718	¥8,749,752	¥11,811,303	$86,847,816
Operating income	366,329	387,653	506,521	3,724,419
Income before income taxes	258,776	311,854	402,761	2,961,477
Net income attributable to owners of parent	179,262	210,774	280,976	2,066,000
Capital expenditures (Note B)	377,299	439,630	431,961	3,176,183
Depreciation and amortization (Note C)	235,504	292,561	376,097	2,765,419
At fiscal year-end:				
Total assets	¥6,946,832	¥8,739,279	¥10,550,956	$77,580,558
Cash and cash equivalents	2,183,837	1,414,890	1,674,787	12,314,610
Total current assets	3,350,223	2,604,774	3,060,653	22,504,801
Total current liabilities	2,782,433	2,480,725	3,265,089	24,008,007
Long-term debt	945,737	2,613,833	3,165,712	23,277,294
Total net assets	2,831,335	3,147,732	3,648,161	26,824,713

			Yen	U.S. dollars (Note A)
	2021	2022	2023	2023
Per share data:				
Net income per share (basic)	¥203.03	¥238.68	¥318.14	$2.33
Net income per share (diluted)	203.02	238.68	318.13	2.33
Cash dividends	98.50	100.00	113.00	0.83
Financial ratios:				
Operating income ratio (Note D)	6.4%	4.4%	4.3%	4.3%
Ratio of net income attributable to owners of parent (to net sales) (Note D)	3.1%	2.4%	2.4%	2.4%
ROE	6.8%	7.5%	8.7%	8.7%
ROA	2.6%	2.4%	2.7%	2.7%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥136=U.S.$1, the approximate rate of exchange prevailing on February 28, 2023.

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

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

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

CONSOLIDATED BALANCE SHEETS

Seven & i Holdings Co., Ltd. at February 28, 2021, 2022 and 2023

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
ASSETS				
Current assets:				
Cash and cash equivalents (Note 5)	¥2,183,837	¥1,414,890	¥1,674,787	$12,314,610
Notes and accounts receivable:				
Trade (Note 5)	318,142	365,746	–	–
Trade and contract assets (Notes 5 and 27)	–	–	422,635	3,107,610
Financial services	95,010	91,662	93,490	687,426
Franchisees and other	230,541	224,397	305,892	2,249,205
Allowance for doubtful accounts (Note 5)	(7,353)	(7,829)	(10,356)	(76,147)
	636,340	673,976	811,662	5,968,102
Inventories	161,326	248,815	282,380	2,076,323
ATM-related temporary payments	216,471	107,883	102,755	755,551
Prepaid expenses and other current assets (Note 5)	152,249	159,207	189,069	1,390,213
Total current assets	3,350,223	2,604,774	3,060,653	22,504,801
Property and equipment, at cost (Notes 8, 9, 14 and 19)	4,230,350	5,481,593	7,072,747	52,005,492
Less: Accumulated depreciation	(2,024,326)	(2,249,245)	(2,730,997)	(20,080,860)
	2,206,023	3,232,347	4,341,750	31,924,632
Intangible assets:				
Goodwill	349,882	1,741,604	1,913,017	14,066,301
Software and other (Notes 9 and 14)	295,991	398,397	451,655	3,320,992
	645,873	2,140,002	2,364,673	17,387,301
Investments and other assets:				
Investments in securities (Notes 5, 6 and 19)	204,107	220,615	243,215	1,788,345
Long-term loans receivable	14,194	14,633	14,903	109,580
Long-term leasehold deposits (Notes 5 and 19)	339,405	330,285	321,945	2,367,242
Net defined benefit asset (Note 12)	79,888	86,217	87,088	640,352
Deferred income taxes (Note 11)	44,352	43,539	57,186	420,485
Other	66,127	69,888	62,504	459,588
Allowance for doubtful accounts (Note 5)	(3,364)	(3,024)	(2,965)	(21,801)
	744,711	762,155	783,878	5,763,808
Total assets	¥6,946,832	¥8,739,279	¥10,550,956	$77,580,558

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 5 and 13)	¥619,953	¥140,146	¥143,568	$1,055,647
Current portion of long-term debt (Notes 5, 13 and 19)	213,665	181,280	501,429	3,686,977
Current portion of long-term lease obligations (Note 14)	14,008	20,409	121,472	893,176
Notes and accounts payable:				
Trade (Notes 5 and 7)	204,626	305,921	352,369	2,590,948
Trade for franchised stores (Notes 5 and 20)	180,663	177,987	183,803	1,351,492
Other	170,334	195,322	224,613	1,651,566
	555,624	679,231	760,786	5,594,014
Contract liabilities (Note 27)	–	–	211,356	1,554,088
Accrued expenses	124,070	235,274	276,771	2,035,080
Income taxes payable (Note 11)	21,283	22,716	25,549	187,860
Deposits received	236,400	223,146	165,501	1,216,919
ATM-related temporary advances	130,167	73,901	61,772	454,205
Deposits received in banking business (Note 5)	741,422	787,879	810,139	5,956,904
Call money	–	–	110,000	808,823
Allowance for bonuses to employees	14,853	13,937	14,389	105,801
Allowance for sales promotion expenses	19,859	17,649	1,104	8,117
Allowance for loss on future collection of gift certificates	933	602	–	–
Provision for sales returns	27	34	–	–
Other (Notes 5,11 and 15)	90,163	84,515	61,246	450,338
Total current liabilities	2,782,433	2,480,725	3,265,089	24,008,007
Long-term debt (Notes 5, 7, 13 and 19)	927,592	2,577,306	2,330,799	17,138,227
Long-term lease obligations (Note 14)	18,145	36,527	834,913	6,139,066
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	774	569	526	3,867
Allowance for stock payments	4,008	4,272	4,555	33,492
Net defined benefit liability (Note 12)	9,309	12,702	13,584	99,882
Deferred income taxes (Note 11)	78,879	109,825	184,242	1,354,720
Deposits received from tenants and franchised stores (Note 5)	50,783	51,422	50,322	370,014
Asset retirement obligations (Note 15)	99,072	130,456	155,137	1,140,713
Other liabilities	144,498	187,738	63,623	467,816
Total liabilities	4,115,497	5,591,546	6,902,794	50,755,838
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 2021, 2022 and 2023	50,000	50,000	50,000	367,647
Capital surplus	409,069	408,645	408,926	3,006,808
Retained earnings	2,198,805	2,319,155	2,532,491	18,621,257
Treasury stock, at cost, 3,475,704 shares in 2021, 3,325,685 shares in 2022 and 3,217,271 shares in 2023	(10,851)	(10,282)	(9,873)	(72,595)
	2,647,023	2,767,517	2,981,545	21,923,125
Accumulated other comprehensive income:				
Unrealized gains (losses) on available-for-sale securities, net of taxes (Note 6)	35,729	37,696	34,823	256,051
Unrealized gains on hedging derivatives, net of taxes	1,580	4,270	4,799	35,286
Foreign currency translation adjustments	(30,835)	157,570	444,478	3,268,220
Remeasurements of defined benefit plans	15,427	13,901	8,899	65,433
Total accumulated other comprehensive income	21,902	213,438	493,001	3,625,007
Subscription rights to shares (Note 18)	56	56	49	360
Non-controlling interests	162,352	166,719	173,565	1,276,213
Total net assets	2,831,335	3,147,732	3,648,161	26,824,713
Total liabilities and net assets	¥6,946,832	¥8,739,279	¥10,550,956	$77,580,558

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

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2021, 2022 and 2023

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Revenues from operations (Note 27):				
Net sales	¥4,518,821	¥7,429,576	¥10,265,151	$75,479,051
Operating revenues (Note 21)	1,247,896	1,320,175	1,546,151	11,368,757
	5,766,718	8,749,752	11,811,303	86,847,816
Costs and expenses:				
Cost of sales	3,480,025	6,017,372	8,503,617	62,526,595
Selling, general and administrative expenses (Notes 12, 14, 18 and 21)	1,920,363	2,344,726	2,801,164	20,596,794
	5,400,388	8,362,099	11,304,781	83,123,389
Operating income	366,329	387,653	506,521	3,724,419
Other income (expenses):				
Interest and dividend income	4,004	4,313	7,317	53,801
Interest expenses and interest on bonds	(10,585)	(29,349)	(36,384)	(267,529)
Equity in (losses) earnings of affiliates	(885)	2,643	2,506	18,426
Gain on valuation of investments in securities	–	274	1,920	14,117
Impairment loss (Note 9)	(31,604)	(26,410)	(43,420)	(319,264)
Gain on sales of property and equipment (Note 21)	3,010	6,372	9,116	67,029
Gain on sales of property and equipment related to restructuring (Notes 21 and 23)	1,106	2,554	–	–
Insurance income	790	1,389	174	1,279
Insurance income related to disasters	956	–	–	–
Gain on sales of investments in securities	252	3,222	272	2,000
Loss on disposals of property and equipment (Note 21)	(12,180)	(13,666)	(14,038)	(103,220)
Loss related to COVID-19 (Note 22)	(40,534)	(10,380)	–	–
Restructuring expenses (Notes 9, 21 and 23)	(10,213)	(4,163)	(10,298)	(75,720)
Commitment fee	(1,508)	(3,534)	(618)	(4,544)
Subsidy income (Note 24)	4,108	7,648	–	–
Income from electronic money breakage	1,179	1,205	772	5,676
Other, net (Notes 6 and 21)	(15,451)	(17,918)	(21,079)	(154,992)
	(107,553)	(75,798)	(103,759)	(762,933)
Income before income taxes	258,776	311,854	402,761	2,961,477
Income taxes (Note 11):				
Current	46,369	66,886	71,881	528,536
Deferred	18,069	21,727	38,710	284,632
	64,439	88,613	110,591	813,169
Net income	194,337	223,241	292,169	2,148,301
Net income attributable to non-controlling interests	15,074	12,466	11,193	82,301
Net income attributable to owners of parent	¥179,262	¥210,774	¥280,976	$2,066,000

	Yen			U.S. dollars (Note 3)
	2021	2022	2023	2023
Per share information:				
Net income per share (Basic)	¥203.03	¥238.68	¥318.14	$2.33
Net income per share (Diluted)	203.02	238.68	318.13	2.33
Cash dividends	98.50	100.00	113.00	0.83

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2021, 2022 and 2023

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Net income	¥194,337	¥223,241	¥292,169	$2,148,301
Other comprehensive (loss) income (Note 16):				
Unrealized gains (losses) on available-for-sale securities, net of taxes	9,627	2,073	(2,962)	(21,779)
Unrealized gains (losses) on hedging derivatives, net of taxes	1,857	2,689	532	3,911
Foreign currency translation adjustments	(48,474)	189,239	288,056	2,118,058
Remeasurements of defined benefit plans	11,976	(1,515)	(5,113)	(37,595)
Share of other comprehensive (loss) income of entities accounted for using equity method	(8)	156	203	1,492
Total other comprehensive (loss) income	(25,021)	192,642	280,717	2,064,095
Comprehensive income	¥169,315	¥415,883	¥572,887	$4,212,404
Comprehensive income attributable to:				
Owners of parent	¥154,439	¥402,228	¥560,539	$4,121,610
Non-controlling interests	14,876	13,655	12,347	90,786

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2021, 2022 and 2023

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income (losses)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
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)
Restated balance	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 March 1, 2022	¥50,000	¥408,645	¥2,319,155	¥(10,282)	¥37,696	¥4,270	¥157,570	¥13,901	¥56	¥166,719	¥3,147,732
Cumulative effects of changes in accounting policies			22,815								22,815
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(902)								(902)
Restated balance	50,000	408,645	2,341,068	(10,282)	37,696	4,270	157,570	13,901	56	166,719	3,169,645
Net income attributable to owners of parent			280,976								280,976
Cash dividends			(89,787)								(89,787)
Purchase of treasury stock				(16)							(16)
Disposal of treasury stock		0		425							425
Other		281	234	(0)							515
Net changes of items other than shareholders' equity					(2,872)	529	286,908	(5,002)	(7)	6,846	286,401
Net increase (decrease) for the year	–	281	191,423	409	(2,872)	529	286,908	(5,002)	(7)	6,846	478,516
Balance at February 28, 2023	¥50,000	¥408,926	¥2,532,491	¥(9,873)	¥34,823	¥4,799	¥444,478	¥8,899	¥49	¥173,565	¥3,648,161

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 (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2022	$367,647	$3,004,742	$17,052,610	$(75,602)	$277,176	$31,397	$1,158,602	$102,213	$411	$1,225,875	$23,145,088
Cumulative effects of changes in accounting policies			167,757								167,757
Increase (decrease) due to the adoption of IFRS in foreign subsidiaries			(6,632)								(6,632)
Restated balance	367,647	3,004,742	17,213,735	(75,602)	277,176	31,397	1,158,602	102,213	411	1,225,875	23,306,213
Net income attributable to owners of parent			2,066,000								2,066,000
Cash dividends			(660,198)								(660,198)
Purchase of treasury stock				(117)							(117)
Disposal of treasury stock		0		3,125							3,125
Other		2,066	1,720	(0)							3,786
Net changes of items other than shareholders' equity					(21,117)	3,889	2,109,617	(36,779)	(51)	50,338	2,105,889
Net increase (decrease) for the year	–	2,066	1,407,522	3,007	(21,117)	3,889	2,109,617	(36,779)	(51)	50,338	3,518,500
Balance at February 28, 2023	$367,647	$3,006,808	$18,621,257	$(72,595)	$256,051	$35,286	$3,268,220	$65,433	$360	$1,276,213	$26,824,713

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2021, 2022 and 2023

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Cash flows from operating activities:				
Income before income taxes	¥258,776	¥311,854	¥402,761	$2,961,477
Depreciation and amortization	235,504	292,561	376,097	2,765,419
Impairment loss	35,484	27,775	48,950	359,926
Amortization of goodwill	25,040	71,276	112,700	828,676
Increase (decrease) in allowance for bonuses to employees	654	(956)	515	3,786
Increase in net defined benefit asset	(6,280)	(8,514)	(8,993)	(66,125)
Interest and dividend income	(4,004)	(4,313)	(7,317)	(53,801)
Interest expenses and interest on bonds	10,585	29,349	36,384	267,529
Equity in losses (earnings) of affiliates	885	(2,643)	(2,506)	(18,426)
Insurance income	(790)	(1,389)	(174)	(1,279)
Insurance income related to disasters	(956)	–	–	–
Gain on sales of property and equipment	(4,116)	(8,927)	(9,116)	(67,029)
Subsidy income	(4,094)	(7,648)	–	–
Loss on disposals of property and equipment	12,193	13,667	14,110	103,750
Loss (gain) on sales of investments in securities	–	(3,211)	(272)	(2,000)
Decrease (increase) in notes and accounts receivable, trade	31,472	(9,227)	(44,022)	(323,691)
Decrease (increase) in trade accounts receivable, financial services	7,713	3,348	(1,824)	(13,411)
Decrease (increase) in inventories	13,844	(26,209)	(12,111)	(89,051)
Increase (decrease) in notes and accounts payable, trade	(21,610)	3,015	25,183	185,169
Increase (decrease) in deposits received	7,854	(13,396)	(57,643)	(423,845)
Net decrease in bonds in banking business	(20,000)	–	–	–
Net increase in deposits received in banking business	86,386	46,456	22,260	163,676
Net decrease (increase) in call loan in banking business	–	–	(23,000)	(169,117)
Net increase (decrease) in call money in banking business	–	–	110,000	808,823
Net (increase) decrease in ATM-related temporary accounts	(7,475)	52,386	(6,997)	(51,448)
Other	(18,225)	12,713	62,193	457,301
Subtotal	638,840	777,967	1,037,177	7,626,301
Interest and dividends received	2,201	4,505	5,967	43,875
Interest paid	(10,129)	(20,781)	(35,807)	(263,286)
Proceeds from settlement of interest rate swaps	–	5,993	—	—
Insurance income received	790	1,389	174	1,279
Insurance income related to disasters received	956	–	–	–
Proceeds from subsidies income	4,092	7,647	0	0
Income taxes paid	(102,693)	(67,411)	(96,856)	(712,176)
Income taxes refund	5,935	27,165	17,820	131,029
Net cash provided by operating activities	539,995	736,476	928,476	6,827,029

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Cash flows from investing activities:				
Acquisition of property and equipment (Note 10)	(297,859)	(337,505)	(305,217)	(2,244,242)
Proceeds from sales of property and equipment	13,442	147,745	20,221	148,683
Acquisition of intangible assets	(51,972)	(86,926)	(105,672)	(777,000)
Payment for purchase of investments in securities	(22,239)	(25,519)	(50,305)	(369,889)
Proceeds from sales of investments in securities	14,690	106,380	30,317	222,919
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 10)	(41,973)	(2,295,563)	(459)	(3,375)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	–	–	938	6,897
Payment for long-term leasehold deposits	(9,938)	(12,357)	(13,125)	(96,507)
Refund of long-term leasehold deposits	26,971	24,536	20,588	151,382
Proceeds from deposits from tenants	2,428	4,002	2,577	18,948
Refund of deposits from tenants	(2,963)	(2,841)	(2,535)	(18,639)
Payment for acquisition of business (Note 10)	(11,447)	(11,661)	(224)	(1,647)
Payment for time deposits	(4,081)	(3,996)	(2,594)	(19,073)
Proceeds from withdrawal of time deposits	1,963	4,083	2,176	16,000
Other	(11,146)	(15,943)	(9,914)	(72,897)
Net cash used in investing activities	(394,127)	(2,505,566)	(413,229)	(3,038,448)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans	490,506	(479,923)	3,718	27,338
Proceeds from long-term debts	125,793	832,298	163,652	1,203,323
Repayment of long-term debts	(93,579)	(261,954)	(262,650)	(1,931,250)
Proceeds from commercial paper	263,118	81,872	–	–
Payment for redemption of commercial paper	(263,118)	(81,872)	–	–
Proceeds from issuance of bonds	349,307	1,192,710	–	–
Payment for redemption of bonds	(60,000)	(231,768)	(60,000)	(441,176)
Proceeds from share issuance to non-controlling shareholders	183	337	2,368	17,411
Purchase of treasury stock	(12)	(22)	(16)	(117)
Dividends paid	(87,081)	(87,490)	(89,762)	(660,014)
Dividends paid to non-controlling interests	(7,482)	(7,348)	(7,803)	(57,375)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(770)	(1,821)	(975)	(7,169)
Other	(26,321)	(17,941)	(18,904)	(139,000)
Net cash provided by (used in) financing activities	690,542	937,077	(270,373)	(1,988,036)
Effect of exchange rate changes on cash and cash equivalents	(7,430)	63,065	15,023	110,463
Net increase (decrease) in cash and cash equivalents	828,980	(768,946)	259,897	1,911,007
Cash and cash equivalents at beginning of year	1,354,856	2,183,837	1,414,890	10,403,602
Cash and cash equivalents at end of year	¥2,183,837	¥1,414,890	¥1,674,787	$12,314,610

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 "Group") 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 165 consolidated subsidiaries as of February 28, 2023 (173 as of February 28, 2022 and 148 as of February 28, 2021) 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 3
(Establishment)
Two companies
(Acquisition of shares)
One company

Consolidated subsidiaries decreased by 11
Life Foods Co., Ltd. ceased to exist as a result of its merger with York-Benimaru Co., Ltd. Oshman's Japan Co., Ltd. was excluded from the scope of consolidation due to the transfer of shares.
(Dissolution)
Two other companies
(Liquidation)
Seven companies

The fiscal year-end of some consolidated subsidiaries is December 31. The financial statements of such subsidiaries as of and for the fiscal 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, 2023 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, 2023 (24 affiliates as of February 28, 2022 and 25 affiliates as of February 28, 2021), which include Tenmaya Store Co., Ltd., DAIICHI CO., LTD. and PIA Corporation, are accounted for using the equity method.

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

(2) Inventories

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

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

(3) Securities

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

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

(a) Securities other than equity securities that do not have a market value and (b) Equity securities that do not have a market value.

(a) Securities other than equity securities that do not have a market value are valued at a market price based on a market value, etc. as at the consolidated closing date. 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) Equity securities that do not have a market value 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) Right-of-use assets

Some foreign consolidated subsidiaries have adopted IFRS 16 Leases and application of Accounting Standards Update ("ASU") 2016-02, Leases (Topic842). Therefore, lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. Right-of-use assets recorded in assets as result of the application of IFRS 16 Leases are depreciated using the straight-line method. Moreover, as a result of the application of ASU 2016-02, Leases (Topic842), the amount equivalent to depreciation of right-of-use assets for operating lease is recorded not as "Depreciation and amortization" but as "Land and building rent," because it is not depreciable assets.

(9) Income taxes

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

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.

(10) 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.

(11) 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

Points granted to customers under the loyalty program, which is designed to promote sales, are divided into two types: points granted based on the amount of purchases and points granted based on events other than purchases.

Of these, allowance for sales promotion expenses is provided for the use of points granted to customers for events other than purchases at the amount expected to be used in the future as at the balance sheet date.

(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

Previously, allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries was provided for future collection of gift certificates for income to be recognized after certain periods. The amount was calculated using the historical results of collection. However, effective from the fiscal year ended February 28, 2023, the allowance is no longer recognized due to the adoption of the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, March 31, 2020) and relevant ASBJ regulations.

(e) Provision for sales returns

Previously, provision for sales returns was provided at the amount estimated for future losses due to sales returns as at the balance sheet date. The amount was calculated using the historical results of sales returns. However, effective from the fiscal year ended February 28, 2023, the allowance is no longer recognized due to the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations.

(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.

(12) 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 ten 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 five years or ten years, which are within the average remaining years of service of the eligible employees.

(13) Revenue recognition

The Group recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract

Step 2: Identifying the performance obligations
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to the performance obligations
Step 5: Recognizing revenue as the performance obligation is satisfied

(a) Revenue recognition criteria for each operating segment

(I) Domestic convenience store 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.

The Group sells processed foods, fast foods, daily delivered foods, and non-food merchandise to customers visiting the directly managed corporate stores. For these merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied at that time of the delivery of the merchandise.

The Group assumes contractual obligations to franchised convenience stores, such as licensing of the use of the business expertise and trademarks, lending of equipment, purchase cooperation, advertising, management consulting, credit support for merchandise purchases, preparation for business commencement, as well as provision of services including training and accounting/bookkeeping services. These activities are determined to be a single performance obligation since they are closely connected with each other and cannot be separately performed as distinct services. This performance obligation is satisfied over time or as the service is provided. In addition, revenue is recognized over the contract period as gross profit on sales is generated, since the transaction prices are loyalties based on the gross profit on sales of the stores.

Sales promotion expenses and other consideration paid to customers are deducted from the transaction prices.

(II) Overseas convenience store operations

Overseas convenience store operations operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under 7-Eleven, Inc.

The Group sells processed foods, fast foods, daily delivered foods, and non-food merchandise to customers visiting the directly managed corporate stores. For these merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied at the time of delivery of the merchandise.

The Group sells gasoline to customers visiting the stores and dealers. For these merchandise sales, revenue is recognized at the time of delivery of the merchandise to the customer by determining that the performance obligation is satisfied at that time of the delivery of the merchandise.

The Group assumes contractual obligations to franchised convenience stores, such as licensing of the use of the trademarks, provision of training, preparation for business commencement, advertising, management instructions, and permitting the use of the land, buildings and equipment. These activities are determined to be a single performance obligation since they are closely connected with each other and cannot be separately performed as distinct services. This performance obligation is satisfied over time or as the service is provided. In addition, revenue is recognized over the contract period as gross profit on sales is generated, since the transaction prices are loyalties based on the gross profit on sales of the stores.

The revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others.

Subsidiaries in North America that adopt U.S. GAAP have applied ASU No. 2014-09 "Revenue from Contracts with Customers (Topic 606)."

(III) Superstore operations

Superstore operations of the Group, whose main components are Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., and York. Co., Ltd., comprise general merchandise store (GMS) operations and food supermarket operations, and operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. Superstore operations operate merchandise sales at the Company or provision of services to tenants. As for merchandise sales at the Company, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied at the time of the delivery of the merchandise. As for the provision of services to tenants, revenue is recognized as the service is provided by determining that the performance obligation is satisfied over the contract period.

As for merchandise sales at the Company, revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others. The provision of services to tenants includes some transactions where mainly the transaction price is a variable consideration based on net sales to the tenant.

(IV) Department and specialty store operations

Department store operations of the Group, whose main components are Sogo & Seibu Co., Ltd., operate a retail business that provides a various and wide assortment of high-quality merchandise. As for merchandise sales at the Company, it engages in sales of apparel, apparel accessories, household goods, foods, and other merchandise. For this kind of merchandise sales, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied mainly at the time of the delivery of the merchandise.

As for the provision of services to tenants is a transaction in which sales floor space, facilities, etc. are continuously provided to tenants, revenue is recognized as the service is provided by determining that the performance obligation is satisfied over the contract period.

As for merchandise sales at the Company, revenue is measured at the amount of the consideration promised under the contract with the customer less discounts or others. The provision of services to tenants includes some transactions where mainly the transaction price is a variable consideration based on net sales to the tenant.

Specialty store operations operate a retail business that provides advanced and unique merchandise and services. As for merchandise sales at the stores, revenue is recognized at the delivery of the merchandise to the customer by determining that the performance obligation is satisfied mainly at the time of the delivery of the merchandise. For mail order sales, revenue is recognized mainly at the time when the merchandise is shipped out.

(V) Financial services

Financial services operate a banking business, credit card business, electronic money business, and leasing business. Commission fee income received for the provision of various services are recognized as revenue at the point when each transaction occurs.

(b) Granting options for customers to obtain additional goods or services

Based on the loyalty program, which is designed to promote sales, the Group grants points in accordance with the amount of purchase by members and provide goods or services equivalent to the points used. The Group identifies the points granted as performance obligations, and the transaction price is allocated based on the stand-alone selling price calculated considering the estimated future forfeitures, etc. The revenue is recognized according to the use of points.

(c) Determination of a principal or an agent

If the Group has control of the merchandise or service before it is transferred to a customer, the transaction is deemed to be a transaction by a principal, and the revenue is recognized at the total amount. If the Group does not have such control or if the Group’s performance obligation is to arrange the provision of the merchandise or service, the transaction is deemed to be a transaction by an agent, and the revenue is recognized on the net amount (an amount equivalent to the commission fee).

In the Group, revenue related to commission fees for the sales on wholesaler owned goods and merchandise sales by tenants is recognized on the net amount by subtracting payments to suppliers from the total amount.

Of “Notes and accounts receivable, trade and contract assets,” the amounts of receivable and contract assets arising from contracts with customers are stated in Note 27. “REVENUE RECOGNITION, (3) (a) Outstanding balances of receivables, contract assets and contract liabilities arising from contracts with customers.”

(14) 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. Interest rate and currency swap contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated loans. The Group has 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 Group does 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.

(15) Per share information
Owners' equity (excluding non-controlling interests and subscription rights to shares) per share as of February 28, 2021, 2022 and 2023 is ¥3,022.68, ¥3,375.50 and ¥3,933.93 ($28.92), respectively. Net income per share for the fiscal years ended February 28, 2021, 2022 and 2023 is ¥203.03, ¥238.68 and ¥318.14 ($2.33), respectively. Diluted net income per share for the fiscal years ended February 28, 2021, 2022 and 2023 is ¥203.02, ¥238.68 and ¥318.13 ($2.33), respectively.

As stated in (26) Changes in accounting policies, the Company has applied the "Accounting Standard for Revenue Recognition" and relevant revised ASBJ regulations, and is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, net assets per share for the fiscal year ended February 28, 2023 decreased by ¥12.78 ($0.09), and net income per share and diluted net income per share increased by ¥0.74 ($0.005) respectively.

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

Basis for calculation of net income per share for the fiscal years ended February 28, 2021, 2022 and 2023 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Net income attributable to owners of parent	¥179,262	¥210,774	¥280,976	$2,066,000
Less components not pertaining to common shareholders	–	–	–	–
Net income pertaining to common shareholders	179,262	210,774	280,976	2,066,000
Weighted-average number of shares of common stock outstanding (shares)	882,927,577	883,065,915	883,189,201	–

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective fiscal year.

(16) 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.

(17) Accounting for excise tax
The excise tax levied in the United States and Canada is included in the revenues from operations.

(18) 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."

(19) 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.

(20) 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."

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

The Company and part of its wholly-owned domestic subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System from the fiscal year ending February 29, 2024. However, with respect to items subject to the review of the Non-Consolidated Taxation System conducted to correspond with the transition from the Consolidated Taxation System to the Group Tax Sharing System, which was established under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), these companies have not applied the proviso of paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment set out in paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (Practical Issues Task Force ("PITF") No. 39, March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the proviso of tax laws before the revision.

From the beginning of the fiscal year ending February 29, 2024, the Company plans to apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021), which prescribes treatment for accounting and disclosure for income tax, local income tax, and tax effect accounting in cases where the Group Tax Sharing System is applied.

(22) Accounting standards issued but not yet applied

(Accounting Standard for Fair Value Measurement)

- Implementation Guidance on Accounting Standard for Fair Value Measurement (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 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 one 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 are under evaluation.

(The Group Tax Sharing System)

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

(a) Overview

Under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020) enacted on March 27, 2020, it was decided to review the Consolidated Taxation System and make a transition to the Group Tax Sharing System. Consequently, the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" has been issued by ASBJ in order to clarify the treatment for accounting and disclosure for income tax, local income tax, and tax effect accounting in cases where the Group Tax Sharing System is applied.

(b) Scheduled date of application

The Group Tax Sharing System 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 of the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" on the consolidated financial statements are under evaluation.

(Accounting Standard for Current Income Taxes, etc.)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022)

- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022)

(a) Overview

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28), etc. were published in February 16, 2018 and the transfer from the Practical Guidelines for Tax Effect Accounting by the Japanese Institute of Certified Public Accountants ("JICPA") to the ASBJ was completed. In the deliberation process, the following two issues were decided to be deliberated after the publication of ASBJ Statement No. 28, etc., which have been deliberated and published.

- Classification of tax expenses (taxes on other comprehensive income)
- Tax effects relating to sale of subsidiaries' shares, etc. (shares of subsidiaries or affiliates) when the group taxation regime is applied

(b) Scheduled date of application

The above standards and guidance are scheduled to be applied from the beginning of the fiscal year ending February 28, 2026.

(c) Effects of application of the standards

The effects of the application on the consolidated financial statements have not yet been determined.

(23) Reclassification

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

(24) 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 effective from 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 year ended February 28, 2021.

(25) Supplementary information

(Transfer of Subsidiary Shares)

On November 11, 2022, the Company entered into an agreement to transfer all outstanding shares of Sogo & Seibu Co., Ltd. held by the Company to a special purpose company which is a related entity of Fortress Investment Group LLC, Sugi Godo Kaisha (the "Transferee Company") (the "Transfer"). The Transfer should meet the certain conditions for the execution.

If the specified condition is expected to be satisfied by the progress of negotiations toward the execution of the Transfer, accounting procedures such as provision for losses on the transfer of the business and recognition of deferred tax liabilities on investments in subsidiaries are required. It is also required for the subject subsidiary to examine the judgement on the recoverability of deferred tax assets on the assumption that it will leave the consolidated tax entity.

At the time of preparation for the consolidated financial statements, the Transfer is still under negotiation to satisfy the specified conditions for execution of the transaction, and the above accounting has not been conducted. In the event that specified conditions are satisfied in the following fiscal year and the Transfer is executed, the consolidated financial statements for the following fiscal year may be materially affected by reflecting the above accounting treatment.

(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). The carrying amount and the number of Company's shares remaining in the BIP Trust are ¥3,187 million and 834 thousand shares as of February 28, 2022, and ¥2,876 million ($21,147 thousand) and 753 thousand shares as of February 28, 2023, 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). The carrying amount and the number of Company's shares remaining in the Trust are ¥2,436 million and 635 thousand shares as of February 28, 2022, and ¥2,322 million ($17,073 thousand) and 605 thousand shares as of February 28, 2023, respectively.

(26) Changes in accounting policies
(Application of Accounting Standard for Revenue Recognition, etc.)
"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and relevant revised ASBJ regulations are applied from the beginning of the fiscal year ended February 28, 2023, and the Company has recognized revenue at the time the control of promised goods or services is transferred to customers at the amount that is expected to be received upon exchange of said goods or services.

The main changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

(a) Revenue recognition for transactions as an agent
Previously, revenue related to commission fees for the sales on wholesaler owned goods and merchandise sales by tenants was recognized at the total amount of consideration received from customers. However, after determining the role (principal or agent) in providing goods or services to customers, the Company has changed to the method of recognizing revenue on the net amount by subtracting payments to suppliers from the total amount. These revenues are included in "Operating revenues."

(b) Revenue recognition related to the Company's loyalty program
Based on the loyalty system, which is designed to promote sales, the Company grants points in accordance with the amount of purchase by members and provide goods or services equivalent to the points used. Previously, in order to prepare for the use of points granted, the amount expected to be used in the future was recorded as a "Provision for sales promotion," and the advertising and decoration expenses was recorded as "Selling, general and administrative expenses." However, the Company has changed to the method in which the granted points are identified as performance obligations, and the transaction price is allocated based on the stand-alone selling price calculated considering the estimated future forfeitures, etc., and revenue is deferred as "contract liabilities."

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended February 28, 2023 was added to or deducted from the opening balance of retained earnings of the fiscal year ended February 28, 2023, and thus the new accounting policy was applied from such opening balance.

As a result, “Retained earnings” were reduced by ¥11,948 million ($87,852 thousand) at the beginning of the fiscal year ended February 28, 2023. In addition, for the fiscal year ended February 28, 2023, “Net sales” decreased by ¥763,375 million ($5,613,051 thousand) , “Cost of sales” decreased by ¥638,385 million ($4,694,007 thousand), “Operating revenues” increased by ¥78,673 million ($578,477 thousand), “Selling, general and administrative expenses” decreased by ¥47,220 million ($347,205 thousand), and “Operating income” and “Income before income taxes” increased by ¥904 million ($6,647 thousand), respectively.

The impact on per-share information is described in the relevant section.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, “Notes and accounts receivable, trade,” which was presented in “Current assets” in the consolidated balance sheets for the previous fiscal year, is shown as “Notes and accounts receivable, trade and contract assets” from the fiscal year ended February 28, 2023, and “Deposits received,” “Allowance for sales promotion expenses,” “Allowance for loss on future collection of gift certificates” and a portion of “Other,” which were presented in “Current liabilities,” are included in “Contract liabilities” from the fiscal year ended February 28, 2023. For “Provision for sales returns,” which was presented in “Current liabilities,” refund liabilities are included in “Other” under “Current liabilities,” and returned assets are included in “Other” under “Current assets.”

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated based on the new approach to presentation. Furthermore, in accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, Notes 27 “REVENUE RECOGNITION” have not been provided for the past fiscal years.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended February 28, 2023, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements of the fiscal year ended February 28, 2023.

In addition, the Company has disclosed the fair value of financial instruments by level in Note 5. “FINANTIAL INSTRUMENTS.” In accordance with the transitional treatment provided for in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments”(ASBJ Guidance No. 19, July 4, 2019), the disclosures for the past fiscal years are omitted.

(Application of ASU2016-02, Leases (Topic842))

The Company’s foreign subsidiaries that adopted U.S. GAAP have applied ASU2016-02, Leases (Topic842) effective from the beginning of the fiscal year ended February 28, 2023. Lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. In applying this accounting standard, the accepted method for the transitional treatment which the cumulative effect of a change in accounting policy is recognized at the date of application have been adopted.

As a result of the application of this accounting standard, mainly “Right-of-use assets” increased by ¥855,613 million ($6,291,272 thousand), “Lease obligations” increased by ¥877,234 million ($6,450,250 thousand) in the consolidated balance sheets as of February 28, 2023, and “Retained earnings” at the beginning of the fiscal year ended February 28, 2023 increased by ¥34,764 million ($255,617 thousand), respectively.

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 ¥136=US$1, the approximate rate of exchange prevailing as of February 28, 2023. 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

Fiscal year ended February 28, 2022:

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 25 “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
Intangible assets (trademark rights)	¥ 22,126 million

As discussed in Note 25 "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		
Company Name	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥328,554	¥12,682	¥4,431
Sogo & Seibu Co., Ltd.	202,598	71,812	1,242

(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.

Fiscal year ended February 28, 2023:

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:

The recognition of impairment losses on long-lived assets

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

The 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 at Ito-Yokado Co., Ltd. and Sogo & Seibu Co., Ltd. are as follows:

As of and for the fiscal year ended February 28, 2023:

Company Name	Millions of yen Property and equipment	Intangible assets	Impairment loss	Thousands of U.S. dollars (Note 3) Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥318,474	¥22,316	¥10,559	$2,341,720	$164,088	$77,639
Sogo & Seibu Co., Ltd.	196,339	71,241	11,047	1,443,669	523,830	81,227

(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 identifiable assets that generates independent cash flow is mainly each store. Ito-Yokado has been closing unprofitable stores, optimizing workforce, and productivity improvement initiatives such as IT utilization. However, there were indications of impairment for multiple stores for the current fiscal year, due to a significant impact from changes in the external environment such as soaring raw material prices and energy costs. Although Sogo & Seibu recorded operating income for the current fiscal year, there were indications of impairment for several stores for the current fiscal year, due to a significant impact from changes in the external environment, such as soaring product purchase prices and energy costs. The Company has resolved to enter into an agreement to transfer all of the issued shares of Sogo and Seibu held by the Company to a third party.

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.

(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 changes in cost 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 realizable value declines as a result, this may have a material effect to the consolidated financial statements for the following fiscal year.

5. FINANCIAL INSTRUMENTS

1. Qualitative information on financial instruments

(1) Policies relating to financial instruments

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

Also, the Group uses 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 payments of principal and interest. The Group does not hold or issue derivative instruments for trading or speculative purposes.

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

The Group's 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 Group recognizes and manage risk as follows.

Notes and accounts receivable, trade are exposed to individual customer's credit risk. The Group regularly monitors 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 Group monitors 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 Group has 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 Group regularly reconsiders the holding status of these securities by monitoring market prices and the issuers' financial position, in light of the Group’s 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 Group enters into forward foreign exchange contracts that cover a portion of the settlement amount. With regards to the forward foreign exchange contracts, the Group regularly monitors their valuation.

Among loans, short-term loans are used mainly to raise funds for business operation, 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.

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 Group seeks 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 Group mitigates 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 Group manages 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

The fair value measurement of financial instruments includes 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.

2. Fair values of financial instruments

Book values and fair values of the financial instruments on the consolidated balance sheets as of February 28, 2021, 2022 and 2023 are as follows.

	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	¥204,626	¥204,626	¥–
Notes and accounts payable, trade for franchised stores	180,663	180,663	–
Short-term loans	619,953	619,953	–
Deposits received in banking business	741,422	741,503	¥80
Bonds[d]	631,917	634,060	2,143
Long-term loans[e]	509,339	521,734	12,394
Deposits received from tenants and franchised stores[f]	27,337	26,783	(553)
Total liabilities	¥2,915,260	¥2,929,324	¥14,064
Derivative instruments[g]	¥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	¥305,921	¥305,921	¥–
Notes and accounts payable, trade for franchised stores	177,987	177,987	–
Short-term loans	140,146	140,146	–
Deposits received in banking business	787,879	787,940	61
Bonds[d]	1,642,906	1,602,699	(40,207)
Long-term loans[e]	1,115,680	1,119,861	4,180
Deposits received from tenants and franchised stores[f]	27,614	26,941	(672)
Total liabilities	¥4,198,135	¥4,161,497	¥(36,637)
Derivative instruments[g]	¥(176)	¥(176)	¥–

	Millions of yen		
	2023		
	Book value	Fair value	Difference
Notes and accounts receivable, trade and contract assets[h]	¥422,635		
Allowance for doubtful accounts[a]	(3,759)		
	418,876	¥422,494	¥3,617
Investments in securities	179,030	183,394	4,364
Long-term leasehold deposits[b]	328,305		
Allowance for doubtful accounts[c]	(412)		
	327,893	322,184	(5,708)
Total assets	¥925,799	¥928,072	¥2,273
Deposits received in banking business	¥810,139	¥810,173	¥33
Bonds[d]	1,750,551	1,552,146	(198,405)
Long-term loans[e]	1,081,676	1,060,303	(21,372)
Deposits received from tenants and franchised stores[f]	51,610	46,856	(4,753)
Total liabilities	¥3,693,978	¥3,469,480	¥(224,498)
Derivative instruments[g]			
To which hedge accounting is applied	¥(7)	¥(7)	¥–
To which hedge accounting is not applied	27	27	–
Total derivative instruments	¥19	¥19	¥–

	Thousands of U.S. dollars (Note 3)		
	2023		
	Book value	Fair value	Difference
Notes and accounts receivable, trade and contract assets[h]	$3,107,610		
Allowance for doubtful accounts[a]	(27,639)		
	3,079,970	$3,106,573	$26,595
Investments in securities	1,316,397	1,348,485	32,088
Long-term leasehold deposits[b]	2,414,007		
Allowance for doubtful accounts[c]	(3,029)		
	2,410,977	2,369,000	(41,970)
Total assets	$6,807,345	$6,824,058	$16,713
Deposits received in banking business	$5,956,904	$5,957,154	$242
Bonds[d]	12,871,698	11,412,838	(1,458,860)
Long-term loans[e]	7,953,500	7,796,345	(157,147)
Deposits received from tenants and franchised stores[f]	379,485	344,529	(34,948)
Total liabilities	$27,161,602	$25,510,882	$(1,650,720)
Derivative instruments[g]			
To which hedge accounting is applied	$(51)	$(51)	$–
To which hedge accounting is not applied	198	198	–
Total derivative instruments	$139	$139	$–

Notes:

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

(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 bonds includes bonds due within one year.

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

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

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

(h) Since “Cash and cash equivalents,” “Notes and accounts payable, trade” and “Short-term loans” are cash in nature and settled in the short term, their fair values approximate their book values. Thus, the disclosures are omitted.

Note 1: As of February 28, 2021 and 2022, items for which fair value is deemed highly difficult to measure are as follows:

	Millions of yen	
	2021	2022
	Book value	
Investments in securities[(a)]:		
Unlisted securities	¥12,617	¥14,605
Shares of affiliates	31,197	29,695
Other	6,264	9,930
Long-term leasehold deposits[(b)]	88,240	88,400
Deposits received from tenants and franchised stores[(b)]	24,787	25,059

Notes:

(a) They are not included in 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 Long-term leasehold deposits and 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 2: As of February 28, 2023, shares without market prices and investments in partnerships that are not included in the table above are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2023
	Book value	
Investments in securities		
Unlisted securities[(a)]	¥17,501	$128,683
Shares of affiliates[(a)]	33,329	245,066
Investments in partnerships[(b)]	13,355	98,198

Notes:

(a) In accordance with paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020), Unlisted securities and Shares of affiliates are not subject to fair value disclosures.

(b) In accordance with paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019), Investments in partnerships are not subject to fair value disclosures.

Note 3. Redemption schedule for receivables and marketable securities with maturities

	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

	2023			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,674,787	¥–	¥–	¥–
Notes and accounts receivable, trade and contract assets	409,563	10,758	1,903	409
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	10,331	34,084	–	–
Bonds	13,100	40,400	1,000	–
Other	–	–	–	–
Long-term leasehold deposits	37,029	68,602	78,946	143,727
Total	¥2,144,810	¥153,845	¥81,849	¥144,137

	Thousands of U.S. dollars (Note 3)			
	2023			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$12,314,610	$–	$–	$–
Notes and accounts receivable, trade and contract assets	3,011,492	79,102	13,992	3,007
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	75,963	250,617	–	–
Bonds	96,323	297,058	7,352	–
Other	–	–	–	–
Long-term leasehold deposits	272,272	504,426	580,485	1,056,816
Total	$15,770,661	$1,131,213	$601,830	$1,059,830

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

	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	¥–	¥–

	Millions of yen			
	2023			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥700,490	¥109,649	¥–	¥–

	Thousands of U.S. dollars (Note 3)			
	2023			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$5,150,661	$806,242	$–	$–

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					
	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

	Millions of yen					
	2023					
	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	¥355,823	¥312,830	¥210,000	¥164,860	¥70,000	¥637,036
Long-term loans	145,605	177,116	238,577	113,057	196,913	210,405
Total	¥501,429	¥489,947	¥448,577	¥277,917	¥266,913	¥847,442

	Thousands of U.S. dollars (Note 3)					
	2023					
	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	$2,616,345	$2,300,220	$1,544,117	$1,212,205	$514,705	$4,684,088
Long-term loans	1,070,625	1,302,323	1,754,242	831,301	1,447,889	1,547,095
Total	$3,686,977	$3,602,551	$3,298,360	$2,043,507	$1,962,595	$6,231,191

Note 6. Fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value:	Fair value measured by using quoted prices in active markets as observable inputs for assets or liabilities subject to the fair value measurement
Level 2 fair value:	Fair value measured by using observable inputs other than those for Level 1
Level 3 fair value:	Fair value measured by using unobservable inputs

When multiple inputs that have significant effects on the fair value measurement are used, the fair value is classified into a category to which the lowest priority is assigned, among levels to which these input is belong.

(1) Financial assets and liabilities measured at fair value in the consolidated balance sheets

	Millions of yen			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities				
Equity securities	¥70,480	¥–	¥–	¥70,480
Municipal bonds	–	44,558	–	44,558
Corporate bonds	–	54,514	–	54,514
Assets, total	¥70,480	¥99,072	¥–	¥169,552
Derivative transactions:				
Currency-related	¥–	¥(29)	¥–	¥(29)
Interest rate-related	–	49	–	49
Liabilities, total	¥–	¥19	¥–	¥19

	Thousands of U.S. dollars (Note 3)			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities				
Equity securities	$518,235	$–	$–	$518,235
Municipal bonds	–	327,632	–	327,632
Corporate bonds	–	400,838	–	400,838
Assets, total	$518,235	$728,470	$–	$1,246,705
Derivative transactions:				
Currency-related	$–	$(213)	$–	$(213)
Interest rate-related	–	360	–	360
Liabilities, total	$–	$139	$–	$139

(2) Financial assets and liabilities not measured at fair value in the consolidated balance sheets

	Millions of yen			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade and contract assets	¥–	¥348,616	¥73,877	¥422,494
Investments in securities:				
Available-for-sale securities				
Equity securities	13,841	–	–	13,841
Long-term leasehold deposits	–	322,184	–	322,184
Assets, total	¥13,841	¥670,801	¥73,877	¥758,520
Deposits received in banking business	¥–	¥810,173	¥–	¥810,173
Bonds	–	1,552,146	–	1,552,146
Long-term loans	–	1,060,303	–	1,060,303
Long-term deposits	–	46,856	–	46,856
Liabilities, total	¥–	¥3,469,480	¥–	¥3,469,480

	Thousands of U.S. dollars (Note 3)			
	2023			
	Fair values			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade and contract assets	$–	$2,563,352	$543,213	$3,106,573
Investments in securities:				
Available-for-sale securities				
Equity securities	101,772	–	–	101,772
Long-term leasehold deposits	–	2,369,000	–	2,369,000
Assets, total	$101,772	$4,932,360	$543,213	$5,577,352
Deposits received in banking business	$–	$5,957,154	$–	$5,957,154
Bonds	–	11,412,838	–	11,412,838
Long-term loans	–	7,796,345	–	7,796,345
Long-term deposits	–	344,529	–	344,529
Liabilities, total	$–	$25,510,882	$–	$25,510,882

Note: Explanation of valuation techniques and inputs used in fair value measurement

(Assets)

Investments in securities

Listed equity securities are valued using market prices and classified into Level 1. Regarding municipal bonds and corporate bonds, their transactions are not frequently made and their prices are not deemed as quoted prices in the active market. Their fair values are classified into Level 2.

Notes and accounts receivable, trade and contract assets

Of notes and accounts receivable, trade and contract assets, the fair value of short-term items approximates their book value; therefore, their fair value is classified into Level 2 based on their book value. The fair value of items with long settlement periods is classified into Level 3 based on their present value, which is obtained by discounting the total amount of the principal and interest that reflects credit risk according to the corresponding interest rate of government bonds over the remaining period.

Long-term leasehold deposits

The fair value of long-term leasehold deposits is classified into Level 2 based on their present value, which is calculated by discounting the future cash flows that reflect collectability according to the corresponding interest rate of government bonds over the remaining period.

(Liabilities)

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. These fair values are classified into Level 2.

Bonds

The fair value of Japanese 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 amount of the principal and interest over the remaining period according to the interest rate that reflects credit risk. These fair values are classified into Level 2. The fair value of foreign currency-denominated bonds, that meet specific hedging criteria and are accounted for by the designated accounting treatment, is classified into Level 2 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.

Long-term loans

The fair value of long-term loans is classified into Level 2, based on the present value which is obtained by discounting the total amount of the principal and interest according to the interest rate that would be applied if similar new borrowings were entered into. The variable-rate long-term loans are subject to a specific accounting treatment for interest rate swap contracts or an integral accounting treatment (specific accounting treatment, designated accounting treatment) for interest rate and currency swap contracts. Their fair value is classified into Level 2 based on the present value, which is obtained by discounting the total amount of the 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.

Deposits received from tenants and franchised stores

The fair value of deposits received from tenants and franchised stores is classified into Level 2 based on the present value, which is obtained by discounting future cash flows according to the corresponding interest rate of government bonds over the remaining period.

Derivatives

The fair value of currency-related derivatives is calculated based on the discounted present value using observable inputs such as interest rates and foreign exchange rates. Forward foreign exchange contracts, accounted for by the designated accounting treatment, are accounted for as part of accounts payable, trade, the hedged item. Therefore, the estimated fair value of these contracts is included in the fair value of the underlying notes and accounts payable, trade. These fair values are classified into Level 2.

The fair value of interest-related derivatives is calculated based on the discounted present value using observable inputs such as interest rates and foreign exchange rates. Interest rate swap contracts, where certain criteria for a specific accounting treatment are met, are accounted for as part of long-term loans, the hedged items. Therefore, the estimated fair value of a contract is included in the fair value of the underlying long-term loan. Interest rate and currency swap contracts, where certain criteria for an integral accounting treatment (specific accounting treatment, designated accounting treatment) are met, are accounted for as part of long-term loans. Therefore, the estimated fair value of a contract is included in the fair value of the underlying long-term loan. These fair values are classified into Level 2.

6. SECURITIES INFORMATION

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities other than equity securities that do not have a market value as of February 28, 2021, 2022 and 2023 and equity securities that do not have a market value of (excluding unlisted securities of ¥12,617 million, ¥14,605 million and ¥17,501 million ($128,683 thousand) as of February 28, 2021, 2022 and 2023, respectively.

	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

	Millions of yen		
			2023
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥69,924	¥23,244	¥46,679
Debt securities			
Governmental and municipal bonds, etc.	4,994	4,993	0
Corporate bonds	4,400	4,399	0
Subtotal	79,318	32,637	46,680
Securities with book value not exceeding acquisition cost:			
Equity securities	555	610	(55)
Debt securities			
Governmental and municipal bonds, etc.	39,564	39,661	(96)
Corporate bonds	50,114	50,372	(258)
Subtotal	90,233	90,644	(410)
Total	¥169,552	¥123,282	¥46,270

	Thousands of U.S. dollars (Note 3)		
			2023
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$514,147	$170,911	$343,227
Debt securities			
Governmental and municipal bonds, etc.	36,720	36,713	0
Corporate bonds	32,352	32,345	0
Subtotal	583,220	239,977	343,235
Securities with book value not exceeding acquisition cost:			
Equity securities	4,080	4,485	(404)
Debt securities			
Governmental and municipal bonds, etc.	290,911	291,625	(705)
Corporate bonds	368,485	370,382	(1,897)
Subtotal	663,477	666,500	(3,014)
Total	$1,246,705	$906,485	$340,220

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2021, 2022 and 2023 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Sales amounts	¥320	¥115	¥487	$3,580
Gain on sales of available-for-sale securities	252	95	272	2,000
Loss on sales of available-for-sale securities	0	–	–	–

(3) Impairment loss on securities
For the fiscal years ended February 28, 2021, 2022 and 2023, the Group recognized ¥229 million, ¥301 million and ¥476 million ($3,500 thousand) as impairment loss on securities, respectively.

The Group considers 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 Group assesses the recoverability and, to the extent necessary, recognize impairment losses on such securities.

(4) Investments in affiliates included in investments in securities in the accompanying consolidated balance sheets as of February 28, 2021, 2022 and 2023 were ¥40,245 million, ¥38,629 million and ¥42,806 million ($314,750 thousand), respectively.

7. DERIVATIVE TRANSACTIONS

The Group has 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 Group does 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 Group enters into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2021, 2022 and 2023 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			
	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

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

	Millions of yen			
	2023			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,842	¥–	¥(17)	¥(17)
Buy Euro	421	–	9	9
Buy Chinese yuan	72	–	0	0

	Thousands of U.S. dollars (Note 3)			
	2023			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	$13,544	$–	$(125)	$(125)
Buy Euro	3,095	–	66	66
Buy Chinese yuan	529	–	0	0

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

	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)

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.

	Millions of yen		
	2023		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,598	¥–	¥(21)
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	174	–	–

	Thousands of U.S. dollars (Note 3)		
	2023		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$11,750	$–	$(154)
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	1,279	–	–

(2) Interest rate related transactions

	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)]

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.

	Millions of yen		
	2023		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	¥9,952	¥–	¥49
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	1,125	625	–
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	–

	Thousands of U.S. dollars (Note 3)		
	2023		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by deferral hedge accounting			
Receive float / Pay fixed	$73,176	$–	$360
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	8,272	4,595	–
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	2,198,338	2,198,338	–

8. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2021, 2022 and 2023 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Buildings and structures	¥2,367,606	¥3,011,407	¥3,315,510	$24,378,750
Furniture, fixtures and equipment	952,109	1,158,818	1,337,026	9,831,073
Right-of-use assets	–	23,537	1,007,322	7,406,779
Other	54,329	57,306	60,037	441,448
	3,374,045	4,251,070	5,719,897	42,058,066
Less: Accumulated depreciation	(2,024,326)	(2,249,245)	(2,730,997)	(20,080,860)
	1,349,719	2,001,825	2,988,900	21,977,205
Land	746,284	1,119,796	1,196,007	8,794,169
Construction in progress	110,019	110,725	156,842	1,153,250
Total	¥2,206,023	¥3,232,347	¥4,341,750	$31,924,632

Some foreign consolidated subsidiaries that adopted U.S. GAAP have applied ASU2016-02, Leases (Topic842). As a result of the application of ASU 2016-02, Leases (Topic842), the amount equivalent to accumulated depreciation of right-of-use assets for operating leases is excluded directly from “Furniture, fixtures and other”, therefore is not included in “Less: Accumulated depreciation.”

9. IMPAIRMENT LOSS

For the fiscal years ended February 28, 2021, 2022 and 2023, the Group recognized ¥35,484 million, ¥27,775 million and ¥48,950 million ($359,926 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2021:

<table>
<tr><th>Description</th><th>Classifica-
tion</th><th colspan="3">Location</th><th>Millions of yen</th></tr>
<tr><td rowspan="12">Stores</td><td rowspan="12">Land and buildings, etc.</td><td rowspan="4">Tokyo Met.</td><td>Domestic convenience stores</td><td>84 Stores</td><td rowspan="12">¥34,105</td></tr>
<tr><td>Department and specialty stores</td><td>22 Stores</td></tr>
<tr><td>Superstores</td><td>2 Stores</td></tr>
<tr><td>Others</td><td>2 Stores</td></tr>
<tr><td rowspan="2">Aichi Pref.</td><td>Domestic convenience stores</td><td>44 Stores</td></tr>
<tr><td>Department and specialty stores</td><td>4 Stores</td></tr>
<tr><td rowspan="3">Kanagawa Pref.</td><td>Domestic convenience stores</td><td>35 Stores</td></tr>
<tr><td>Department and specialty stores</td><td>11 Stores</td></tr>
<tr><td>Others</td><td>1 Store</td></tr>
<tr><td rowspan="3">U.S. & others</td><td rowspan="3">Overseas convenience stores</td><td rowspan="3">175 Stores</td></tr>
<tr></tr>
<tr></tr>
<tr><td>Other facilities, etc.</td><td>Software, etc.</td><td colspan="3">Tokyo Met., Kyoto Pref., Nagano Pref., & others</td><td>1,378</td></tr>
<tr><td>Total</td><td></td><td colspan="3"></td><td>¥35,484</td></tr>
</table>

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
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	94 Stores	¥25,070
			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
Total					¥27,775

Note: ¥1,365 million (Stores) is included in “Restructuring expenses” in the consolidated statements of income.

Fiscal year ended February 28, 2023:

Description	Classification	Location			Millions of yen	Thousands of U.S. dollars (Note 3)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	155 Stores	¥45,504	$334,588
			Superstores	7 Stores		
			Department and specialty stores	2 Stores		
			Others	1 Store		
		Osaka Pref.	Domestic convenience stores	62 Stores		
			Department and specialty stores	1 Store		
			Others	1 Store		
		Aichi Pref.	Domestic convenience stores	51 Stores		
		U.S. & others	Overseas convenience stores	258 Stores		
Other facilities, etc.	Software, etc.	Tokyo Met., Kyoto Pref., Nagano Pref., & others			3,445	25,330
Total					¥48,950	$359,926

Note: ¥5,530 million ($40,661 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 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

Note: ¥1,291 million (Buildings and structures), ¥2 million (Furniture, fixtures and equipment) and ¥71 million (Others) are included in “Restructuring expenses” in the consolidated statements of income.

Fiscal year ended February 28, 2023:

	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥35,145	¥216	¥35,361
Furniture, fixtures and equipment	4,130	117	4,247
Land	2,240	137	2,377
Software	1	2,577	2,579
Others	3,986	397	4,383
Total	¥45,504	¥3,445	¥48,950

	Thousands of U.S. dollars (Note 3)		
	Stores	Other facilities, etc.	Total
Buildings and structures	$258,419	$1,588	$260,007
Furniture, fixtures and equipment	30,367	860	31,227
Land	16,470	1,007	17,477
Software	7	18,948	18,963
Others	29,308	2,919	32,227
Total	$334,588	$25,330	$359,926

Note: ¥3,537 million ($26,007 thousand) (Buildings and structures), ¥602 million ($4,426 thousand) (Furniture, fixtures and equipment), ¥992 million ($7,294 thousand) (Land) and ¥396 million ($2,911 thousand) (Others) are included in “Restructuring expenses” in the consolidated statements of income.

In the case where net realizable value was 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 3.3-6.0% in 2021, 4.0-9.4% in 2022 and 3.4-7.3% in 2023 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
	2022
Current assets	¥108,625
Non-current assets	1,074,482
Goodwill	1,348,179
Current liabilities	(159,410)
Non-current liabilities	(54,754)
Acquisition cost	2,317,122
Payable included in acquisition cost	(3,846)
Cash and cash equivalents	(17,712)
Payment for acquisition of shares	¥2,295,563

(2) Major non-cash transactions

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Finance lease obligations for property and equipment recorded in the consolidated balance sheets for the fiscal year	¥11,625	¥6,799	¥9,824	$72,235
Right-of-use assets recorded in the consolidated balance sheets for the fiscal year	–	–	985,497	7,246,301
Asset retirement obligations recorded in the consolidated balance sheets for the fiscal year	13,352	12,622	21,859	160,727

Note: The amount of right-of-use assets has increased due to the application of ASU 2016-02, Leases (Topic842), from the fiscal year ended February 28, 2023, mainly at foreign subsidiaries that have adopted U.S. GAAP.

(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)
	2021	2022	2023	2023
Inventories	¥324	¥468	¥–	$–
Goodwill	8,962	10,891	224	1,647
Other	2,160	301	–	–
Subtotal	11,447	11,661	224	1,647
Property and equipment	3,580	5,348	275	2,022
Total	¥15,027	¥17,010	¥500	$3,676

The property and equipment set out above at an amount of ¥3,580 million, ¥5,348 million and ¥275 million ($2,022 thousand) are included in acquisition of property and equipment in the consolidated statements of cash flows for the fiscal years ended February 28, 2021, 2022 and 2023, 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 28, 2021, 2022 and 2023, respectively.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2021, 2022 and 2023 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Deferred tax assets:				
Contract liabilities	¥-	¥-	¥23,022	$169,279
Allowance for bonuses to employees	4,553	4,244	4,821	35,448
Allowance for sales promotion expenses	5,623	4,970	304	2,235
Accrued payroll	7,396	12,570	18,726	137,691
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	238	176	162	1,191
Allowance for accrued pension and severance costs	927	974	954	7,014
Allowance for loss on future collection of gift certificates	285	363	—	—
Depreciation and amortization	10,334	9,992	7,815	57,463
Tax loss carried forward (a)	50,595	131,835	126,568	930,647
Valuation loss on available-for-sale securities	791	826	869	6,389
Allowance for doubtful accounts	1,873	1,583	1,838	13,514
Unrealized loss on property and equipment	8,668	9,863	9,223	67,816
Impairment loss on property and equipment valuation and loss on land	53,465	49,866	55,596	408,794
Accrued enterprise taxes and business office taxes	4,016	3,987	4,261	31,330
Accrued expenses	13,925	13,327	34,727	255,345
Asset retirement obligations	22,397	25,001	26,222	192,808
Unearned revenue	13,103	12,211	1,213	8,919
Others	24,871	28,879	30,156	221,735
Subtotal	223,067	310,676	346,485	2,547,683
Valuation allowance for tax loss carried forward (a)	(46,301)	(46,562)	(50,895)	(374,227)
Valuation allowance for deductible temporary differences	(39,055)	(36,495)	(37,145)	(273,125)
Less: Valuation allowance	(85,357)	(83,058)	(88,040)	(647,352)
Total	137,709	227,617	258,444	1,900,323

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Deferred tax liabilities:				
Unrealized gains on property and equipment	¥(87,551)	¥(203,079)	¥(275,935)	$(2,028,933)
Royalties, etc.	(28,416)	(32,063)	(50,192)	(369,058)
Reserve for advanced depreciation of property and equipment	(700)	(688)	(674)	(4,955)
Unrealized gains on available-for-sale securities	(15,444)	(16,127)	(14,701)	(108,095)
Net defined benefit asset	(24,430)	(26,364)	(26,629)	(195,801)
Unrealized intercompany profit	(4,599)	(4,055)	(4,261)	(31,330)
Removal cost related to asset retirement obligations	(7,568)	(10,062)	(9,605)	(70,625)
Others	(3,525)	(1,462)	(3,501)	(25,742)
Total	(172,236)	(293,903)	(385,501)	(2,834,566)
Net deferred tax assets [b]	¥(34,526)	¥(66,285)	¥(127,056)	$(934,235)

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

							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

							Millions of yen
							2023
	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 (*)	¥4,790	¥6,809	¥4,065	¥6,849	¥3,159	¥100,895	¥126,568
Valuation allowance	4,779	6,802	3,900	6,746	2,999	25,665	50,895
Deferred tax assets	10	6	164	102	159	75,229	75,673

	Thousands of U.S. dollars (Note 3)						
	2023						
	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 (*)	$35,220	$50,066	$29,889	$50,360	$23,227	$741,875	$930,647
Valuation allowance	35,139	50,014	28,676	49,602	22,051	188,713	374,227
Deferred tax assets	73	44	1,205	750	1,169	553,154	556,419

(*) 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)
	2021	2022	2023	2023
Investments and other assets - Deferred income taxes	¥44,352	¥43,539	¥57,186	$420,485
Non-current liabilities - Deferred income taxes	(78,879)	(109,825)	(184,242)	(1,354,720)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2021, 2022 and 2023 is as follows:

	2021	2022	2023
Statutory tax rate	30.6%	30.6%	30.6%
Adjustments:			
Equity in losses (earnings) of affiliates	0.1	(0.3)	(0.2)
Non-deductible items, such as entertainment expenses	0.8	0.8	0.2
(Decrease) increase in valuation allowance	0.7	(0.7)	1.2
Inhabitant taxes per capital	0.7	0.5	0.4
Amortization of goodwill	3.0	7.0	8.6
Difference from applicable tax rates of foreign subsidiaries	(3.6)	(4.7)	(6.0)
Adjustment due to consolidation journals	(2.0)	(5.4)	(6.7)
CARES Act influence	(6.0)	–	–
Others	0.6	0.6	(0.6)
Effective tax rate	24.9%	28.4%	27.5%

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)
	2021	2022	2023	2023
Balance at beginning of year	¥279,674	¥282,309	¥284,440	$2,091,470
Service cost[(a)]	13,116	13,100	13,077	96,154
Interest cost	1,629	1,633	1,728	12,705
Actuarial differences	1,933	(747)	(27,268)	(200,500)
Benefits paid	(13,588)	(14,796)	(13,004)	(95,617)
Prior service cost	10	–	–	–
Increase due to acquisition of consolidated subsidiaries[(b)]	–	1,814	–	–
Others	(467)	1,128	1,168	8,588
Balance at end of year	¥282,309	¥284,440	¥260,142	$1,912,808

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)
	2021	2022	2023	2023
Balance at beginning of year	¥327,040	¥352,887	¥357,956	$2,632,029
Expected return on plan assets	6,527	7,043	7,120	52,352
Actuarial differences	20,503	646	(29,911)	(219,933)
Employer contribution	11,852	11,819	11,730	86,250
Benefits paid	(13,036)	(14,441)	(12,050)	(88,602)
Others	–	–	(1,198)	(8,808)
Balance at end of year	¥352,887	¥357,956	¥333,647	$2,453,286

(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)
	2021	2022	2023	2023
Funded retirement benefit obligations	¥272,999	¥271,738	¥246,558	$1,812,926
Plan assets	(352,887)	(357,956)	(333,647)	(2,453,286)
	(79,888)	(86,217)	(87,088)	(640,352)
Unfunded retirement benefit obligations	9,309	12,702	13,584	99,882
	¥(70,578)	¥(73,515)	¥(73,504)	$(540,470)
Net defined benefit liability	¥9,309	¥12,702	¥13,584	$99,882
Net defined benefit asset	(79,888)	(86,217)	(87,088)	(640,352)
	¥(70,578)	¥(73,515)	¥(73,504)	$(540,470)

(d) Retirement benefit costs

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Service cost	¥13,116	¥13,100	¥13,077	$96,154
Interest cost	1,629	1,633	1,728	12,705
Expected return on plan assets	(6,527)	(7,043)	(7,120)	(52,352)
Amortization of actuarial differences	(1,725)	(3,242)	(3,741)	(27,507)
Amortization of prior service cost	(2)	(0)	(1)	(7)
Additional retirement benefits	1,903	2,393	1,058	7,779
Total retirement benefit costs	¥8,394	¥6,840	¥5,000	$36,764

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Prior service cost	¥(12)	¥(2)	¥(2)	$(14)
Actuarial differences	16,989	(2,211)	(7,052)	(51,852)
Others	–	–	(253)	(1,860)
Total	¥16,976	¥(2,213)	¥(7,308)	$(53,735)

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Unrecognized prior service cost	¥8	¥10	¥13	$95
Unrecognized actuarial differences	(22,509)	(20,300)	(13,249)	(97,419)
Others	(227)	(253)	–	–
Total	¥(22,729)	¥(20,543)	¥(13,236)	$(97,323)

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

	2021	2022	2023
Bonds	55%	62%	49%
Equity	35%	28%	27%
Others	10%	10%	24%
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

	2021	2022	2023
Discount rate	mainly 0.5%	mainly 0.5%	mainly 1.3%
Discount rate (consolidated subsidiaries in the United States)	2.7%	3.0%	5.6%
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 ¥4,545 million, ¥7,481 million and ¥8,941 million ($65,742 thousand) for the fiscal years ended February 28, 2021, 2022 and 2023, 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)
	2021	2022	2023	2023
Outstanding balance at fiscal year-end:				
Short-term bank loans [(a)]	¥619,953	¥140,146	¥143,568	$1,055,647
Weighted-average interest rate at year-end:				
Short-term bank loans	0.23%	0.40%	0.77%	

Note:
(a) The total amounts of short-term loans with collateral as of February 28, 2021, 2022 and 2023 were nil (Note 19).

Long-term debt as of February 28, 2021, 2022 and 2023 consists of the following:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Outstanding balance as of fiscal year-end:				
Loans, principally from banks and insurance companies, due 2024 to 2031 with interest rates ranging from 0.094 to 4.2% (b)	¥509,339	¥1,115,680	¥1,081,676	$7,953,500
Lease obligations	32,154	56,937	79,151	581,992
Seven & i Holdings Co., Ltd.:				
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	147,058
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	–	–
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	30,000	220,588
0.060% unsecured straight bonds, due December 20, 2023	130,000	130,000	130,000	955,882
0.190% unsecured straight bonds, due December 19, 2025	180,000	180,000	180,000	1,323,529
0.280% unsecured straight bonds, due December 20, 2027	40,000	40,000	40,000	294,117
3.350% unsecured straight bonds, due September 17, 2021	66,917	–	–	–
7-Eleven, Inc.:				
0.625% unsecured straight bonds, due February 10, 2023	–	143,320	165,823	1,219,286
0.800% unsecured straight bonds, due February 10, 2024	–	257,574	297,830	2,189,926
0.950% unsecured straight bonds, due February 10, 2026	–	142,619	164,860	1,212,205
1.300% unsecured straight bonds, due February 10, 2028	–	113,936	131,646	967,985
1.800% unsecured straight bonds, due February 10, 2031	–	194,025	224,026	1,647,250
2.500% unsecured straight bonds, due February 10, 2041	–	84,620	97,705	718,419
2.800% unsecured straight bonds, due February 10, 2051	–	141,809	163,658	1,203,367
Seven Bank, Ltd.:				
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	20,000	147,058
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	15,000	110,294
0.390% unsecured straight bonds, due September 17, 2027	30,000	30,000	30,000	220,588
0.160% unsecured straight bonds, due December 20, 2023	20,000	20,000	20,000	147,058
0.385% unsecured straight bonds, due December 20, 2028	20,000	20,000	20,000	147,058
	1,173,411	2,815,524	2,911,380	21,407,205
Current portion of long-term debt	(227,673)	(201,690)	(523,986)	(3,852,838)
	¥945,737	¥2,613,833	¥2,387,393	$17,554,360

Notes:

(a) The total amounts of long-term debt with collateral as of February 28, 2021, 2022 and 2023 were ¥13,420 million, ¥9,717 million and ¥9,229 million ($67,860 thousand), respectively (Note 19).

(b) When the closing date of a subsidiary differs from the consolidated closing date, the subsidiary's debt due on or before the consolidated closing date is included in long-term debt.

(c) Effective from the beginning of the fiscal year ended February 28, 2023, lease obligations are accounted for by some foreign consolidated subsidiaries that adopt U.S.GAAP in connection with the application of ASU 2016-02, Leases (Topic842). Those lease obligations are not included in the balance of lease obligations in the table since they do not associate with interest burden.

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)
2024	¥523,986	$3,852,838
2025	498,938	3,668,661
2026	456,586	3,357,250
2027	284,688	2,093,294
2028	272,269	2,001,977
Thereafter	874,910	6,433,161
	¥2,911,380	$21,407,205

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 28, 2021, 2022 and 2023 are as follows:

As lessee:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Due within one year	¥101,610	¥131,551	¥21,757	$159,977
Due after one year	632,351	854,502	120,686	887,397
Total	¥733,962	¥986,053	¥142,443	$1,047,375

Note: Applying ASU2016-02, Leases (Topic842) under U.S. GAAP effective from the beginning of the fiscal year ended February 28, 2023, the Company's foreign subsidiaries account for lease obligations for operating leases based on the present value of lease payments over the lease terms. Thus, the amounts as of February 28, 2023 do not include future lease payments of those subsidiaries.

As lessor:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Due within one year	¥10,247	¥10,599	¥10,948	$80,500
Due after one year	22,662	21,397	20,583	151,345
Total	¥32,909	¥31,997	¥31,532	$231,852

15. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2021, 2022 and 2023:

(1) Summary of asset retirement obligations

Asset retirement obligations recorded by the Group 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 Group estimates terms of use between one and 50 years and use a discount rate between 0% and 8.3%.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2021, 2022 and 2023

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Balance at beginning of year	¥97,339	¥101,796	¥133,175	$979,227
Increase due to acquisition of property and equipment	9,061	8,709	9,421	69,272
Adjustment due to passage of time	1,419	1,761	2,015	14,816
Decrease due to settlement of asset retirement obligations	(3,974)	(4,900)	(5,089)	(37,419)
Decrease due to release from restoration obligations	(2,620)	(197)	(22)	(161)
Increase due to change in estimation	2,871	2,151	10,422	76,632
Decrease due to reconciliation of estimated cost and actual cost	(850)	(606)	(21)	(154)
Increase due to acquisition of consolidated subsidiaries[a]	–	22,176	–	–
Others[b]	(1,451)	2,283	7,422	54,573
Balance at end of year	¥101,796	¥133,175	¥157,324	$1,156,794

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 for the fiscal year ended February 28, 2022.

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

(4) Change in estimation

For the fiscal years ended February 28, 2021, 2022 and 2023, 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 ¥2,871 million, ¥2,151 million and ¥10,422 million ($76,632 thousand), respectively, from the balance of asset retirement obligation before revision.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive (loss) income including reclassification adjustments and tax effects for the fiscal years ended February 28, 2021, 2022 and 2023 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Unrealized gains (losses) on available-for-sale securities, net of taxes:				
Increase (decrease) during the fiscal year	¥14,555	¥3,211	¥(4,112)	$(30,235)
Reclassification adjustments	(567)	(406)	(97)	(713)
Amount before tax	13,988	2,805	(4,210)	(30,955)
Tax effects	(4,360)	(731)	1,247	9,169
Subtotal	9,627	2,073	(2,962)	(21,779)
Unrealized gains on hedging derivatives, net of taxes:				
Increase during the fiscal year	2,476	3,595	723	5,316
Reclassification adjustments	–	–	–	–
Amount before tax	2,476	3,595	723	5,316
Tax effects	(618)	(905)	(190)	(1,397)
Subtotal	1,857	2,689	532	3,911
Foreign currency translation adjustments:				
(Decrease) increase during the fiscal year	(48,474)	189,239	288,056	2,118,058
Remeasurements of defined benefit plans, net of taxes:				
Increase (decrease) during the fiscal year	18,558	1,391	(2,644)	(19,441)
Reclassification adjustments	(1,582)	(3,605)	(4,663)	(34,286)
Amount before tax	16,976	(2,213)	(7,308)	(53,735)
Tax effects	(5,000)	698	2,194	16,132
Subtotal	11,976	(1,515)	(5,113)	(37,595)
Share of other comprehensive (loss) income of entities accounted for using equity method:				
(Decrease) increase during the fiscal year	(8)	156	203	1,492
Total other comprehensive (loss) income	¥(25,021)	¥192,642	¥280,717	$2,064,095

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 25, 2023, the shareholders approved cash dividends amounting to ¥56,172 million ($413,029 thousand). Such appropriations have not been accrued in the consolidated financial statements as of February 28, 2023 because those are recognized in the period in which they are approved by the shareholders. The total amount of cash dividends includes ¥86 million ($632 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 28, 2021, 2022 and 2023.

(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, 2023. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2023:
Number of stock options

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twentieth grant
Before vested:				
As of February 28, 2022	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2022	3,000	3,000	3,000	1,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	1,000
Outstanding	3,000	3,000	3,000	–

	Twenty-first grant	Twenty-second grant
Before vested:		
As of February 28, 2022	–	–
Granted	–	–
Forfeited	–	–
Vested	–	–
Outstanding	–	–
After vested:		
As of February 28, 2022	3,000	1,000
Vested	–	–
Exercised	–	–
Forfeited	–	1,000
Outstanding	3,000	–

Note: The “Forfeited” is due to the transfer to the ESOP Trust.

Price information

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twentieth grant
Exercise price	¥1 ($0.007) per share	¥1 ($0.007) per share	¥1 ($0.007) per share	¥1 ($0.007) per share
Average exercise price	–	–	–	–
Fair value at the grant date[(a)]	¥533,000 ($3,919) per subscription to share	¥361,300 ($2,656) per subscription to share	¥369,800 ($2,719) per subscription to share	¥380,800 ($2,800) per subscription to share

	Twenty-first grant	Twenty-second grant
Exercise price	¥1 ($0.007) per share	¥1 ($0.007) per share
Average exercise price	–	–
Fair value at the grant date[(a)]	¥380,600 ($2,798) per subscription to share	¥380,400 ($2,797) 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 28, 2021

The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥57 million.

As of February 28, 2022

The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥42 million.

As of February 28, 2023

The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥34 million ($250 thousand).

(2) Pledged assets

(a) The amount of assets pledged as collateral by the Group for their loans from certain financial institutions as of February 28, 2021, 2022 and 2023 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Buildings and structures	¥489	¥463	¥581	$4,272
Land	1,258	1,258	1,258	9,250
Investments in securities	68,087	79,715	86,736	637,764
Long-term leasehold deposits	2,662	1,162	1,149	8,448
Total	¥72,497	¥82,599	¥89,726	$659,750

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.

Debts for the pledged assets above as of February 28, 2023 are as follows: long-term loans (including current portion), ¥9,229 million ($67,860 thousand).

(b) Other

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 amount of assets pledged as collateral for real estate business is ¥55 million. 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 and ¥1,700 million, respectively. The amount of assets pledged as collateral for real estate business is ¥55 million. In addition, ¥292 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2023

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥2,503 million ($18,404 thousand) and ¥1,700 million ($12,500 thousand), respectively. The amount of assets pledged as collateral for real estate business is ¥55 million ($404 thousand). In addition, ¥1,006 million ($7,397 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2021, 2022 and 2023 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Credit availability of cash loan business	¥790,424	¥832,746	¥817,777	$6,013,066
Outstanding balance	(44,002)	(42,048)	(47,345)	(348,125)
Unused credit balance	¥746,421	¥790,697	¥770,431	$5,664,933

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)
	2021	2022	2023	2023
Franchise commission from franchised stores	¥762,514	¥765,199	¥778,735	$5,725,992
Net sales of franchised stores	4,781,626	4,853,881	5,056,946	37,183,426

7-Eleven, Inc.

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Franchise commission from franchised stores	¥245,210	¥294,374	¥362,301	$2,663,977
Net sales of franchised stores	1,505,369	1,695,895	2,111,197	15,523,507

(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)
	2021	2022	2023	2023
Buildings and structures	¥1,194	¥2,200	¥1,687	$12,404
Land	2,286	6,497	7,066	51,955
Others	635	229	363	2,669
Total	¥4,116	¥8,927	¥9,116	$67,029

Note :¥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 fiscal year ended February 28, 2021. ¥108 million (Buildings and structures), ¥2,440 million (Land) and ¥5 million (Others) are included in "Gain on sales of property and equipment related to restructuring" in the consolidated statements of income for the fiscal 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)
	2021	2022	2023	2023
Buildings and structures	¥3,710	¥4,264	¥6,308	$46,382
Furniture, fixtures and equipment	3,309	3,490	3,873	28,477
Others	5,172	5,911	3,929	28,889
Total	¥12,193	¥13,667	¥14,110	$103,750

Note: ¥12 million (Others) is included in "Restructuring expenses" in the consolidated statements of income for the fiscal year ended February 28, 2021. ¥0 million (Buildings and structures) is included in "Restructuring expenses" in the consolidated statements of income for the fiscal year ended February 28, 2022. ¥61 million ($448 thousand) (Buildings and structures) and ¥10 million ($73 thousand) (Furniture, fixtures and equipment) are included in "Restructuring expenses" in the consolidated statements of income for the fiscal year ended February 28, 2023.

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Advertising and decoration expenses	¥112,921	¥123,214	¥97,091	$713,904
Salaries and wages	450,665	564,770	696,197	5,119,095
Provision for allowance for bonuses to employees	14,796	13,861	14,314	105,250
Retirement benefit costs	10,541	14,045	13,812	101,558
Legal welfare expenses	61,137	75,217	81,495	599,227
Land and building rent	376,771	396,241	441,127	3,243,580
Depreciation and amortization	220,434	279,082	363,564	2,673,264
Utility expenses	104,457	121,954	185,724	1,365,617
Store maintenance and repair expenses	73,778	92,481	162,768	1,196,823

22. LOSS RELATED TO COVID-19

The Group recognized loss related to COVID-19 for the fiscal years ended February 28, 2021 and February 28, 2022. A breakdown of loss related to COVID-19 is shown below.

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Fixed cost during temporary closure (Salaries and wages, land and building rent, etc.)	¥24,066	¥8,625	¥–	$–
Cost of support to franchisees	5,193	1,492	–	–
Cost of infection prevention and control	7,571	–	–	–
Others	3,702	262	–	–
Total	¥40,534	¥10,380	¥–	$–

Notes:

(a) 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 fiscal year ended February 28, 2021.

(b) The "Cost of infection prevention and control" was recorded as "other expenses " for the fiscal 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 fiscal year ended February 28, 2022.

(c) For the fiscal year ended February 28, 2023, it has been considered to be recurring expenses and has been recorded as “Selling, general and administrative expenses.”

23. RESTRUCTURING EXPENSES

The Group recognized restructuring expenses for the fiscal years ended February 28, 2021, 2022 and 2023 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2021	2022	2023	2023
Impairment loss	¥3,879	¥1,365	¥5,530	$40,661
Store closing losses	1,388	–	2,088	15,352
Early retirement benefit	2,765	247	105	772
Loss on sales of property and equipment	30	–	–	–
Others	2,149	2,550	2,575	18,933
Total	¥10,213	¥4,163	¥10,298	$75,720

Note: In addition to the above restructuring expenses, the Group recognized “Gain on sales of property and equipment related to restructuring” for the fiscal years ended February 28, 2021 and 2022 in the amount of ¥1,106 million and ¥2,554 million, respectively.

24. SUBSIDY INCOME

The Group recognized subsidy income for the fiscal 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)
	2021	2022	2023	2023
Subsidy income related to COVID-19	¥13	¥5,741	¥–	$–
Subsidies for employment adjustment	4,094	1,907	–	–
Total	¥4,108	¥7,648	¥–	$–

Note: The amount below has been reduced from “Selling, general and administrative expenses” for the fiscal year ended February 28, 2023.
Subsidy income related to COVID-19: ¥1,648 million ($12,117 thousand)
Subsidies for employment adjustment: ¥741 million ($5,448 thousand)

25. BUSINESS COMBINATIONS

There were no significant business combinations for the fiscal year ended February 28, 2021. Matters regarding significant business combinations for the fiscal years ended February 28, 2022 and 2023 were 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 the 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 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).

Fiscal year ended February 28, 2023

Finalization of provisional acquisition accounting for business combination

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). 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, and made provisional acquisition accounting in the fiscal year ended February 28, 2022. The Company finalized provisional acquisition accounting in the fiscal year ended February 28, 2023.
In addition, the amount of the purchase price has been changed due to adjustments of the consideration paid in the fiscal year ended February 28, 2023. As a result, the amount and the breakdown of the revised allocation are as follows:

Goodwill [before revision]	$12,267,329 thousand	¥1,357,134 million
Revised amount of goodwill Changes in purchase price due to adjustments of consideration paid	$66,000 thousand	¥7,301 million
Decrease (increase) in property and equipment	$6,566 thousand	¥726 million
Increase (decrease) in current liabilities	$15,732 thousand	¥1,740 million
Other	$965 thousand	¥106 million
Total	$89,265 thousand	¥9,875 million
Goodwill [after revision]	$12,356,594 thousand	¥1,367,010 million

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

An acquirer, SEI Speedway Holdings, LLC and its parent company, 7-Eleven, Inc., a subsidiary of the Company, adopts U.S. GAAP and has applied ASU 2015-16. As ASU 2015-16 requires that an acquirer recognize adjustments to provisional acquisition accounting that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, adjustments of the purchase price allocation are not reflected in comparative information.
These adjustments did not have a significant impact on the Company's operating income and income before income taxes for the fiscal year ended February 28, 2023.

26. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2021, 2022 and 2023
No items required to report.

27. REVENUE RECOGNITION

(1) Information on disaggregated revenue arising from contracts with customers

Information on disaggregated revenue arising from contracts with customers is as follows:

Fiscal year ended February 28, 2023

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 (a)	Operating revenues from outside customers
Japan	¥885,358	¥–	¥1,404,763	¥456,708	¥111,953	¥8,775	¥2,867,559	¥561	¥2,868,120
North America	–	8,578,330	–	–	9,054	–	8,587,384	–	8,587,384
Others	–	27,660	37,435	919	4,797	–	70,813	–	70,813
Revenue arising from contracts with customers	¥885,358	¥8,605,990	¥1,442,199	¥457,627	¥125,805	¥8,775	¥11,525,756	¥561	¥11,526,318
Other revenues(b)	¥2,858	¥237,375	¥2,428	¥2,936	¥39,092	¥292	¥284,984	¥–	¥284,984
Operating revenues from outside customers	¥888,216	¥8,843,366	¥1,444,627	¥460,564	¥164,898	¥9,068	¥11,810,741	¥561	¥11,811,303

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 (a)	Operating revenues from outside customers
Japan	$6,509,985	$–	$10,329,139	$3,358,147	$823,183	$64,522	$21,084,992	$4,125	$21,089,117
North America	–	63,075,955	–	–	66,573	–	63,142,529	–	63,142,529
Others	–	203,382	275,257	6,757	35,272	–	520,683	–	520,683
Revenue arising from contracts with customers	$6,509,985	$63,279,338	$10,604,404	$3,364,904	$925,036	$64,522	$84,748,205	$4,125	$84,752,338
Other revenues(b)	$21,014	$1,745,404	$17,852	$21,588	$287,441	$2,147	$2,095,470	$–	$2,095,470
Operating revenues from outside customers	$6,531,000	$65,024,750	$10,622,257	$3,386,500	$1,212,485	$66,676	$86,843,683	$4,125	$86,847,816

Notes:

(a) "Adjustments" present for operating revenues that do not belong to reportable segments.

(b) "Other revenues" include income recognized based on ASU 2016-02, Leases (Topic842), real estate rental income based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) and financial income based on "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

(2) Information on the basis for understanding revenue arising from contracts with customers

Information on the basis of understanding revenue arising from contracts with customers is stated in Note 2. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (13) Revenue recognition."

(3) Information for understanding the amounts reported for the current and future fiscal years

(a) Balances of receivables, contract assets, and contract liabilities arising from contracts with customers

The amounts of receivables, contract assets, and contract liabilities arising from contracts with customers are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	March 1, 2022	February 28, 2023	February 28, 2023
Receivables arising from contracts with customers			
Notes receivable	¥64	¥66	$485
Accounts receivable	364,705	421,179	3,096,904
Others	91,622	133,351	980,522
Contract assets	¥488	¥531	$3,904
Contract liabilities	¥175,882	¥211,356	$1,554,088

Contract assets mainly relate to the consideration for services under the contracts whose performance obligations are satisfied over time, for which revenue was recognized but billing was yet to be made. Contract assets are reclassified as trade receivables when the Group's right to payment becomes unconditional and the billing is made. Contract assets are included in "Notes and accounts receivable, trade and contract assets” in the consolidated balance sheets.

The amount of contract liabilities mainly comprises the balances of gift certificates issued by the Company, electronic money, points granted to customers, and expenses for the preparation for business commencement to be received from franchised stores for which the performance obligations are yet to be fulfilled as of the end of the fiscal year. Contract liabilities arising from electronic money, gift certificates, and points are reversed based on their usage. Contract liabilities arising from expenses for the preparation for business commencement to be received from franchised stores are reversed as revenue is recognized by the passage of time.

Of the revenues recognized, the amount of revenues included in and recognized on the balance of contract liabilities at the beginning of the current fiscal year was ¥106,992 million ($786,705 thousand). The amount of revenues recognized in the performance obligations that were fulfilled in past fiscal years was immaterial.

(b) Transaction prices allocated to the remaining performance obligations

The total amount of the transaction prices allocated to the remaining performance obligations was ¥254,914 million ($1,874,367 thousand) as of February 28, 2023. Revenues from the remaining performance obligations are expected to be recognized based on the usage of electronic money, gift certificates, and points. Revenues from the remaining performance obligations for fixed rents for tenants and expenses for the preparation for business commencement received from franchised stores are expected to be recognized over time and within approximately 15 years.

The above does not include transactions with the originally expected contract period of one year or less and variable consideration such as sales-based or usage-based royalties. The sales-based or usage-based royalties are mainly the royalties received from franchised stores. The remaining contract period is different for each contract and ranges from one to 15 years.

28. SEGMENT INFORMATION

(1) Overview of reportable segments

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

Under the holding company structure, the Company has classified its consolidated subsidiaries into 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 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 entities 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 entities 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

Fiscal year ended February 28, 2023

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	¥888,216	¥8,843,366	¥1,444,627	¥460,564	¥164,898	¥9,068	¥11,810,741	¥561	¥11,811,303
Intersegment	2,077	2,797	4,537	3,174	29,397	16,976	58,960	(58,960)	–
Total revenues	¥890,293	¥8,846,163	¥1,449,165	¥463,739	¥194,295	¥26,044	¥11,869,702	¥(58,398)	11,811,303
Segment income (loss)	¥232,033	¥289,703	¥12,107	¥3,434	¥37,140	¥(466)	¥573,953	¥(67,432)	¥506,521
Segment assets	¥1,204,038	¥5,764,895	¥983,632	¥526,288	¥1,905,942	¥39,473	¥10,424,270	¥126,685	¥10,550,956
Segment liabilities (interest-bearing debt)	¥–	¥1,703,683	¥–	¥152,299	¥279,839	¥–	¥2,135,823	¥839,974	¥2,975,797
Other items:									
Depreciation	¥85,553	¥192,968	¥35,389	¥14,034	¥32,227	¥950	¥361,124	¥14,973	¥376,097
Amortization of goodwill	¥–	¥108,756	¥3,098	¥462	¥381	¥–	¥112,700	¥–	¥112,700
Investment in entities accounted for using the equity method	¥9,801	¥8,072	¥7,721	¥12,059	¥933	¥4,217	¥42,806	¥–	¥42,806
Impairment loss	¥8,918	¥9,816	¥15,589	¥13,331	¥78	¥92	¥47,826	¥1,124	¥48,950
Net increase in property and equipment, and intangible assets	¥88,873	¥188,641	¥51,921	¥17,360	¥30,851	¥468	¥378,115	¥38,250	¥416,366

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	$6,531,000	$65,024,750	$10,622,257	$3,386,500	$1,212,485	$66,676	$86,843,683	$4,125	$86,847,816
Intersegment	15,272	20,566	33,360	23,338	216,154	124,823	433,529	(433,529)	–
Total revenues	$6,546,272	$65,045,316	$10,655,625	$3,409,845	$1,428,639	$191,500	$87,277,220	$(429,397)	$86,847,816
Segment income (loss)	$1,706,125	$2,130,169	$89,022	$25,250	$273,088	$(3,426)	$4,220,242	$(495,823)	$3,724,419
Segment assets	$8,853,220	$42,388,933	$7,232,588	$3,869,764	$14,014,279	$290,242	$76,649,044	$931,507	$77,580,558
Segment liabilities (interest-bearing debt)	$–	$12,527,080	$–	$1,119,845	$2,057,639	$–	$15,704,580	$6,176,279	$21,880,860
Other items:									
Depreciation	$629,066	$1,418,882	$260,213	$103,191	$236,963	$6,985	$2,655,323	$110,095	$2,765,419
Amortization of goodwill	$–	$799,676	$22,779	$3,397	$2,801	$–	$828,676	$–	$828,676
Investment in entities accounted for using the equity method	$72,066	$59,352	$56,772	$88,669	$6,860	$31,007	$314,750	$–	$314,750
Impairment loss	$65,573	$72,176	$114,625	$98,022	$573	$676	$351,661	$8,264	$359,926
Net increase in property and equipment, and intangible assets	$653,477	$1,387,066	$381,772	$127,647	$226,845	$3,441	$2,780,257	$281,250	$3,061,514

Notes:

1. The adjustments of ¥(25,779) million, ¥(43,681) million and ¥(67,432) million ($(495,823) thousand) for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2021, 2022 and 2023, respectively.
2. The adjustments of ¥55,996 million, ¥177,506 million and ¥126,685 million ($931,507 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2021, 2022 and 2023, respectively.
3. The adjustments of ¥1,008,917 million, ¥940,974 million and ¥839,974 million ($6,176,279 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2021,

2022 and 2023, respectively. The amount of each segment liability does not include intersegment transactions.

4. The adjustment of ¥8,865 million and ¥14,973 million ($110,095 thousand) for depreciation is the depreciation of corporate assets for the fiscal years ended February 28, 2022 and 2023, respectively.
5. The adjustment of ¥44,438 million and ¥38,250 million ($281,250 thousand) for net increase in property and equipment, and intangible assets is eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2022 and 2023, respectively.
6. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.
7. ¥3,879 million, ¥1,365 million and ¥5,530 million ($40,661 thousand) out of "Impairment loss" in the tables above are included in "Restructuring expenses" in the consolidated statements of income for the fiscal years ended February 28, 2021, 2022 and 2023, respectively.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated in Note 2. "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (26) Changes in accounting policies," because the Company began applying the Accounting Standard for Revenue Recognition, etc. at the beginning of the fiscal year and changed its accounting methods for revenue recognition accordingly, the method of calculating income or loss for operating segments has also been changed.

As a result of this change, compared with the previous method, for the fiscal year, revenues from operations in "Domestic convenience store operations" decreased by ¥31,024 million ($228,117 thousand), and segment income increased by ¥395 million ($2,904 thousand); revenues from operations in "Superstore operations" decreased by ¥326,720 million ($2,402,352 thousand), and segment income decreased by ¥548 million ($4,029 thousand); revenues from operations in "Department and specialty store operations" decreased by ¥316,699 million ($2,328,669 thousand), and segment income increased by ¥58 million ($426 thousand); revenues from operations in "Financial services" decreased by ¥12,639 million ($92,933 thousand), and segment income increased by ¥838 million ($6,161 thousand); and the impact on "Others" was negligible. There was no impact on revenues from operations or segment income in "Overseas convenience store operations."

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

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

Millions of yen

Fiscal year ended February 28, 2023	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥2,915,035	¥8,824,367	¥71,900	¥11,811,303	¥–	¥11,811,303
Intersegment	15,676	532	90	16,299	(16,299)	–
Total revenues	¥2,930,711	¥8,824,900	¥71,990	¥11,827,602	¥(16,299)	¥11,811,303
Operating income (loss)	¥235,110	¥287,265	¥(1,355)	¥521,021	¥(14,499)	¥506,521

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2023	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$21,434,080	$64,885,051	$528,676	$86,847,816	$–	$86,847,816
Intersegment	115,264	3,911	661	119,845	(119,845)	–
Total revenues	$21,549,345	$64,888,970	$529,338	$86,967,661	$(119,845)	$86,847,816
Operating income (loss)	$1,728,750	$2,112,242	$(9,963)	$3,831,036	$(106,610)	$3,724,419

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

Related Information
Fiscal years ended February 28, 2021, 2022 and 2023

1. Information on products and services
Information is omitted since it is described in the segment information.

2. Information by region
(1) Revenues from operations

Fiscal year ended February 28, 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

Fiscal year ended February 28, 2023

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥2,915,035	¥8,824,367 [¥8,461,448]	¥71,900	¥11,811,303

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$21,434,080	$64,885,051 [$62,216,529]	$528,676	$86,847,816

(2) Property and equipment

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

Fiscal year ended February 28, 2023

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,432,104	¥2,869,010 [¥2,781,997]	¥40,634	¥4,341,750

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$10,530,176	$21,095,661 [$20,455,860]	$298,779	$31,924,632

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

	Reportable segment								
Fiscal year ended February 28, 2021	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

	Reportable segment								
Fiscal year ended February 28, 2022	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

									Millions of yen
	Reportable segment								
Fiscal year ended February 28, 2023	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	¥–	¥108,756	¥3,098	¥462	¥381	¥–	¥112,700	¥–	¥112,700
Balance at the end of year	2,529	1,894,266	10,929	1,960	3,331	–	1,913,017	–	1,913,017
Negative goodwill									
Amortization	–	–	23	4	–	–	27	–	27
Balance at the end of year	–	–	–	–	–	–	–	–	–

									Thousands of U.S. dollars (Note 3)
	Reportable segment								
Fiscal year ended February 28, 2023	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	$–	$799,676	$22,779	$3,397	$2,801	$–	$828,676	$–	$828,676
Balance at the end of year	18,595	13,928,426	80,360	14,411	24,492	–	14,066,301	–	14,066,301
Negative goodwill									
Amortization	–	–	169	29	–	–	198	–	198
Balance at the end of year	–	–	–	–	–	–	–	–	–

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

29. SUBSEQUENT EVENTS

(1) Cash dividend
Subsequent to February 28, 2023, the Company's Board of Directors declared a year-end cash dividend of ¥56,172 million ($413,029 thousand) to be payable on May 26, 2023 to shareholders on record as of February 28, 2023. The amount of cash dividends includes ¥86 million ($632 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust. The dividend per share of ¥63.50 ($0.46) includes a commemorative dividend of ¥10 ($0.07) per share for the 50th anniversary of the establishment of SEVEN-ELEVEN JAPAN CO., LTD.

The dividend declared was approved by the shareholders at the meeting held on May 25, 2023.

(2) Changes in classification of reportable segments

At the meeting of the Board of Directors held on April 6, 2023, the Company resolved to change the classification of operating segments. The details of the changes in the segment classification due to this change are as follows:
1. "Department and specialty store operations" is classified as "Others" operating segment.
2. A part of the "Superstore operations" (Peace Deli Co., Ltd.) is classified as "Others" operating segment as a group functional company.

Based on the revised segment classification, revenues from operations and segment income or loss by reportable segments in the fiscal year ended February 28, 2023 would be as follows:

Fiscal year ended February 28, 2023
Information on revenues from operations and income (loss) by reportable segments

Millions of yen

	Reportable segment				Others	Total	Adjustments[a]	Consolidated total[b]
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Revenues from operations:								
Customers	¥888,216	¥8,843,366	¥1,444,627	¥164,898	¥469,632	¥11,810,741	¥561	¥11,811,303
Intersegment	2,077	2,797	4,538	29,397	18,671	57,482	(57,482)	–
Total revenues	¥890,293	¥8,846,163	¥1,449,165	¥194,295	¥488,304	¥11,868,223	¥(56,920)	¥11,811,303
Segment income (loss)	¥232,033	¥289,703	¥12,395	¥37,140	¥2,593	¥573,865	¥(67,344)	¥506,521

Thousands of U.S. dollars (Note 3)

	Reportable segment				Others	Total	Adjustments[a]	Consolidated total[b]
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Revenues from operations:								
Customers	$6,531,000	$65,024,750	$10,622,257	$1,212,485	$3,453,176	$86,843,683	$4,125	$86,847,816
Intersegment	15,272	20,566	33,367	216,154	137,286	422,661	(422,661)	–
Total revenues	$6,546,272	$65,045,316	$10,655,625	$1,428,639	$3,590,470	$87,266,345	$(418,529)	$86,847,816
Segment income (loss)	$1,706,125	$2,130,169	$91,139	$273,088	$19,066	$4,219,595	$(495,176)	$3,724,419

Notes:

(a) The adjustments of ¥(67,344) million ($(495,176) thousand) for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.

(b) Segment income (loss) is reconciled with the operating income in the consolidated statements of income.

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, 2023, February 28, 2022 and February 28 2021, 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, 2023, February 28, 2022 and February 28 2021 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.

Appropriateness of the Company’s judgment as to whether an impairment loss should be recognized on long-lived assets of Ito-Yokado and Sogo & Seibu	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheets of Seven & i Holdings Co., Ltd. (the “Company”), property and equipment of ¥4,341,750 million and intangible assets of ¥2,364,673 million were recorded for the current fiscal year. As described in Note 4, “SIGNIFICANT ACCOUNTING ESTIMATES,” included therein were property and equipment of ¥318,474 million and intangible assets of ¥22,316 million related to Ito-Yokado Co., Ltd. ("Ito-Yokado") in the Superstore operations segment, as well as property and equipment of ¥196,339 million and intangible assets of ¥71,241 million related to Sogo & Seibu Co., Ltd. ("Sogo & Seibu") in the Department and specialty store operations segment. In addition, impairment losses of ¥10,559 million and ¥11,047 million were recorded for Ito-Yokado stores and Sogo & Seibu stores, respectively in the current consolidated fiscal year. At Ito-Yokado and Sogo & Seibu, the smallest identifiable group of assets that generates independent cash flows is mainly each store.	In order to assess the appropriateness of the Company’s judgment as to whether an impairment loss should be recognized 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 of the Company’s internal controls relevant to the Company’s judgment as to whether an impairment loss should be recognized on long-lived assets. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of inappropriate assumptions as key assumptions, particularly for sales growth rates, gross margin ratios and expected changes in costs included in the future plans. **(2) Assessment of the reasonableness of the estimated undiscounted future cash flows** In order to assess the appropriateness of key assumptions used as the basis for the estimated undiscounted future cash flows, we inquired of

Whenever there is an indication of impairment for long-lived assets of any store of each company, they need to be tested for impairment by comparing the undiscounted future cash flows that are expected to be generated from the long-lived assets with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss. Ito-Yokado and Sogo & Seibu operate a superstore business and department store business, respectively. Due to the nature of their business, the carrying amount of long-lived assets per store tends to be relatively large. During the current fiscal year, both companies determined whether an impairment loss should be recognized, as they considered there was an indication of impairment for the following stores: ・ stores with continuous operating losses; ・ stores with long-lived assets whose market value has declined significantly; and ・ stores that have been determined to be closed. Ito-Yokado has been closing unprofitable stores, optimizing workforce, and productivity improvement initiatives such as IT utilization. However, there were indications of impairment for multiple stores for the current fiscal year, due to a significant impact from changes in the external environment such as soaring raw material prices and energy costs. Although Sogo & Seibu recorded operating income for the current fiscal year, there were indications of impairment for several stores for the current fiscal year, due to a significant impact from changes in the external environment, such as soaring product purchase prices and energy costs. The Company has resolved to enter into an agreement to transfer all of the issued shares of Sogo and Seibu held by the Company to a third party. 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. In the undiscounted future cash flows, key assumptions such as sales growth rates, gross margin ratios, and expected changes in costs are included. As these future outlooks involved uncertainty, management's judgment thereon had a significant impact on the estimated undiscounted future cash flows. In addition, some stores used the real estate appraisal values calculated by real estate appraisers as their net realizable value, which included expert judgment.	management regarding the rationale for these assumptions. In addition, we: ・ evaluated the accuracy of management's estimates by comparing the previous years' business plans with actual results; ・ assessed the reasonableness of the estimated sales growth rates by discussing with management, assessing the consistency with the data published by external organizations, inspecting the details of the measures to attract customers, and comparing their effect with the effect of similar measures taken in the past; ・ compared the gross margin ratios with the expected changes in the sales mix, and assessed the reasonableness of the estimates for the effect of the Company's measures based on the actual results of similar measures taken in the past; ・ assessed the reasonableness of the estimates of the expected changes in costs by assessing the consistency with the actual results of similar measures taken in the past and the data published by external organizations and comparing them with historical performance; and ・ involved a valuation specialist within our firms to assist in our assessment of the reasonableness of the conditions for the real estate appraisal value obtained from the external specialist by the Company, the valuation model used, and the decision-making process to arrive at a decision on the real estate appraisal value.

We, therefore, determined that the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on long-lived assets of Ito-Yokado and Sogo & Seibu was the most significant matter in the audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	

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

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

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

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

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

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

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

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

and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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, 2023 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 26, 2023

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.