CONSOLIDATED FINANCIAL SUMMARY

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025

			Millions of yen	Thousands of U.S. dollars (Note A)
	2023	2024	2025	2025
For the fiscal year:				
Revenues from operations	¥11,811,303	¥11,471,753	¥11,972,762	$79,818,413
Operating income	506,521	534,248	420,991	2,806,606
Income before income taxes	402,761	277,007	269,351	1,795,673
Net income attributable to owners of parent	280,976	224,623	173,068	1,153,786
Capital expenditures (Note B)	431,961	473,770	552,778	3,685,186
Depreciation and amortization (Note C)	376,097	400,789	436,593	2,910,620
At fiscal year-end:				
Total assets	¥10,550,956	¥10,592,117	¥11,386,111	$75,907,406
Cash and cash equivalents	1,674,787	1,562,493	1,349,820	8,998,800
Total current assets	3,060,653	3,035,666	2,823,782	18,825,213
Total current liabilities	3,265,089	3,073,252	3,316,615	22,110,766
Long-term debt	3,165,712	3,112,961	3,245,543	21,636,953
Total net assets	3,648,161	3,900,624	4,217,445	28,116,300

			Yen	U.S. dollars (Note A)
	2023	2024	2025	2025
Per share data:				
Net income per share (basic) (Note D)	¥106.05	¥84.88	¥66.62	$0.44
Net income per share (diluted)(Note D)	106.04	84.87	66.61	0.44
Cash dividends(Note E)	113.00	113.00	40.00	0.26
Financial ratios:				
Operating income ratio (Note F)	4.3%	4.7%	3.5%	3.5%
Ratio of net income attributable to owners of parent (to net sales) (Note F)	2.4%	2.0%	1.4%	1.4%
ROE	8.7%	6.2%	4.5%	4.5%
ROA	2.7%	2.1%	1.5%	1.5%

Notes (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥150=U.S.$1, the approximate rate of exchange prevailing on February 28, 2025.

(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) The Company conducted a 3-for-1 common share split on March 1, 2024.

Net income per share (basic) and (diluted) are calculated as if the share split had occurred at the beginning of the fiscal year ended February 28, 2023.

(E) The year-end cash dividend for the fiscal year ended February 28, 2025 is proposed and to be approved at the annual shareholders’ meeting planned to be held on May 27, 2025.

(F) 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, 2023, February 29, 2024 and February 28, 2025

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
ASSETS				
Current assets:				
Cash and cash equivalents (Note 5)	¥1,674,787	¥1,562,493	¥1,349,820	$8,998,800
Notes and accounts receivable:				
Trade and contract assets (Notes 5 and 26)	422,635	464,159	441,630	2,944,200
Financial services	93,490	100,645	111,029	740,193
Franchisees and other	305,892	326,544	305,236	2,034,906
Allowance for doubtful accounts (Note 5)	(10,356)	(11,491)	(14,905)	(99,366)
	811,662	879,859	842,992	5,619,946
Inventories	282,380	285,872	315,787	2,105,246
ATM-related temporary payments	102,755	99,351	118,172	787,813
Prepaid expenses and other current assets (Note 5)	189,069	208,089	197,010	1,313,400
Total current assets	3,060,653	3,035,666	2,823,782	18,825,213
Property and equipment, at cost (Notes 8, 9, 14 and 19)	7,072,747	7,257,986	8,368,984	55,793,226
Less: Accumulated depreciation	(2,730,997)	(2,895,485)	(3,387,686)	(22,584,573)
	4,341,750	4,362,500	4,981,298	33,208,653
Intangible assets:				
Goodwill	1,913,017	1,928,916	2,264,441	15,096,273
Software and other (Notes 9 and 14)	451,655	427,662	446,940	2,979,600
	2,364,673	2,356,578	2,711,382	18,075,880
Investments and other assets:				
Investments in securities (Notes 5, 6 and 19)	243,215	277,526	321,086	2,140,573
Long-term loans receivable	14,903	14,488	14,295	95,300
Long-term leasehold deposits (Notes 5 and 19)	321,945	278,642	264,136	1,760,906
Net defined benefit asset (Note 12)	87,088	116,852	126,974	846,493
Deferred income taxes (Note 11)	57,186	92,015	75,058	500,386
Other	62,504	60,279	69,772	465,146
Allowance for doubtful accounts (Note 5)	(2,965)	(2,432)	(1,675)	(11,166)
	783,878	837,372	869,648	5,797,653
Total assets	¥10,550,956	¥10,592,117	¥11,386,111	$75,907,406

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
LIABILITIES AND NET ASSETS				
Current liabilities:				
Short-term loans (Notes 5 and 13)	¥143,568	¥84,882	¥172,497	$1,149,980
Current portion of long-term debt (Notes 5, 13 and 19)	501,429	472,569	500,128	3,334,186
Current portion of long-term lease obligations (Note 14)	121,472	132,392	180,624	1,204,160
Notes and accounts payable:				
Trade (Notes 5 and 7)	352,369	334,121	328,748	2,191,653
Trade for franchised stores (Notes 5 and 20)	183,803	194,033	190,748	1,271,653
Other	224,613	264,602	239,810	1,598,733
	760,786	792,757	759,308	5,062,053
Contract liabilities (Note 26)	211,356	188,890	178,031	1,186,873
Accrued expenses	274,563	264,862	282,395	1,882,633
Income taxes payable (Note 11)	25,549	18,389	36,003	240,020
Deposits received	165,501	140,845	146,967	979,780
ATM-related temporary advances	61,772	60,880	73,388	489,253
Deposits received in banking business (Note 5)	810,139	803,763	813,388	5,422,586
Call money	110,000	40,000	100,000	666,666
Allowance for restructuring expenses	2,208	15,989	2,626	17,506
Allowance for bonuses to employees	14,389	13,870	14,249	94,993
Allowance for sales promotion expenses	1,104	773	815	5,433
Allowance for loss on business of subsidiaries and associates	–	–	18,235	121,566
Other (Notes 5,11 and 15)	61,246	42,385	37,956	253,040
Total current liabilities	3,265,089	3,073,252	3,316,615	22,110,766
Long-term debt (Notes 5, 7, 13 and 19)	2,330,799	2,181,202	2,022,104	13,480,693
Long-term lease obligations (Note 14)	834,913	931,759	1,223,438	8,156,253
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	526	459	439	2,926
Allowance for stock payments	4,555	4,707	4,947	32,980
Net defined benefit liability (Note 12)	13,584	16,323	16,313	108,753
Deferred income taxes (Note 11)	184,242	220,658	239,401	1,596,006
Deposits received from tenants and franchised stores (Note 5)	50,322	45,025	44,178	294,520
Asset retirement obligations (Note 15)	155,137	163,328	235,024	1,566,826
Other liabilities	63,623	54,776	66,201	441,340
Total liabilities	6,902,794	6,691,492	7,168,665	47,791,100
Commitments and contingent liabilities (Note 19)				
Net assets (Note 17):				
Shareholders' equity:				
Common stock, authorized 10,000,000,000 shares, issued 2,659,325,949 shares in 2023, 2,633,226,549 shares in 2024 and 2,604,555,849 shares in 2025	50,000	50,000	50,000	333,333
Capital surplus	408,926	351,851	293,455	1,956,366
Retained earnings	2,532,491	2,650,575	2,722,170	18,147,800
Treasury stock, at cost, 9,651,813 shares in 2023, 10,312,992 shares in 2024 and 9,723,478 shares in 2025	(9,873)	(16,368)	(17,108)	(114,053)
	2,981,545	3,036,059	3,048,517	20,323,446
Accumulated other comprehensive income:				
Unrealized gains on available-for-sale securities, net of taxes (Note 6)	34,823	46,116	51,770	345,133
Unrealized gains on hedging derivatives, net of taxes	4,799	4,823	5,035	33,566
Foreign currency translation adjustments	444,478	608,057	901,059	6,007,060
Remeasurements of defined benefit plans	8,899	21,466	23,827	158,846
Total accumulated other comprehensive income	493,001	680,464	981,693	6,544,620
Subscription rights to shares (Note 18)	49	60	80	533
Non-controlling interests	173,565	184,041	187,154	1,247,693
Total net assets	3,648,161	3,900,624	4,217,445	28,116,300
Total liabilities and net assets	¥10,550,956	¥10,592,117	¥11,386,111	$75,907,406

The accompanying notes are an integral part of these financial statements.
The Company conducted a 3-for-1 common share split on March 1, 2024. The number of shares of common stock and treasury stock are represented as if the share split had occurred at the beginning of the fiscal year ended February 28, 2023.

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Revenues from operations (Note 26):				
Net sales	¥10,265,151	¥9,850,470	¥10,342,323	$68,948,820
Operating revenues (Note 21)	1,546,151	1,621,283	1,630,439	10,869,593
	11,811,303	11,471,753	11,972,762	79,818,413
Costs and expenses:				
Cost of sales	8,503,617	8,060,919	8,485,841	56,572,273
Selling, general and administrative expenses (Notes 12, 14, 18 and 21)	2,801,164	2,876,585	3,065,929	20,439,526
	11,304,781	10,937,505	11,551,771	77,011,806
Operating income	506,521	534,248	420,991	2,806,606
Other income (expenses):				
Interest and dividend income	7,317	13,719	12,249	81,660
Interest expenses and interest on bonds	(36,384)	(43,120)	(61,382)	(409,213)
Equity in earnings (losses) of affiliates	2,506	3,711	(450)	(3,000)
Gain on valuation of investments in securities	1,920	146	7,632	50,880
Impairment loss (Note 9)	(43,420)	(43,010)	(98,260)	(655,066)
Gain on sales of property and equipment (Note 21)	9,116	11,027	91,933	612,886
Gain on sales of property and equipment related to restructuring (Notes 21 and 23)	–	–	3,118	20,786
Gain on sales of investments in securities	272	2,867	11,807	78,713
Insurance income	174	492	4,623	30,820
Loss on disposals of property and equipment (Note 21)	(14,038)	(15,590)	(23,165)	(154,433)
Loss on transfer of department stores (Note 24)	–	(129,618)	–	–
Restructuring expenses (Notes 9, 21 and 23)	(10,298)	(28,858)	(25,605)	(170,700)
Loss on transfer of subsidiary	–	(4,866)	(4,782)	(31,880)
Loss on business of subsidiaries and associates (Notes 9 and 22)	–	–	(46,416)	(309,440)
Other, net (Notes 6 and 21)	(20,926)	(24,141)	(22,941)	(152,940)
	(103,759)	(257,241)	(151,639)	(1,010,926)
Income before income taxes	402,761	277,007	269,351	1,795,673
Income taxes (Note 11):				
Current	71,881	63,116	80,171	534,473
Deferred	38,710	(21,313)	6,160	41,066
	110,591	41,803	86,331	575,540
Net income	292,169	235,203	183,020	1,220,133
Net income attributable to non-controlling interests	11,193	10,580	9,952	66,346
Net income attributable to owners of parent	¥280,976	¥224,623	¥173,068	$1,153,786

	Yen			U.S. dollars (Note 3)
	2023	2024	2025	2025
Per share information:				
Net income per share (Basic)	¥106.05	¥84.88	¥66.62	$0.44
Net income per share (Diluted)	106.04	84.87	66.61	0.44
Cash dividends*	113.00	113.00	40.00	0.26

The accompanying notes are an integral part of these financial statements.
The Company conducted a 3-for-1 common share split on March 1, 2024. Net income per share (Basic) and (Diluted) are calculated as if the share split had occurred at the beginning of the fiscal year ended February 28, 2023.
The year-end cash dividend for the fiscal year ended February 28, 2025 is proposed and to be approved at the annual shareholders' meeting planned to be held on May 27, 2025.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Seven & i Holdings Co., Ltd. for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Net income	¥292,169	¥235,203	¥183,020	$1,220,133
Other comprehensive income (Note 16):				
Unrealized (losses) gains on available-for-sale securities, net of taxes	(2,962)	11,212	5,618	37,453
Unrealized gains on hedging derivatives, net of taxes	532	19	697	4,646
Foreign currency translation adjustments	288,056	165,163	294,534	1,963,560
Remeasurements of defined benefit plans	(5,113)	12,845	2,416	16,106
Share of other comprehensive income (loss) of entities accounted for using equity method	203	(133)	70	466
Total other comprehensive income	280,717	189,107	303,336	2,022,240
Comprehensive income	¥572,887	¥424,311	¥486,357	$3,242,380
Comprehensive income attributable to:				
Owners of parent	¥560,539	¥412,085	¥474,298	$3,161,986
Non-controlling interests	12,347	12,225	12,059	80,393

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, 2023, February 29, 2024 and February 28, 2025

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 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 March 1, 2023	¥50,000	¥408,926	¥2,532,491	¥(9,873)	¥34,823	¥4,799	¥444,478	¥8,899	¥49	¥173,565	¥3,648,161
Net income attributable to owners of parent			224,623								224,623
Cash dividends			(106,152)								(106,152)
Purchase of treasury stock				(52,393)							(52,393)
Disposal of treasury stock		0		489							489
Cancellation of treasury stock		(45,408)		45,408							—
Other		(11,666)	(387)	1							(12,052)
Net changes of items other than shareholders' equity					11,292	23	163,578	12,567	10	10,475	197,949
Net increase (decrease) for the year	—	(57,074)	118,083	(6,494)	11,292	23	163,578	12,567	10	10,475	252,462
Balance at March 1, 2024	¥50,000	¥351,851	¥2,650,575	¥(16,368)	¥46,116	¥4,823	¥608,057	¥21,466	¥60	¥184,041	¥3,900,624
Net income attributable to owners of parent			173,068								173,068
Cash dividends			(101,469)								(101,469)
Purchase of treasury stock				(59,643)							(59,643)
Disposal of treasury stock		0		840							840
Cancellation of treasury stock		(58,062)		58,062							—
Other		(333)	(3)	(0)							(337)
Net changes of items other than shareholders' equity					5,654	211	293,002	2,361	19	3,112	304,362
Net increase (decrease) for the year	—	(58,396)	71,595	(740)	5,654	211	293,002	2,361	19	3,112	316,821
Balance at February 28, 2025	¥50,000	¥293,455	¥2,722,170	¥(17,108)	¥51,770	¥5,035	¥901,059	¥23,827	¥80	¥187,154	¥4,217,445

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2024	$333,333	$2,345,673	$17,670,500	$(109,120)	$307,440	$32,153	$4,053,713	$143,106	$400	$1,226,940	$26,004,160
Net income attributable to owners of parent			1,153,786								1,153,786
Cash dividends			(676,460)								(676,460)
Purchase of treasury stock				(397,620)							(397,620)
Disposal of treasury stock		0		5,600							5,600
Cancellation of treasury stock		(387,080)		387,080							—
Other		(2,220)	(20)	(0)							(2,246)
Net changes of items other than shareholders' equity					37,693	1,406	1,953,346	15,740	126	20,746	2,029,080
Net increase (decrease) for the year	—	(389,306)	477,300	(4,933)	37,693	1,406	1,953,346	15,740	126	20,746	2,112,140
Balance at February 28, 2025	$333,333	$1,956,366	$18,147,800	$(114,053)	$345,133	$33,566	$6,007,060	$158,846	$533	$1,247,693	$28,116,300

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, 2023, February 29, 2024 and February 28, 2025

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Cash flows from operating activities:				
Income before income taxes	¥402,761	¥277,007	¥269,351	$1,795,673
Depreciation and amortization	376,097	400,789	436,593	2,910,620
Impairment loss	48,950	57,079	143,993	959,953
Amortization of goodwill	112,700	119,912	138,209	921,393
Increase in allowance for bonuses to employees	515	472	766	5,106
Increase in net defined benefit asset	(8,993)	(8,195)	(9,806)	(65,373)
Interest and dividend income	(7,317)	(13,719)	(12,249)	(81,660)
Interest expenses and interest on bonds	36,384	43,120	61,382	409,213
Equity in (earnings) losses of affiliates	(2,506)	(3,711)	450	3,000
Insurance income	(174)	(492)	(4,623)	(30,820)
Gain on sales of property and equipment	(9,116)	(11,027)	(95,052)	(633,680)
Loss on disposals of property and equipment	14,110	15,590	24,744	164,960
Loss on transfer of department stores	–	129,618	–	–
Loss on transfer of subsidiary	–	4,866	4,782	31,880
Gain on sales of investments in securities	(272)	(2,867)	(11,723)	(78,153)
(Increase) decrease in notes and accounts receivable, trade	(44,022)	(50,033)	48,376	322,506
Increase in trade accounts receivable, financial services	(1,824)	(7,155)	(10,383)	(69,220)
(Increase) decrease in inventories	(12,111)	(5,984)	7,911	52,740
Increase (decrease) in notes and accounts payable, trade	25,183	5,587	(73,035)	(486,900)
(Decrease) increase in deposits received	(57,643)	(23,689)	6,197	41,313
Net decrease in bonds in banking business	–	(40,000)	(15,000)	(100,000)
Net increase (decrease) in deposits received in banking business	22,260	(6,376)	9,625	64,166
Net (increase) decrease in call loan in banking business	(23,000)	23,000	–	–
Net increase (decrease) in call money in banking business	110,000	(70,000)	60,000	400,000
Net (increase) decrease in ATM-related temporary accounts	(6,997)	2,626	(5,937)	(39,580)
Other	62,193	(66,580)	(26,729)	(178,193)
Subtotal	1,037,177	769,836	947,843	6,318,953
Interest and dividends received	5,967	12,646	11,399	75,993
Interest paid	(35,807)	(41,920)	(57,962)	(386,413)
Insurance income received	174	1,090	7,910	52,733
Proceeds from subsidies income	0	–	–	–
Income taxes paid	(96,856)	(87,527)	(51,628)	(344,186)
Income taxes refund	17,820	18,889	18,896	125,973
Net cash provided by operating activities	928,476	673,015	876,458	5,843,053

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Cash flows from investing activities:				
Acquisition of property and equipment (Note 10)	(305,217)	(337,439)	(430,866)	(2,872,440)
Proceeds from sales of property and equipment	20,221	24,317	130,005	866,700
Acquisition of intangible assets	(105,672)	(120,202)	(108,151)	(721,006)
Payment for purchase of investments in securities	(50,305)	(44,240)	(64,402)	(429,346)
Proceeds from sales of investments in securities	30,317	29,973	43,208	288,053
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 10)	(459)	(776)	(166,657)	(1,111,046)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation (Note 10)	938	36,036	2,603	17,353
Payment for sales of shares in subsidiaries resulting in change in scope of consolidation (Note 10)	–	(2,687)	(22,573)	(150,486)
Payment for long-term leasehold deposits	(13,125)	(17,026)	(8,847)	(58,980)
Refund of long-term leasehold deposits	20,588	18,046	25,645	170,966
Proceeds from deposits from tenants	2,577	2,093	3,715	24,766
Refund of deposits from tenants	(2,535)	(1,872)	(3,368)	(22,453)
Payment for acquisition of business (Note 10)	(224)	(2,187)	(109,675)	(731,166)
Payment for time deposits	(2,594)	(7,302)	(7,104)	(47,360)
Proceeds from withdrawal of time deposits	2,176	5,522	5,036	33,573
Other	(9,914)	(14,064)	(20,929)	(139,526)
Net cash used in investing activities	(413,229)	(431,809)	(732,363)	(4,882,420)
Cash flows from financing activities:				
Net increase in short-term loans	3,718	12,821	82,447	549,646
Proceeds from long-term debts	163,652	52,700	201,945	1,346,300
Repayment of long-term debts	(262,650)	(150,246)	(146,693)	(977,953)
Proceeds from issuance of bonds	–	220,000	–	–
Payment for redemption of bonds	(60,000)	(325,837)	(341,302)	(2,275,346)
Proceeds from share issuance to non-controlling shareholders	2,368	2,988	619	4,126
Purchase of treasury stock	(16)	(52,393)	(59,643)	(397,620)
Dividends paid	(89,762)	(106,092)	(101,408)	(676,053)
Dividends paid to non-controlling interests	(7,803)	(7,533)	(7,620)	(50,800)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(975)	(2,062)	(367)	(2,446)
Other	(18,904)	(21,409)	(20,625)	(137,500)
Net cash used in financing activities	(270,373)	(377,065)	(392,648)	(2,617,653)
Effect of exchange rate changes on cash and cash equivalents	15,023	23,566	35,879	239,193
Net increase (decrease) in cash and cash equivalents	259,897	(112,293)	(212,673)	(1,417,820)
Cash and cash equivalents at beginning of year	1,414,890	1,674,787	1,562,493	10,416,620
Cash and cash equivalents at end of year	¥1,674,787	¥1,562,493	¥1,349,820	$8,998,800

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 175 consolidated subsidiaries as of February 28, 2025 (160 as of February 29, 2024 and 165 as of February 28, 2023) which mainly include SEVEN-ELEVEN JAPAN CO., LTD., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd., and Seven Financial Service Co. Ltd.

Consolidated subsidiaries increased by 27
(Establishment)
YORK Holdings Co., Ltd. and Seven & i Energy Management Co., Ltd. and two other companies
(Acquisition of shares, and others)
CONVENIENCE HOLDINGS PTY LTD* and 22 other companies
*The acquisition of the shares of CONVENIENCE HOLDINGS PTY LTD, by the Company’s consolidated subsidiary 7-Eleven International LLC (“7IN”) was completed through the 7IN’s wholly-owned subsidiary, AR BidCo Pty Ltd.

Consolidated subsidiaries decreased by 12
Following the transfer of shares of Nissen Holdings Co., Ltd. held by Seven & i Net Media Co., Ltd., the Company’s wholly owned subsidiary, nine companies including Nissen Holdings Co., Ltd. subsidiaries were excluded from the scope of consolidation. In addition, one company was liquidated and one company had its shares transferred. Furthermore, one company was changed from a consolidated subsidiary to an equity-method affiliate following the transfer of shares.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the consolidated financial statements. All material transactions during the period from the closing date to the end of February are adjusted for the consolidation purpose.

The closing date of Seven Bank, Ltd., etc. is March 31. Financial statements based on a provisional settlement of accounts 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.

20 affiliates as of February 28, 2025 (20 affiliates as of February 29, 2024 and 24 affiliates as of February 28, 2023), which include Tenmaya Store Co., Ltd., DAIICHI CO., LTD. and PIA Corporation, are accounted for using the equity method.

During the current fiscal year, one company was newly established, and one company was changed from a consolidated subsidiary to an equity-method affiliate due to a transfer of shares. As a result, two companies became equity-method affiliates in total. Two companies were excluded from equity-method affiliate status due to the transfer of shares.

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 fair value 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 is amortized mainly over a period of 20 years on a straight-line basis, or recognized as income or expenses immediately if immaterial. Negative goodwill 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 consolidated 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 they are 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 some of its wholly-owned domestic subsidiaries have applied the Group Tax Sharing System from the fiscal year ended February 29, 2024. Accounting treatment and disclosure of income tax, local income tax, and tax effect accounting are in accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Issues Task Force ("PITF") No. 42, August 12, 2021).

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 loss on business of subsidiaries and associates

Allowance for loss on business of subsidiaries and associates is provided. The estimated amount is recorded in preparation for expenses or losses associated with withdrawal of online supermarket business.

(c) Allowance for restructuring expenses

Allowance for restructuring expenses is provided. The estimated amount is recorded for expenses or losses associated with business restructuring.

(d) 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.

(e) Allowance for bonuses to employees

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

(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. and York-Benimaru 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) 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 26. “REVENUE RECOGNITION, (3) (a) 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, 2023, February 29, 2024 and February 28, 2025 is ¥1,311.31, ¥1,416.94 and ¥1,553.17 ($10.35), respectively. Net income per share for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 is ¥106.05, ¥84.88 and ¥66.62 ($0.44), respectively. Diluted net income per share for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 is ¥106.04, ¥84.87 and ¥66.61 ($0.44), respectively. The Company conducted a 3-for-1 common share split on March 1, 2024. The owners’ equity (excluding non-controlling interests and subscription rights to shares) per share, net income per share, and diluted net income per share are calculated as if the share split had occurred at the beginning of the fiscal year ended February 28, 2023.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the fiscal year ended February 28, 2023.

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, 2023, February 29, 2024 and February 28, 2025 is as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Net income attributable to owners of parent	¥280,976	¥224,623	¥173,068	$1,153,786
Less components not pertaining to common shareholders	–	–	–	–
Net income pertaining to common shareholders	280,976	224,623	173,068	1,153,786
Weighted-average number of shares of common stock outstanding (shares)*	2,649,567,603	2,646,511,134	2,597,855,216	

* The Company conducted the 3-for-1 common share split on March 1, 2024. The weighted-average number of shares of common stock outstanding is calculated as if the share split had occurred at the beginning of the fiscal year ended February 28, 2023.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared as applicable to the respective fiscal year, whereas the year-end cash dividend for the fiscal year ended February 28, 2025 is proposed and to be approved at the annual shareholders’ meeting planned to be held on May 27, 2025.

(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) Accounting standards issued but not yet applied
(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 are under evaluation.

(Accounting Standard for Leases, etc.)
- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

(a) Overview
As part of its efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases, etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make it unnecessary to revise non-consolidated financial statements that apply IFRS 16 in the Accounting Standard for Leases, etc. Regarding the method for allocating the lease expenses in the lessee's accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

(b) Scheduled date of application
The above standard and guidance are scheduled to be applied from the beginning of the fiscal year ending February 28, 2029.

(c) Effects of application of the standards
The effects of the application on the consolidated financial statements have not yet been determined.

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

(23) Supplementary information

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

The accounting treatment of 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 ¥2,876 million and 753 thousand shares as of February 28, 2023, ¥4,357 million and 991 thousand shares as of February 29, 2024 and ¥3,842 million ($25,613 thousand) and 2,623 thousand shares as of February 28, 2025, respectively.

The Company implemented the share split with an effective date of March 1, 2024 whereby each share of common stock was split into three shares. The number of shares as of February 28, 2023 and February 29, 2024 stated above is the number of shares before the share split while the number of shares as of February 28, 2025 is after the share split.

(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 ¥2,322 million and 605 thousand shares as of February 28, 2023, ¥2,366 million and 585 thousand shares as of February 29, 2024, and ¥2,040 million ($13,600 thousand) and 1,514 thousand shares as of February 28, 2025, respectively.

The Company implemented the share split with an effective date of March 1, 2024 whereby each share of common stock was split into three shares. The number of shares as of February 28, 2023 and February 29, 2024 stated above is the number of shares before the share split while the number of shares as of February 28, 2025 is after the share split.

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 ¥150=US$1, the approximate rate of exchange prevailing as of February 28, 2025. 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, 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:

	Millions of yen		
Company Name	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥318,474	¥22,316	¥10,559
Sogo & Seibu Co., Ltd.	196,339	71,241	11,047

(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 expected changes in costs 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.

Fiscal year ended February 29, 2024:

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 GMS and food supermarkets. Of these, Ito-Yokado Co., Ltd., which is included in the Superstore operations segment, operates a superstore business.

Amounts recorded in the consolidated balance sheets and consolidated statements of income at Ito-Yokado Co., Ltd. are as follows:

As of and for the fiscal year ended February 29, 2024:

	Millions of yen		
Company Name	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥339,304	¥25,865	¥19,692

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

(a) Calculation method
At Ito-Yokado Co., Ltd. the smallest group of identifiable assets that generates independent cash flow is mainly each store. Ito-Yokado has been promoting its restructuring. However, there were indications of impairment for multiple stores for the current fiscal year, due to a significant impact of soaring costs related to strategic investment infrastructures, etc.

Whenever there is an indication of impairment for long-lived assets of a store, 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 expected changes in costs which involved uncertainty.

(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.

Fiscal year ended February 28, 2025:

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 GMS and food supermarkets. Of these, Ito-Yokado Co., Ltd., which is included in the Superstore operations segment, operates a superstore business.

Amounts recorded in the consolidated balance sheets and consolidated statements of income at Ito-Yokado Co., Ltd. are as follows:

As of and for the fiscal year ended February 28, 2025:

	Millions of yen			Thousands of U.S. dollars (Note 3)		
Company Name	Property and equipment	Intangible assets	Impairment loss	Property and equipment	Intangible assets	Impairment loss
Ito-Yokado Co., Ltd.	¥340,992	¥9,767	¥34,962	$2,273,280	$65,113	$233,080

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

(a) Calculation method

At Ito-Yokado Co., Ltd. the smallest group of identifiable assets that generates independent cash flow is mainly each store. Ito-Yokado has been promoting its restructuring. However, there were indications of impairment for multiple stores for the current fiscal year, due to a significant impact of rising prices and the fluctuation in exchange rates, etc.

Whenever there is an indication of impairment for long-lived assets of a store, 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 expected changes in costs which involved uncertainty.

(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.

5. FINANCIAL INSTRUMENTS

(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 this note.

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended February 29, 2024, and it has applied the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement, prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. There is no impact on the consolidated financial statements of the fiscal year ended February 29, 2024.

(1). Qualitative information on financial instruments

(a) 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.

(b) 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 manages 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 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, 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.

(c) 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

	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 not applied	¥(7)	¥(7)	¥–
To which hedge accounting is applied	27	27	–
Total derivative instruments	¥19	¥19	¥–

	Millions of yen		
	2024		
	Book value	Fair value	Difference
Notes and accounts receivable, trade and contract assets[(h)]	¥464,159		
Allowance for doubtful accounts[(a)]	(3,706)		
	460,452	¥464,603	¥4,150
Investments in securities	209,195	215,255	6,060
Long-term leasehold deposits[(b)]	284,296		
Allowance for doubtful accounts[(c)]	(199)		
	284,097	280,604	(3,492)
Total assets	¥953,745	¥960,463	¥6,718
Deposits received in banking business	¥803,763	¥803,781	¥18
Bonds[(d)]	1,690,624	1,523,189	(167,435)
Long-term loans[(e)]	963,146	945,018	(18,128)
Deposits received from tenants and franchised stores[(f)]	46,026	42,434	(3,591)
Total liabilities	¥3,503,561	¥3,314,424	¥(189,136)
Derivative instruments[(g)]			
To which hedge accounting is not applied	¥30	¥30	¥–
To which hedge accounting is applied	33	33	–
Total derivative instruments	¥64	¥64	¥–

	Millions of yen		
	2025		
	Book value	Fair value	Difference
Notes and accounts receivable, trade and contract assets[h]	¥441,630		
Allowance for doubtful accounts[a]	(5,098)		
	436,532	¥440,508	¥3,975
Investments in securities	231,068	235,603	4,535
Long-term leasehold deposits[b]	268,570		
Allowance for doubtful accounts[c]	(171)		
	268,398	258,519	(9,879)
Total assets	¥935,999	¥934,631	¥(1,368)
Deposits received in banking business	¥813,388	¥813,208	¥(180)
Bonds[d]	1,454,036	1,239,034	(215,002)
Long-term loans[e]	1,068,196	1,045,587	(22,608)
Deposits received from tenants and franchised stores[f]	44,846	39,260	(5,585)
Total liabilities	¥3,380,468	¥3,137,091	¥(243,376)
Derivative instruments[g]			
To which hedge accounting is not applied	¥(19)	¥(19)	¥–
To which hedge accounting is applied	–	–	–
Total derivative instruments	¥(19)	¥(19)	¥–

	Thousands of U.S. dollars (Note 3)		
	2025		
	Book value	Fair value	Difference
Notes and accounts receivable, trade and contract assets[h]	$2,944,200		
Allowance for doubtful accounts[a]	(33,986)		
	2,910,213	$2,936,720	$26,500
Investments in securities	1,540,453	1,570,686	30,233
Long-term leasehold deposits[b]	1,790,466		
Allowance for doubtful accounts[c]	(1,140)		
	1,789,320	1,723,460	(65,860)
Total assets	$6,239,993	$6,230,873	$(9,120)
Deposits received in banking business	$5,422,586	$5,421,386	$(1,200)
Bonds[d]	9,693,573	8,260,226	(1,433,346)
Long-term loans[e]	7,121,306	6,970,580	(150,720)
Deposits received from tenants and franchised stores[f]	298,973	261,733	(37,233)
Total liabilities	$22,536,453	$20,913,940	$(1,622,506)
Derivative instruments[g]			
To which hedge accounting is not applied	$(126)	$(126)	$–
To which hedge accounting is applied	–	–	–
Total derivative instruments	$(126)	$(126)	$–

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 I. As of February 28, 2023, February 29, 2024 and February 28, 2025, 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	2024	2025	2025
	Book value			
Investments in securities				
Unlisted securities[a]	¥17,501	¥18,631	¥43,217	$288,113
Shares of affiliates[a]	33,329	33,731	30,911	206,073
Investments in partnerships[b]	13,355	15,969	15,890	105,933

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 24-16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), Investments in partnerships are not subject to fair value disclosures.

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

Millions of yen

	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

Millions of yen

	2024			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,562,493	¥–	¥–	¥–
Notes and accounts receivable, trade and contract assets	449,093	12,766	1,871	427
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	4,644	60,560	–	–
Bonds	16,700	28,500	1,000	–
Other	–	–	–	–
Long-term leasehold deposits	35,727	52,952	60,694	134,922
Total	¥2,068,658	¥154,778	¥63,566	¥135,349

	Millions of yen			
	2025			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,349,820	¥–	¥–	¥–
Notes and accounts receivable, trade and contract assets	427,193	12,071	1,890	475
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	–	67,260	–	–
Bonds	–	39,300	1,000	–
Other	–	–	–	–
Long-term leasehold deposits	23,800	57,289	61,660	125,820
Total	¥1,800,814	¥175,920	¥64,551	¥126,295

	Thousands of U.S. dollars (Note 3)			
	2025			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$8,998,800	$–	$–	$–
Notes and accounts receivable, trade and contract assets	2,847,953	80,473	12,600	3,166
Investments in securities:				
Available-for-sale securities with maturities				
Governmental and municipal bonds	–	448,400	–	–
Bonds	–	262,000	6,666	–
Other	–	–	–	–
Long-term leasehold deposits	158,666	381,926	411,066	838,800
Total	$12,005,426	$1,172,800	$430,340	$841,966

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

	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	¥–	¥–

	Millions of yen			
	2024			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥699,222	¥104,540	¥–	¥–

	Millions of yen			
	2025			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥704,718	¥108,669	¥–	¥–

	Thousands of U.S. dollars (Note 3)			
	2025			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$4,698,120	$724,460	$–	$–

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

Note IV. Redemption schedule for long-term debt with maturities

	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

	Millions of yen					
	2024					
	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	¥334,039	¥210,000	¥236,547	¥70,000	¥220,918	¥619,119
Long-term loans	138,530	260,949	136,023	203,342	61,646	162,654
Total	¥472,569	¥470,949	¥372,571	¥273,342	¥282,564	¥781,773

	Millions of yen					
	2025					
	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	¥210,000	¥257,288	¥70,000	¥237,405	¥–	¥679,342
Long-term loans	290,128	164,497	324,197	83,047	75,479	130,846
Total	¥500,128	¥421,786	¥394,197	¥320,452	¥75,479	¥810,189

	Thousands of U.S. dollars (Note 3)					
	2025					
	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	$1,400,000	$1,715,253	$466,666	$1,582,700	$–	$4,528,946
Long-term loans	1,934,186	1,096,646	2,161,313	553,646	503,193	872,306
Total	$3,334,186	$2,811,906	$2,627,980	$2,136,346	$503,193	$5,401,260

Note V. 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 the level with the lowest priority among those to which the inputs belong.

(a) 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

Millions of yen

	2024			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities				
Equity securities	¥87,650	¥–	¥–	¥87,650
Municipal bonds	–	65,308	–	65,308
Corporate bonds	–	46,158	–	46,158
Assets, total	¥87,650	¥111,467	¥–	¥199,118
Derivative transactions:				
Currency-related	¥–	¥64	¥–	¥64
Interest rate-related	–	–	–	–
Liabilities, total	¥–	¥64	¥–	¥64

Millions of yen

	2025			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities				
Equity securities	¥97,363	¥–	¥–	¥97,363
Municipal bonds	–	67,073	–	67,073
Corporate bonds	–	40,079	–	40,079
Other	–	15,732	–	15,732
Assets, total	¥97,363	¥122,886	¥–	¥220,249
Derivative transactions:				
Currency-related	¥–	¥(19)	¥–	¥(19)
Interest rate-related	–	–	–	–
Liabilities, total	¥–	¥(19)	¥–	¥(19)

Thousands of U.S. dollars (Note 3)

	2025			
	Fair values			
	Level 1	Level 2	Level 3	Total
Investments in securities:				
Available-for-sale securities				
Equity securities	$649,086	$–	$–	$649,086
Municipal bonds	–	447,153	–	447,153
Corporate bonds	–	267,193	–	267,193
Other	–	104,880	–	104,880
Assets, total	$649,086	$819,240	$–	$1,468,326
Derivative transactions:				
Currency-related	$–	$(126)	$–	$(126)
Interest rate-related	–	–	–	–
Liabilities, total	$–	$(126)	$–	$(126)

(b) 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

Millions of yen

	2024			
	Fair values			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade and contract assets	¥–	¥389,445	¥75,158	¥464,603
Investments in securities:				
Available-for-sale securities				
Equity securities	16,136	–	–	16,136
Long-term leasehold deposits	–	280,604	–	280,604
Assets, total	¥16,136	¥670,050	¥75,158	¥761,345
Deposits received in banking business	¥–	¥803,781	¥–	¥803,781
Bonds	–	1,523,189	–	1,523,189
Long-term loans	–	945,018	–	945,018
Long-term deposits	–	42,434	–	42,434
Liabilities, total	¥–	¥3,314,424	¥–	¥3,314,424

Millions of yen

	2025			
	Fair values			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade and contract assets	¥–	¥365,752	¥74,755	¥440,508
Investments in securities:				
Available-for-sale securities				
Equity securities	15,354	–	–	15,354
Long-term leasehold deposits	–	258,519	–	258,519
Assets, total	¥15,354	¥624,272	¥74,755	¥714,382
Deposits received in banking business	¥–	¥813,208	¥–	¥813,208
Bonds	–	1,239,034	–	1,239,034
Long-term loans	–	1,045,587	–	1,045,587
Long-term deposits	–	39,260	–	39,260
Liabilities, total	¥–	¥3,137,091	¥–	¥3,137,091

Thousands of U.S. dollars (Note 3)

	2025			
	Fair values			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable, trade and contract assets	$–	$2,438,346	$498,366	$2,936,720
Investments in securities:				
Available-for-sale securities				
Equity securities	102,360	–	–	102,360
Long-term leasehold deposits	–	1,723,460	–	1,723,460
Assets, total	$102,360	$4,161,813	$498,366	$4,762,546
Deposits received in banking business	$–	$5,421,386	$–	$5,421,386
Bonds	–	8,260,226	–	8,260,226
Long-term loans	–	6,970,580	–	6,970,580
Long-term deposits	–	261,733	–	261,733
Liabilities, total	$–	$20,913,940	$–	$20,913,940

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 fair value is considered equivalent to the book values, as the remaining maturity period is short; hence, these book values are adopted as the fair value. 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 of interest rate swap contracts or an integral accounting treatment (specific accounting treatment, designated accounting treatment) of 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 using the corresponding interest rate of government bonds for 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 as of February 28, 2023, February 29, 2024 and February 28, 2025 (excluding equity securities that do not have a market value of ¥17,501 million, ¥18,631 million and ¥43,217 million ($288,113 thousand) as of February 28, 2023, February 29, 2024 and February 28, 2025 respectively):

			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

			Millions of yen
	2024		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥87,340	¥23,987	¥63,352
Debt securities			
Governmental and municipal bonds, etc.	–	–	–
Corporate bonds	3,006	3,001	5
Subtotal	90,347	26,989	63,357
Securities with book value not exceeding acquisition cost:			
Equity securities	310	326	(15)
Debt securities			
Governmental and municipal bonds, etc.	65,308	65,510	(201)
Corporate bonds	43,151	43,390	(239)
Subtotal	108,771	109,227	(456)
Total	¥199,118	¥136,216	¥62,901

	Millions of yen		
	2025		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥97,140	¥23,829	¥73,311
Debt securities			
Governmental and municipal bonds, etc.	–	–	–
Corporate bonds	–	–	–
Subtotal	97,140	23,829	73,311
Securities with book value not exceeding acquisition cost:			
Equity securities	222	233	(10)
Debt securities			
Governmental and municipal bonds, etc.	67,073	67,431	(357)
Corporate bonds	40,079	40,388	(308)
Subtotal	107,376	108,053	(677)
Total	¥204,516	¥131,882	¥72,634

	Thousands of U.S. dollars (Note 3)		
	2025		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$647,600	$158,860	$488,740
Debt securities			
Governmental and municipal bonds, etc.	–	–	–
Corporate bonds	–	–	–
Subtotal	647,600	158,860	488,740
Securities with book value not exceeding acquisition cost:			
Equity securities	1,480	1,553	(66)
Debt securities			
Governmental and municipal bonds, etc.	447,153	449,540	(2,380)
Corporate bonds	267,193	269,253	(2,053)
Subtotal	715,840	720,353	(4,513)
Total	$1,363,440	$879,213	$484,226

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Sales amounts	¥487	¥3,367	¥18,967	$126,446
Gain on sales of available-for-sale securities	272	2,063	11,807	78,713
Loss on sales of available-for-sale securities	–	–	83	553

(3) Impairment loss on securities

For the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, the Group recognized ¥476 million, ¥1,479 million and ¥718 million ($4,786 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, 2023, February 29, 2024 and February 28, 2025 were ¥42,806 million, ¥43,808 million and ¥41,730 million ($278,200 thousand), respectively.

7. DERIVATIVE TRANSACTIONS

The Group has policies to use interest rate swap contracts, forward foreign exchange 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 enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2023, February 29, 2024 and February 28, 2025 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			
	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

	Millions of yen			
	2024			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,268	¥–	¥18	¥18
Buy Euro	212	–	13	13
Buy Chinese yuan	149	–	2	2
Sell Taiwan dollar	137	27	(4)	(4)

	Millions of yen			
	2025			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	¥1,329	¥–	¥(16)	¥(16)
Buy Euro	75	–	0	0
Buy Chinese yuan	123	–	(3)	(3)
Sell Taiwan dollar	27	–	0	0

	Thousands of U.S. dollars (Note 3)			
	2025			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward foreign exchange contracts:				
Buy U.S. dollar	$8,860	$–	$(106)	$(106)
Buy Euro	500	–	0	0
Buy Chinese yuan	820	–	(20)	(20)
Sell Taiwan dollar	180	–	0	0

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

	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	–	–

	Millions of yen		
	2024		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,528	¥–	¥33
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	60	–	–

	Millions of yen		
	2025		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥–	¥–	¥–
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	–	–	–

	Thousands of U.S. dollars (Note 3)		
	2025		
	Contract amount		
	Total	After one year	Estimated fair value
Forward foreign exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$–	$–	$–
Forward foreign exchange contracts, accounted for by designated accounting treatment			
Buy U.S. dollar	–	–	–

(2) Interest rate related transactions

	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	–

	Millions of yen		
	2024		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	¥625	¥125	¥–
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	–

	Millions of yen		
	2025		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	¥125	¥–	¥–
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)		
	2025		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, accounted for by specific accounting treatment			
Receive float / Pay fixed	$833	$–	$–
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	1,993,160	1,993,160	–

8. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2023, February 29, 2024 and February 28, 2025 are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Buildings and structures	¥3,315,510	¥3,251,014	¥3,571,664	$23,811,093
Furniture, fixtures and equipment	1,337,026	1,473,135	1,679,198	11,194,653
Right-of-use assets	1,007,322	1,231,045	1,690,613	11,270,753
Other	60,037	51,297	48,725	324,833
	5,719,897	6,006,492	6,990,201	46,601,340
Less: Accumulated depreciation	(2,730,997)	(2,895,485)	(3,387,686)	(22,584,573)
	2,988,900	3,111,006	3,602,514	24,016,760
Land	1,196,007	1,096,630	1,172,559	7,817,060
Construction in progress	156,842	154,862	206,223	1,374,820
Total	¥4,341,750	¥4,362,500	¥4,981,298	$33,208,653

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, 2023, February 29, 2024 and February 28, 2025, the Group recognized ¥48,950 million, ¥57,079 million and ¥143,993 million ($959,953 thousand) of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2023:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	155 Stores	¥45,504
			Superstores	7 Stores	
			Others	3 Stores	
		Osaka Pref.	Domestic convenience stores	62 Stores	
			Others	2 Stores	
		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
Total					¥48,950

Note: ¥5,530 million (Stores) is included in “Restructuring expenses” in the consolidated statements of income.

Fiscal year ended February 29, 2024:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	357 Stores	¥51,777
			Superstores	11 Stores	
			Others	1 Store	
		Osaka Pref.	Domestic convenience stores	184 Stores	
			Others	1 Store	
		Aichi Pref.	Domestic convenience stores	108 Stores	
		U.S. & others	Overseas convenience stores	1,214 Stores	
			Others	2 Stores	
Other facilities, etc.	Software, etc.	Tokyo Met., Osaka Pref., Kyoto Pref., & others			5,302
Total					¥57,079

Note: ¥14,069 million (Stores) is included in “Restructuring expenses” in the consolidated statements of income.

Fiscal year ended February 28, 2025:

Description	Classification	Location			Millions of yen	Thousands of U.S. dollars (Note 3)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	123 Stores	¥98,763	$658,420
			Others	2 Stores		
		Osaka Pref.	Domestic convenience stores	97 Stores		
			Others	2 Stores		
		Aichi Pref.	Domestic convenience stores	92 Stores		
			Others	1 Store		
		U.S. & others	Overseas convenience stores	800 Stores		
Other facilities, etc.	Software, etc.	Tokyo Met., Kanagawa Pref., Chiba Pref., & others			45,230	301,533
Total					¥143,993	$959,953

Note: ¥19,192 million ($127,946 thousand) (Stores) is included in “Restructuring expenses” in the consolidated statements of income. ¥26,540 million ($176,933 thousand) (Other facilities, etc.) is included in “Loss on business of subsidiaries and associates” 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).

U.S. consolidated subsidiary 7-Eleven, Inc. reassessed its asset groupings for purposes of promoting closing underperforming retail locations and other measures based on current strategic long-term plans. As a result, ¥56,797 million ($378,646 thousand) is recorded as "impairment loss" in the third quarter of the fiscal year ended February 28, 2025.

A breakdown of impairment loss is as follows:

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

Note: ¥3,537 million (Buildings and structures), ¥602 million (Furniture, fixtures and equipment), ¥992 million (Land) and ¥396 million (Others) are included in "Restructuring expenses" in the consolidated statements of income.

Fiscal year ended February 29, 2024:

	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥33,070	¥356	¥33,427
Furniture, fixtures and equipment	6,051	289	6,340
Land	10,627	10	10,638
Software	6	2,855	2,862
Others	2,021	1,789	3,810
Total	¥51,777	¥5,302	¥57,079

Note: ¥5,650 million (Buildings and structures), ¥283 million (Furniture, fixtures and equipment), ¥8,026 million (Land), ¥0 million (Software) and ¥108 million (Others) are included in "Restructuring expenses" in the consolidated statements of income.

Fiscal year ended February 28, 2025:

	Millions of yen		
	Stores	Other facilities, etc.	Total
Buildings and structures	¥75,760	¥3,387	¥79,147
Furniture, fixtures and equipment	12,937	4,554	17,492
Land	7,047	1	7,049
Software	1	28,496	28,497
Others	3,016	8,790	11,806
Total	¥98,763	¥45,230	¥143,993

	Thousands of U.S. dollars (Note 3)		
	Stores	Other facilities, etc.	Total
Buildings and structures	$505,066	$22,580	$527,646
Furniture, fixtures and equipment	86,246	30,360	116,613
Land	46,980	6	46,993
Software	6	189,973	189,980
Others	20,106	58,600	78,706
Total	$658,420	$301,533	$959,953

Note: ¥3,455 million ($23,033 thousand) (Buildings and structures), ¥134 million ($893 thousand) (Furniture, fixtures and equipment), ¥15,490 million ($103,266 thousand) (Software) and ¥111 million ($740 thousand) (Others) are included in "Restructuring expenses" in the consolidated statements of income. ¥3,260 million ($21,733 thousand) (Buildings and structures), ¥4,412 million ($29,413 thousand) (Furniture, fixtures and equipment), ¥10,445 million ($69,633 thousand) (Software) and ¥8,422 million ($56,146 thousand) (Others) are included in "Loss on business of subsidiaries and associates" 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 3.4-7.3% in 2023, 3.4-8.6% in 2024 and 4.0-8.6% in 2025 were applied.

10. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) “Payment for sales of shares in subsidiaries resulting in change in scope of consolidation” in the fiscal year ended February 28, 2025 contains the payment of ¥22,068 million ($147,120 thousand) as accrued amount of price adjustment for Sogo & Seibu Co., Ltd., which was excluded from the scope of consolidation as a result of the sale of shares in the fiscal year ended February 29, 2024.

(2) Summary of net assets (assets and liabilities) of Sogo & Seibu Co., Ltd. and its subsidiaries, excluded from the scope of consolidation due to the sales of shares of Sogo & Seibu Co. Ltd., and net proceeds from the sales of shares of Sogo & Seibu Co., Ltd.

Fiscal year ended February 29, 2024:
Sogo & Seibu Co., Ltd. and its subsidiaries

	Millions of yen
	2024
Current assets	¥86,711
Non-current assets	326,331
Current liabilities	(292,665)
Non-current liabilities	(22,654)
Non-controlling interests	(4,979)
Unrealized loss	(4,315)
Loss on sales of shares	(88,341)
Sale value	85
Consideration adjustment	(22,068)
Accounts payable – other	22,068
Collection of loans receivable	79,297
Cash and cash equivalents	(43,346)
Proceeds from the sales of shares	¥36,036

(3) Summary of net assets (assets and liabilities) at the commencement of consolidation, along with the relationship between the acquisition cost of shares and net payment for the acquisition of shares of companies newly consolidated

Fiscal year ended February 28, 2025:
Convenience Group Holdings Pty Ltd

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2025	2025
Current assets	¥57,123	$380,820
Non-current assets	225,417	1,502,780
Goodwill	143,261	955,073
Current liabilities	(76,799)	(511,993)
Non-current liabilities	(152,495)	(1,016,633)
Acquisition cost	196,507	1,310,046
Cash and cash equivalents	(29,850)	(199,000)
Payment for acquisition of shares	¥166,657	$1,111,046

(4) Major non-cash transactions

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Finance lease obligations for property and equipment recorded in the consolidated balance sheets for the fiscal year	¥9,824	¥5,832	¥6,928	$46,186
Right-of-use assets recorded in the consolidated balance sheets for the fiscal year	985,497	175,607	240,515	1,603,433
Asset retirement obligations recorded in the consolidated balance sheets for the fiscal year	21,859	19,870	71,992	479,946

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.

(5) 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)
	2023	2024	2025	2025
Inventories	¥–	¥2,187	¥5,432	$36,213
Goodwill	224	–	107,145	714,300
Other	–	–	(2,901)	(19,340)
Subtotal	224	2,187	109,675	731,166
Property and equipment	275	2,556	44,187	294,580
Total	¥500	¥4,744	¥153,863	$1,025,753

The property and equipment set out above at an amount of ¥275 million, ¥2,556 million and ¥44,187 million ($294,580 thousand) are included in acquisition of property and equipment in the consolidated statements of cash flows for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, 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, 2023, February 29, 2024 and February 28, 2025, respectively.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2023, February 29, 2024 and February 28, 2025 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Deferred tax assets:				
Contract liabilities	¥23,022	¥22,146	¥20,376	$135,840
Allowance for bonuses to employees	4,821	4,382	4,481	29,873
Allowance for sales promotion expenses	304	210	230	1,533
Accrued payroll	18,726	15,050	13,847	92,313
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	162	141	138	920
Allowance for accrued pension and severance costs	954	942	926	6,173
Depreciation and amortization	7,815	7,473	12,147	80,980
Tax loss carried forward [(a)]	126,568	129,516	121,609	810,726
Valuation loss on available-for-sale securities	869	720	777	5,180
Allowance for doubtful accounts	1,838	1,924	2,611	17,406
Unrealized loss on property and equipment	9,223	4,149	4,512	30,080
Impairment loss on property and equipment valuation and loss on land	55,596	54,069	47,449	316,326
Accrued enterprise taxes and business office taxes	4,261	3,862	3,574	23,826
Accrued expenses	34,727	33,244	31,239	208,260
Asset retirement obligations	26,222	28,050	33,607	224,046
Unearned revenue	1,213	577	638	4,253
Others	30,156	31,706	28,870	192,466
Subtotal	346,485	338,169	327,037	2,180,246
Valuation allowance for tax loss carried for-ward [(a)]	(50,895)	(69,817)	(72,869)	(485,793)
Valuation allowance for deductible tempo-rary differences	(37,145)	(26,031)	(25,973)	(173,153)
Less: Valuation allowance	(88,040)	(95,849)	(98,843)	(658,953)
Total	258,444	242,319	228,194	1,521,293

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Deferred tax liabilities:				
Unrealized gains on property and equipment	¥(275,935)	¥(240,808)	¥(243,558)	$(1,623,720)
Royalties, etc.	(50,192)	(53,471)	(62,121)	(414,140)
Reserve for advanced depreciation of property and equipment	(674)	(704)	(583)	(3,886)
Unrealized gains on available-for-sale securities	(14,701)	(20,569)	(22,872)	(152,480)
Net defined benefit asset	(26,629)	(35,732)	(38,867)	(259,113)
Unrealized intercompany profit	(4,261)	(4,296)	(5,471)	(36,473)
Removal cost related to asset retirement obligations	(9,605)	(12,337)	(16,215)	(108,100)
Others	(3,501)	(3,041)	(2,847)	(18,980)
Total	(385,501)	(370,962)	(392,538)	(2,616,920)
Net deferred tax assets (b)	¥(127,056)	¥(128,642)	¥(164,343)	$(1,095,620)

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

							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(**)

							Millions of yen
	2024						
	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 (*)	¥6,516	¥3,139	¥4,555	¥2,180	¥3,097	¥110,028	¥129,516
Valuation allowance	6,507	2,924	4,391	2,153	3,093	50,747	69,817
Deferred tax assets	8	215	163	26	3	59,281	59,698(**)

							Millions of yen
	2025						
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years	Total
Tax loss carried forward (*)	¥2,091	¥3,126	¥1,866	¥3,124	¥2,849	¥108,550	¥121,609
Valuation allowance	1,926	2,963	1,854	3,124	2,787	60,213	72,869
Deferred tax assets	165	163	12	–	61	48,336	48,739(**)

							Thousands of U.S. dollars (Note 3)
	2025						
	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 (*)	$13,940	$20,840	$12,440	$20,826	$18,993	$723,666	$810,726
Valuation allowance	12,840	19,753	12,360	20,826	18,580	401,420	485,793
Deferred tax assets	1,100	1,086	80	–	406	322,240	324,926(**)

(*) 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)
	2023	2024	2025	2025
Investments and other assets - Deferred income taxes	¥57,186	¥92,015	¥75,058	$500,386
Non-current liabilities - Deferred income taxes	(184,242)	(220,658)	(239,401)	(1,596,006)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 is as follows:

	2023	2024	2025
Statutory tax rate	30.6%	30.6%	30.6%
Adjustments:			
Equity in losses (earnings) of affiliates	(0.2)	(0.4)	0.1
Non-deductible items, such as entertainment expenses	0.2	0.4	0.4
(Decrease) increase in valuation allowance	1.2	5.3	4.9
Inhabitant taxes per capital	0.4	0.5	0.5
Amortization of goodwill	8.6	13.3	15.7
Difference from applicable tax rates of foreign subsidiaries	(6.0)	(9.1)	(8.4)
Adjustment due to consolidation journals	(6.7)	(10.5)	(12.0)
Effect of exclusion of consolidated subsidiaries	–	(15.7)	(0.1)
Others	(0.6)	0.7	0.4
Effective tax rate	27.5%	15.1%	32.1%

(3) Treatment of accounting and disclosure for income tax, local income tax, and tax effect accounting
The Company and some of its wholly-owned domestic subsidiaries have applied the Group Tax Sharing System. Accounting treatment and disclosure of income tax, local income tax, and tax effect accounting are in accordance with “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021).

(4) Subsequent change in the income tax rate, etc.
Following the enactment of the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 13, 2025) by the Diet on March 31, 2025, the special defense corporation tax will be imposed from the fiscal years beginning on or after April 1, 2026. In accordance with the Act, the statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, will increase from 30.6% to 31.5% for temporary differences that are expected to be eliminated during the fiscal year beginning on March 1, 2027.

The impact of this change to the consolidated financial statements is immaterial.

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)
	2023	2024	2025	2025
Balance at beginning of year	¥284,440	¥260,142	¥260,461	$1,736,406
Service cost(*)	13,077	11,366	12,655	84,366
Interest cost	1,728	3,772	3,833	25,553
Actuarial differences	(27,268)	(202)	(2,408)	(16,053)
Benefits paid	(13,004)	(15,587)	(23,761)	(158,406)
Others	1,168	971	1,644	10,960
Balance at end of year	¥260,142	¥260,461	¥252,426	$1,682,840

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

(b) Change in plan assets

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Balance at beginning of year	¥357,956	¥333,647	¥360,991	$2,406,606
Expected return on plan assets	7,120	6,659	7,188	47,920
Actuarial differences	(29,911)	22,680	3,609	24,060
Employer contribution	11,730	12,131	12,052	80,346
Benefits paid	(12,050)	(14,127)	(20,406)	(136,040)
Others	(1,198)	–	(347)	(2,313)
Balance at end of year	¥333,647	¥360,991	¥363,088	$2,420,586

(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)
	2023	2024	2025	2025
Funded retirement benefit obligations	¥246,558	¥244,138	¥236,113	$1,574,086
Plan assets	(333,647)	(360,991)	(363,088)	(2,420,586)
	(87,088)	(116,852)	(126,974)	(846,493)
Unfunded retirement benefit obligations	13,584	16,323	16,313	108,753
	¥(73,504)	¥(100,528)	¥(110,661)	$(737,740)
Net defined benefit liability	¥13,584	¥16,323	¥16,313	$108,753
Net defined benefit asset	(87,088)	(116,852)	(126,974)	(846,493)
	¥(73,504)	¥(100,528)	¥(110,661)	$(737,740)

(d) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Service cost	¥13,077	¥11,366	¥12,655	$84,366
Interest cost	1,728	3,772	3,833	25,553
Expected return on plan assets	(7,120)	(6,659)	(7,188)	(47,920)
Amortization of actuarial differences	(3,741)	(2,960)	(3,403)	(22,686)
Amortization of prior service cost	(1)	0	0	0
Additional retirement benefits	1,058	10,483	1,301	8,673
Total retirement benefit costs	¥5,000	¥16,002	¥7,198	$47,986

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Prior service cost	¥(2)	¥(0)	¥(1)	$(6)
Actuarial differences	(7,052)	19,761	2,139	14,260
Others	(253)	–	–	–
Total	¥(7,308)	¥19,760	¥2,137	$14,246

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

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Unrecognized prior service cost	¥13	¥13	¥14	$93
Unrecognized actuarial differences	(13,249)	(33,010)	(35,150)	(234,333)
Total	¥(13,236)	¥(32,996)	¥(35,135)	$(234,233)

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

	2023	2024	2025
Bonds	49%	50%	49%
Equity	27%	28%	22%
Others	24%	22%	29%
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

	2023	2024	2025
Discount rate	mainly 1.3%	mainly 1.3%	mainly 1.3%
Discount rate (consolidated subsidiaries in the United States)	5.6%	5.2%	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 2.3%	mainly 2.3%

(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 ¥8,941 million, ¥7,008 million and ¥6,785 million ($45,233 thousand) for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, 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)
	2023	2024	2025	2025
Outstanding balance at fiscal year-end:				
Short-term bank loans [(a)]	¥143,568	¥84,882	¥172,497	$1,149,980
Weighted-average interest rate at year-end:				
Short-term bank loans	0.77%	1.60%	4.02%	

Note:
(a) The total amounts of short-term loans with collateral as of February 28, 2023, February 29, 2024 and February 28, 2025 were nil (Note 19).

Long-term debt as of February 28, 2023, February 29, 2024 and February 28, 2025 consists of the following:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Outstanding balance as of fiscal year-end:				
Loans, principally from banks and insurance companies, due 2026 to 2037 with interest rates ranging from 0.0 to 6.0% (b)	¥1,081,676	¥963,146	¥1,068,196	$7,121,306
Lease obligations	79,151	75,386	75,614	504,093
Seven & i Holdings Co., Ltd.:				
0.671% unsecured straight bonds, due March 20, 2023	20,000	–	–	–
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	30,000	200,000
0.060% unsecured straight bonds, due December 20, 2023	130,000	–	–	–
0.190% unsecured straight bonds, due December 19, 2025	180,000	180,000	180,000	1,200,000
0.280% unsecured straight bonds, due December 20, 2027	40,000	40,000	40,000	266,666
0.400% unsecured straight bonds, due November 2, 2026	–	60,000	60,000	400,000
0.687% unsecured straight bonds, due November 2, 2028	–	60,000	60,000	400,000
1.040% unsecured straight bonds, due November 1, 2030	–	30,000	30,000	200,000
1.392% unsecured straight bonds, due November 2, 2033	–	70,000	70,000	466,666
7-Eleven, Inc.:				
0.625% unsecured straight bonds, due February 10, 2023	165,823	–	–	–
0.800% unsecured straight bonds, due February 10, 2024	297,830	319,039	–	–
0.950% unsecured straight bonds, due February 10, 2026	164,860	176,547	197,288	1,315,253
1.300% unsecured straight bonds, due February 10, 2028	131,646	140,918	157,405	1,049,366
1.800% unsecured straight bonds, due February 10, 2031	224,026	239,632	267,475	1,783,166
2.500% unsecured straight bonds, due February 10, 2041	97,705	104,512	116,657	777,713
2.800% unsecured straight bonds, due February 10, 2051	163,658	174,974	195,208	1,301,386
Seven Bank, Ltd.:				
0.803% unsecured straight bonds, due March 20, 2023	20,000	–	–	–
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	–	–
0.390% unsecured straight bonds, due September 17, 2027	30,000	30,000	30,000	200,000
0.160% unsecured straight bonds, due December 20, 2023	20,000	–	–	–
0.385% unsecured straight bonds, due December 20, 2028	20,000	20,000	20,000	133,333
	2,911,380	2,729,158	2,597,848	17,318,986
Current portion of long-term debt	(523,986)	(495,677)	(528,872)	(3,525,813)
	¥2,387,393	¥2,233,480	¥2,068,975	$13,793,166

Notes:

(a) The total amounts of long-term debt with collateral as of February 28, 2023, February 29, 2024 and February 28, 2025 were ¥9,229 million, ¥6,335 million and ¥5,752 million ($38,346 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) 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)
2026	¥528,872	$3,525,813
2027	431,155	2,874,366
2028	402,115	2,680,766
2029	327,597	2,183,980
2030	81,975	546,500
Thereafter	826,132	5,507,546
	¥2,597,848	$17,318,986

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, 2023, February 29, 2024 and February 28, 2025 are as follows:

As lessee:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Due within one year	¥21,757	¥18,405	¥16,188	$107,920
Due after one year	120,686	102,686	76,085	507,233
Total	¥142,443	¥121,092	¥92,274	$615,160

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, February 29, 2024 and February 28, 2025 do not include future lease payments of those subsidiaries.

As lessor:

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Due within one year	¥10,948	¥12,112	¥12,821	$85,473
Due after one year	20,583	28,493	31,659	211,060
Total	¥31,532	¥40,605	¥44,480	$296,533

15. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025:

(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

The Group estimates terms of use ranging from one to 50 years based on the lease contract period and uses a discount rate between 0% and 8.3% to calculate the asset retirement obligations.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Balance at beginning of year	¥133,175	¥157,324	¥168,599	$1,123,993
Increase due to acquisition of property and equipment	9,421	5,536	20,399	135,993
Adjustment due to passage of time	2,015	2,787	3,444	22,960
Decrease due to settlement of asset retirement obligations	(5,089)	(4,838)	(10,488)	(69,920)
Increase due to change in estimation	10,422	11,546	48,148	320,986
Decrease due to exclusion of consolidated subsidiaries[a]	–	(7,898)	(233)	(1,553)
Others[b]	7,379	4,140	7,850	52,333
Balance at end of year	¥157,324	¥168,599	¥237,721	$1,584,806

Notes:

(a) “Decrease due to exclusion of consolidated subsidiaries” mainly presents a decrease due to the exclusion of Sogo & Seibu Co., Ltd. and its subsidiaries for the fiscal year ended February 29, 2024.

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

(4) Change in the estimation of asset removal obligations

For the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, 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 ¥10,422 million, ¥11,546 million and ¥48,148 million ($320,986 thousand), respectively, from the balance of asset retirement obligation before revision.

16. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income including reclassification adjustments and tax effects for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 are as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Unrealized (losses) gains on available-for-sale securities, net of taxes:				
(Decrease) increase during the fiscal year	¥(4,112)	¥20,064	¥9,709	$64,726
Reclassification adjustments	(97)	(2,655)	(1,777)	(11,846)
Amount before tax	(4,210)	17,408	7,932	52,880
Tax effects	1,247	(6,196)	(2,313)	(15,420)
Subtotal	(2,962)	11,212	5,618	37,453
Unrealized gains on hedging derivatives, net of taxes:				
Increase during the fiscal year	723	14	789	5,260
Reclassification adjustments	–	–	(11)	(73)
Amount before tax	723	14	777	5,180
Tax effects	(190)	5	(79)	(526)
Subtotal	532	19	697	4,646
Foreign currency translation adjustments:				
Increase during the fiscal year	288,056	165,163	294,534	1,963,560
Remeasurements of defined benefit plans, net of taxes:				
(Decrease) increase during the fiscal year	(2,644)	22,881	6,017	40,113
Reclassification adjustments	(4,663)	(3,121)	(3,880)	(25,866)
Amount before tax	(7,308)	19,760	2,137	14,246
Tax effects	2,194	(6,914)	278	1,853
Subtotal	(5,113)	12,845	2,416	16,106
Share of other comprehensive income (loss) of entities accounted for using equity method:				
Increase (decrease) during the fiscal year	203	(133)	70	466
Total other comprehensive income	¥280,717	¥189,107	¥303,336	$2,022,240

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.

A year-end cash dividend amounting to ¥51,980 million ($346,533 thousand) is proposed and to be approved at the annual shareholders' meeting planned to be held on May 27, 2025. Such appropriations have not been accrued in the consolidated financial statements as of February 28, 2025 because those are recognized in the period in which they are approved by the shareholders. The total amount of cash dividends includes ¥82 million ($546 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 year ended February 28, 2023, and ¥7 million and ¥19 million ($126 thousand) for the fiscal years ended February 29, 2024 and February 28, 2025, respectively.

Amounts recorded as other income due to forfeitures resulting from not exercising subscription rights to shares were nil for the fiscal year ended February 28, 2023, and ¥0 million and ¥0 million ($0 thousand) for the fiscal years ended February 29, 2024 and February 28, 2025, respectively.

(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 and type of stock options[(a)]	28,100 ordinary shares	16,500 ordinary shares
Grant date	August 5, 2015	August 3, 2016
Vesting conditions	(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	Twenty-first grant
Title and number of grantees	6 directors of the Company	7 directors of the Company
Number and type of stock options[(a)]	16,100 ordinary shares	18,200 ordinary shares
Grant date	August 4, 2017	August 3, 2018
Vesting conditions	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2018 to August 4, 2037	From February 28, 2019 to August 3, 2038

Notes:
(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares. The Company conducted a 3-for-1 common share split on March 1, 2024. The number of stock options above represents the total shares at the time of the grant to the Company's directors.
(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, 2025. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2025:
Number of stock options

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twenty-first grant
Before vested:				
As of February 29, 2024	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2024	9,000	9,000	9,000	9,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	9,000	9,000	9,000	9,000

Note: The Company conducted a 3-for-1 common share split on March 1, 2024. The number of shares above represents the number after the share split.

Price information

	Fifteenth grant	Seventeenth grant	Nineteenth grant	Twenty-first grant
Exercise price[a]	¥1 ($0.006) per share	¥1 ($0.006) per share	¥1 ($0.006) per share	¥1 ($0.006) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥533,000 ($3,553) per subscription to share	¥361,300 ($2,408) per subscription to share	¥369,800 ($2,465) per subscription to share	¥380,600 ($2,537) per subscription to share

Note:
(a) The number of shares to be issued upon exercise of one subscription right to shares has been adjusted to be 300 ordinary shares of the Company.

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

	Tenth grant-1
Title and number of grantees	418 grantees: Directors, Audit & Supervisory Board members, and employees of Seven Bank, Ltd. and its subsidiaries (including those seconded to these companies)
Number and type of stock options[(a)]	3,835,200 ordinary shares
Grant date	October 31, 2023
Vesting conditions	1. Holders of subscription rights to shares may exercise their rights only if all of the financial goals listed in A to C below in the medium-term management plan of Seven Bank, Ltd. are achieved. A. Ordinary revenue in the consolidated income statement for the fiscal year ending March 2026: ¥250 billion ($1,666 million) B. Ordinary income in the consolidated income statement for the fiscal year ending March 2026: ¥45 billion ($300 million) C. Return on equity (ROE) calculated based on the consolidated balance sheet and consolidated income statement for the fiscal year ending March 2026: 8% In determining the above performance conditions, the figures shall be referred to the securities report submitted by Seven Bank, Ltd. In cases such as a change in the fiscal year end, changes in applicable accounting standards or events such as corporate acquisitions that have a significant impact on the business performance of Seven Bank, Ltd., it may not be appropriate to make judgments based on the figures shown in the consolidated balance sheet and consolidated income statement. If the Board of Directors determines that there is such effect, Seven Bank, Ltd. may make appropriate adjustments to eliminate such impact within a reasonable range. 2. Holders of subscription rights to shares must be directors, auditors, or employees of Seven Bank, Ltd. or its affiliated companies (including those seconded to these companies) at the time of exercising the subscription rights to shares. 3. The exercise of the subscription rights to shares by the heirs of the holders of the subscription rights to shares will not be permitted. 4. If the exercise of the subscription rights to shares causes the total number of issued shares of Seven Bank, Ltd. to exceed the total number of authorized shares at the time, the subscription rights to shares may not be exercised. 5. Less than one subscription right to shares may not be exercised.
Intended service period	From October 31, 2023 to May 31, 2026
Exercise period	From June 1, 2026 to October 31, 2027

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

(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, 2025. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2025:
Number of stock options

	Tenth grant-1
Before vested:	
As of February 29, 2024	3,815,200
Granted	–
Forfeited	188,000
Vested	–
Outstanding	3,627,200
After vested:	
As of February 29, 2024	–
Vested	–
Exercised	–
Forfeited	–
Outstanding	–

Price information

	Tenth grant-1
Exercise price	¥319.4 ($2.129) per share
Average exercise price	–
Fair value at the grant date[(a)]	¥16 ($0.106) per subscription to share

(c) Valuation method for estimating per share fair value of stock options
No items required to report.

(d) 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, only the number of options forfeited is reflected in the adopted method.

19. COMMITMENTS AND CONTINGENT LIABILITIES
(1) Guarantees
As of February 28, 2023
The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥34 million.
As of February 29, 2024
The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥28 million.
As of February 28, 2025
The Group is contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥21 million ($140 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, 2023, February 29, 2024 and February 28, 2025 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Buildings and structures	¥581	¥1,197	¥1,077	$7,180
Land	1,258	1,258	1,258	8,386
Investments in securities	86,736	101,596	97,682	651,213
Long-term leasehold deposits	1,149	–	–	–
Total	¥89,726	¥104,052	¥100,018	$666,786

Debts for the pledged assets above as of February 28, 2023 are as follows: long-term loans (including current portion), ¥9,229 million.
Debts for the pledged assets above as of February 29, 2024 are as follows: long-term loans (including current portion), ¥6,335 million.
Debts for the pledged assets above as of February 28, 2025 are as follows: long-term loans (including current portion), ¥5,752 million ($38,346 thousand).

(b) Other

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 and ¥1,700 million, respectively. The amount of assets pledged as collateral for real estate business is ¥55 million. In addition, ¥1,006 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2024

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥999 million and ¥6,500 million, respectively. The amount of assets pledged as collateral for real estate business is ¥20 million. In addition, nil of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2025

The amounts of investments in securities and long-term leasehold deposits pledged as collateral for fund transfer are ¥nil and ¥7,000 million ($46,666 thousand), respectively. The amount of assets pledged as collateral for real estate business is ¥20 million ($133 thousand). In addition, nil 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, 2023, February 29, 2024 and February 28, 2025 is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Credit availability of cash loan business	¥817,777	¥801,857	¥767,987	$5,119,913
Outstanding balance	(47,345)	(55,155)	(66,979)	(446,526)
Unused credit balance	¥770,431	¥746,701	¥701,008	$4,673,386

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. Financial subsidiaries may cease finance services or reduce credit limits based on the change in the credit status of the customers or other legitimate 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:

Franchise commission from franchised stores

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
SEVEN-ELEVEN JAPAN CO., LTD.	¥778,735	¥824,401	¥818,141	$5,454,273
7-Eleven, Inc	362,301	402,054	440,600	2,937,333
Total	¥1,141,036	¥1,226,455	¥1,258,741	$8,391,606

Net sales of franchised stores

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
SEVEN-ELEVEN JAPAN CO., LTD.	¥5,056,946	¥5,278,502	¥5,313,789	$35,425,260
7-Eleven, Inc	2,111,197	2,268,878	2,493,394	16,622,626
Total	¥7,168,143	¥7,547,381	¥7,807,183	$52,047,886

(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)
	2023	2024	2025	2025
Buildings and structures	¥1,687	¥2,575	¥42,495	$283,300
Land	7,066	7,989	51,997	346,646
Others	363	463	559	3,726
Total	¥9,116	¥11,027	¥95,052	$633,680

Notes:
(a) ¥1,660 million ($11,066 thousand) (Buildings and structures), ¥1,458 million ($9,720 thousand) (Land) and ¥(0) million ($(0) thousand) (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, 2025.
(b) In conjunction with a sale-leaseback it carried out in November 2024, U.S. consolidated subsidiary 7-Eleven, Inc. recorded ¥88,210 million ($588,066 thousand) as gain on sales of property and equipment.

(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)
	2023	2024	2025	2025
Buildings and structures	¥6,308	¥7,791	¥10,564	$70,426
Furniture, fixtures and equipment	3,873	4,497	5,767	38,446
Removal expenses	3,702	3,116	7,677	51,180
Others	226	184	734	4,893
Total	¥14,110	¥15,590	¥24,744	$164,960

Note: ¥265 million ($1,766 thousand) (Buildings and structures), ¥64 million ($426 thousand) (Furniture, fixtures and equipment) and ¥1,248 million ($8,320 thousand) (Removal expenses) are included in "Restructuring expenses" in the consolidated statements of income for the fiscal year ended February 28, 2025.

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

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Advertising and decoration expenses	¥97,091	¥103,036	¥93,224	$621,493
Salaries and wages	696,197	699,665	723,719	4,824,793
Provision for allowance for bonuses to employees	14,314	14,769	14,276	95,173
Retirement benefit costs	13,812	13,833	12,765	85,100
Legal welfare expenses	81,495	82,957	88,532	590,213
Land and building rent	441,127	450,944	480,095	3,200,633
Depreciation and amortization	363,564	388,036	422,032	2,813,546
Utility expenses	185,724	183,411	192,189	1,281,260
Store maintenance and repair expenses	162,768	164,886	182,536	1,216,906

22. LOSS ON BUSINESS OF SUBSIDIARIES AND ASSOCIATES

The Group recognized loss on business of subsidiaries and associates caused by withdrawal of online supermarket business for the fiscal year ended February 28, 2025. A breakdown of loss on business of subsidiaries and associates is shown below.

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Impairment loss	¥–	¥–	¥26,540	$176,933
Early termination fee	–	–	14,278	95,186
Others	–	–	5,597	37,313
Total	¥–	¥–	¥46,416	$309,440

23. RESTRUCTURING EXPENSES

The Group recognized restructuring expenses for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

			Millions of yen	Thousands of U.S. dollars (Note 3)
	2023	2024	2025	2025
Impairment loss	¥5,530	¥14,069	¥19,192	$127,946
Loss on disposals of property and equipment	–	–	1,578	10,520
Early retirement benefit	105	9,155	1,125	7,500
Store closing losses	2,088	–	–	–
Others	2,575	5,632	3,708	24,720
Total	¥10,298	¥28,858	¥25,605	$170,700

24. BUSINESS COMBINATIONS

Matters regarding significant business combinations for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 were described as follows:

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.

Fiscal year ended February 29, 2024

Business divestiture
Transfer of subsidiary shares

The Company entered into an agreement to transfer all of the issued 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") on November 11, 2022, and the share transfer was completed on September 1, 2023.

As a result, Sogo & Seibu Co., Ltd., and its subsidiaries* have been excluded from the scope of consolidation.

*IKEBUKURO SHOPPING PARK CO., LTD., GOTTSUOBIN CO., LTD., Yatsugatake Kogen Lodge Co., Ltd., DISTRICT HEATING AND COOLING CHIBA CO., LTD., and Sogo Co., Ltd.

1. Outline of the business divestiture
(1) Name of the successor entity
Sugi Godo Kaisha

(2) Description of the divested businesses
Department store business, and operation of shopping centers, large-scale commercial facilities, etc.

(3) Main objectives of the business divestiture
For the Company, the Transfer is one initiative that aligns with the Group strategy announced on March 9, 2023, and the Company determined that the execution of the Transfer suits the best interests of the Company and its stakeholders including the shareholders.

(4) Date of the business divestiture
September 1, 2023

(5) Outline of the business divestiture including the legal form thereof
Share transfers for which the consideration to be received is assets such as cash only.

2. Overview of the accounting treatment
(1) Amount of loss on the transfer
¥129,618 million
The loss amount includes other costs related to the business transfer.

(2) Appropriate carrying amounts of assets and liabilities related to the transferred business and major breakdown thereof

Current assets	¥86,711 million
Non-current assets	¥326,331 million
Total assets	¥413,043 million
Current liabilities	¥292,665 million
Non-current liabilities	¥22,654 million
Total liabilities	¥315,320 million

(3) Accounting treatment
The difference between the sale price and the book value of the transferred shares are included in other income (expenses) as "Loss on transfer of department stores" along with other related costs.

3. Name of the reporting segment in which the divested business was included in the segment information disclosure
Others

4. Approximate amount of profit or loss related to the divested business recorded in the consolidated statements of income for the fiscal year

Revenues from operations：	¥91,959 million
Operating income:	¥412 million

Fiscal year ended February 28, 2025

I Business combination by acquisition

The Company resolved to approve the execution of an agreement by and between 7-Eleven International LLC (“7IN”), the Company’s wholly-owned subsidiary and the joint venture of SEVEN-ELEVEN JAPAN CO., LTD. and 7-Eleven, Inc., and Australian Company R.G. Withers Nominees Pty Ltd as trustee for R.G. Withers Unit Trust, to acquire all shares of Convenience Group Holdings Pty Ltd (“SEA”), a holding company of 7-Eleven Stores Pty Ltd, which operates the convenience store and fuel retail business under the “7-Eleven” brand as a licensee of the Company in Australia via 7IN’s wholly-owned subsidiary, AR BidCo Pty Ltd (the “Transaction”) at a meeting of the Board of Directors held on November 30, 2023. In addition, 7IN executed the agreement relating to the Transaction on April 1, 2024 (March 31, 2024 in the U.S.). The details are as follows.

1. Overview
(1) Name and main business of the acquired company
Name: Convenience Group Holdings Pty Ltd
Description of business: Operation of the convenience store business and fuel retail business

(2) Main reason for the business combination
In the Medium-Term Management Plan 2021-2025, the Company announced its ideal group image for 2030 as well as its corporate creed since its establishment to be a sincere company that earns the trust of all stakeholders, and its basic stance of “We aim to contribute to the local community both in Japan and overseas by providing new experiences and values from the customer’s point of view.” Additionally, based on Results of the Group Strategy Reevaluation announced in March 2023, the Company adopted “A world-class retail group centered around its “food” that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology” as the new ideal group image for 2030.

One of the essential initiatives for realizing the ideal group image for 2030 is the global CVS strategy. 7IN, which operates global CVS business outside of Japan and North America, aims to have 50,000 stores worldwide (excluding Japan and North America) by FY2025 and to expand to 30 countries/regions by FY2030. In particular, 7IN pursues profit growth by not only new market entry but also strategic investments in existing licensees for maximizing licensee growth potential through business transformation, including strengthening “food,” which has led to the remarkable growth of SEI in the U.S. In addition, the Company decided to increase its investment in its Vietnam business in February 2023, and is actively considering M&A including strategic investments in licensees to pursue accelerated profit growth in the global CVS business, which has significant potential of growth.

SEA’s subsidiary, 7-Eleven Stores Pty Ltd has been operating convenience stores in Australia for many years as a licensee of the “7-Eleven” brand. 7-Eleven Stores Pty Ltd is currently the largest convenience store retailer in Australia with a leading merchandise offering, targeted product range, and established loyalty program.

The Company and 7IN have a longstanding relationship with SEA and a deep knowledge of the business. By executing the Transaction, the Company intends to achieve the following objectives.

(a) Expansion of store network in Australia
The Australian market is a growing market with a diverse population of young people and immigrants, and the Australian Government expects its population to grow at a CAGR of 1.4% over time by the mid-2060s. SEA operates 751 stores as of the end of June 2023 and the Transaction will enable the Company to establish itself as the clear industry leader in the Australian convenience store market, which has significant growth potential. In addition, the Company strongly believes that there is room for further growth by actively opening new stores in Victoria, New South Wales, Queensland, Western Australia, and other states, and that the expansion of the store network in Australia will accelerate the entire group’s long-term growth strategy.

By utilizing the product strength and operational knowhow of the business cultivated in Japan and North America and experience of cultivating synergies through 50 M&A transactions since 2005, the Company expects that it will be able to increase product sales and improve gross product margin, further reduce costs, strengthen the customer base, and realize further innovation and an even greater increase in corporate value.

(b) ESG leadership
In May 2019, the Group, as a global retailer representing Japan, announced the “GREEN CHALLENGE 2050,” as its environmental declaration. The Group is committed to achieving the declaration’s four themes: (1) reducing CO2 emissions; (2) measures with respect to plastics; (3) measures for food loss and recycling; and (4) sustainable procurement. The Group has set clear targets to achieve by 2030 and for the next generation of society in 2050 with respect to its missions and duties. Following the Transaction, the Group has reaffirmed that it remains committed to the environmental declaration as part of its ESG efforts, and will further accelerate these efforts in the Australian market through expansion of its network and presence.

(3) Date of the business combination
April 1, 2024 (March 31, 2024 in the U.S.)

(4) Legal form of the business combination
Acquisition of shares

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

(6) Ratio of voting rights acquired
100%

(7) Reason for determining the acquired company
The Company’s subsidiary acquired the shares of the companies in exchange for cash.

2. Period of performance of the acquired company included in the consolidated financial statements
From April 1, 2024 to December 31, 2024

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

Consideration for acquisition:	Cash	A$1,989,098 thousand	(¥196,145 million)
Acquisition cost:		A$1,989,098 thousand	(¥196,145 million)

Note: The amount of cash and cash equivalents held by the acquiree was A$302,155 thousand (¥29,795 million).
Converted at the rate of A$1 = ¥98.61 (as of March 29, 2024).

4. Details and amounts of main acquisition-related costs
Payment for financial and legal investigations: $15,578 thousand (¥2,363 million)
Note: Converted at the rate of $1 = ¥151.69 (average exchange rates)

5. Amount, reason for recognition, and period and method of amortization of goodwill
(1) Amount of goodwill
A$1,450,122 thousand (¥142,996 million)

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

(3) 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	A$578,218 thousand	(¥57,018 million)
Non-current assets	A$2,281,729 thousand	(¥225,001 million)
Total assets	A$2,859,948 thousand	(¥282,019 million)
Current liabilities	A$777,379 thousand	(¥76,657 million)
Non-current liabilities	A$1,543,592 thousand	(¥152,213 million)
Total liabilities	A$2,320,972 thousand	(¥228,871 million)

Note: Converted at the rate of A$1 = ¥98.61 (as of March 29, 2024)

7. Estimated amount of impact on the consolidated statements of income for the current fiscal year, assuming the business combination had been completed on the start date of the fiscal year, and method of calculating the estimated amount

Net sales:	A$1,324,164 thousand	(¥132,376 million)
Operating income:	A$(8,485) thousand	(¥(848) million)
Ordinary income:	A$(5,932) thousand	(¥(593) million)
Income before income taxes:	A$(5,932) thousand	(¥(593) million)
Net income attributable to owners of parent:	A$(9,256) thousand	(¥(925) million)
Net income per share:	A$(0.00)	(¥(0.36))

Method of calculating the estimated amount
The estimated amount of the impact is the difference between the net sales and profit/loss information calculated assuming that the business combination was completed at the beginning of the fiscal year, and the net sales and profit/loss information in the acquired company's consolidated statements of income. In addition, the estimated amount includes adjustments for the amortization of goodwill, etc., on the assumption that the goodwill, etc., recognized at the time of the business combination occurred on the first day of the current fiscal year.
This note has not been received audit attestation.

Note: Converted at the rate of A$1 = ¥99.97 (average exchange rates)

II Business combination by acquisition
The Company's Board of Directors resolved on January 11, 2024 that the Company's consolidated subsidiary 7-Eleven, Inc. ("SEI") would acquire stores and other assets constituting most of the convenience store business and gasoline retail business of U.S. company Sunoco LP ("the Transaction"). In addition, the Transaction has been completed on April 16, 2024. The details are as follows.

1. Overview
(1) Name and main business of the other company
Name: Sunoco LP
Description of business: Operation of fuel wholesale and retail, and convenience store business

(2) Main reason for the business combination
In the Medium-Term Management Plan 2021-2025, the Company announced its ideal group image for 2030 as well as its corporate creed since its establishment to be a sincere company that earns the trust of all stakeholders, and its basic stance of "We aim to contribute to the local community both in Japan and overseas by providing new experiences and values from the customer's point of view." Additionally, based on the Results of the Group Strategy Reevaluation announced in March 2023, the Company adopted "A world-class retail group centered around its "food" that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology" as the new ideal group image for 2030.

One of the essential initiatives for realizing the ideal group image for 2030 is the global CVS strategy. 7-Eleven, Inc., mainly operating in North America, will focus on the four key strategic areas in the medium-term, and aim for a continuous growth and improved efficiency in the business.

(a) Expanding the development and distribution of its proprietary products (fresh foods, proprietary beverages, and private brands) to 34% of sales by 2025 while growing overall merchandise margins and continuing to strengthen the value chain.

(b) In the 7NOW delivery business, aim for revenue of 1 billion dollars by 2025 by accelerating growth through our value proposal of high-value quality food and immediate consumables delivered fast (national average 28 minutes).

(c) Complete the overall integration with Speedway and realize 800 million dollars synergies in 2023, aiming for further synergy expansion.

(d) Continue to pursue growth in the fragmented North American market through both M&A opportunities and organic new build stores.
Since acquiring 1,030 stores of Sunoco LP's convenience store and gasoline business in 2018, SEI has expanded its store network and enhanced user convenience in Texas and East Coast area of the United States, improving profitability.

Through the Transaction, SEI will newly acquire 204 stores in western Texas, New Mexico, and Oklahoma, which will connect our 7-Eleven and Speedway store network alongside the interstate highway, contribute to increase our regional market share, and SEI will accelerate the growth in North America market by leading to the associated 123 restaurant chain enhancing / accelerating our restaurant strategy.

(3) Date of the business combination
April 16, 2024

(4) Legal form of the business combination
Acquisition of business

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

(6) Reason for determining the acquired company
The Company's subsidiary acquired the businesses with all consideration paid in cash.

2. Period of performance of the acquired business included in the consolidated financial statements
From April 16, 2024 to December 31, 2024

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

Consideration for acquisition:	Cash	$995,608 thousand	(¥152,786 million)
Acquisition cost:		$995,608 thousand	(¥152,786 million)

Note: Converted at the rate of $1 = ¥153.46 (as of April 15, 2024)

4. Details and amounts of main acquisition-related costs
Payment for financial and legal investigations: $5,916 thousand (¥897 million)
Note: Converted at the rate of $1 = ¥151.69 (average exchange rates)

5. Amount, reason for recognition, and period and method of amortization of goodwill
(1) Amount of goodwill
$697,677 thousand (¥107,065 million)

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

(3) 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	$42,115 thousand	(¥6,462 million)
Non-current assets	$327,257 thousand	(¥50,220 million)
Total assets	$369,372 thousand	(¥56,683 million)
Non-current liabilities	$71,441 thousand	(¥10,963 million)
Total liabilities	$71,441 thousand	(¥10,963 million)

Note: Converted at the rate of $1 = ¥153.46 (as of April 15, 2024)

7. Estimated amount of impact on the consolidated statements of income for the current fiscal year, assuming the business combination had been completed on the start date of the fiscal year, and method of calculating the estimated amount

Net sales:	$122,699 thousand	(¥18,612 million)
Operating income:	$8,007 thousand	(¥1,214 million)
Ordinary income:	$8,007 thousand	(¥1,214 million)
Income before income taxes:	$8,007 thousand	(¥1,214 million)
Net income attributable to owners of parent:	$5,990 thousand	(¥908 million)
Net income per share:	$0.00	(¥0.35)

Method of calculating the estimated amount
The estimated amount of the impact is the difference between the net sales and profit/loss information calculated assuming that the business combination was completed at the beginning of the fiscal year, and the net sales and profit/loss information in the acquired company's consolidated statements of income. In addition, the estimated amount includes adjustments for the amortization of goodwill, etc., on the assumption that the goodwill, etc., recognized at the time of the business combination occurred on the first day of the current fiscal year.
This note has not been received audit attestation.

Note: Converted at the rate of $1 = ¥151.69 (average exchange rates)

25. RELATED PARTIES TRANSACTIONS

1. Transactions with related parties
(1) Transactions between the Company and related parties
(a) Unconsolidated subsidiaries and affiliates
Fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025
No items required to report.

(b) A director of the Company and primary shareholders (limited to individuals)
Fiscal years ended February 28, 2023 and February 29, 2024
No items required to report.

Fiscal year ended February 28, 2025

Millions of yen

Attribution	Name of Company or Name	Adress	Capital or investments	Business or title	Voting rights held by the Company / Holding of voting rights of the Company (%)	Business relationship	Details of transaction	Transaction amount	Account	Year-end balance
Director	Junro Ito	–	–	Representative Director and Vice President	(Holding) Directly 0.36	–	Donations received	500	–	–

Notes:
(a) The amount of transaction does not include consumption taxes, etc.
(b) The Company has received the cash as funds for the development of human resources who are expected to actively participate in the further global expansion of the Group.

2. Notes about the parent company and the important affiliates
Fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025
No items required to report.

26. 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				Others[(a)]	Total	Adjustments [(b)]	Operating revenues from outside customers
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Japan	¥885,358	¥–	¥1,404,763	¥111,953	¥465,483	¥2,867,559	¥561	¥2,868,120
North America	–	8,578,330	–	9,054	–	8,587,384	–	8,587,384
Others[(c)]	–	27,660	37,435	4,797	919	70,813	–	70,813
Revenue arising from contracts with customers	¥885,358	¥8,605,990	¥1,442,199	¥125,805	¥466,403	¥11,525,756	¥561	¥11,526,318
Other revenues[(d)]	¥2,858	¥237,375	¥2,428	¥39,092	¥3,229	¥284,984	¥–	¥284,984
Operating revenues from outside customers	¥888,216	¥8,843,366	¥1,444,627	¥164,898	¥469,632	¥11,810,741	¥561	¥11,811,303

Fiscal year ended February 29, 2024

Millions of yen

	Reportable segment				Others[a]	Total	Adjustments[b]	Operating revenues from outside customers
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Japan	¥916,238	¥–	¥1,434,916	¥118,761	¥382,074	¥2,851,991	¥599	¥2,852,590
North America	–	8,218,195	–	9,589	–	8,227,785	–	8,227,785
Others[c]	–	29,626	36,152	8,499	1,972	76,250	–	76,250
Revenue arising from contracts with customers	¥916,238	¥8,247,822	¥1,471,068	¥136,850	¥384,046	¥11,156,027	¥599	¥11,156,626
Other revenues[d]	¥3,115	¥266,330	¥2,190	¥41,181	¥2,309	¥315,126	¥–	¥315,126
Operating revenues from outside customers	¥919,354	¥8,514,152	¥1,473,259	¥178,031	¥386,356	¥11,471,154	¥599	¥11,471,753

Fiscal year ended February 28, 2025

Millions of yen

	Reportable segment				Others[a]	Total	Adjustments[b]	Operating revenues from outside customers
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Japan	¥898,374	¥–	¥1,392,791	¥119,059	¥283,894	¥2,694,119	¥634	¥2,694,754
North America	–	8,416,261	–	11,221	–	8,427,482	–	8,427,482
Others[c]	–	466,571	33,463	11,857	2,268	514,160	–	514,160
Revenue arising from contracts with customers	¥898,374	¥8,882,832	¥1,426,254	¥142,137	¥286,163	¥11,635,762	¥634	¥11,636,397
Other revenues[d]	¥3,814	¥285,601	¥2,282	¥43,493	¥1,172	¥336,365	¥–	¥336,365
Operating revenues from outside customers	¥902,189	¥9,168,434	¥1,428,536	¥185,631	¥287,336	¥11,972,128	¥634	¥11,972,762

Thousands of U.S. dollars (Note 3)

	Reportable segment				Others[a]	Total	Adjustments[b]	Operating revenues from outside customers
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Japan	$5,989,160	$–	$9,285,273	$793,726	$1,892,626	$17,960,793	$4,226	$17,965,026
North America	–	56,108,406	–	74,806	–	56,183,213	–	56,183,213
Others[c]	–	3,110,473	223,086	79,046	15,120	3,427,733	–	3,427,733
Revenue arising from contracts with customers	$5,989,160	$59,218,880	$9,508,360	$947,580	$1,907,753	$77,571,746	$4,226	$77,575,980
Other revenues[d]	$25,426	$1,904,006	$15,213	$289,953	$7,813	$2,242,433	$–	$2,242,433
Operating revenues from outside customers	$6,014,593	$61,122,893	$9,523,573	$1,237,540	$1,915,573	$79,814,186	$4,226	$79,818,413

Notes:

(a) "Others" present for the operating segments that are not included in the reportable segments, such as department store operations, specialty store operations and real estate operations, etc. for the fiscal years ended February 28, 2023 and February 29, 2024, and such as specialty store operations and real estate operations, etc. for the fiscal year ended February 28, 2025.

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

(c) Others consist of the business results in the People's Republic of China, etc. for the fiscal years ended February 28, 2023 and February 29, 2024, and in Australia and the People's Republic of China, etc. for the fiscal year ended February 28, 2025.

(d) "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).

(e) The classification of geographic area segments is determined according to geographical distances.

(f) Change in reportable segments
The Company changed its classification of reportable segments since the fiscal year ended February 29, 2024. Figures for the fiscal year ended February 28, 2023 in the table above have been revised to reflect the new classification.

(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 about the relationship between the satisfaction of the performance obligations based on the contracts with customers and cash flows generated from the respective contracts, and the amount and the timing of revenue expected to be recognized in the following fiscal years from the contracts with customers valid at the end of the current fiscal year

(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
	March 1, 2022	February 28, 2023
Receivables arising from contracts with customers		
Notes receivable	¥64	¥66
Accounts receivable	364,705	421,179
Others	91,622	133,351
Contract assets	¥488	¥531
Contract liabilities	¥175,882	¥211,356

		Millions of yen
	March 1, 2023	February 29, 2024
Receivables arising from contracts with customers		
Notes receivable	¥66	¥2
Accounts receivable	421,179	463,022
Others	133,351	130,901
Contract assets	¥531	¥5
Contract liabilities	¥211,356	¥188,890

		Millions of yen	Thousands of U.S. dollars (Note 3)
	March 1, 2024	February 28, 2025	February 28, 2025
Receivables arising from contracts with customers			
Notes receivable	¥2	¥–	$–
Accounts receivable	463,022	440,269	2,935,126
Others	130,901	124,706	831,373
Contract assets	¥5	¥4	$26
Contract liabilities	¥188,890	¥178,031	$1,186,873

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 amounts of revenues included in and recognized on the balance of contract liabilities at the beginning of the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025 were ¥106,992 million, ¥142,025 million and ¥122,367 million ($815,780 thousand), respectively. 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, ¥227,142 million and ¥224,937 million ($1,499,580 thousand) as of February 28, 2023, February 29, 2024 and February 28, 2025, respectively. 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.

27. 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.

The Company changed its classification of reportable segments since the fiscal year ended February 29, 2024 as follows. Figures for the fiscal year ended February 28, 2023 have been revised to reflect the new classification.

Under the holding company structure, the Company has classified its consolidated subsidiaries into four segments which are “Domestic convenience store operations”, “Overseas convenience store operations”, “Superstore operations”, and “Financial services” 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. “Financial services” operate a banking business, credit card business and leasing 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, 2023

Millions of yen

	Reportable segment							
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services	Others	Total	Adjustments	Consolidated total
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
Segment assets	¥1,204,038	¥5,764,895	¥975,836	¥1,905,942	¥571,810	¥10,422,523	¥128,432	¥10,550,956
Segment liabilities (interest-bearing debt)	¥–	¥1,703,683	¥–	¥279,839	¥152,299	¥2,135,823	¥839,974	¥2,975,797
Other items:								
Depreciation	¥85,553	¥192,968	¥35,388	¥32,227	¥14,985	¥361,124	¥14,973	¥376,097
Amortization of goodwill	¥–	¥108,756	¥3,098	¥381	¥462	¥112,700	¥–	¥112,700
Investment in entities accounted for using the equity method	¥9,801	¥8,072	¥7,721	¥933	¥16,277	¥42,806	¥–	¥42,806
Impairment loss	¥8,918	¥9,816	¥15,589	¥78	¥13,423	¥47,826	¥1,124	¥48,950
Net increase in property and equipment, and intangible assets	¥88,873	¥188,641	¥46,879	¥30,851	¥22,870	¥378,115	¥38,250	¥416,366

Fiscal year ended February 29, 2024

Millions of yen

	Reportable segment							
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:								
Customers	¥919,354	¥8,514,152	¥1,473,259	¥178,031	¥386,356	¥11,471,154	¥599	¥11,471,753
Intersegment	2,351	2,787	4,125	29,447	24,949	63,660	(63,660)	–
Total revenues	¥921,706	¥8,516,939	¥1,477,384	¥207,479	¥411,305	¥11,534,814	¥(63,060)	¥11,471,753
Segment income (loss)	¥250,544	¥301,628	¥13,588	¥38,172	¥2,688	¥606,622	¥(72,373)	¥534,248
Segment assets	¥1,272,137	¥6,101,146	¥991,748	¥1,763,916	¥182,364	¥10,311,312	¥280,805	¥10,592,117
Segment liabilities (interest-bearing debt)	¥–	¥1,585,017	¥526	¥264,172	¥19,963	¥1,869,680	¥868,974	¥2,738,654
Other items:								
Depreciation	¥90,172	¥207,066	¥36,994	¥34,463	¥10,440	¥379,137	¥21,651	¥400,789
Amortization of goodwill	¥–	¥115,862	¥3,137	¥449	¥462	¥119,912	¥–	¥119,912
Investment in entities accounted for using the equity method	¥9,661	¥12,714	¥8,230	¥0	¥13,201	¥43,808	¥–	¥43,808
Impairment loss	¥9,383	¥17,368	¥24,887	¥1,523	¥2,440	¥55,603	¥1,476	¥57,079
Net increase in property and equipment, and intangible assets	¥120,427	¥192,736	¥44,415	¥49,927	¥24,979	¥432,486	¥24,613	¥457,100

Fiscal year ended February 28, 2025

Millions of yen

	Reportable segment							
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:								
Customers	¥902,189	¥9,168,434	¥1,428,536	¥185,631	¥287,336	¥11,972,128	¥634	¥11,972,762
Intersegment	1,962	2,347	3,589	26,496	33,578	67,974	(67,974)	–
Total revenues	¥904,152	¥9,170,782	¥1,432,126	¥212,127	¥320,914	¥12,040,102	¥(67,339)	¥11,972,762
Segment income (loss)	¥233,554	¥216,248	¥10,415	¥32,015	¥5,779	¥498,014	¥(77,023)	¥420,991
Segment assets	¥1,315,808	¥6,965,924	¥980,415	¥1,820,541	¥172,816	¥11,255,506	¥130,605	¥11,386,111
Segment liabilities (interest-bearing debt)	¥–	¥1,520,446	¥423	¥247,751	¥16,562	¥1,785,184	¥909,546	¥2,694,730
Other items:								
Depreciation	¥91,312	¥237,661	¥38,529	¥40,024	¥6,413	¥413,940	¥22,653	¥436,593
Amortization of goodwill	¥–	¥133,931	¥3,150	¥697	¥429	¥138,209	¥–	¥138,209
Investment in entities accounted for using the equity method	¥9,785	¥11,303	¥9,319	¥–	¥11,321	¥41,730	¥–	¥41,730
Impairment loss	¥9,655	¥64,874	¥40,095	¥1,640	¥1,679	¥117,945	¥26,048	¥143,993
Net increase in property and equipment, and intangible assets	¥104,520	¥290,785	¥63,216	¥58,784	¥7,156	¥524,462	¥11,339	¥535,802

Thousands of U.S. dollars (Note 3)

	Reportable segment							
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:								
Customers	$6,014,593	$61,122,893	$9,523,573	$1,237,540	$1,915,573	$79,814,186	$4,226	$79,818,413
Intersegment	13,080	15,646	23,926	176,640	223,853	453,160	(453,160)	–
Total revenues	$6,027,680	$61,138,546	$9,547,506	$1,414,180	$2,139,426	$80,267,346	$(448,926)	$79,818,413
Segment income (loss)	$1,557,026	$1,441,653	$69,433	$213,433	$38,526	$3,320,093	$(513,486)	$2,806,606
Segment assets	$8,772,053	$46,439,493	$6,536,100	$12,136,940	$1,152,106	$75,036,706	$870,700	$75,907,406
Segment liabilities (interest-bearing debt)	$–	$10,136,306	$2,820	$1,651,673	$110,413	$11,901,226	$6,063,640	$17,964,866
Other items:								
Depreciation	$608,746	$1,584,406	$256,860	$266,826	$42,753	$2,759,600	$151,020	$2,910,620
Amortization of goodwill	$–	$892,873	$21,000	$4,646	$2,860	$921,393	$–	$921,393
Investment in entities accounted for using the equity method	$65,233	$75,353	$62,126	$–	$75,473	$278,200	$–	$278,200
Impairment loss	$64,366	$432,493	$267,300	$10,933	$11,193	$786,300	$173,653	$959,953
Net increase in property and equipment, and intangible assets	$696,800	$1,938,566	$421,440	$391,893	$47,706	$3,496,413	$75,593	$3,572,013

Notes:

(a) “Others” present for the operating segments that are not included in the reportable segments, such as department store operations, specialty store operations and real estate operations, etc. for the fiscal years ended February 28, 2023 and February 29, 2024, and such as specialty store operations and real estate operations, etc. for the fiscal year ended February 28, 2025.

(b) The adjustments of ¥(67,344) million, ¥(72,373) million and ¥(77,023) million ($(513,486) thousand) for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, respectively.

(c) The adjustments of ¥128,432 million, ¥280,805 million and ¥130,605 million ($870,700 thousand) for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, respectively.

(d) The adjustments of ¥839,974 million, ¥868,974 million and ¥909,546 million ($6,063,640 thousand) for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, respectively. The amount of each segment liability does not include intersegment transactions.

(e) The adjustment of ¥14,973 million, ¥21,651 million and ¥22,653 million ($151,020 thousand) for depreciation is the depreciation of corporate assets for the fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025, respectively.

(f) The adjustment of ¥38,250 million, ¥24,613 million and ¥11,339 million ($75,593 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, 2023, February 29, 2024 and February 28, 2025, respectively.

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

(h) ¥5,530 million, ¥14,069 million and ¥19,192 million ($127,946 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, 2023, February 29, 2024 and February 28, 2025, respectively. In addition, ¥26,540 million ($176,933 thousand) out of “Impairment loss” in the tables above is included in “Loss on business of subsidiaries and associates” in the consolidated statements of income for the fiscal years ended February 28, 2025.

(Reference)

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

						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

						Millions of yen
Fiscal year ended February 29, 2024	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥2,900,596	¥8,494,165	¥76,991	¥11,471,753	¥–	¥11,471,753
Intersegment	15,032	679	147	15,859	(15,859)	–
Total revenues	¥2,915,628	¥8,494,845	¥77,138	¥11,487,613	¥(15,859)	¥11,471,753
Operating income (loss)	¥248,521	¥297,926	¥1,517	¥547,965	¥(13,716)	¥534,248

						Millions of yen
Fiscal year ended February 28, 2025	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥2,744,719	¥8,713,222	¥514,820	¥11,972,762	¥–	¥11,972,762
Intersegment	16,488	1,858	79	18,426	(18,426)	–
Total revenues	¥2,761,208	¥8,715,080	¥514,900	¥11,991,189	¥(18,426)	¥11,972,762
Operating income (loss)	¥220,838	¥219,207	¥(4,402)	¥435,642	¥(14,651)	¥420,991

						Thousands of U.S. dollars (Note 3)
Fiscal year ended February 28, 2025	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$18,298,126	$58,088,146	$3,432,133	$79,818,413	$–	$79,818,413
Intersegment	109,920	12,386	526	122,840	(122,840)	–
Total revenues	$18,408,053	$58,100,533	$3,432,666	$79,941,260	$(122,840)	$79,818,413
Operating income (loss)	$1,472,253	$1,461,380	$(29,346)	$2,904,280	$(97,673)	$2,806,606

Notes:
(a) The classification of geographic area segments is determined according to geographical distances.
(b) Others consist of the business results in the People's Republic of China, etc. for the fiscal years ended February 28, 2023 and February 29, 2024, and in Australia and the People's Republic of China, etc. for the fiscal year ended February 28, 2025.

Related Information
Fiscal years ended February 28, 2023, February 29, 2024 and February 28, 2025

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, 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

Fiscal year ended February 29, 2024

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥2,900,596	¥8,494,165 [¥8,137,579]	¥76,991	¥11,471,753

Fiscal year ended February 28, 2025

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥2,744,719	¥8,713,222 [¥8,344,154]	¥514,820	¥11,972,762

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$18,298,126	$58,088,146 [$55,627,693]	$3,432,133	$79,818,413

(2) Property and equipment

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

Fiscal year ended February 29, 2024

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,248,128	¥3,075,349 [¥2,979,422]	¥39,022	¥4,362,500

Fiscal year ended February 28, 2025

Millions of yen

Japan	North America [of which, the U.S.]	Others	Total
¥1,258,118	¥3,484,251 [¥3,387,807]	¥238,928	¥4,981,298

Thousands of U.S. dollars (Note 3)

Japan	North America [of which, the U.S.]	Others	Total
$8,387,453	$23,228,340 [$22,585,380]	$1,592,853	$33,208,653

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the consolidated statements of income.

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

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

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

Millions of yen

Fiscal year ended February 28, 2023	Reportable segment				Others	Total	Eliminations / Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Goodwill								
Amortization	¥–	¥108,756	¥3,098	¥381	¥462	¥112,700	¥–	¥112,700
Balance at the end of year	2,529	1,894,266	10,929	3,331	1,960	1,913,017	–	1,913,017
Negative goodwill								
Amortization	–	–	23	–	4	27	–	27
Balance at the end of year	–	–	–	–	–	–	–	–

Millions of yen

Fiscal year ended February 29, 2024	Reportable segment				Others	Total	Eliminations / Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Goodwill								
Amortization	¥–	¥115,862	¥3,137	¥449	¥462	¥119,912	¥–	¥119,912
Balance at the end of year	2,153	1,913,558	8,824	2,882	1,496	1,928,916	–	1,928,916
Negative goodwill								
Amortization	–	–	–	–	–	–	–	–
Balance at the end of year	–	–	–	–	–	–	–	–

Millions of yen

Fiscal year ended February 28, 2025	Reportable segment				Others	Total	Eliminations / Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Goodwill								
Amortization	¥–	¥133,931	¥3,150	¥697	¥429	¥138,209	¥–	¥138,209
Balance at the end of year	1,782	2,253,978	5,669	2,185	826	2,264,441	–	2,264,441
Negative goodwill								
Amortization	–	–	–	–	–	–	–	–
Balance at the end of year	–	–	–	–	–	–	–	–

Fiscal year ended February 28, 2025	Reportable segment				Others	Total	Eliminations / Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
								Thousands of U.S. dollars (Note 3)
Goodwill								
Amortization	$–	$892,873	$21,000	$4,646	$2,860	$921,393	$–	$921,393
Balance at the end of year	11,880	15,026,520	37,793	14,566	5,506	15,096,273	–	15,096,273
Negative goodwill								
Amortization	–	–	–	–	–	–	–	–
Balance at the end of year	–	–	–	–	–	–	–	–

(Significant changes in the amount of goodwill)
In the fiscal year ended February 28, 2025, the acquisition of the shares of Convenience Group Holdings Pty Ltd was completed through the 7-Eleven International LLC's wholly-owned subsidiary, AR BidCo Pty Ltd. Due to the acquisition, the Company has included CONVENIENCE HOLDINGS PTY LTD and other 20 companies in the scope of consolidation. As a result, the amount of goodwill in overseas convenience store operations has increased by ¥142,996 million ($953,306 thousand).

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

28. DETAILS OF AUDIT-RELATED COMPENSATION
(1) Compensation for auditing certified public accountants

Category	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2025		2025	
	Compensation for audit attestation	Compensation for non-auditing attestation	Compensation for audit attestation	Compensation for non-auditing attestation
The Company	¥192	¥60	$1,280	$400
Consolidated subsidiaries	661	20	4,406	133
Total	¥854	¥80	$5,693	$533

(Fiscal year ended February 28, 2025)
Details of non-auditing services for the Company are an accounting related service.
In addition, details of non-auditing services for consolidated subsidiaries are validation services for the status of design and operation internal control in contracted businesses and other services.

(2) Compensation for organizations which belong to the same network (KPMG) as the auditing certified public accountants (excluding (1))

Category	Millions of yen		Thousands of U.S. dollars (Note 3)	
	2025		2025	
	Compensation for audit attestation	Compensation for non-auditing attestation	Compensation for audit attestation	Compensation for non-auditing attestation
The Company	¥–	¥238	$–	$1,586
Consolidated subsidiaries	810	111	5,400	740
Total	¥810	¥350	$5,400	$2,333

(Fiscal year ended February 28, 2025)
Details of non-auditing services for the Company are advisory services for accounting and tax affairs related to the Group's strategy and other services.
In addition, details of non-auditing services for consolidated subsidiaries are support services for tax affairs and other services.

29. SUBSEQUENT EVENTS

I. Cash dividend

Subsequent to February 28, 2025, the Company's Board of Directors declared a year-end cash dividend of ¥51,980 million ($346,533 thousand) to be payable on May 28, 2025 to shareholders on record as of February 28, 2025. The amount of cash dividends includes ¥82 million ($546 thousand) of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust. The dividend per share is ¥20.00 ($0.13).

The cash dividends are proposed and to be approved at the annual shareholders' meeting planned to be held on May 27, 2025.

II. Significant change in the scope of consolidation

At the Board of Directors' meeting held on March 6, 2025, the Company resolved to transfer the rights and obligations relating to the head office functions, subsidiary management functions of a total of 29 companies ("SST Business Group Split Companies") - comprising 22 of the Company's consolidated subsidiaries and 7 equity-method affiliates engaged in the Group's food supermarket, specialty store, and other businesses ("SST Business Group") — along with all other businesses held by YORK Holdings Co., Ltd. ("YORK HD"), to K.K. BCJ-96 ("SPC (2)"), which will be newly established as a wholly-owned subsidiary of K.K. BCJ-95 ("SPC (1)"), an acquisition purpose company established by Bain Capital Private Equity, L.P. and its affiliates (collectively, "Bain Capital"). The transfer, which includes all shares of the Transferred Companies (collectively referring to Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., THE LOFT CO., LTD., Akachan Honpo Co., Ltd., Seven & i Food Systems Co., Ltd., Seven & i Create Link Co., Ltd., and SHELL GARDEN CO., LTD.; the same applies hereinafter) held directly by YORK HD will be executed through an absorption-type split for an estimated consideration of ¥814.7 billion (*) ("Absorption-type Split"). The Company also resolved to enter into various agreements related to the Transaction, as defined below (collectively, "Definitive Agreements"). As a result, changes are expected in the Company's subsidiaries. As described in "2. Overview of the Transaction" below, the Company and Mr. Yasuhisa Ito, Mr. Junro Ito, and Mr. Koichiro Otaka (collectively, "Founder Family") plan to invest in SPC (1) so that the Company's shareholding ratio will be 35.07%, Bain Capital's will be 60.00%, and the Founder Family's will be 4.93% ("Capital Contribution") after the Absorption-type Split becomes effective (the series of transactions, including the Absorption-type Split, is referred to as the "Transaction").

*This amount is the current estimate calculated based on the enterprise value agreed in the Definitive Agreements, adjusted for items such as estimated cash and deposits as of the estimated effective date of the Absorption type Split. The final amount will be determined through adjustments provided in the Definitive Agreements.

1. Purpose of the Transaction

In pursuit of the best interests of the Company's shareholders and other stakeholders through the optimization of the group structure, the Company announced in "The Discussions in Our Board and Strategy Committee Recommendations and Our Group's Action Plans Toward the Maximization of Corporate and Shareholder Value" dated April 10, 2024, that it would begin considering an IPO of the SST Business Group as soon as practically possible. The Company views this as a workable option to realize the SST Business Group's sustainable growth beyond fundamental transformation, on the basis that it will continue to retain a certain shareholding in the SST business and collaborate between the convenience store business and the SST business in the area of food products development.

Subsequently, in "Notice Regarding the Establishment of an Intermediate Holding Company" dated October 10, 2024, the Company announced its intention to conduct organizational restructuring by establishing YORK HD Co., Ltd., whose major role entails planning corporate strategies, managing, and supporting the SST Business Group. The Company also announced its policy to convert YORK HD into an equity-method affiliate by bringing in a strategic partner. The Company has been seeking a strategic partner to strengthen the growth strategy of the SST Business Group, whose growth story differs from that of the convenience store business.

The Transaction aligns with such management policy of the Company and broader strategic efforts. The Company places the utmost importance on achieving the sustainable growth of the SST Business Group and carried out a rigorous selection process to identify the best partner. After thoroughly evaluating multiple candidates, the Company has chosen Bain Capital as the optimal partner.

The Company has engaged in extensive discussions with Bain Capital to maximize value for its shareholders and stakeholders. As a result, the Company determined that leveraging Bain Capital's expertise in the consumer and retail industry and financial strength, backed by its strong investment track record as one of the world's leading private equity funds, will contribute to the sustainable growth of the SST Business Group.

Bain Capital intends to engage in discussions with respective SST Business Group Split Companies regarding the SST Business Group's specific business management policies following the Transaction. Its goal is to maximize the potential value of the SST Business Group by optimizing the profit structure, an initiative the Company is currently promoting, and effectively utilizing the SST Business Group's real estate assets, with the ultimate aim of achieving an IPO.

2. Overview of the Transaction

First, in advance of the effective date of the Absorption-type Split, the Founder Family will make a cash contribution to SPC (1) and will receive an allocation of common shares of SPC (1).

Additionally, through the Absorption-type Split, YORK HD will, subject to certain conditions, transfer its the rights and obligations relating to the head office functions, management functions of SST Business Group Split Companies and all other businesses (including all shares of the Transferred Companies held by YORK HD) to SPC (2) in exchange for a split consideration of ¥814.7 billion (Step (1)). At the same time, YORK HD will transfer part of its right to claim payment for the cash consideration of the Absorption-type Split (hereinafter referred to as the "Cash Consideration Payment Claim for the Absorption-type Split") to the Company, while SPC (1) will assume part of the debt related to the Cash Consideration Payment Claim for the Absorption-type Split in exchange for shares of SPC (2).

Additionally, concurrently with Step (1), the Company will make a contribution in kind of a portion of the Cash Consideration Payment Claim for the Absorption-type Split to SPC (1) and will receive an allocation of common shares of SPC (1) (Step (2)). As a result, the shareholding ratios of SPC (1) will be 35.07% for the Company, 60.00% for Bain Capital, and 4.93% for the Founder Family. SPC (2) will serve as an intermediate holding company for the SST Business Group Split Companies. Step(1) and (2) will be carried out at the same time.

3. Effects of the transfer

As a result of the Transaction, expected to be executed on September 1, 2025, the Company's 22 consolidated subsidiaries engaged in the SST Business Group will be excluded from the scope of the consolidation. Furthermore, SPC (1), SPC (2), and the Transferred Companies, and their subsidiaries and affiliates will be accounted for using the equity method.

The effects of the transfer on the consolidated business performance for the fiscal year ending February 28, 2026 are under evaluation.

III. Establishment of a facility for the repurchase of treasury stock

The Company has resolved, at the meeting of the Board of Directors held on April 9, 2025, to establish a facility for share repurchase under Article 156 which is applicable in accordance with Article 165, paragraph 3 of the Companies Act.

The Company plans to fully cancel the treasury stock acquired in relation to this stock repurchase.

1. Reasons for establishing the facility for the repurchase of treasury stock

In "Update on Management Initiatives" released on March 6, 2025, the Company commits to repurchasing ¥2.0 trillion of capital in total to shareholders. Additionally, the Company announced its plans to repurchase up to ¥600 billion of treasury stock in the fiscal year ending February 28, 2026 and approximately ¥1.4 trillion annually from the fiscal year ending February 28, 2027 onwards, totaling ¥2.0 trillion by the fiscal year ending February 28, 2031. This policy was detailed in "Financial Results Presentation FY2024" released on April 9, 2025. Based on the above, the Company established a facility to enable flexible repurchases of treasury stock that takes into account growth opportunities including strategic investments, cash at hand, share price etc.

2. Facility for the repurchase of shares

(1) Class of shares to be repurchased:	Common stock of the Company
(2) Total number of shares to be repurchased:	400,000,000 shares (maximum) (The percentage compared to the total number of shares outstanding (excluding treasury stock): 15.4%)
(3) Total purchase amount for share repurchase:	¥600,000,000,000 (maximum)
(4) Method of repurchase:	Plan to purchase shares in the open market on the Tokyo Stock Exchange
(5) Period of repurchase:	From April 10, 2025 to February 28, 2026

Note: Depending on investment opportunities, market environment and other factors, it is possible that no share repurchase, or a share repurchase of only a portion of the above, will be carried out.

(Reference) The status of treasury stock as of February 28, 2025:

Total number of shares outstanding (excluding treasury stock):	2,599,036,186 shares
Number of treasury stock:	5,519,663 shares

Note: The Company’s shares held by the BIP Trust and the ESOP Trust are not included in the above number of treasury stock.

<u>Independent Auditor's Report</u>

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

Report on the Audit of the Consolidated Financial Statements

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, 2025, February 29, 2024 and February 28, 2023, 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, 2025, February 29, 2024 and February 28, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 29 to the consolidated financial statements. At the Board of Directors' meeting held on March 6, 2025, the Company resolved to transfer the rights and obligations relating to the head office functions, subsidiary management functions of 22 of the Company's consolidated subsidiaries and seven equity-method affiliates engaged in the Group's food supermarket, specialty store, and other businesses along with all other businesses held by YORK Holdings Co., Ltd., to K.K. BCJ-96, which will be newly established as a wholly-owned subsidiary of K.K. BCJ-95, an acquisition purpose company established by Bain Capital Private Equity, L.P. and its affiliates, through an absorption-type split expected to be exectuted on September 1, 2025. The Company also resolved to enter into various agreements related to the investment in K.K. BCJ-95 which will be carried out at the same time to have the Company's shareholding ratio 35.07% after the absorption-type split becomes effective. As a result, the Company expects to have a significant change in the scope of consolidation in the scope of consolidation are expected.Our opinion is not modified in respect of this matter.

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 non-current assets of Ito-Yokado's stores.	
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 ¥4,981,298million and intangible assets of ¥2,711,382million were recorded for the current fiscal year. As described in Note 4, "SIGNIFICANT ACCOUNTING ESTIMATES" to the consolidated financial statements, included therein were property and equipment of ¥340,992million and intangible assets of ¥9,767million related to Ito-Yokado Co., Ltd. ("Ito-Yokado") in the Superstore operations segment. In addition, impairment losses of ¥34,962 million were recorded for Ito-Yokado stores in the current fiscal year. Within Ito-Yokado, the smallest identifiable group of assets that generates independent cash flows is primarily each store. Whenever there is an indication of impairment for non-current assets of any store of Ito-Yokado, it needs to be tested for impairment by comparing the undiscounted future cash flows that are expected to be generated from the non-current 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. During the current fiscal year, Ito-Yokado 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 non-current assets whose market value has declined significantly; and ・ stores that have been determined to be closed. Although Ito-Yokado has been promoting business restructuring, there were indications of impairment for multiple stores for the current fiscal year, due to a significant impact from rising prices and the fluctuation in exchange rates. 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 including business restructuring. In the undiscounted future cash flows, key assumptions	In order to assess the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets of Ito-Yokado's stores, 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 non-current assets of the stores. 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 business plans. **(2) Assessment of the reasonableness of the estimated undiscounted future cash flows** In order to assess the reasonableness of the estimated undiscounted future cash flows, we inquired of management regarding the rationale for these assumptions. In addition, we: ・ assessed the appropriateness of key assumptions for the estimated sales growth rates by discussing with appropriate personnel in managerial positions, comparing them with their actual results of similar measures taken in the past such as the ones to attract customers and the data published by external organizations; ・ compared the gross margin ratios with the expected changes in the sales mix, and assessed the appropriateness of key assumptions for the impact of the measures based on comparing with the actual results of similar measures taken in the past; and ・ assessed the appropriateness of key assumptions for the expected changes in costs by comparing them with their actual results of similar measures taken in the past and the data published by external organizations.

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. We, therefore, determined that the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on non-current assets of Ito-Yokado's stores 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note 28 to the consolidated financial statements.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2025 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.

Reiji Kobayashi
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 23, 2025

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.