Consolidated Financial Results
for the Fiscal Year Ended February 28, 2023

April 6, 2023

Seven & i Holdings Co., Ltd.

(URL https://www.7andi.com/en)

Securities Code No. 3382
President, Representative Director and CEO: Ryuichi Isaka
The Company's shares are listed on the Prime Market of the Tokyo Stock Exchange.
Date of the ordinary general meeting of shareholders: May 25, 2023
Submission date of the annual securities report scheduled: May 26, 2023
Starting date of paying year-end dividend: May 26, 2023
Preparation of brief summary materials for financial results: Yes
Holding of financial results presentation: Yes

(Notes) 1. Percentages represent increase (decrease) from the corresponding period in the prior fiscal year.
2. All amounts less than one million yen have been truncated.

1. Results for the Fiscal Year Ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Results of operations (cumulative) (Millions of yen)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
Year Ended February 28, 2023	11,811,303	35.0 %	506,521	30.7 %	475,887	32.7 %	280,976	33.3%
Year Ended February 28, 2022	8,749,752	51.7 %	387,653	5.8 %	358,571	0.3 %	210,774	17.6 %

	Net Income per Share	Diluted Net Income per Share	Ratio of Net Income to Owners' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Revenues from Operations
Year Ended February 28, 2023	318.14 (yen)	318.13 (yen)	8.7 %	4.9 %	4.3 %
Year Ended February 28, 2022	238.68 (yen)	238.68 (yen)	7.5 %	4.6 %	4.4 %

(Notes) 1. Comprehensive income:
Year Ended February 28, 2023: 572,887 million yen [37.8%] Year Ended February 28, 2022: 415,883 million yen [145.6%]
2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ended February 28, 2023. Revenues from operations based on the previous accounting standard is 12,496,004 million yen [42.8%].

(Reference) Equity in earnings of affiliates:
Year Ended February 28, 2023: 2,506 million yen Year Ended February 28, 2022: 2,643 million yen
Group's total sales:
Year Ended February 28, 2023: 17,842,688 million yen Year Ended February 28, 2022: 14,243,270 million yen
EBITDA:
Year Ended February 28, 2023: 995,319 million yen Year Ended February 28, 2022: 751,491 million yen
EPS before amortization of goodwill:
Year Ended February 28, 2023: 445.74 yen Year Ended February 28, 2022: 319.40 yen

*Group's total sales include the sales of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc. franchisees
*For EBITDA and EPS before amortization of goodwill, see "4.Others (4) Formula of various management indicators."

(2) Financial position (Millions of yen)

	Total Assets	Net Assets	Owners' Equity Ratio	Net Assets per Share
As of February 28, 2023	10,550,956	3,648,161	32.9 %	3,933.93 (yen)
As of February 28, 2022	8,739,279	3,147,732	34.1 %	3,375.50 (yen)

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ended February 28, 2023.

(Reference) Owners' equity (net assets excluding non-controlling interests and subscription rights to shares):
As of February 28, 2023: 3,474,547 million yen As of February 28, 2022: 2,980,956 million yen

(3) Cash Flows

(Millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of the Fiscal Year
Year Ended February 28 2023	928,476	(413,229)	(270,373)	1,674,787
Year Ended February 28 2022	736,476	(2,505,566)	937,077	1,414,890

2. Dividends

	Dividends per Share (yen)			Total Amount of Dividends (Millions of yen)	Dividends Payout Ratio (Consolidated)	Ratio of Total Amount of Dividends to Net Assets (Consolidated)
Cash Dividends	Interim	Year-end	Annual			
Year Ended February 28, 2022	48.00	52.00	100.00	88,460	41.9 %	3.1 %
Year Ended February 28, 2023	49.50	63.50	113.00	99,960	35.5 %	3.1 %
Year Ending February 29, 2024 (forecast)	56.50	56.50	113.00		35.0 %	

(Note) Breakdown of year-end dividend for the fiscal year ended February 28, 2023: Commemorative dividend 10.00 yen

3. Forecast of Business Results for the Fiscal Year ending February 29, 2024 (From March 1, 2023 to February 29, 2024)

(Millions of yen, YOY change %)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share	
Interim Period	5,553,000	(1.7)%	236,000	0.5 %	220,000	0.1%	138,000	1.4%	156.25	(yen)
Entire Year	11,154,000	(5.6)%	513,000	1.3 %	480,000	0.9%	285,000	1.4%	322.68	(yen)

(Reference) Group's total sales:
Interim Period: 8,660,000 million yen Entire Year: 17,418,000 million yen
EBITDA:
Interim Period: 483,000 million yen Entire Year: 1,010,000 million yen
EPS before amortization of goodwill:
Interim Period: 219.65 yen Entire Year: 450.06 yen

4. Others

(1) Changes in significant subsidiaries during the period
(Changes in specific subsidiaries accompanying change in scope of consolidation): None
Added: None Excluded: None

(2) Changes in accounting policies, accounting estimates or restatements
1. Changes due to amendment of accounting standards: Yes
2. Changes due to other reasons other than 1. : None
3. Changes in accounting estimates: None
4. Restatements: None

(3) Number of shares outstanding (Common stock)
1. Number of shares outstanding at the end of period (Including treasury stock)
As of February 28, 2023: 886,441,983 shares As of February 28, 2022: 886,441,983 shares
2. Number of treasury stock at the end of period
As of February 28, 2023: 3,217,271 shares As of February 28, 2022: 3,325,685 shares
3. Average number of shares during the period (Cumulative quarterly consolidated period)
As of February 28, 2023: 883,189,201 shares As of February 28, 2022: 883,065,915 shares

(Note) The Company has introduced the BIP Trust and ESOP Trust, and its shares held by these Trusts are included in the number of treasury stock to be deducted when calculating the number of treasury stock at the end of the fiscal period and the average number of shares during the period.

(4) Formula of various management indicators
1. EBITDA: Operating income + Depreciation and amortization + Amortization of goodwill
2. EPS before amortization of goodwill: (Net income attributable to owners of parent + Amortization of goodwill) / Average number of shares during the period.

Reference:

Nonconsolidated Results for the Fiscal Year Ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(1) Results of operations (Millions of yen, except per share amounts)

	Revenues from Operations		Operating Income		Ordinary Income	
Year Ended February 28, 2023	248,468	63.2 %	176,457	71.8 %	173,656	72.5 %
Year Ended February 28, 2022	152,208	(7.2) %	102,717	(19.9)%	100,680	(21.4) %

	Net Income		Net Income per Share		Diluted Net Income per Share	
Year Ended February 28, 2023	179,780	67.8 %	203.55	(yen)	203.55	(yen)
Year Ended February 28, 2022	107,109	67.1 %	121.29	(yen)	121.29	(yen)

(Notes) 1. Percentages represent increase (decrease) from the corresponding period in the prior fiscal year.
2. All amounts less than one million yen have been truncated.
3. "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ended February 28, 2023.

(2) Financial position (Millions of yen, except per share amounts)

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of February 28, 2023	2,593,865	1,511,564	58.3 %	1,711.32 (yen)
As of February 28, 2022	2,561,080	1,421,117	55.5 %	1,609.10 (yen)

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ended February 28, 2023.

(Reference) Owners' equity (net assets excluding subscription rights to shares):
As of February 28, 2023: 1,511,514 million yen As of February 28, 2022: 1,421,060 million yen

NOTICE REGARDING AUDIT PROCEDURES FOR THE CONSOLIDATED FINANCIAL RESULTS

This consolidated financial results statement is not subject to audit

FORWARD LOOKING STATEMENTS

1. The forecast of the business results is based on the Company's hypotheses, plans and estimates at the date of publication. It is possible that some uncertain factors will cause the Company's future performance to differ significantly from the contents of the forecast.
2. This translation is to be used solely as a reference. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
3. Other materials related in the financial results are available on the Company's website.
(https://www.7andi.com/en/ir/library)

Attached Materials

Contents

1. Results

(1) Analysis of results

I. Overview

In the fiscal year under review, amid continuing wariness of the spread of COVID-19 infections, the Japanese economy continued to recover, led by consumer spending, reflecting the absence of government-mandated activity restrictions such as semi-emergency COVID-19 measures. The government did not impose such restrictions in order to facilitate both infection prevention and economic activity. However, the situation still warranted caution. There were signs of uncertainty emerging due to the Ukraine situation and other factors, as well as the impact of rising prices on household budgets, which reflected soaring energy costs and raw material prices as a result of the yen's rapid depreciation, and supply constraints.

In North America, consumer spending showed signs of slowing amid the continuation of historically high levels of inflation, exacerbated by the effects of policy interest rate hikes and other factors. Issues such as supply constraints caused by labor shortages and logistics disruptions have had an impact on the real economy.

In this environment, under the new Board of Directors and governance structure, the Seven & i Group has continued to discuss various strategic actions that could increase the Group's corporate value while taking into account the growth profile and efficiency of each business. On March 9, 2023, the Group announced the results of the Group Strategy Reevaluation based on those discussions. It defined its "Ideal Group Image for 2030" as "a world-class retail group centered around its 'food' that leads retail innovation through global strategies centered on the 7-Eleven business and proactive utilization of technology." In addition, based on the approach to the business portfolio, we have entered into an agreement to transfer all shares outstanding of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC, and are holding discussions to execute the agreement. Looking ahead, based on the content of this agreement and the updated Medium-Term Management Plan, the Group will focus on generating corporate value over the medium to long term and achieving the Group's continuous growth in accordance with the updated Medium-Term Management Plan 2021-2025.

Our consolidated results for the fiscal year ended February 28, 2023 are summarized below.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition"), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ended February 28, 2023.Our consolidated results for the fiscal year ended February 28, 2023 are summarized below.

(Millions of yen)

	Year ended February 28, 2022		Year ended February 28, 2023	
		YOY		YOY
Gross revenues from operations (reference)	—	—	12,496,004	142.8%
Revenues from operations	8,749,752	151.7%	11,811,303	135.0%
Operating income	387,653	105.8%	506,521	130.7%
Ordinary income	358,571	100.3%	475,887	132.7%
Net income attributable to owners of parent	210,774	117.6%	280,976	133.3%

* Revenues from operations based on the previous accounting standard are presented as gross revenues from operations (reference).

(Medium-Term Management Plan 2021-2025 principal consolidated financial KPIs)

	Year ended February 28, 2022		Year ended February 28, 2023	
		YOY		YOY
EBITDA	751,491	119.9%	995,319	132.4%
Operating CF (excluding financial services)	630,807	138.1%	832,804	132.0%
Free CF level (excluding financial services)	279,597	211.7%	474,055	169.5%
ROE (%)	7.5		8.7	
ROIC (excluding financial services) (%)	4.8		5.2	
Debt/EBITDA ratio (times)	3.9		3.0	
Net income per share (EPS) (yen)	238.68	117.6%	318.14	133.3%

Exchange rates (Income statements)	U.S.$1＝¥109.90	U.S.$1＝¥131.62
	1yuan＝¥17.04	1yuan＝¥19.50
Exchange rates (Balance sheets)	U.S.$1＝¥115.02	U.S.$1＝¥132.70
	1yuan＝¥18.06	1yuan＝¥19.01

* Operating CF (excluding financial services) is a management accounting figure based on NOPAT excluding financial services.
Free CF (excluding financial services) is a management accounting figure excluding financial services.
Cash outflow from M&A is considered as strategic investment and is excluded from investing cash flow.
ROIC (excluding financial services) = {(Net income + Interest expense)} x (1 – Effective tax rate)} ÷ {(Shareholders' equity + Interest-bearing debt [average of fiscal-year beginning/end for both figures])}

Group's total sales (including sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc.) amounted to ¥17,842,688 million (125.3% year on year). For the fiscal year ended February 28, 2023, revenues from operations and operating income increased by ¥1,465.6 billion, and ¥47.5 billion, respectively, as a result of exchange rate fluctuations.

II. Overview by operating segment

(Revenues from operations by operating segment) (Millions of yen)

	Year ended February 28, 2022		Year ended February 28, 2023	
		YOY		YOY
Domestic convenience store operations	873,239	101.7%	890,293	102.0%
Overseas convenience store operations	5,194,327	230.5%	8,846,163	170.3%
Superstore operations	1,810,728	100.0%	1,449,165	80.0%
Department and specialty store operations	712,282	104.0%	463,739	65.1%
Financial services	194,399	97.7%	194,295	99.9%
Others	20,340	117.4%	26,044	128.0%
Total	8,805,319	151.2%	11,869,702	134.8%
Adjustments (Eliminations/corporate)	(55,567)	−	(58,398)	−
Consolidated Total	**8,749,752**	**151.7%**	**11,811,303**	**135.0%**

(Operating income by operating segment) (Millions of yen)

	Year ended February 28, 2022		Year ended February 28, 2023	
		YOY		YOY
Domestic convenience store operations	223,396	95.6%	232,033	103.9%
Overseas convenience store operations	159,866	162.0%	289,703	181.2%
Superstore operations	18,791	63.3%	12,107	64.4%
Department and specialty store operations	(8,153)	−	3,434	−
Financial services	37,549	78.1%	37,140	98.9%
Others	(115)	−	(466)	−
Total	431,334	110.0%	573,953	133.1%
Adjustments (Eliminations/corporate)	(43,681)	−	(67,432)	−
Consolidated Total	**387,653**	**105.8%**	**506,521**	**130.7%**

Domestic convenience store operations

In Domestic convenience store operations, revenues from operations amounted to ¥890,293 million (102.0% year on year), and operating income amounted to ¥232,033 million (103.9% year on year).

The impact of COVID-19 has caused commercial areas to shrink in size and highlighted growing differences in customer needs among individual stores. In this environment, SEVEN-ELEVEN JAPAN CO., LTD. ("SEJ") continued to implement activities that integrate three initiatives, specifically expanding its assortment of high-value-added merchandise, changing store layouts as part of efforts to increase the number of items carried and conducting sales promotions that produce an event-like sense of excitement. The goal of these initiatives is to increase the number of customers visiting 7-Eleven stores to find the merchandise they seek. To address growing demand for delivery services, SEJ has been strengthening its initiative “7NOW” by expanding the number of stores to approximately 3,800, a service that allows customers to order items via smartphone for delivery to a designated location in as little as 30 minutes. We will continue to open the next door of convenience by constantly providing new experiences and values, from the customer’s point of view, and continue working to realize sustainable growth throughout the value chain, including franchisees and business partners.

For the fiscal year ended February 28, 2023, we benefited from factors including an increase in the number of stores carrying new fast-food products and “Traceable Vegetables,” which is a fruits and vegetables brand of Ito-Yokado Co., Ltd., to broaden the customer base. We also benefited from the success of proactive sales promotion initiatives such as various fair events, as well as a recovery in customer traffic and favorable weather. As a result, existing store sales increased year on year. Operating income increased to ¥232,873 million (104.4% year on year), despite a continued increase in utilities costs resulting from much higher fuel cost adjustment rates. Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥5,148,742 million (104.0% year on year).

Overseas convenience store operations

In Overseas convenience store operations, revenues from operations amounted to ¥8,846,163 million (170.3% year on year), and operating income amounted to ¥289,703 million (181.2% year on year).

In North America, 7-Eleven, Inc. (“SEI”) strove for stable store management even as certain problems emerged, such as labor shortages and supply constraints caused by logistics disruptions in the U.S. market. It continued to implement measures such as expanding the development and distribution of its high quality and highly profitable proprietary products (fresh foods, proprietary beverages, and private brands) and stepping up efforts focused on the 7NOW delivery service, which is available at approximately 5,700 stores.

For the fiscal year ended December 31, 2022, despite signs of consumer spending restraint due to surging prices, merchandise sales at existing stores in the U.S. increased year on year in U.S. dollars. In yen terms, operating income amounted to ¥396,568 million (176.4% year on year). Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥10,442,360 million (161.5% year on year). In addition, the integration process with the Speedway business acquired in May 2021 is proceeding smoothly, with synergies amounting to approximately U.S.$682 million, far surpassing the U.S.$450 million initially expected to be generated in the fiscal year ended December 31, 2022. In addition, the Cost Leadership Committee has been established and the cost structure is being drastically revised. Efforts will be made to improve profitability even further by implementing measures such as developing appropriate decision-making frameworks and changing attitudes toward cost control.

Superstore operations

In Superstore operations, revenues from operations amounted to ¥1,449,165 million (80.0% year on year), and operating income amounted to ¥12,107 million (64.4% year on year).

Ito-Yokado Co., Ltd., an operator of general merchandise stores, continued to promote its regrowth strategy, including closing unprofitable stores, optimizing workforce, and productivity improvement initiatives such as IT utilization.

For the fiscal year ended February 28, 2023, existing store sales (including tenants) rose year on year, as sales of tenants and other merchants grew mainly due to a recovery in customer traffic, and the rebound from the previous year’s shortened opening hours and limited number of visitors. However, operating income amounted to ¥408 million (25.2% year on year), mainly due to deterioration in the food gross profit margin and an increase in utilities costs and other expenses due to much higher fuel cost adjustment rates.

In addition, existing store sales at York-Benimaru Co., Ltd., a food supermarket operator, declined year on year, primarily due to a downturn in food sales, which had been firm since the start of the COVID-19 pandemic. However, the merchandise gross profit margin improved mainly owing to the effects of its merger on March 1, 2022 with Life Foods Co., Ltd., which had been making and selling side dishes at York-Benimaru stores. York-Benimaru’s operating income amounted to ¥18,013 million (122.5% year on year). York-Benimaru will continue enhancing its high-growth integrated delicatessen production and sales business model, and to target sustainable growth as a supermarket operator that proposes lifestyle solutions.

Department and specialty store operations

In Department and specialty store operations, revenues from operations amounted to ¥463,739 million (65.1% year on year), and operating income amounted to ¥3,434 million. (in contrast to an operating loss of ¥8,153 million for the same period of the previous year).

In Department store operations, existing store sales increased year on year, primarily due to a recovery in mainstay apparel sales and solid sales of luxury brands. These trends reflected the rebound from the previous year’s shortened opening hours and limited number of visitors. In restaurant operations, an operating loss was posted despite an improving performance trend due to a rebound from the previous year’s shortened operating hours and restrictions on the serving of alcoholic beverages, along with a recovery in demand for eating out.

In addition, based on the approach to the business portfolio, we have entered into an agreement to transfer all shares outstanding of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC, and are holding discussions to execute the agreement.

Financial services

In Financial services, revenues from operations amounted to ¥194,295 million (99.9% year on year), and operating income amounted to ¥37,140 million (98.9% year on year).

As of February 28, 2023, the number of domestic ATMs operated by Seven Bank, Ltd. stood at 26,889, up 695 from the previous fiscal year-end. The average number of transactions per day per ATM amounted to 101.1 (up 4.4 year on year), owing to continued growth in the number of cash charge transactions at ATMs as consumers opted for various cashless payments, as well as improvement in the number of transactions at deposit-taking financial institutions. As a result, total transactions of Seven Bank’s ATMs during the fiscal year ended February 28, 2023 increased year on year. As of February 28, 2023, Seven Bank had cash and deposits (including cash for ATM loading) of ¥1,024.3 billion.

Others

In Others, revenues from operations amounted to ¥26,044 million (128.0% year on year), and operating loss amounted to ¥466 million (an operating loss of ¥115 million for the previous fiscal year).

Adjustments (eliminations/corporate)

The operating loss from adjustments totaled ¥67,432 million (an operating loss of ¥43,681 million for the previous fiscal year). This operating loss mainly reflected expenses related to measures to realize the Ideal Group Image for 2030, including the development of the 7iD membership platform to expand customer interfaces, the evolution of the “7NOW” delivery service and the Last Mile DX Platform for Ito-Yokado's *Net Supermarket* (online supermarket) and other such services to provide new experiences and value, and the construction of the Group’s shared infrastructure system for purposes such as enhancing operating efficiency and bolstering security.

III. Outlook for the year ending February 29, 2024

In Japan, economic activity is expected to begin recovering from restrictions imposed due to the impact of COVID-19. Meanwhile, rising geopolitical risk is expected to continue driving up raw materials and fuel prices, as well as general price levels, while weaker consumer sentiment and more budget-conscious households will have an impact on personal consumption. Due to these and other factors, the outlook for the economy remains uncertain.

In North America, there are concerns that the economy may begin to enter a recession as personal consumption, which has been firm so far, is anticipated to slow in the face of persistently high inflation and high interest rates.

Given the anticipated uncertainty in the business environment, we will implement a vast array of strategic measures to achieve growth led by convenience store operations. To do so, we will consolidate the Group's resources and leverage our strength in food.

To realize our "Ideal Group Image for 2030" based on the results of the Group Strategy Reevaluation, we will reclassify our current six segments into five segments beginning with the fiscal year ending February 29, 2024. Specifically, we will reclassify our current six segments, namely domestic convenience store operations, overseas convenience store operations, superstore operations, department and specialty store operations, financial services and others into five segments: domestic convenience store operations, overseas convenience store operations, superstore operations, financial services and others. For forecasts for revenues from operations and operating income by new operating segment and results for the new segments for the fiscal year ended February 28, 2023 as well as 2022 (reference), please see page 7. For the Scope of Consolidated Subsidiaries and Affiliates, please see pages 13 to 14.

In light of these factors, we have summarized our consolidated performance forecasts for the fiscal year ending February 29, 2024, as follows.

(Consolidated forecasts) (Millions of yen)

	Year ending February 29, 2024	
		YOY
Revenues from operations	11,154,000	94.4%
Operating income	513,000	101.3%
Ordinary income	480,000	100.9%
Net income attributable to owners of parent	285,000	101.4%

* Total Group sales forecast (including sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc.): ¥17,418,000 million
* Assumed exchange rates: U.S.$1 = ¥131.00; 1 yuan = ¥19.00
* Figures do not include the effect of the sale of shares of Sogo & Seibu Co., Ltd., announced on November 11, 2022.

(Medium-Term Management Plan 2021-2025 principal consolidated financial KPIs)

(Millions of yen)

	Year ending February 29, 2024	
		YOY
EBITDA	1,010,000	101.5%
ROE (%)	8.2	
ROIC (excluding financial services) (%)	5.2	
Debt/EBITDA ratio (times)	2.6	
Net income attributable to owners of parent	322.68	101.4%

* ROIC (excluding financial services) = {(Net income + Interest expense)} x (1 – Effective tax rate)} ÷ {(Shareholders' equity + Interest-bearing debt [average of fiscal-year beginning/end for both figures])}

(Revenues from operations and operating income by new operating segment) (Millions of yen)

	Year ending February 29, 2024			
	Revenues from operations		Operating income	
		YOY		YOY
Domestic convenience store operations	922,000	103.6%	244,000	105.2%
Overseas convenience store operations	8,182,000	92.5%	296,500	102.3%
Superstore operations	1,484,000	102.4%	14,500	117.0%
Financial services	208,000	107.1%	33,500	90.2%
Others	424,000	86.8%	100	3.9%
Total	11,220,000	94.5%	588,600	102.6%
Adjustments (Eliminations/corporate)	(66,000)	—	(75,600)	—
Consolidated Total	**11,154,000**	**94.4%**	**513,000**	**101.3%**

(Reference: revenues from operations and operating income by new operating segment) (Millions of yen)

	Year ended February 28, 2023			
	Revenues from operations		Operating income	
		YOY		YOY
Domestic convenience store operations	890,293	102.0%	232,033	103.9%
Overseas convenience store operations	8,846,163	170.3%	289,703	181.2%
Superstore operations	1,449,165	80.0%	12,395	65.2%
Financial services	194,295	99.9%	37,140	98.9%
Others	488,304	66.8%	2,593	—
Total	11,868,223	134.8%	573,953	133.1%
Adjustments (Eliminations/corporate)	(56,920)	—	(67,344)	—
Consolidated Total	**11,811,303**	**135.0%**	**506,521**	**130.7%**

(Millions of yen)

	Year ended February 28, 2022			
	Revenues from operations		Operating income	
		YOY		YOY
Domestic convenience store operations	873,239	—	223,396	—
Overseas convenience store operations	5,194,327	—	159,866	—
Superstore operations	1,810,728	—	19,024	—
Financial services	194,399	—	37,549	—
Others	731,430	—	(8,647)	—
Total	8,804,126	—	431,189	—
Adjustments (Eliminations/corporate)	(54,374)	—	(43,536)	—
Consolidated Total	**8,749,752**	**151.7%**	**387,653**	**105.8%**

Domestic convenience store operations

SEJ will mark its 50th anniversary in 2023. SEJ had adapted themselves to the changing environment and continued working to realize convenience. SEJ will work to improve its ability to attract customers to stores and its profitability by stepping up efforts that integrate three measures. The first measure is to enhance the development of original products, including *Seven Premium*. The second measure is to change store layouts as part of efforts to increase the number of items carried. The third measure is to conduct sales promotions that produce an event-like sense of excitement. These efforts will be made to ensure that SEJ continues to focus on addressing emerging and accelerating changes in Japan’s social structure and customers’ purchasing behavior as a result of the COVID-19 pandemic, along with the continuing trends of an aging population, and increases in single-person households and working women.

Moreover, SEJ will actively increase the number of stores offering the 7NOW delivery service in order to make 7NOW available nationwide by the fiscal year ending February 28, 2025. In other areas, SEJ will take on new challenges, such as developing new businesses for future growth by accurately capturing shifting customer needs driven by changes in the social structure. SEJ will continue to open the next door of convenience by constantly providing new experiences and values, from the customer's point of view. Through these efforts, SEJ will continue working to realize sustainable growth throughout the value chain, including franchisees and business partners.

Overseas convenience store operations

In North America, SEI will continue to strengthen the development of value chains in order to provide high-quality original products. As part of these efforts, SEI will commence operations at a fresh food plant with a large, combined distribution center during the current fiscal year, thereby realizing improved quality and production efficiency.

Moreover, efforts will be focused on enhancing the 7NOW delivery service and enhancing customer loyalty through the use of digital technology.

Furthermore, SEI made steady progress in the fiscal year ended December 31, 2022 on capturing integration synergies with Speedway, which was acquired in May 2021. Based on this progress, SEI has raised its forecast for the fiscal year ending December 31, 2023 from initially forecast synergies of U.S.$650 million to U.S.$800 million. We will continue working to maximize synergies by implementing measures such as introducing fresh food and private brand merchandise from SEI to Speedway stores and conducting store management based on the approach of item-by-item management.

In North America, SEI will meet customer needs by implementing a variety of measures like those described above. Concurrently, mechanisms for providing new experiences and values will be put to good use in global business expansion. As part of efforts to stimulate growth in countries where the Group currently operates stores, 7-Eleven International LLC ("7IN") decided in February 2023 to contribute investment and financing to the Vietnam business.

7IN will continue to advance growth strategies in countries where the Group already has stores and in those where it will open its first stores. By the fiscal year ending February 28, 2026, 7IN plans to establish a store network of 50,000 stores in areas outside Japan and North America. By the fiscal year ending February 28, 2031, it plans to open stores in 30 countries and regions worldwide, including Japan and North America. Guided by these plans, 7IN will strive to achieve high-quality and speedy growth.

Superstore operations

In superstore operations, we will deliver the results of structural reforms implemented at Ito-Yokado Co., Ltd. through the fiscal year ended February 28, 2023, along with implementing drastic transformation initiatives to improve the profitability of superstore operations by retaining external advisors. With a time-frame set at three years, we will exit from the apparel business, strengthen our focus on "food," concentrate on service areas in the Tokyo metropolitan area, and consolidate superstore operations in the Tokyo metropolitan area. Additionally, we will take dynamic steps to promote the development of high-quality products, and work to establish strategic infrastructure for growth, including starting operations at processing centers and central kitchens to improve productivity, along with starting operations at an online supermarket center. We will ensure the complete execution of these transformation initiatives through process management by retaining external advisors, and through monitoring by the Company's Board of Directors and Strategy Committee. Through these efforts, we will strive to achieve EBITDA of ¥85.0 billion or more in superstore operations by the fiscal year ending February 28, 2026.

Financial services

In financial services, we will continue focusing on expanding our ATM platform strategy, as well as our e-money and credit card businesses. Concurrently, under the Group financial strategy, we seek to develop distinctive financial services based on 7iD, an ID that customers can use across the Group, and to provide new experiences and values.

As part of such efforts, we have decided to transfer Seven Card Service Co., Ltd. to Seven Bank, Ltd. in order to pursue synergies through the integrated management of banking and non-banking businesses.

Others

Based on the approach to the business portfolio, we have entered into an agreement to transfer all shares outstanding of Barneys Japan Co., Ltd. held by the Company to Laox Holdings Co., LTD. on April 6, 2023.

(2) Analysis of financial position

I. Assets, liabilities and net assets

(Millions of yen)

	February 28, 2022	February 28, 2023	Change
Total assets	8,739,279	10,550,956	1,811,676
Total liabilities	5,591,546	6,902,794	1,311,247
Net assets	3,147,732	3,648,161	500,429

Exchange rates	U.S.$1＝¥115.02	U.S.$1＝¥132.70
	1yuan＝¥18.06	1yuan＝¥19.01

Total assets amounted to ¥10,550,956 million, up ¥1,811,676 million from the previous consolidated fiscal year-end. Current assets increased ¥455,879 million from the previous consolidated fiscal year-end, mainly due to an increase in cash and bank deposits. Non-current assets increased ¥1,356,536 million, mainly due to an increase in right-of-use assets as a result of the application of “Accounting Standards Updates” (“ASU”) 2016-02, Leases (Topic842) in the Overseas convenience store operations.

Total liabilities increased ¥1,311,247 million from the previous consolidated fiscal year-end to ¥6,902,794 million, mainly due to an increase in lease obligations as a result of the application of ASU2016-02, Leases (Topic842) in the Overseas convenience store operations.

Net assets increased ¥500,429 million from the previous consolidated fiscal year-end to ¥3,648,161 million, mainly due to an increase in net income attributable to owners of parent and foreign currency translation adjustments.

The application of the “Accounting Standard for Revenue Recognition”, etc. resulted in a decrease of ¥11,948 million and the application of ASU2016-02, Leases (Topic842) resulted in an increase of ¥34,764 million in retained earnings at the beginning of the period.

II. Cash flows

(Consolidated cash flows) (Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023	Change
Cash flows from operating activities	736,476	928,476	191,999
Cash flows from investing activities	(2,505,566)	(413,229)	2,092,336
Cash flows from financing activities	937,077	(270,373)	(1,207,450)
Cash and cash equivalents at end of the period	1,414,890	1,674,787	259,897

Cash and cash equivalents (“cash”) at the end of the fiscal year ended February 28, 2023 increased ¥259,897 million from the end of the previous fiscal year to ¥1,674,787 million.

(Cash flows from operating activities)

Net cash provided by operating activities increased to ¥928,476 million (126.1% year on year). The increase of ¥191,999 million year on year was mainly due to an increase of ¥90,906 million in income before income taxes and an increase of ¥83,535 million in depreciation and amortization, while an increase of ¥44,247 million in decrease in deposits received.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥413,229 million (16.5% year on year). The decrease of ¥2,092,336 million year on year was mainly due to a decrease of ¥2,295,104 million in payment for purchase of shares in subsidiaries resulting in change in scope of consolidation from purchase of Speedway in Overseas convenience store operations for the previous fiscal year.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥270,373 million, while it amounted ¥937,077 in the same period of the previous fiscal year. The change in number year on year was mainly due to an inflow of ¥1,192,710 million from issuance of bonds by SEI, for the previous fiscal year.

(Cash flow indicators)

	Year ended February 28, 2021	Year ended February 28, 2022	Year ended February 28, 2023
Owner's equity ratio (%)	38.4	34.1	32.9
Owner's equity ratio (market base) (%)	51.3	56.5	51.0
Cash flow to interest-bearing debt ratio (years)	3.3	4.0	4.2
Interest coverage ratio (times)	48.6	33.9	25.3

Notes:

1. Owner's equity ratio: Shareholders' equity ÷ Total assets
2. Owner's equity ratio (market base): Total market capitalization ÷ Total assets
3. Cash flow to interest-bearing debt ratio: Interest-bearing debt ÷ Cash flow from operating activities
4. Interest coverage ratio: Cash flow from operating activities ÷ Interest paid

* Each indicator is calculated based on consolidated financial figures.
* Market capitalization is calculated by multiplying the closing stock price at each fiscal year-end by the number of shares outstanding (less treasury stock) at each fiscal year-end.

(3) Basic Policy on Profit Distribution; Dividends for Current and Next Fiscal Years

The Group's basic policy is to provide returns commensurate with profit growth. We will consider stable and continuous improvement of dividends as the cornerstone of our shareholder return approach and plan to achieve a total shareholder return ratio of 50% or more (cumulative).

For the fiscal year under review, we declared a year-end dividend of ¥63.5 per share including commemorative dividend of 10.00 yen for SEVEN-ELEVEN JAPAN CO.,LTD.'s 50th anniversary. Together with the ¥49.5 interim dividend already paid, this will bring total annual dividends to ¥113.0 per share.

In the fiscal year ended February 28, 2023, we plan to pay an interim dividend of ¥56.5 and a year-end dividend of ¥56.5, bringing total annual dividends to ¥113.0 per share.

(4) Business and Other Risks

Descriptions of business and other risks are provided in the Company's most recent Securities Report (released May 27, 2022). Since no new risks that require prompt disclosure have materialized since then, we have omitted such descriptions in this report.

Our risk factors can be viewed at the following sites.

Company website (Investor Relations): https://www.7andi.com/en/ir/management/risks/

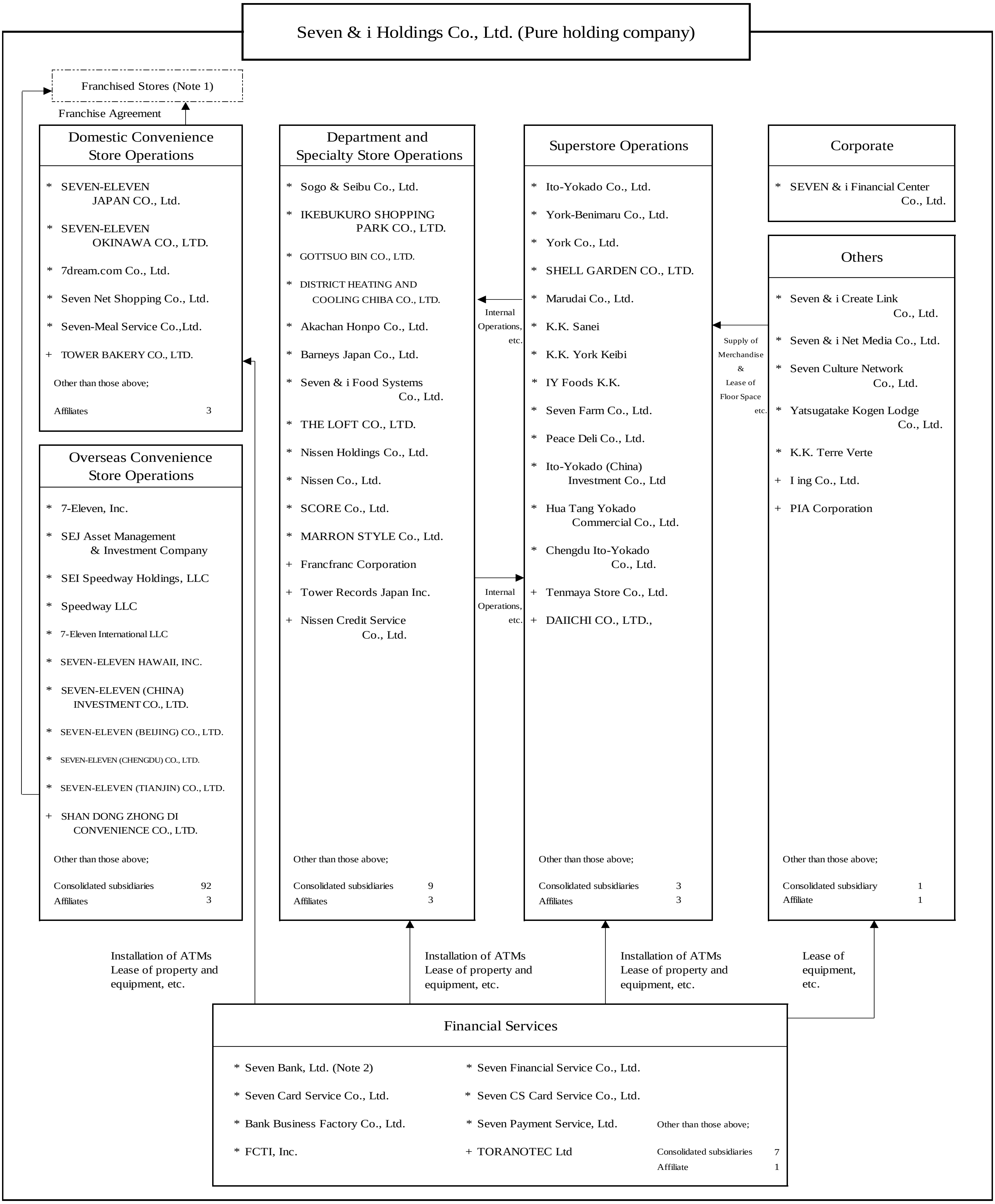
2. Scope of Consolidated Subsidiaries and Affiliates

【Segment】

Operating Segment	Major Group Companies	Number of Companies	
Domestic Convenience Store Operations	SEVEN-ELEVEN JAPAN CO., LTD. SEVEN-ELEVEN OKINAWA Co., Ltd. 7dream.com Co., Ltd. Seven Net Shopping Co., Ltd. Seven-Meal Service Co., Ltd. TOWER BAKERY CO., LTD.*	Consolidated Subsidiaries Affiliates Total	5 4 9
Overseas Convenience Store Operations	7-Eleven,Inc. SEJ Asset Management ＆ Investment Company SEI Speedway Holdings, LLC, Speedway LLC 7-Eleven International LLC SEVEN-ELEVEN HAWAII, INC. SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (CHENGDU) CO., LTD. SEVEN-ELEVEN (TIANJIN) CO., LTD. SHAN DONG ZHONG DI CONVENIENCE CO., LTD.*	Consolidated Subsidiaries Affiliates Total	102 4 106
Superstore Operations	Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. York Co., Ltd. SHELL GARDEN CO., LTD. Marudai Co., Ltd. K.K. Sanei K.K. York Keibi IY Foods K.K. Seven Farm Co., Ltd. Peace Deli Co., Ltd. Ito-Yokado (China) Investment Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. Tenmaya Store Co., Ltd.* DAIICHI CO., LTD.*	Consolidated Subsidiaries Affiliates Total	16 5 21
Department and Specialty Store Operations	Sogo & Seibu Co., Ltd. IKEBUKURO SHOPPING PARK CO., LTD. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD. Akachan Honpo Co., Ltd. Barneys Japan Co., Ltd. Seven & i Food Systems Co., Ltd. THE LOFT CO., LTD. Nissen Holdings Co., Ltd. Nissen Co., Ltd. SCORE Co., Ltd. MARRON STYLE Co., Ltd. Francfranc Corporation* Tower Records Japan Inc.* Nissen Credit Service Co., Ltd.*	Consolidated Subsidiaries Affiliates Total	21 6 27
Financial Services	Seven Bank, Ltd. Seven Financial Service Co., Ltd. Seven Card Service Co., Ltd. Seven CS Card Service Co., Ltd. Bank Business Factory Co., Ltd. Seven Payment Service, Ltd. FCTI, Inc. TORANOTEC Ltd.*	Consolidated Subsidiaries Affiliates Total	14 2 16
Others	Seven & i Create Link Co., Ltd. Seven & i Net Media Co., Ltd. Seven Culture Network Co., Ltd. Yatsugatake Kogen Lodge Co., Ltd. K.K. Terre Verte I ing Co., Ltd.* PIA Corporation*	Consolidated Subsidiaries Affiliates Total	6 3 9
Corporate	SEVEN & i Financial Center Co., Ltd.	Consolidated Subsidiaries	1

Note: TOWER BAKERY CO., LTD., SHAN DONG ZHONG DI CONVENIENCE CO., LTD., Tenmaya Store Co., Ltd., DAIICHI CO., LTD., Francfranc Corporation, Tower Records Japan Inc., Nissen Credit Service Co., Ltd., TORANOTEC Ltd, I ing Co., Ltd., and PIA Corporation are affiliates.

Business Relation in Group



* Consolidated subsidiary
\+ Affiliate accounted for using the equity method

Notes: 1. Each franchised store is operated by an independent franchisee which enters into franchise agreement with SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd., 7-Eleven, Inc., SEVEN-ELEVEN (BEIJING) CO., LTD., SEVEN-ELEVEN (CHENGDU) CO., LTD., and SEVEN-ELEVEN (TIANJIN) CO., LTD.

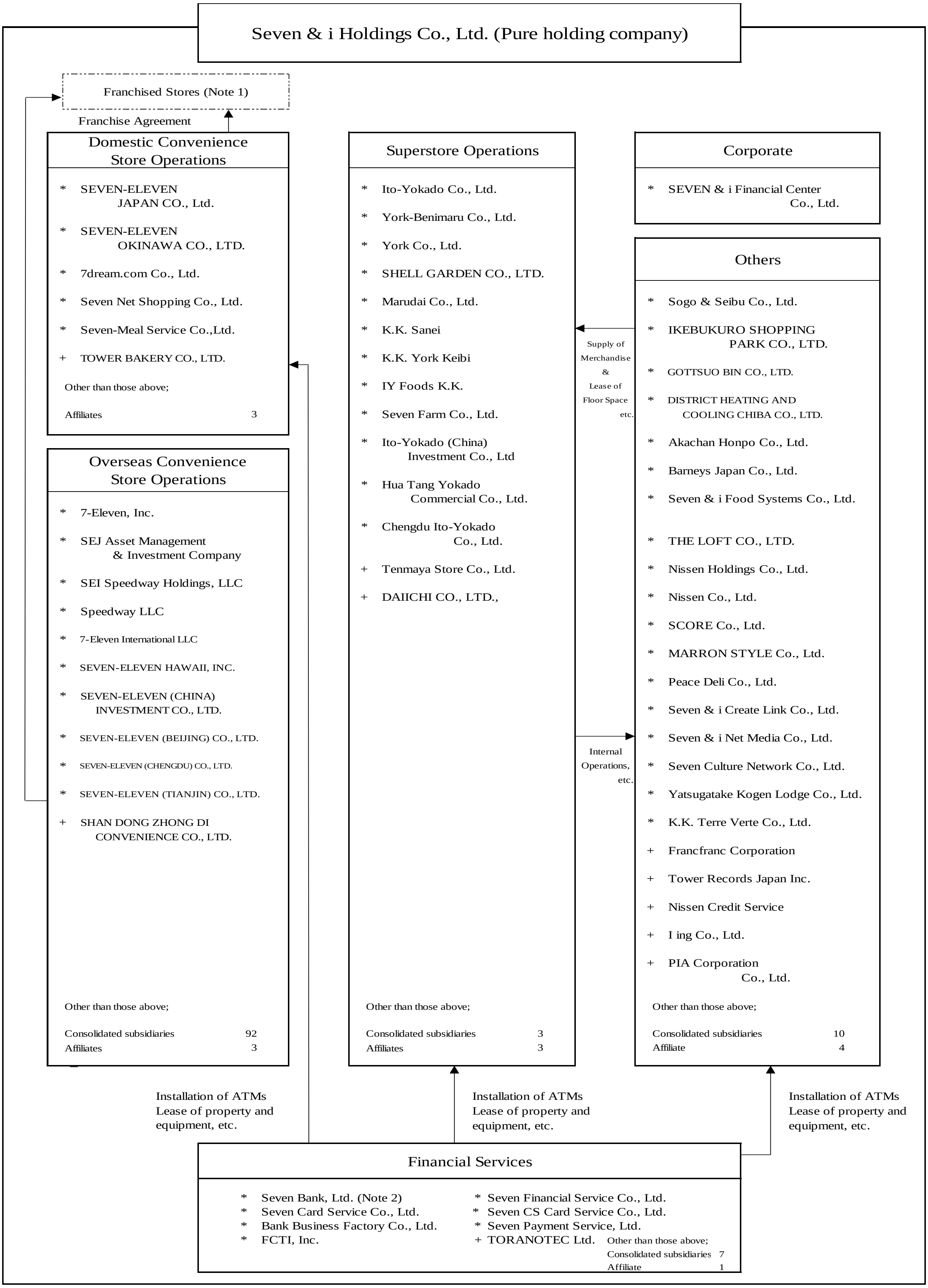
2. As of February 28, 2023, Seven Bank, Ltd. has 26,889 units of ATMs placed mainly in the stores of Group companies.

【New Segment】

Operating Segment	Major Group Companies	Number of Companies	
Domestic Convenience Store Operations	SEVEN-ELEVEN JAPAN CO., LTD. SEVEN-ELEVEN OKINAWA Co., Ltd. 7dream.com Co., Ltd. Seven Net Shopping Co., Ltd. Seven-Meal Service Co., Ltd. TOWER BAKERY CO., LTD.*	Consolidated Subsidiaries Affiliates Total	5 4 9
Overseas Convenience Store Operations	7-Eleven,Inc. SEJ Asset Management ＆ Investment Company SEI Speedway Holdings, LLC, Speedway LLC 7-Eleven International LLC SEVEN-ELEVEN HAWAII, INC. SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (CHENGDU) CO., LTD. SEVEN-ELEVEN (TIANJIN) CO., LTD. SHAN DONG ZHONG DI CONVENIENCE CO., LTD.*	Consolidated Subsidiaries Affiliates Total	102 4 106
Superstore Operations	Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. York Co., Ltd. SHELL GARDEN CO., LTD. Marudai Co., Ltd. K.K. Sanei K.K. York Keibi IY Foods K.K. Seven Farm Co., Ltd. Ito-Yokado (China) Investment Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. Tenmaya Store Co., Ltd.* DAIICHI CO., LTD.*	Consolidated Subsidiaries Affiliates Total	15 5 20
Financial Services	Seven Bank, Ltd. Seven Financial Service Co., Ltd. Seven Card Service Co., Ltd. Seven CS Card Service Co., Ltd. Bank Business Factory Co., Ltd. Seven Payment Service, Ltd. FCTI, Inc. TORANOTEC Ltd.*	Consolidated Subsidiaries Affiliates Total	14 2 16
Others	Sogo & Seibu Co., Ltd. IKEBUKURO SHOPPING PARK CO., LTD. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD. Akachan Honpo Co., Ltd. Barneys Japan Co., Ltd. Seven & i Food Systems Co., Ltd. THE LOFT CO., LTD. Nissen Holdings Co., Ltd. Nissen Co., Ltd. SCORE Co., Ltd. MARRON STYLE Co., Ltd. Peace Deli Co., Ltd. Seven & i Create Link Co., Ltd. Seven & i Net Media Co., Ltd. Seven Culture Network Co., Ltd. Yatsugatake Kogen Lodge Co., Ltd. K.K. Terre Verte, Ltd. Francfranc Corporation* Tower Records Japan Inc.* Nissen Credit Service Co., Ltd.* I ing Co.* PIA Corporation*	Consolidated Subsidiaries Affiliates Total	28 9 37
Corporate	SEVEN & i Financial Center Co., Ltd.	Consolidated Subsidiaries	1

Note: TOWER BAKERY CO., LTD., SHAN DONG ZHONG DI CONVENIENCE CO., LTD., Tenmaya Store Co., Ltd., DAIICHI CO., LTD., Francfranc Corporation, Tower Records Japan Inc., Nissen Credit Service Co., Ltd., TORANOTEC Ltd, I ing Co., Ltd., and PIA Corporation are affiliates.

(Reference) New Segment



* Consolidated subsidiary
\+ Affiliate accounted for using the equity method

Notes: 1. Each franchised store is operated by an independent franchisee which enters into franchise agreement with SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd., 7-Eleven, Inc., SEVEN-ELEVEN (BEIJING) CO., LTD., SEVEN-ELEVEN (CHENGDU) CO., LTD., and SEVEN-ELEVEN (TIANJIN) CO., LTD.

2. As of February 28, 2023, Seven Bank, Ltd. has 26,889 units of ATMs placed mainly in the stores of Group companies

3. Management Policies

(1) Basic Management Policies

Seven & i Holdings Co., Ltd. is a pure holding company that was established on September 1, 2005. With 165 consolidated subsidiaries operating mainly in the retail business, we strive to quickly respond to customer needs, market conditions, and rapidly changing social circumstances while tirelessly reforming our operations and business structure under our basic policies of "Trust and Sincerity" and "Responding to Change while Strengthening Fundamentals." The Group also has a global network and exceptional information capabilities, along with strengths in food, and it meets a variety of customer needs in various settings in customers' daily lives primarily through its convenience store operations, as well as its superstore operations, financial services and other businesses. As a global retail group unparalleled in the world, we will relentlessly pursue synergies. In addition, we will strive to maximize Group corporate value by strengthening governance and pursuing Group synergies while fulfilling our accountability to stakeholders as a listed company representing the Group.

In addition, operating companies in the Group will fulfill their respective responsibilities within their assigned business scope and pursue profit growth and improve asset efficiency while exercising their independence.

(2) Target Performance Indicators

In order to sustainably increase corporate value, we have established financial targets according to our basic policies of increasing returns (profits) in excess of the cost of capital and enhancing our ability to generate cash flow. Recently, under the new Board of Directors and transformed governance structure since last year's Annual General Shareholders' Meeting, we have carried out extensive discussions on evaluation of the strategic alternatives of each business segment including superstore operations, and on a radical Group structure reform, with the goal to conduct a Group Strategy Reevaluation to achieve maximum corporate value in the medium to long term. In the process, we have appointed independent outside advisors and have considered the results of a comprehensive analysis, including quantitative analysis of existing synergies within the Group's current business structure and potential dis-synergies that would come with any structural change. Considering the matters approved as part of the Group Strategy Revaluation and our recent financial performance, we have updated our "Medium-Term Management Plan 2021-2025" targets announced on July 1, 2021, as follows.

(Key consolidated financial targets for year ending February 28, 2026)

	Initial target	Updated target	Change
EBITDA	¥1 trillion or more	¥1.1 trillion or more	¥100 billion
Operating CF (excluding financial services)	¥800 billion or more	¥900 billion or more	¥100 billion
Free CF (excluding financial services)	¥400 billion or more	¥500 billion or more	¥100 billion
ROE	10% or more	11.5% or more	1.5%
ROIC (excluding financial services)	7% or more	8.0% or more	1.0%
Debt/EBITDA ratio	Less than 2.0 times	Less than 1.8 times	(0.2) times
Adjusted debt/EBITDA ratio	Less than 2.2 times	Less than 2.0 times	(0.2) times
EPS growth rate (CAGR)	15% or more	18% or more	3%

* Operating CF (excluding financial services) is a management accounting figure based on NOPAT excluding financial services.
Free CF (excluding financial services) is a management accounting figure excluding financial services.
Cash outflow from M&A is considered as strategic investment and is excluded from investing cash flow.
ROIC (excluding financial services) = {(Net income + Interest expense)} x (1 – Effective tax rate)} ÷ {(Shareholders' equity + Interest-bearing debt [average of fiscal-year beginning/end for both figures])}
Adjusted debt / EBITDA ratio is management accounting-based figure (excluding financial services).
Net debt / EBITDAR = (Net debt: interest-bearing debt + On-balance-sheet leases – Cash and cash equivalents and other adjustments)
EPS growth rate (CAGR) is computed as the CAGR (compound annual growth rate) from the fiscal year ended February 28, 2021.

(3) Medium- to long-term management strategies

In the "Medium-Term Management Plan 2021-2025" announced in July 2021, we reaffirmed our corporate creed since our founding – to be a sincere company trusted by all stakeholders – and our basic stance that states: "We aim to contribute to local communities both in Japan and overseas by providing new experiences and values, from the customer's point of view." We also clarified our "Ideal Group Image for 2030": "A world-class global retail group that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology." Adhering to this stance, we have steadily and speedily responded to changes in customer purchasing behavior against the backdrop of a changing social structure. As a result of the recent Group Strategy Reevaluation, we have updated our "Ideal Group Image for 2030" to "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." We will continue to ensure the complete execution of various initiatives to achieve this new "Ideal Group Image for 2030."

(4) Issues to Address

Business conditions surrounding the Group are changing dramatically at an ever-quickening pace. Currently, in Japan, the accelerated change in the social structure, such as the aging population and the increases in single-person and co-working households, has further increased the demand for readily available and convenient fresh food and pre-cooked meals. Consumer taste has also diversified further following changes in behavior and values, influenced by the global pandemic. On the other hand, the employment environment is expected to remain challenging in light of rising minimum wages and the expansion of social insurance enrollment.

Moreover, in the U.S., there are higher expectations for convenience store retailing to meet demand for fresh, healthy and delicious food. Globally, significant opportunities exist for the Group to provide locally adapted, safe, reliable and high-quality food on a daily basis, and it is important to establish a business infrastructure that enables the Group to meet those consumer demands. Meanwhile, social issues related to climate change, marine pollution, food loss, and sustainable procurement are becoming more serious, both in Japan and abroad. Being members of society, companies find themselves in a situation where they will have to work to solve these issues more seriously than ever.

In our superstore operations, we possess strengths in food that support the Group's competitiveness. These strengths include the Group's merchandising assortment, procurement capabilities, supplier network, product innovation capabilities, and private brands (*Seven Premium*). This strength in food will become an increasingly important competitive advantage to support the growth of the Group's domestic and overseas convenience store operations from the standpoint of the aforementioned macro and market trends expected in the future.

As a result of the Group Strategy Reevaluation, which considers the aforementioned changes in the Group's business environment, our Board of Directors has decided to focus on growth strategies for domestic and overseas convenience store operations, leveraging the Group's historical strength in food. We will optimally allocate management resources to become a global retail group with food at its core, based on the decision that this course will maximize the Group's medium- to long-term corporate value. In terms of the Group's action plans based on this management policy, we will accelerate growth strategies for domestic and overseas convenience store operations, carry out drastic transformation of superstore operations, and develop a Group capital reallocation plan that will underpin the complete execution of our action plans. We will also establish an effective organizational structure to monitor the progress of strategic initiatives and continuously consider the optimal Group business structure and strategic alternatives. To do so, our Board of Directors has decided to swiftly implement the following initiatives.

The implementation of the initiatives outlined below is deeply anchored in the Group's corporate creed and basic stance. We are confident that these initiatives will enable us to achieve the updated "Ideal Group Image for 2030."

Overview of the Convenience Store Growth Strategy and Concrete Action Plans with Strength in Food at its Core

I. North America Convenience Store Operations

7-Eleven, Inc. will focus on the following four key strategic areas and aim for continuous growth and improved efficiency in the business over the medium term.

i) 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.

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

iii) Completing the overall integration with Speedway and realizing U.S.$800 million synergies in 2023.

iv) Continue to pursue growth in the fragmented North American market through both M&A opportunities and organic new build stores.

II. Global Convenience Store Operations

7-Eleven International LLC plans to expand global convenience store operations outside of Japan and North America, and to achieve 50,000 stores by the fiscal year ending December 31, 2025. It also plans to open stores in over 30 countries and regions worldwide including Japan and North America by the fiscal year ending December 31, 2030. In terms of the overall direction of its specific initiatives, 7-Eleven International LLC will aim to increase its profits by maximizing the full growth potential of licensees. This will be achieved through strategic investment in licensees in existing areas and also through leveraging our business transformation methods obtained from our experience in revitalizing 7-Eleven, Inc. in the U.S. and in achieving significant growth through such means as utilizing the aforementioned strengths in food. Alongside these efforts, we will also work to develop business in new countries.

We have also decided to contribute further investment and financing to the Vietnam business. We will continue to proactively consider M&A deals, including strategic investments in licensees, to realize accelerated earnings growth in global convenience store operations, which have high growth potential.

III. Domestic Convenience Store Operations

SEVEN-ELEVEN JAPAN CO., LTD will continue to realize stable growth by improving customer attraction and profitability, leveraging the merchandising capabilities that support its strength in food = highly appealing original products, including *Seven Premium*. Furthermore, we will continue to tackle the challenges of providing new merchandise assortments and new store concepts by utilizing our knowledge and supplier networks, which we have developed in superstore operations, to adapt to the ever-changing social structure and shifting customer values and behavior in Japan, as described earlier.

Meanwhile, we aim to further strengthen our business competitiveness and accelerate earnings growth through the expansion of new businesses such as 7NOW delivery and retail media, expanding from our existing business model of providing in-store products and services.

IV. Superstore Operations

Although superstore operations contribute to the Group's strength in food, we strongly recognized the need to improve the profitability and capital efficiency of superstore operations as an individual business segment, particularly at Ito-Yokado Co., Ltd., which has a wider product offering beyond food. In the fiscal year ended February 28, 2023, we continued to implement various structural reform initiatives to complete the structural reforms implemented to date. Going forward, in addition to delivering the results of such structural reforms, we will further accelerate business structure transformation in line with the direction of the Group's growth strategy with food at its core. The goal is to achieve a self-sufficient management organization that can independently pursue a re-growth phase. With an aim to achieve an EBITDA of ¥55.0 billion by the fiscal year ending February 28, 2026 in the Tokyo metropolitan area and an ROIC of over 4%, we will implement the following initiatives within a time-frame of 3 years.

i) To focus on the Group's core strategy of food, we will fully exit from the apparel business[*1]

ii) In addition to the previously announced store closures from the business structure transformation, Ito-Yokado Co., Ltd. has decided to close an additional 14 stores to accelerate its focus on the Tokyo metropolitan area[*2]

iii) Integrate Ito-Yokado Co., Ltd. and York Co. Ltd. as Tokyo metropolitan superstore operations to maximize synergy and operational efficiency in the Tokyo metropolitan area, which is an area of focus

iv) Realize a profit structure that can achieve further profit growth by establishing strategic infrastructure (Process Center (PC)/Central Kitchen (CK), online supermarket center)

v) In addition to retaining external advisors to manage the transformation process, monitor the progress through the Board of Directors and the Strategy Committee

Notes: 1. Self-operated apparel business
2. Number of stores: 126 as of February 28, 2023; 93 stores as of February 28, 2026 (planned)

Deepening relationships with customers through retail and financial integration centered on 7iD

We have long worked to create new experiences and values through the promotion of DX, to strengthen customer touchpoints, which are a shared Group-wide foundation for value. To date, we have strengthened our relationship with each customer by collecting data from customers through 7iD, which enables them to use a shared ID across the Group, and by putting that data to good use in CRM and other capabilities. We have also used 7iD to enhance service functions in the last mile, among other things. In the future, we also intend to use 7iD to create new value in financial services, retail media and other areas.

Notably, in financial services, we have decided that it would be desirable to consolidate the Group's financial business in Seven Bank, Ltd. and accelerate its growth, in order to quickly address customer needs and pursue synergies through the integrated management of banking and non-banking businesses by ensuring unity and consistency in the Group's financial strategy. Under this policy, we have decided to consolidate the credit card and electronic money operations previously undertaken by Seven Card Service Co., Ltd. under the umbrella of Seven Bank, Ltd. By having both companies operate businesses as one entity, we will be able to provide a lineup of multiple payment methods, as well as fund management and procurement methods, sought by individual customers under an integrated promotion framework, enabling us to meet the expectations of customers for financial services even more rapidly than we did before. In the future, as we reorganize various financial services from the customer's perspective, we will integrate and strengthen the knowledge, expertise, and other capabilities that both companies have accumulated thus far. We will use 7iD to develop financial services and provide unique experiences befitting a distribution and retail group.

New Group Initiatives to Ensure the Complete Execution of the Group Growth Strategy and the Action Plans Above

Capital Reallocation

We will continue our efforts to recover capital by increasing operating cash flow through growth mainly in convenience store operations, and also by advancing drastic transformation initiatives and consideration of best owners in businesses that require prioritized consideration through a review of the business portfolio. We plan to intensively allocate the cash flow we generate to strategic investments in convenience store operations, which are the Group's growth driver, based on investment decisions focused on capital efficiency, with a view to achieve accelerated growth.

Regarding shareholder return, we will emphasize balancing it with strategic investments in convenience store operations. At the same time, we expect to conduct agile share buybacks to improve return on equity (ROE) and earnings per share (EPS). Together with upwardly revising our targets in "Medium-Term Management Plan 2021-2025," we have decided the shareholder return policy as "stable and continuous improvement of dividends per share, as well as achievement of a total shareholder return ratio of 50%* or more (cumulative)."

Note: Cumulative total shareholder return ratio from the fiscal year ending February 29, 2024 to the fiscal year ending February 28, 2026

Solid management foundation to support our strategy

I. Realizing a sustainable society

To date, the Group has been proactive in its efforts to resolve social issues and enhance corporate value, both of which are fundamental to management. We have identified the social issues that are highly compatible with the Group's business areas as "Seven Material Issues (Materiality)." We are working to solve such issues while linking them to the 17 Sustainable Development Goals (SDGs) set forth by the United Nations. Through these efforts, we are making efforts through our core businesses to create a new business model that takes social issues and priority issues as its starting points.

"Seven Material Issues (Materiality)"

・Create a livable society with local communities through various customer touchpoints
・Provide safe, reliable and healthier merchandise and services
・Realize decarbonization, circular economy, and society in harmony with nature, through environmental efforts
・Achieve a society in which diverse people can actively participate
・Improve work engagement and environment for people working in Group businesses
・Create an ethical society through dialogue and collaboration with customers
・Achieve a sustainable society through partnerships

In May 2019, we announced our "GREEN CHALLENGE 2050" environmental declaration, which sets four themes: reduction of CO2 emissions, measures against plastic, measures against food loss and measures for food recycling, and sustainable procurement. As we address these themes, we are working to realize a sustainable society in cooperation with customers, local communities, business partners, and other stakeholders. In conjunction with the global expansion of our business, we are promoting CO2 emission reduction and plastic-related measures in collaboration with 7-Eleven licensees around the world.

In addition, communities are becoming increasingly concerned about the human rights efforts of companies as their activities become more global in nature. The Group works to protect human rights under its Corporate Action Guidelines. We have established the Seven & i Group Human Rights Policy, which is primarily based on the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the 10 principles of the U.N. Global Compact, and the U.N. Guiding Principles on Business and Human Rights. We will continue encouraging employees, supply chain partners, and local communities to work with us as we step up efforts to respect human rights.

II. Further strengthening corporate governance

With respect to corporate governance, to date, we have been constantly striving to improve and expand corporate governance based on dialogue with all stakeholders. We have further improved the diversity of the Board of Directors and increased the number of independent outside directors to a majority. This change was made to build a governance system that is suitable for our goal of becoming a global retail group, which is part of our "Ideal Group Image for 2030." Furthermore, we have recently appointed an additional representative director of the Company to strengthen and stabilize the governance structure, bringing the total number of representative directors to three. Concurrently, we have appointed Chief Officers (CxO) for each corporate function, as well as a Head for each business segment and business area.

In addition, we have established the Strategy Committee composed solely of independent outside directors to provide advice to the Board of Directors for the purpose of increasing the Group's medium- to long-term corporate value. The Strategy Committee will continue to monitor the progress of the Group's strategic priorities, and comprehensively and objectively analyze and review the optimal group structure and other matters to achieve the Group's strategic goals.

In the future, the Board of Directors will continue its efforts to conduct appropriate decision-making while implementing highly effective supervision, to properly fulfill the Board of Directors' roles and responsibilities, and to further strengthen corporate governance. These efforts will be made in order to achieve sustainable growth in global markets and to increase the Group's corporate value over the medium and long terms.

III. Human resource measures linked to management strategy

Human resources are the source of the Group's growth potential. In particular, we believe that management strategy and human resource strategy are inseparable and must be linked in order to promote DX and global strategies and enhance both social and corporate value. Accordingly, we pursue a human resource strategy that is integrated with our management strategy, and we will not only seek human resources with specialized knowledge and skills from outside the Group but also actively develop them within the Group. In human resource development, we adhere to the concept of being "a company that grows together with its human resources." With this in mind, by actively providing employees with opportunities for growth, we aim to develop human resources who continue to learn and improve their skills on their own, thereby achieving mutual growth for both employees and the Group.

In addition, we will work to create workplaces where everyone can work comfortably by reforming work styles and improving productivity. We are establishing frameworks to create environments that allow diversity and differences among workers and to support flexible work styles. We are focusing particular attention on fostering an organization and corporate culture where women and other diverse human resources can play active roles, taking into consideration the nature of the Group's main business, which welcomes many female customers.

Furthermore, the Group has established the Engagement Improvement Committee, consisting of the presidents of each Group operating company, to formulate and monitor action plans to improve employee engagement. We will continue to promote these activities based on the belief that increased employee engagement and a desire to contribute will revitalize our organization and boost our corporate competitiveness.

The Group is committed to achieving sustainable growth by enhancing corporate value over the medium and long terms. To this end, we will continue strengthening Group synergies to further expand the Group's strengths. While listening sincerely to the voices of all stakeholders, we will strive to provide more value and appropriate returns on profits to all stakeholders.

4. Basic concept on choice of Accounting Standards

The company prepares its consolidated financial statements under standards applicable in Japan for the time being, taking into account the comparability of the consolidated financial statements and the comparability between companies.

As regards the international financial reporting standards (IFRS), the Company will adopt it appropriately in the future, based on the domestic and international situation.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**2,604,774**	**3,060,653**
Cash and bank deposits	1,420,653	1,670,872
Call 1oan	—	23,000
Notes and accounts receivable - trade	365,746	—
Notes and accounts receivable - trade, and contract assets	—	422,635
Trade accounts receivable - financial services	91,662	93,490
Merchandise and finished goods	246,571	280,044
Work in process	51	119
Raw materials and supplies	2,193	2,216
Prepaid expenses	71,249	78,588
ATM-related temporary payments	107,883	102,755
Other	306,593	397,288
Allowance for doubtful accounts	(7,829)	(10,356)
Non-current assets	**6,132,658**	**7,489,195**
Property and equipment	**3,232,347**	**4,341,750**
Buildings and structures, net	1,527,898	1,614,830
Furniture, fixtures and equipment, net	436,377	463,518
Vehicles, net	19,506	18,640
Land	1,119,796	1,196,007
Lease assets, net	7,240	6,264
Right-of-use assets, net	10,801	885,645
Construction in progress	110,725	156,842
Intangible assets	**2,140,002**	**2,364,673**
Goodwill	1,741,604	1,913,017
Software	213,462	265,638
Other	184,935	186,016
Investments and other assets	**760,308**	**782,772**
Investments in securities	220,615	243,215
Long-term loans receivable	14,633	14,903
Long-term leasehold deposits	330,285	321,945
Advances for store construction	542	770
Net defined benefit asset	86,217	87,088
Deferred income taxes	43,539	57,186
Other	67,499	60,627
Allowance for doubtful accounts	(3,024)	(2,965)
Deferred assets	**1,846**	**1,106**
Business commencement expenses	1,353	773
Bond issuance cost	492	332
TOTAL ASSETS	**8,739,279**	**10,550,956**

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**2,480,725**	**3,265,089**
Notes and accounts payable, trade	483,908	536,173
Short-term loans	140,146	143,568
Current portion of bonds	60,000	355,823
Current portion of long-term loans	121,280	145,605
Income taxes payable	22,716	25,549
Accrued expenses	235,274	276,771
Contract liabilities	—	211,356
Deposits received	223,146	165,501
ATM-related temporary advances	73,901	61,772
Lease obligations	20,409	121,472
Allowance for sales promotion expenses	17,649	1,104
Allowance for bonuses to employees	13,937	14,389
Allowance for bonuses to Directors and Audit & Supervisory Board Members	349	483
Allowance for loss on future collection of gift certificates	602	—
Provision for sales returns	34	—
Deposits received in banking business	787,879	810,139
Call money	—	110,000
Other	279,489	285,377
Non-current liabilities	**3,110,820**	**3,637,704**
Bonds	1,582,906	1,394,728
Long-term loans	994,399	936,070
Deferred income taxes	109,825	184,242
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	569	526
Allowance for stock payments	4,272	4,555
Net defined benefit liability	12,702	13,584
Deposits received from tenants and franchised stores	51,422	50,322
Lease obligations	36,527	834,913
Asset retirement obligations	130,456	155,137
Other	187,738	63,623
TOTAL LIABILITIES	**5,591,546**	**6,902,794**
NET ASSETS		
Shareholders' equity	**2,767,517**	**2,981,545**
Common stock	50,000	50,000
Capital surplus	408,645	408,926
Retained earnings	2,319,155	2,532,491
Treasury stock, at cost	(10,282)	(9,873)
Total accumulated other comprehensive income	**213,438**	**493,001**
Unrealized gains (losses) on available-for-sale securities, net of taxes	37,696	34,823
Unrealized gains (losses) on hedging derivatives, net of taxes	4,270	4,799
Foreign currency translation adjustments	157,570	444,478
Remeasurements of defined benefit plans	13,901	8,899
Subscription rights to shares	**56**	**49**
Non-controlling interests	**166,719**	**173,565**
TOTAL NET ASSETS	**3,147,732**	**3,648,161**
TOTAL LIABILITIES AND NET ASSETS	**8,739,279**	**10,550,956**

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Revenues from operations	**8,749,752**	**11,811,303**
Net sales	7,429,576	10,265,151
Cost of sales	6,017,372	8,503,617
Gross profit on sales	**1,412,203**	**1,761,534**
Operating revenues	1,320,175	1,546,151
Gross profit from operations	**2,732,379**	**3,307,685**
Selling, general and administrative expenses	**2,344,726**	**2,801,164**
Advertising and decoration expenses	123,214	97,091
Salaries and wages	564,770	696,197
Provision for bonuses to employees	13,861	14,314
Pension expenses	14,045	13,812
Legal welfare expenses	75,217	81,495
Land and building rent	396,241	441,127
Depreciation and amortization	279,082	363,564
Utility expenses	121,954	185,724
Store maintenance and repair expenses	92,481	162,768
Other	663,854	745,068
Operating income	**387,653**	**506,521**
Non-operating income	**12,736**	**15,827**
Interest income	3,220	6,050
Dividend income	1,093	1,267
Equity in earnings of affiliates	2,643	2,506
Gain on valuation of investment securities	274	1,920
Income from electronic money breakage	1,205	772
Insurance income	1,389	174
Other	2,909	3,136
Non-operating expenses	**41,818**	**46,460**
Interest expenses	12,101	15,673
Interest on bonds	17,248	20,711
Commitment fee	3,534	618
Other	8,934	9,457
Ordinary income	**358,571**	**475,887**
Special gains	**22,011**	**13,510**
Gain on sales of property and equipment	6,372	9,116
Gain on sales of property and equipment related to restructuring	2,554	—
Gain on sales of investments in securities	3,222	272
Subsidy income	7,648	—
Other	2,213	4,120

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Special losses	**68,728**	**86,636**
Loss on disposals of property and equipment	13,666	14,038
Impairment loss	26,410	43,420
Restructuring expenses	4,163	10,298
Loss related to COVID-19	10,380	—
Other	14,107	18,878
Income before income taxes	**311,854**	**402,761**
Total Income taxes	**88,613**	**110,591**
Income taxes - current	66,886	71,881
Income taxes - deferred	21,727	38,710
Net income	223,241	292,169
Net income attributable to non-controlling interests	12,466	11,193
Net income attributable to owners of parent	**210,774**	**280,976**

Consolidated statements of comprehensive income

(Millions of yen)

	Year ended February 28, 2022 Amount	Year ended February 28, 2023 Amount
Net income	**223,241**	**292,169**
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities net of taxes	2,073	(2,962)
Unrealized gains (losses) on hedging derivatives, net of taxes	2,689	532
Foreign currency translation adjustments	189,239	288,056
Remeasurements of defined benefit plans, net of taxes	(1,515)	(5,113)
Share of other comprehensive income (loss) of entities accounted for using equity method, net of taxes	156	203
Total other comprehensive income (loss)	**192,642**	**280,717**
Comprehensive income (loss)	**415,883**	**572,887**
Comprehensive income (loss) attributable to owners of parent	402,228	560,539
Comprehensive income (loss) attributable to non-controlling interests	13,655	12,347

(3) Consolidated statements of changes in net assets

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2021	50,000	409,069	2,198,805	(10,851)	2,647,023
Increase (Decrease) due to the adoption of IFRS in foreign subsidiaries			(2,847)		(2,847)
Restated balance	50,000	409,069	2,195,957	(10,851)	2,644,175
Increase (decrease) for the year					
Cash dividends			(87,576)		(87,576)
Net income attributable to owners of parent			210,774		210,774
Purchase of treasury stock				(22)	(22)
Disposal of treasury stock		0		591	592
Other		(424)		(0)	(425)
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	–	(424)	123,197	568	123,342
Balance at February 28, 2022	50,000	408,645	2,319,155	(10,282)	2,767,517

(Millions of yen)

	Accumulated other comprehensive income							
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
Balance at March 1, 2021	35,729	1,580	(30,835)	15,427	21,902	56	162,352	2,831,335
Increase (Decrease) due to the adoption of IFRS in foreign subsidiaries	82				82			(2,765)
Restated balance	35,811	1,580	(30,835)	15,427	21,984	56	162,352	2,828,569
Increase (decrease) for the year								
Cash dividends								(87,576)
Net income attributable to owners of parent								210,774
Purchase of treasury stock								(22)
Disposal of treasury stock								592
Other								(425)
Net changes of items other than shareholders' equity	1,884	2,689	188,405	(1,525)	191,454	–	4,366	195,820
Net increase (decrease) for the year	1,884	2,689	188,405	(1,525)	191,454	–	4,366	319,163
Balance at February 28, 2022	37,696	4,270	157,570	13,901	213,438	56	166,719	3,147,732

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 1, 2022	50,000	408,645	2,319,155	(10,282)	2,767,517
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)	2,789,430
Increase (decrease) for the year					
Cash dividends			(89,787)		(89,787)
Net income attributable to owners of parent			280,976		280,976
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					
Net increase (decrease) for the year	–	281	191,423	409	192,114
Balance at February 28, 2023	50,000	408,926	2,532,491	(9,873)	2,981,545

(Millions of yen)

	Accumulated other comprehensive income							
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	TOTAL NET ASSETS
Balance at March 1, 2022	37,696	4,270	157,570	13,901	213,438	56	166,719	3,147,732
Cumulative effects of changes in accounting policies								22,815
Increase (Decrease) due to the adoption of IFRS in foreign subsidiaries								(902)
Restated balance	37,696	4,270	157,570	13,901	213,438	56	166,719	3,169,645
Increase (decrease) for the year								
Cash dividends								(89,787)
Net income attributable to owners of parent								280,976
Purchase of treasury stock								(16)
Disposal of treasury stock								425
Other								515
Net changes of items other than shareholders' equity	(2,872)	529	286,908	(5,002)	279,563	(7)	6,846	286,401
Net increase (decrease) for the year	(2,872)	529	286,908	(5,002)	279,563	(7)	6,846	478,516
Balance at February 28, 2023	34,823	4,799	444,478	8,899	493,001	49	173,565	3,648,161

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	311,854	402,761
Depreciation and amortization	292,561	376,097
Impairment loss	27,775	48,950
Amortization of goodwill	71,276	112,700
Increase (decrease) in allowance for bonuses to employees	(956)	515
Increase in net defined benefit asset	(8,514)	(8,993)
Interest and dividends income	(4,313)	(7,317)
Interest expenses and interest on bonds	29,349	36,384
Equity in losses (earnings) of affiliates	(2,643)	(2,506)
Insurance income	(1,389)	(174)
Gain on sales of property and equipment	(8,927)	(9,116)
Subsidy income	(7,648)	―
Loss on disposals of property and equipment	13,667	14,110
Loss (gain) on sales of investments in securities	(3,211)	(272)
Decrease (increase) in notes and accounts receivable, trade	(9,227)	(44,022)
Decrease (increase) in trade accounts receivable, financial services	3,348	(1,824)
Decrease (increase) in inventories	(26,209)	(12,111)
Increase (decrease) in notes and accounts payable, trade	3,015	25,183
Increase (decrease) in deposits received	(13,396)	(57,643)
Net increase (decrease) in deposits received in banking business	46,456	22,260
Net decrease (increase) in call loan in banking business	―	(23,000)
Net increase (decrease) in call money in banking business	―	110,000
Net decrease (increase) in ATM-related temporary accounts	52,386	(6,997)
Other	12,713	62,193
Subtotal	777,967	1,037,177
Interest and dividends received	4,505	5,967
Interest paid	(20,781)	(35,807)
Proceeds from settlement of interest rate swaps	5,993	―
Insurance income received	1,389	174
Proceeds from subsidy income	7,647	0
Income taxes paid	(67,411)	(96,856)
Income taxes refund	27,165	17,820
Net cash provided by operating activities	**736,476**	**928,476**
Cash flows from investing activities		
Acquisition of property and equipment	(337,505)	(305,217)
Proceeds from sales of property and equipment	147,745	20,221
Acquisition of intangible assets	(86,926)	(105,672)
Payment for purchase of investments in securities	(25,519)	(50,305)
Proceeds from sales of investments in securities	106,380	30,317
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation	(2,295,563)	(459)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	―	938
Payment for long-term leasehold deposits	(12,357)	(13,125)
Refund of long-term leasehold deposits	24,536	20,588
Proceeds from deposits from tenants	4,002	2,577
Refund of deposits from tenants	(2,841)	(2,535)
Payment for acquisition of business	(11,661)	(224)
Payment for time deposits	(3,996)	(2,594)
Proceeds from withdrawal of time deposits	4,083	2,176
Other	(15,943)	(9,914)
Net cash used in investing activities	**(2,505,566)**	**(413,229)**

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(479,923)	3,718
Proceeds from long-term debts	832,298	163,652
Repayment of long-term debts	(261,954)	(262,650)
Proceeds from commercial paper	81,872	—
Payment for redemption of commercial paper	(81,872)	—
Proceeds from issuance of bonds	1,192,710	—
Payment for redemption of bonds	(231,768)	(60,000)
Proceeds from share issuance to non-controlling shareholders	337	2,368
Purchase of treasury stock	(22)	(16)
Dividends paid	(87,490)	(89,762)
Dividends paid to non-controlling interests	(7,348)	(7,803)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,821)	(975)
Other	(17,941)	(18,904)
Net cash used in financing activities	**937,077**	**(270,373)**
Effect of exchange rate changes on cash and cash equivalents	**63,065**	**15,023**
Net increase (decrease) in cash and cash equivalents	**(768,946)**	**259,897**
Cash and cash equivalents at beginning of period	**2,183,837**	**1,414,890**
Cash and cash equivalents at end of period	**1,414,890**	**1,674,787**

(5) Doubts on the premise of going concern

None

(6) Accounting policies for the preparation of consolidated financial statements

I. Scope of consolidation

(i) Number of consolidated subsidiaries: 165

Major consolidated subsidiaries: SEVEN-ELEVEN JAPAN CO., LTD., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank, Ltd., and Seven Financial Service Co., Ltd.

Consolidated subsidiaries increased by 3

(Establishment)

Two companies

(Acquisition of shares)

One company

Consolidated subsidiaries decreased by 11

Life Foods Co., Ltd. ceased to exist as a result of its merger with York-Benimaru Co., Ltd.. Oshman's Japan Co., Ltd. was excluded from the scope of consolidation due to the transfer of shares.

(Dissolution)

Two other companies

(Liquidation)

Seven companies

II. Application of the equity method

(i) Number of unconsolidated subsidiaries to which the equity method was applied: None

(ii) Number of affiliates to which the equity method was applied: 24

Major affiliates: Tenmaya Store Co., Ltd., DAIICHI CO., LTD. and PIA Corporation

(iii) Procedure for applying the equity method

(a) The affiliates which have different closing dates are included in the consolidated financial statements based on their respective fiscal year-end.

(b) When an affiliate has a deficit net worth, the Company's share of such loss is reduced from its loan receivable from affiliate.

III. Accounting period of consolidated subsidiaries

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. Pro forma financial statements as of the end of February are prepared in a manner that is substantially identical to the preparation of the official financial statements in order to facilitate its consolidation.

IV. Summary of significant accounting policies

(i) Valuation method for major assets

(a) Valuation method for securities

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

(II) Other available-for-sale securities are classified into two categories, where: (i) Securities other than shares that do not have a market value and (ii) Shares that do not have a market value.

(i) Securities other than shares that do not have a market value are valued at fair value. 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.

(ii) Shares that do not have a market value are mainly valued at cost, determined using the moving-average method.

(b) Valuation method for derivatives

Derivative financial instruments are valued at fair value.

(c) Valuation method for inventories

(I) Merchandise:

Inventories of domestic consolidated subsidiaries are stated mainly at cost determined by the retail method with book value written down to the net realizable value.

Cost is determined principally by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined by the weighted average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method.

(II) Supplies:

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.

(ii) Depreciation and amortization

(a) Property and equipment (excluding lease assets)

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

(b) Intangible assets (excluding lease assets)

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

(c) 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.

(d) Right-of-use assets

Some foreign consolidated subsidiaries have adopted IFRS 16 Leases and application of Accounting Standards Update (“ASU”) 2016-02, Leases (Topic842). Therefore, lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. Right-of-use assets recorded in assets as result of the application of IFRS 16 Leases are depreciated using the straight-line method.

Moreover, as a result of the application of ASU 2016-02, Leases (Topic842), the amount equivalent to depreciation of right-of-use assets for operating lease is recorded not as “Depreciation and amortization” but as “Land and building rent”, because it is not depreciable assets.

(iii) Accounting for deferred assets

(a) Business commencement expenses

Business commencement expenses are amortized using the straight-line method over 5 years.

(b) Bond issuance cost

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

(iv) Allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for sales promotion expenses

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

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

(c) Allowance for bonuses to employees

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

(d) Allowance for bonuses to Directors and Audit & Supervisory Board Members

Allowance for bonuses to Directors and Audit & Supervisory Board Members is provided at the amount estimated to be paid.

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

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

(f) Provision for sales returns

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

(g) 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.

(h) 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 its consolidated. The amount is based on the expected stock benefit payable as at the balance sheet date.

(v) Accounting method for retirement benefits

(a) Allocation method of estimated total retirement benefits

When calculating retirement benefit obligation, the benefit formula basis is used to allocate estimated total retirement benefits to the period up to the fiscal year-end.

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

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

The amount of prior service costs is amortized on a straight-line basis over a period of 5 years or 10 years, which are within the average remaining years of service of the eligible employees.

(vi) 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 of the merchandise is satisfied at that time of the delivery.

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 of the merchandise is satisfied at the time of delivery.

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 of the merchandise is satisfied at that time of the delivery.

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 US GAAP have applied ASU No. 2014-09 “Revenue from Contracts with Customers (Topic606)”.

(III) Superstore operations

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

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

(IV) Department and specialty store operations

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

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

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

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.

(V) Financial services

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

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

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

(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 our 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.

(vii) 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.”

(viii) Hedge accounting

(a) Hedge accounting

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 treatment for that. Certain interest rate swap contracts that meet specific accounting treatment 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.

(b) Hedge instruments and hedged items

(I) Hedge instruments – Forward foreign exchange contracts
Hedged items – Foreign currency-denominated monetary asset and liability

(II) Hedge instruments – Interest swap
Hedged items – Loans

(III) Hedge instruments – Interest rate and currency swap
Hedged items – Foreign currency-denominated loans

(c) Hedging policies

The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency rates and interest rates and reducing financing costs as well as optimizing future cash flow. The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes.

(d) Assessing hedge effectiveness

The hedge effectiveness is assessed by comparing the fluctuation quarterly except for those that meet specific accounting treatment and integral accounting treatment.

(ix) Goodwill and negative goodwill

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

Negative goodwill arising on or after March 1, 2011 is recognized as income when it occurs.

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

(x) Cash and cash equivalents

Cash and cash equivalents in the accompanying consolidated statements of cash flows consist 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.

(xi) Other accounting treatments

(a) Accounting for franchised stores in Domestic and Overseas convenience store operations

SEVEN-ELEVEN JAPAN CO., LTD. and 7-Eleven, Inc. recognize franchise commission from its franchised stores as revenues and include it in “Operating revenues.”

(b) Accounting for consumption taxes and excise tax

The excise tax levied in the U.S. and Canada is included in the revenues from operations.

(c) Application of Consolidated Taxation System

The Company and part of its wholly owned domestic subsidiaries have applied Consolidated Taxation System.

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

The Company and part of its wholly owned domestic subsidiaries will transition from the Consolidated Taxation System to the Group Tax Sharing System from the following consolidated fiscal year.

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

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

(7) Changes in accounting policies

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

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

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

I. Revenue recognition for transactions as an agent

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

II. Revenue recognition related to the Company’s loyalty program

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

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

As a result, “Retained earnings” were reduced by 11,948 million yen at the beginning of the consolidated fiscal year ended February 28, 2023. In addition, for the consolidated fiscal year ended February 28, 2023, “Net sales” decreased by 763,375 million yen, “Cost of sales” decreased by 638,385 million yen, “Operating revenues” increased by 78,673 million yen, “Selling, general and administrative expenses" decreased by 47,220 million yen, and "Operating income," "Ordinary income," and "Income before income taxes" increased by 904 million yen, respectively.

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

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

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated in based on the new approach to presentation.

(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 measures 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.

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

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

As a result of the application of this accounting standard, mainly "Right-of-use assets" increased by 855,613 million yen, "Lease obligations" increased by 877,234 million yen in the consolidated balance sheets in the fiscal year ended February 28, 2023, and "Retained earnings" at the beginning of the consolidated fiscal year ending February 28, 2023 increased by 34,764 million yen, respectively.

(8) Changes in method of presentation

(Consolidated statements of income)

"Gain on valuation of investments in securities," which was previously included in "Other" of Non-operating income in the fiscal year ended February 28, 2022, exceeded 10% of the total amount of Non-operating income, and is separately presented for the fiscal year ended February 28, 2023 due to significant increase.

To reflect this change in method of presentation, the Company reclassified consolidated financial statements for the fiscal year ended February 28, 2022.

As a result, 3,184 million yen that was presented as "Other" in Non-operating income in the fiscal year ended February 28, 2022 has been reclassified as "Gain on valuation of investments in securities" of 274 million yen and "Other" of 2,909 million yen.

(9) Supplementary information

(Transfer of Subsidiary Shares)

The Company has resolved to enter into an agreement (the "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. The Transfer should meet the certain conditions for the execution.

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

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

(Performance-based stock compensation plan for Directors)

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

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

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Companies 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 the Companies. Directors shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

(2) Company’s shares remaining in the BIP Trust

The Company’s shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 28, 2023, the carrying amount and the number of Company’s shares remaining in the BIP Trust are 2,876 million yen and 753 thousand shares, respectively.

(Performance-based stock compensation plan for Executive Officers)

The Company and certain consolidated subsidiaries (hereinafter the “Companies”) have introduced a Performance- Based Stock Compensation Plan (hereinafter the “Plan”) for the executive officers of the 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 Companies 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.

(1) Outline of the transaction

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

(2) Company’s shares remaining in the ESOP Trust

The Company’s shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of February 28, 2023, the carrying amount and the number of the Company’s shares remaining in the Trust are 2,322 million yen and 605 thousand shares, respectively.

(10) Notes to consolidated financial statements

Consolidated balance sheets;

1. Accumulated depreciation of property and equipment

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Accumulated depreciation	2,249,245	2,625,245

The Company's overseas subsidiaries that adopted U.S. GAAP have applied ASU2016-02, Leases (Topic842). As a result, the amount equivalent to depreciation of right-of-use assets related with operating lease is not included in accumulated depreciation, because the amount was deducted from right-of-use assets directly.

2. Assets pledged as collateral

Assets pledged as collateral for the debts

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Buildings and structures	463	581
Land	1,258	1,258
Investments in securities	79,715	86,736
Long-term leasehold deposits	1,162	1,149
Total	82,599	89,726
Debts for which above assets are pledged as collateral		
Long-term loans (including current portion of long-term loans)	9,717	9,229

Assets pledged as collateral for fund transfer

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Investments in securities	2,516	2,503
Long-term leasehold deposits	1,700	1,700
Total	4,216	4,203

Assets pledged as collateral for real estate business

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Long-term leasehold deposits	55	55

Assets pledged as collateral to secure the amount of prepaid tickets issued

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Long-term leasehold deposits	292	1,006

3. Guarantees

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Employees' housing loans	42	34

4. Loan commitment

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 is as follows:

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Credit availability of cash loan business	832,746	817,777
Outstanding balance	42,048	47,345
Unused credit balance	790,697	770,431

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

5. 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.

Consolidated statements of income;

1. The franchise commission from SEVEN-ELEVEN JAPAN CO., LTD.'s franchised stores and 7-Eleven, Inc.'s is included in "Operating revenues."

The franchise commission from franchised stores and net sales of franchised stores are as follows:

SEVEN-ELEVEN JAPAN CO., LTD.

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Franchise commission from franchised stores	765,199	778,735
Net sales of franchised stores	4,853,881	5,056,946

7-Eleven, Inc.

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Franchise commission from franchised stores	294,374	362,301
Net sales of franchised stores	1,695,895	2,111,197

2. Major items included in "Gain on sales of property and equipment" are as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Buildings and structures	2,200	1,687
Land	6,497	7,066
Others	229	363
Total	8,927	9,116

Note: 108 million yen (Buildings and structures), 2,440 million yen (Land) and 5 million yen (Other) are included in "Gain on sales of property and equipment related to restructuring" in consolidated statements of income for the year ended February 28, 2022.

3. Subsidy income

A breakdown of subsidy income is as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Subsidy income related to COVID-19	5,741	–
Subsidies for employment adjustment	1,907	–
Total	7,648	–

Note: The amount below has been reduced from selling, general and administrative expenses for the year ended February 28, 2023.
(Subsidy income related to COVID-19 1,648million yen, Subsidies for employment adjustment 741 million yen)

4. Major items included in "Loss on disposals of property and equipment" are as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Buildings and structures	4,264	6,308
Furniture, fixtures and equipment	3,490	3,873
Others	5,911	3,929
Total	13,667	14,110

Note: 0 million yen (Buildings and structures) is included in "Restructuring expenses" in consolidated statements of income for the year ended February 28, 2022. 61 million yen (Buildings and structures) and 10 million yen (Furniture, fixtures and equipment) are included in "Restructuring expenses" in consolidated statements of income for the year ended February 28, 2023.

5. Impairment loss

For the fiscal year ended February 28, 2022, the Company and its consolidated subsidiaries recognized as impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location			Amount
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	94 Stores	25,070
			Department and specialty stores	49 Stores	
			Superstores	2 Stores	
			Others	1 Stores	
		Aichi Pref.	Domestic convenience stores	98 Stores	
			Department and specialty stores	9 Stores	
		Osaka Pref.	Domestic convenience stores	93 Stores	
			Department and specialty stores	4 Stores	
			Others	1 Stores	
		U.S. and others	Overseas convenience stores	150 Stores	
Other facility, etc.	Software, etc.	Tokyo Met., Fukushima Pref., Nagano Pref., & others			2,705
Total					27,775

Note: 1,365 million yen (Stores) is included in "Restructuring expenses" in consolidated statements of income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit.

The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(Millions of yen)

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

Note: 1,291 million yen (Buildings and structures), 2 million yen (Furniture, fixtures and equipment), and 71 million yen (Other) are included in "Restructuring expenses" in consolidated statements of income.

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on the 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 using discount rates of 4.0% - 9.4%.

For the fiscal year ended February 28, 2023, the Company and its consolidated subsidiaries recognized as impairment loss on the following group of assets.

(Millions of yen)

Description	Classification	Location			Amount
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores	155 Stores	45,504
			Superstores	7 Stores	
			Department and specialty stores	2 Stores	
			Others	1 Stores	
		Osaka Pref.	Domestic convenience stores	62 Stores	
			Department and specialty stores	1 Stores	
			Others	1 Stores	
		Aichi Pref.	Domestic convenience stores	51 Stores	
		U.S. and others	Overseas convenience stores	258 Stores	
Other facility, etc.	Software, etc.	Tokyo Met., Kyoto Pref., Nagano Pref., & others			3,445
Total					48,950

Note: 5,530 million yen (Stores) is included in "Restructuring expenses" in consolidated statements of income.

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit.

The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts when the book values exceed future cash flows before discount, and such deducted amount was recorded as impairment loss in special losses.

A breakdown of impairment loss is as follows:

(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
Other	3,986	397	4,383
Total	45,504	3,445	48,950

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

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on the 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 using discount rates of 3.4% - 7.3%.

6. Restructuring expenses

A breakdown of restructuring expenses is as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Impairment loss	1,365	5,530
Store closing loss	–	2,088
Early retirement benefit	247	105
Others	2,550	2,575
Total	4,163	10,298

Note: In addition to the above restructuring expenses, the Companies recognize "Gain on sales of property and equipment related to restructuring" for the years ended February 28, 2022 in the amount of 2,554 million yen.

7. Loss related to COVID-19

A breakdown of loss related to COVID-19 is as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Fixed cost during temporary closure (Salaries and wages, Land and building rent, etc.)	8,625	–
Cost of support to franchisees	1,492	–
Others	262	–
Total	10,380	–

Note: The "Loss related to COVID-19" was recorded as "Special losses" for the fiscal year ended February 28, 2022, because it was extraordinary expenses. However, it has been considered to be recurring expenses and has been recorded as "Selling, general and administrative expenses" for the fiscal year ended February 28, 2023.

Consolidated statements of comprehensive income;

1. The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal years ended February 28, 2022 and February 28, 2023 are as follows:

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Unrealized gains (losses) on available-for-sale securities, net of taxes:		
Increase (decrease) during the fiscal year	3,211	(4,112)
Reclassification adjustments	(406)	(97)
Amount before tax	2,805	(4,210)
Tax effects	(731)	1,247
Subtotal	2,073	(2,962)
Unrealized gains (losses) on hedging derivatives, net of taxes		
Increase during the fiscal year	3,595	723
Reclassification adjustments	–	–
Amount before tax	3,595	723
Tax effects	(905)	(190)
Subtotal	2,689	532
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	189,239	288,056
Remeasurements of defined benefit plan, net of taxes:		
Increase (decrease) during the fiscal year	1,391	(2,644)
Reclassification adjustments	(3,605)	(4,663)
Amount before tax	(2,213)	(7,308)
Tax effects	698	2,194
Subtotal	(1,515)	(5,113)
Share of other comprehensive income of entities accounted for using the equity method:		
Increase (decrease) during the fiscal year	156	203
Total other comprehensive income (loss)	192,642	280,717

Consolidated statements of changes in net assets;

(From March 1, 2021 to February 28, 2022)

1. Type and number of shares outstanding and treasury stock

(1) Outstanding stock

(Thousands of shares)

	As of March 1, 2021	Number of shares increased	Number of shares decreased	As of February 28, 2022
Ordinary share	886,441	–	–	886,441

(2) Treasury stock

(Thousands of shares)

	As of March 1, 2021	Number of shares increased (Note 1)	Number of shares decreased (Note 2)	As of February 28, 2022 (Note 3)
Ordinary share	3,475	4	154	3,325

Notes: (1) 4 thousand shares increased due to purchase of odd-lot shares.

(2) 154 thousand shares, 0 thousand shares out of the 154 thousand shares decreased due to delivery of the shares of the Company held by the BIP Trust and the ESOP Trust, and sale of odd-lot shares, respectively.

(3) The number of shares of treasury stock as of February 28, 2022 includes 1,469 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

2. Subscription rights to shares and treasury subscription rights to shares

Entity		The Company	Total
Description of subscription rights to shares		Subscription rights to shares as stock-linked compensation stock option	
Type of shares to be issued upon excise of the rights		–	–
Number of shares to be issued upon the exercise of the rights (shares)	Number of shares as of March 1, 2021	–	–
	Number of shares increased	–	–
	Number of shares decreased	–	–
	Number of shares as of February 28, 2022	–	–
Balance as of February 28, 2022 (millions of yen)		56	56

3. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 27, 2021 Ordinary general meeting of shareholders	Ordinary share	45,115 million yen	51.00 yen	Feb. 28, 2021	May 28, 2021
October 7, 2021 Board of Directors meeting	Ordinary share	42,461 million yen	48.00 yen	Aug. 31, 2021	Nov. 15, 2021

Notes:

1. The total amount of cash dividends determined by the resolution of the ordinary general meeting of shareholders held on May 27, 2021 includes 82 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.
2. The total amount of cash dividends determined by the resolution of the Board of Directors meeting held on October 7, 2021 includes 70 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record date is within the fiscal year ended February 28, 2022, but to be effective after the fiscal year-end

Resolution	Type	Funds for dividends	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 26, 2022 Ordinary general meeting of shareholders	Ordinary share	Retained earnings	45,999 million yen	52.00 yen	Feb. 28, 2022	May 27, 2022

Note: The total amount of cash dividends includes 76 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(From March 1, 2022 to February 28, 2023)

1. Type and number of shares outstanding and treasury stock

(1) Outstanding stock

(Thousands of shares)

	As of March 1, 2022	Number of shares increased	Number of shares decreased	As of February 28, 2023
Ordinary share	886,441	–	–	886,441

(2) Treasury stock

(Thousands of shares)

	As of March 1, 2022	Number of shares increased (Note 1)	Number of shares decreased (Note 2)	As of February 28, 2023 (Note 3)
Ordinary share	3,325	2	111	3,217

Notes: (1) 2 thousand shares increased due to purchase of odd-lot shares.

(2) 111 thousand shares, 0 thousand shares out of the 111 thousand shares decreased due to delivery of the shares of the Company held by the BIP Trust and the ESOP Trust, and sale of odd-lot shares, respectively.

(3) The number of shares of treasury stock as of February 28, 2023 includes 1,358 thousand shares of the Company held by the BIP Trust and the ESOP Trust.

2. Subscription rights to shares and treasury subscription rights to shares

Entity		The Company	Total
Description of subscription rights to shares		Subscription rights to shares as stock-linked compensation stock option	
Type of shares to be issued upon excise of the rights		–	–
Number of shares to be issued upon the exercise of the rights (shares)	Number of shares as of March 1, 2022	–	–
	Number of shares increased	–	–
	Number of shares decreased	–	–
	Number of shares as of February 28, 2023	–	–
Balance as of February 28, 2023 (millions of yen)		49	49

3. Matters related to dividends

(1) Dividend payments

Resolution	Type	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 26, 2022 Ordinary general meeting of shareholders	Ordinary share	45,999 million yen	52.00 yen	Feb. 28, 2022	May 27, 2022
October 6, 2022 Board of Directors meeting	Ordinary share	43,788 million yen	49.50 yen	Aug. 31, 2022	Nov. 15, 2022

Notes:

1. The total amount of cash dividends determined by the resolution of the ordinary general meeting of shareholders held on May 26, 2022 includes 76 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.
2. The total amount of cash dividends determined by the resolution of the Board of Directors meeting held on October 6, 2022 includes 67 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.

(2) Dividends whose record date is within the fiscal year ended February 28, 2023, but to be effective after the fiscal year-end

Resolution	Type	Funds for dividends	Total amount of cash dividends	Dividend per share	Record date	Effective date
May 25, 2023 Ordinary general meeting of shareholders	Ordinary share	Retained earnings	56,172 million yen	63.50 yen	Feb. 28, 2023	May 26, 2023

Notes:

1. The total amount of cash dividends includes 86 million yen of the dividends for the shares of the Company held by the BIP Trust and the ESOP Trust.
2. Dividend per share 63.50 yen includes commemorative dividend of 10 yen for the 50th anniversary of the establishment of SEVEN-ELEVEN JAPAN CO., LTD.

Consolidated statements of cash flows;
(For the fiscal year ended February 28, 2022)

1. Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of the consolidated balance sheets

(Millions of yen)

	As of February 28, 2022
Cash and bank deposits	1,420,653
Restricted cash	8,049
Time deposits and negotiable certificates of deposits with an original maturity of more than three months	(13,812)
Cash and cash equivalents	1,414,890

2. Assets and liabilities of a newly consolidated subsidiary by acquisition of shares are as follows:

Speedway LLC and other

(Millions of yen)

	As of February 28, 2022
Current assets	108,625
Non-current assets	1,074,482
Goodwill	1,348,179
Current liabilities	(159,410)
Non-current liabilities	(54,754)
Acquisition of shares	2,317,122
Accrued amount included in acquisition	(3,846)
Cash and cash equivalent	(17,712)
Payment for acquisition of business	2,295,563

3. Major non-cash transactions

(Millions of yen)

	Fiscal year ended February 28, 2022
Finance lease assets for property and equipment recorded in the consolidated balance sheet for the current fiscal year	6,799
Right-of-use assets recorded in the consolidated balance sheet for the current fiscal year	-
Asset retirement obligations recorded in the consolidated balance sheet for the current fiscal year	12,622

4. 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)

	As of February 28, 2022
Inventory	468
Goodwill	10,891
Other	301
Subtotal	11,661
Property and equipment	5,348
Total	17,010

Property and equipment set out above at an amount of 5,348 million yen is included in acquisition of property and equipment in the Statements of Cash Flows for the fiscal year ended February 28, 2022.

(For the fiscal year ended February 28, 2023)

1. Reconciliation of cash and cash equivalents of the consolidated statements of cash flows and account balances of the consolidated balance sheets

(Millions of yen)

	As of February 28, 2023
Cash and bank deposits	1,670,872
Restricted cash	18,835
Time deposits and negotiable certificates of deposits with an original maturity of more than three months	(14,920)
Cash and cash equivalents	1,674,787

2. Major non-cash transactions

(Millions of yen)

	Fiscal year ended February 28, 2023
Finance lease assets for property and equipment recorded in the consolidated balance sheet for the current fiscal year	9,824
Right-of-use assets recorded in the consolidated balance sheet for the current fiscal year	985,497
Asset retirement obligations recorded in the consolidated balance sheet for the current fiscal year	21,859

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

3. Acquisition of business

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

(Millions of yen)

	As of February 28, 2023
Goodwill	224
Property and equipment	275
Total	500

Property and equipment set out above at an amount of 275 million yen is included in acquisition of property and equipment in the Statements of Cash Flows for the fiscal year ended February 28, 2023.

Segment information;

Segment information

1. Overview of reportable segments

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

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

"Domestic convenience store operations" operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under SEVEN-ELEVEN JAPAN CO., LTD. "Overseas convenience store operations" operate a convenience store business comprising directly managed corporate stores and franchised stores mainly under 7-Eleven, Inc. "Superstore operations" operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. "Department and specialty store operations" operate a retail business that collects and provides various and high-dollar merchandise and services as well as advanced and unique merchandise and services. "Financial services" operate a banking business, credit card business and leasing business. "Others" operate several businesses including the real estate business.

2. Calculation methodology for revenues from operations, income or losses, assets and liabilities and other items for each reportable segments

The accounting treatment of each reportable segments is in line with the "Accounting policies for the preparation of consolidated financial statements."

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, loss, assets, liabilities and other monetary items for each reportable segments

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022) (Millions of yen)

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

Notes:

1. The adjustments of (43,681) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
2. The adjustments of 177,506 million yen for segment assets are eliminations of intersegment transactions and corporate assets.
3. The adjustments of 940,974 million yen for segment liabilities are corporate liabilities and the Company’s bonds. The amount of each segment liability does not include intersegment transactions.
4. The adjustments of 8,865 million yen for depreciation are depreciation for corporate assets.
5. The adjustments of 44,438 million yen for net increase in property and equipment, and intangible assets, are eliminations of intersegment transactions and net increase in corporate assets.
6. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.
7. 1,365 million yen out of “Impairment loss” in the table above is included in “Restructuring expenses” in consolidated statements of income for the year ended February 28, 2022.

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023) (Millions of yen)

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

Notes:

1. The adjustments of (67,432) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
2. The adjustments of 126,685 million yen for segment assets are eliminations of intersegment transactions and corporate assets.
3. The adjustments of 839,974 million yen for segment liabilities are corporate liabilities and the Company’s bonds. The amount of each segment liability does not include intersegment transactions.
4. The adjustments of 14,973 million yen for depreciation are depreciation for corporate assets.
5. The adjustments of 38,250 million yen for net increase in property and equipment, and intangible assets, are eliminations of intersegment transactions and net increase in corporate assets.
6. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.
7. 5,530 million yen out of “Impairment loss” in the table above is included in “Restructuring expenses” in consolidated statements of income for the year ended February 28, 2023.

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

As described in “Changes in accounting policies”, “Accounting Standard for Revenue Recognition” and relevant revised ASBJ regulations are applied from the beginning of the fiscal year ended February 28, 2023. Due to the change in the accounting method for revenue recognition, the method of calculating income or loss for operating segments has been changed.

As a result of this change, compared with the previous method, for the fiscal year ended February 28, 2023, revenues from operations in “Domestic convenience store operations” decreased by 31,024 million yen, and segment income increased by 395 million yen; revenues from operations in “Superstore operations” decreased by 326,720 million yen, and segment income decreased by 548 million yen; revenues from operations in “Department and specialty store operations” decreased by 316,699 million yen, and segment income increased by 58 million yen; revenues from operations in “Financial services” decreased by 12,639 million yen, and segment income increased by 838 million yen; and the impact on “Others” was negligible. There was no impact on revenues from operations or segment income in “Overseas convenience store operations.”

(Reference)

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

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

(Millions of yen)

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

Notes:

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

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
1. Customers	2,915,035	8,824,367	71,900	11,811,303	–	11,811,303
2. 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**

Notes:

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

Related Information

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

1. Information on products and services

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

2. Information by region

(1) Revenues from operations

(Millions of yen)

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

(2) Property and equipment

(Millions of yen)

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

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.

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

1. Information on products and services

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

2. Information by region

(1) Revenues from operations

(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

(2) Property and equipment

(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

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.

Information regarding impairment loss on non-current assets by reportable segments

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

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

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

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

Information on amortization and outstanding balance of goodwill by reportable segments

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022) (Millions of yen)

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

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023) (Millions of yen)

	Reportable segments						Total	Eliminations / Corporate	Consolidated total
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Goodwill									
Amortization	–	108,756	3,098	462	381	–	112,700	–	112,700
Balance at the end of current year	2,529	1,894,266	10,929	1,960	3,331	–	1,913,017	–	1,913,017
Negative Goodwill									
Amortization	–	–	23	4	–	–	27	–	27
Balance at the end of current year	–	–	–	–	–	–	–	–	–

Information regarding gain on negative goodwill by reportable segments

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

None

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

None

Business combinations, etc.;

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Business combination by acquisition

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, follows U.S. GAAP and has adopted 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.

The impact of these adjustments did not have a significant impact on the Company's operating income, ordinary income, and income before income taxes for the fiscal year ended February 28, 2023.

Related parties transactions;

1. Transactions with related parties
   (1) Transactions between the Company and related parties
      (a) Unconsolidated subsidiaries and affiliates
         None

      (b) A director of the Company and primary shareholders (limited to individuals)
         None

2. Notes about the parent company and the important affiliates
   None

Per share information;

(Yen)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Owners' equity per share	3,375.50	3,933.93
Net income per share	238.68	318.14
Diluted net income per share	238.68	318.13

Notes:

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

(Millions of yen, except number of ordinary shares)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Net income attributable to owners of parent on the consolidated statements of income	210,774	280,976
Amount not attributable to owners of ordinary shares	–	–
Net income attributable to owners of ordinary shares of parent	210,774	280,976
Average number of ordinary shares outstanding during the period (thousands of shares)	883,065	883,189
Adjustments to net income attributable to owners of parent which is used for calculating diluted net income per share		
Net income attributable to non-controlling interests	–	–
Adjustments to net income attributable to owners of parent	–	–
Number of ordinary shares increased used for calculating the diluted net income per share		
Subscription rights to shares (thousands of shares)	14	12
Number of ordinary shares increased (thousands of shares)	14	12

As the Company has introduced the BIP Trust and the ESOP Trust, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the average number of shares during the period, to calculate net income per share and diluted net income per share. The average number of shares of treasury stock during the period deducted for the computation is 1,522 thousand shares for the fiscal year ended February 28, 2022 and 1,395 thousand shares for the fiscal year ended February 28, 2023.

3. Basis for calculation of owners' equity per share is as follows:

(Millions of yen, except number of ordinary shares)

	As of February 28, 2022	As of February 28, 2023
Total net assets	3,147,732	3,648,161
Amounts subtracted from total net assets:	166,776	173,614
(Subscription rights to shares)	(56)	(49)
(Net income attributable to non-controlling interests)	(166,719)	(173,565)
Owners' equity for ordinary shares at the end of period	2,980,956	3,474,547
Number of ordinary shares at the end of period used for calculating the amounts of owners' equity per share (thousands of shares)	883,116	883,224

As the Company has introduced the BIP Trust and the ESOP Trust, the Company's shares held by the trusts are included in the number of shares of treasury stock deducted for the computation of the total number of shares outstanding at the end of period, to calculate owners' equity per share. The total number of shares of treasury stock at the end of period deducted for the computation is 1,469 thousand shares as of February 28, 2022 and 1,358 thousand shares as of February 28, 2023.

Subsequent event;

Changes in classification of reportable segments

At a meeting of the Board of Directors held on April 6, 2023, the Company resolved to change the classification of operating segments. The details of the change in the segment classification due to this change are as follows.

1 “Department and specialty store operations” is classified as “Others” operating segment

2 A part of the "Superstore operations" (Peace Deli Co., Ltd.) is classified as "Others" operating segment as a group functional company.

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

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

Information on revenues from operations and income (loss) by reportable segments

(Millions of yen)

	Reportable segments				Others	Total	Adjustments (Note 1.)	Consolidated total (Note 2.)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Revenues from operations								
1. Customers	888,216	8,843,366	1,444,627	164,898	469,632	11,810,741	561	11,811,303
2. Intersegment	2,077	2,797	4,538	29,397	18,671	57,482	(57,482)	-
Total	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

Notes:

1. The adjustments of (67,344) million yen for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
2. Segment income (loss) is reconciled with the operating income in the consolidated statements of income.

6. Nonconsolidated Financial Statements

(1) Nonconsolidated balance sheets

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**46,085**	**69,962**
Cash and bank deposits	811	918
Prepaid expenses	1,018	2,836
Accounts receivable, other	37,057	40,494
Income taxes receivable	–	18,367
Deposits held by subsidiaries and affiliates	5,761	5,943
Other	1,435	1,402
Non-current assets	**2,514,503**	**2,523,569**
Property and equipment	**13,026**	**21,547**
Buildings and structures	2,553	2,569
Fixtures, equipment and vehicles	2,310	2,198
Land	2,712	2,712
Leased assets	219	899
Construction in progress	5,230	13,167
Intangible assets	**69,186**	**81,961**
Software	21,831	29,006
Software in progress	22,457	32,928
Lease assets	24,892	20,021
Other	5	4
Investments and other assets	**2,432,290**	**2,420,061**
Investments in securities	37,329	39,483
Stocks of subsidiaries and affiliates	2,373,222	2,359,003
Prepaid pension cost	1,685	1,970
Long-term leasehold deposits	3,943	4,233
Deposits paid in subsidiaries and affiliates	10,000	10,000
Other	6,109	5,370
Deferred assets	**492**	**332**
Bond issuance costs	492	332
TOTAL ASSETS	**2,561,080**	**2,593,865**

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**231,902**	**371,496**
Current portion of bonds	60,000	150,000
Short-term loans from subsidiaries and affiliates	106,505	154,006
Current portion of long-term loans	41,000	41,000
Lease obligations	6,140	5,859
Accounts payable, other	11,742	15,482
Accrued expenses	934	1,027
Income taxes payable	3,781	1,644
Advance received	237	241
Allowance for bonuses to employees	561	647
Allowance for bonuses to Directors and Audit & Supervisory Board Members	49	141
Other	949	1,445
Non-current liabilities	**908,060**	**710,804**
Bonds	400,000	250,000
Long-term loans	439,974	398,974
Long-term loans from subsidiaries and affiliates	11	6
Lease obligations	21,544	17,271
Allowance for stock payments	2,063	2,040
Provision for loss on guarantees	34,983	33,286
Deposits paid in subsidiaries	2,867	2,702
Deposits received from tenants	2,180	2,223
Deferred income taxes	3,705	3,759
Other	729	539
TOTAL LIABILITIES	**1,139,962**	**1,082,301**
NET ASSETS		
Shareholders' equity	**1,409,699**	**1,500,079**
Common stock	50,000	50,000
Capital surplus	1,232,897	1,232,897
Additional paid-in capital	875,496	875,496
Other capital surplus	357,400	357,401
Retained earnings	137,037	227,007
Other retained earnings		
Retained earnings brought forward	137,037	227,007
Treasury stock, at cost	(10,235)	(9,825)
Accumulated gains from valuation and translation adjustments	11,360	11,435
Unrealized gains on available-for-sale securities, net of taxes	11,360	11,435
Subscription rights to shares	**56**	**49**
TOTAL NET ASSETS	**1,421,117**	**1,511,564**
TOTAL LIABILITIES AND NET ASSETS	**2,561,080**	**2,593,865**

(2) Nonconsolidated statements of income

(Millions of yen)

	Year ended February 28, 2022	Year ended February 28, 2023
	Amount	Amount
Revenues from operations	**152,208**	**248,468**
Dividend income	145,014	241,026
Management consulting fee income	4,711	4,573
Commission fee income	2,333	2,277
Other	148	591
General and administrative expenses	**49,490**	**72,010**
Operating income	**102,717**	**176,457**
Non-operating income	**823**	**614**
Interest income	113	113
Dividend income	386	444
Gain on investments in investment partnerships	288	–
Other	34	55
Non-operating expenses	**2,860**	**3,415**
Interest expenses	1,457	2,121
Interest on bonds	1,244	995
Other	159	298
Ordinary income	**100,680**	**173,656**
Special gains	**18,039**	**12,064**
Gain on sales of stocks of subsidiaries and affiliates	4,171	0
Consolidated tax payment individual attribution adjustment amount	13,828	11,788
Other	40	276
Special losses	**18,730**	**20,833**
Loss on disposals of property and equipment	42	11
Impairment loss	400	1,124
Loss on valuation of stocks of subsidiaries and affiliates	14,501	15,113
Provision for loss on guarantees	2,507	–
Loss related to novel coronavirus (COVID-19)	1	–
Other	1,276	4,584
Income before income taxes	**99,989**	**164,887**
Total income taxes	**(7,119)**	**(14,893)**
Income taxes - current	(8,018)	(14,921)
Income taxes - deferred	898	28
Net income	**107,109**	**179,780**

(3) Nonconsolidated statements of changes in net assets

Fiscal year ended February 28, 2022 (From March 1, 2021 to February 28, 2022) (Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at March 1, 2021	50,000	875,496	369,774	1,245,271	117,504	117,504	(10,804)	1,401,971
Increase (decrease) for the year								
Cash dividends					(87,576)	(87,576)		(87,576)
Net income					107,109	107,109		107,109
Decrease by corporate division			(12,373)	(12,373)				(12,373)
Purchase of treasury stock							(22)	(22)
Disposal of treasury stock			0	0			591	592
Net changes of items other than shareholders' equity								
Net increase (decrease) for the year	–	–	(12,373)	(12,373)	19,532	19,532	569	7,728
Balance at February 28, 2022	50,000	875,496	357,400	1,232,897	137,037	137,037	(10,235)	1,409,699

	Accumulated gains (losses) from valuation and translation adjustments		Subscription rights to shares	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumulated gains (losses) from valuation and translation adjustments		
Balance at March 1, 2021	10,999	10,999	56	1,413,027
Increase (decrease) for the year				
Cash dividends				(87,576)
Net income				107,109
Decrease by corporate division				(12,373)
Purchase of treasury stock				(22)
Disposal of treasury stock				592
Net changes of items other than shareholders' equity	361	361	–	361
Net increase (decrease) for the year	361	361	–	8,090
Balance at February 28, 2022	11,360	11,360	56	1,421,117

Fiscal year ended February 28, 2023 (From March 1, 2022 to February 28, 2023) (Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at March 1, 2022	50,000	875,496	357,400	1,232,897	137,037	137,037	(10,235)	1,409,699
Cumulative effects of changes in accounting policies					(23)	(23)		(23)
Balance at March 1, 2022 (as restated)	50,000	875,496	357,400	1,232,897	137,014	137,014	(10,235)	1,409,676
Increase (decrease) for the year								
Cash dividends					(89,787)	(89,787)		(89,787)
Net income					179,780	179,780		179,780
Purchase of treasury stock							(16)	(16)
Disposal of treasury stock			0	0			425	425
Net changes of items other than shareholders' equity								
Net increase (decrease) for the year	–	–	0	0	89,993	89,993	409	90,402
Balance at February 28, 2023	50,000	875,496	357,401	1,232,897	227,007	227,007	(9,825)	1,500,079

	Accumulated gains (losses) from valuation and translation adjustments		Subscription rights to shares	TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumulated gains (losses) from valuation and translation adjustments		
Balance at March 1, 2022	11,360	11,360	56	1,421,117
Cumulative effects of changes in accounting policies				(23)
Balance at March 1, 2022 (as restated)	11,360	11,360	56	1,421,094
Increase (decrease) for the year				
Cash dividends				(89,787)
Net income				179,780
Purchase of treasury stock				(16)
Disposal of treasury stock				425
Net changes of items other than shareholders' equity	74	74	(7)	66
Net increase (decrease) for the year	74	74	(7)	90,469
Balance at February 28, 2023	11,435	11,435	49	1,511,564

(4) Doubts on the premise of going concern

None

(5) Changes in accounting policies

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

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

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

The impact of this change on retained earnings at the beginning of the fiscal year, operating income, ordinary income, and income before income taxes for the fiscal year ended February 28, 2023 is immaterial.

(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 other standards from the beginning of the fiscal year ended February 28, 2023, and it has applied the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc., prospectively in accordance with the transitional measures 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 Financial Statements of the fiscal year ended February 28, 2023.

(6) Supplementary information

(Transfer of Subsidiary Shares)

The Company has resolved to enter into an agreement (the "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") and entered into the Agreement on November 11, 2022. The Transfer should meet the certain conditions for the execution. At the present moment, it is under negotiation and the Company does not reflect accounting treatments based on assumption of the Transfer execution.

If the progress of negotiations toward the execution of the Transfer is expected to satisfy specified conditions, accounting treatment is required, such as the recording of an allowance for share transfers.

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

(7) Notes to nonconsolidated financial statements

Nonconsolidated balance sheets;

1. Accumulated depreciation of property and equipment

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Accumulated depreciation	5,169	5,284

2. Monetary claims and monetary obligations in regard to subsidiaries and affiliates

Major balances included in each account on the balance sheet, which are not separately shown.

(Millions of yen)

	As of February 28, 2022	As of February 28, 2023
Short-term receivables	32,231	35,651
Short-term payables	9,418	9,214
Long-term payables	23,683	19,457

Nonconsolidated statements of income;

1. Major transactions with subsidiaries and affiliates

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Operating transactions		
Revenues from operations	152,082	247,903
General and administrative expenses	6,936	10,344
Non-operating transactions	17,975	17,807

2. Main components and amounts of general and administrative expenses

(Millions of yen)

	For the year ended February 28, 2022	For the year ended February 28, 2023
Salaries and wages	6,593	7,717
Provision for bonuses to employees	561	647
Pension expenses	86	173
Depreciation and amortization	3,952	8,349
Commissions paid	5,693	8,261
Electronical data processing expenses	22,244	33,742

3. Main components and amounts of "Loss on valuation of stocks of subsidiaries and affiliates"

Fiscal Year ended February 28, 2022 (From March 1, 2021 to February 28, 2022)

The Company recorded 14,501 million yen of loss on valuation of stocks of subsidiaries and affiliates (mainly 12,708 million yen and 1,785 million yen on Seven & i Food Systems Co., Ltd. and Barneys Japan Co., Ltd., respectively).

Fiscal Year ended February 28, 2023 (From March 1, 2022 to February 28, 2023)

The Company recorded 15,113 million yen of loss on valuation of stocks of subsidiaries and affiliates (mainly 14,257 million yen and 855 million yen on Sogo & Seibu Co., Ltd. and SHELL GARDEN CO., LTD. respectively).

[Reference] SEVEN-ELEVEN JAPAN CO., LTD.

Nonconsolidated balance sheets

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**614,690**	**632,749**
Cash and bank deposits	48,719	54,977
Accounts receivable due from franchised stores	11,272	11,167
Lease investment assets	2,969	2,710
Inventories	2,356	1,572
Prepaid expenses	26,359	24,292
Deposits held by subsidiaries and affiliates	383,984	375,018
Accounts receivable, other	137,106	161,408
Other	2,095	1,762
Allowance for doubtful accounts	(172)	(159)
Non-current assets	**1,494,483**	**1,483,394**
Property and equipment	**601,995**	**575,902**
Buildings	314,620	307,554
Structures	41,146	40,156
Vehicles	0	0
Furniture, fixtures and equipment	127,319	112,456
Land	115,655	115,069
Lease assets	696	477
Construction in progress	2,557	187
Intangible assets	**45,405**	**64,315**
Goodwill	2,229	2,529
Rights of leasehold	14,310	15,087
Trademark	529	520
Software	28,208	45,690
Other	127	486
Investments and other assets	**847,082**	**843,176**
Investments in securities	40,970	34,224
Stocks of subsidiaries and affiliates	583,737	583,737
Investments in capital of subsidiaries and affiliates	6,765	6,765
Long-term loans receivable	387	380
Long-term loans to subsidiaries and affiliates	3,453	3,353
Long-term prepaid expenses	15,781	13,811
Prepaid pension cost	6,463	8,399
Long-term leasehold deposits	161,498	158,600
Deferred income taxes	28,498	34,270
Other	1,242	1,237
Allowance for doubtful accounts	(1,715)	(1,603)
TOTAL ASSETS	**2,109,174**	**2,116,144**

SEVEN-ELEVEN JAPAN CO., LTD.

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**455,605**	**488,010**
Accounts payable, trade	177,987	185,705
Accounts payable due to franchised stores	18,064	19,652
Lease obligations	1,191	984
Accounts payable, other	25,798	31,473
Accrued expenses	19,711	27,679
Income taxes payable	9,898	10,130
Accounts payable to parent company	27,015	28,227
Consumption taxes withheld	5,859	7,866
Contract liabilities	-	5,232
Deposits received	158,677	161,380
Allowance for bonuses to employees	3,734	4,691
Allowance for bonuses to Directors and Audit & Supervisory Board Members	81	93
Allowance for sales promotion expenses	3,227	-
Other	4,358	4,892
Non-current liabilities	**70,127**	**70,921**
Guarantee deposits received from franchised stores	10,440	10,541
Long-term loans	369	362
Lease obligations	2,700	2,252
Allowance for stock payments	390	516
Allowance for retirement benefits to directors and corporate auditors	27	9
Allowance for loss on guarantee	1,750	1,750
Asset retirement obligations	54,448	55,489
TOTAL LIABILITIES	**525,732**	**558,932**
NET ASSETS		
Shareholder's equity	**1,561,619**	**1,540,066**
Common stock	17,200	17,200
Capital surplus	25,204	25,204
Additional paid-in capital	24,563	24,563
Other capital surplus	640	640
Retained earnings	1,519,214	1,497,661
Legal reserve	4,300	4,300
Other retained earnings		
General reserve	823,409	823,409
Retained earnings brought forward	691,505	669,952
Accumulated gains (losses) from valuation and translation adjustments	**21,822**	**17,145**
Unrealized gains (losses) on available-for-sale securities, net of taxes	21,822	17,145
TOTAL NET ASSETS	**1,583,441**	**1,557,212**
TOTAL LIABILITIES AND NET ASSETS	**2,109,174**	**2,116,144**

Nonconsolidated statements of income

(Millions of yen)

	Year Ended February 28, 2022 Amount	Year Ended February 28, 2023 Amount
Operating income and expenses		
Gross revenues from operations	**863,025**	**872,719**
Revenues from operations	771,753	787,257
Franchise commission from franchised stores	765,731	779,161
Net sales reported by franchised stores		
(Year ended February 28, 2022: 4,859,926		
Year ended February 28, 2023: 5,061,782		
Total net sales (including net sales of corporate stores)		
Year ended February 28, 2022: 4,952,782		
Year ended February 28, 2023: 5,148,742)		
Other operating revenues	6,022	8,095
Net sales of corporate stores	91,271	85,462
Cost of sales	65,593	61,295
Gross profit from operations	**797,431**	**811,423**
Selling, general and administrative expenses	**574,340**	**578,549**
Land and building rent	190,390	192,215
Depreciation and amortization	71,360	73,102
Utility expenses	46,550	64,998
Commission paid	55,323	58,123
Salaries and wages	50,182	49,582
Other	160,533	140,527
Operating income	**223,091**	**232,873**
Non-operating income	**51,400**	**50,816**
Interest income	2,027	2,117
Dividend income	47,472	47,838
Reversal of allowance for doubtful accounts	44	91
Other	1,856	769
Non-operating expenses	**819**	**1,059**
Interest expenses	59	43
Loss on cancellation of construction contribution	504	828
Other	256	188
Ordinary income	**273,672**	**282,630**
Special gains	**1,498**	**1,600**
Gain on sales of property and equipment	197	384
Gain on sales of investment securities	1,034	1,023
Other	266	193
Special losses	**23,824**	**14,826**
Loss on sales of property and equipment	104	21
Loss on disposals of property and equipment	3,716	3,356
Loss on cancellation of lease contracts	172	74
Impairment loss	9,917	8,193
Loss on valuation of investments in capital of subsidiaries and associates	5,044	—
Loss related to COVID-19	1,610	—
Loss on cancellation of rental contracts	2,539	2,335
Other	718	846
Income before income taxes	**251,346**	**269,404**
Income taxes - current	65,149	67,983
Income taxes - deferred	(3,456)	(1,588)
Net income	**189,652**	**203,009**

[Reference] Ito-Yokado Co., Ltd.

Nonconsolidated balance sheets

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**173,034**	**159,989**
Cash and bank deposits	22,852	16,890
Accounts receivable, trade	14,600	14,249
Inventories	41,239	44,159
Supplies	25	25
Advance paid	231	275
Prepaid expenses	6,425	7,040
Short-term loans to employees	114	106
Short-term loans receivable	442	449
Deposits held by subsidiaries and affiliates	53,341	41,018
Accounts receivable, other	25,549	26,892
Short-term leasehold deposits	4,263	4,463
Payments in advance	2,744	4,378
Other	1,224	65
Allowance for doubtful accounts	(21)	(25)
Non-current assets	**492,987**	**490,382**
Property and equipment	**311,155**	**300,355**
Buildings	121,466	112,485
Structures	6,125	5,519
Vehicles	8	5
Furniture, fixtures and equipment	10,912	10,454
Land	168,822	167,533
Lease assets	2,481	1,921
Construction in progress	1,339	2,435
Intangible assets	**12,664**	**22,298**
Rights of leasehold	253	236
Trademark	12	9
Software	1,143	7,076
Software in progress	10,677	14,449
Other	578	527
Investments and other assets	**169,167**	**167,727**
Investments in securities	18,348	20,201
Stocks of subsidiaries and affiliates	15,296	15,296
Investments in capital	4	3
Investments in capital of subsidiaries and affiliates	4,581	4,581
Long-term loans receivable	11,222	10,789
Long-term loans to subsidiaries and affiliates	382	426
Long-term prepaid expenses	3,756	3,731
Prepaid pension cost	38,120	42,465
Long-term leasehold deposits	75,333	70,119
Receivable in bankruptcy	97	173
Deferred income taxes	1,667	—
Other	2,273	1,960
Allowance for doubtful accounts	(1,916)	(2,021)
TOTAL ASSETS	**666,022**	**650,372**

Ito-Yokado Co., Ltd.

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**112,529**	**113,084**
Accounts payable, trade	46,016	46,922
Short-term loans	28	27
Current portion of long-term loans	78	72
Lease obligations	1,551	1,519
Accounts payable, other	13,828	13,981
Income taxes payable	1,045	973
Consumption taxes withheld	—	154
Accrued expenses	8,676	7,889
Advance received	844	178
Deposits received	18,823	20,316
Allowance for bonuses to employees	2,704	1,792
Allowance for bonuses to Directors and Audit & Supervisory Board Members	29	28
Allowance for sales promotion expenses	748	788
Allowance for loss on future collection of gift certificates	191	—
Gift certificates	15,912	—
Contract liabilities	—	17,503
Other	2,049	936
Non-current liabilities	**45,643**	**44,655**
Long-term loans	147	139
Lease obligations	3,746	3,284
Deferred income taxes	—	464
Allowance for stock payments	183	225
Deposits received from tenants	28,986	27,820
Asset retirement obligations	12,580	12,721
TOTAL LIABILITIES	**158,173**	**157,739**
NET ASSETS		
Shareholder's equity	**499,609**	**483,075**
Common stock	40,000	40,000
Capital surplus	171,808	171,808
Additional paid-in capital	165,621	165,621
Other capital surplus	6,186	6,186
Retained earnings	287,801	271,267
Legal reserve	11,700	11,700
Other retained earnings		
Reserve for deferred gains on property and equipment	1,055	1,038
Retained earnings brought forward	275,045	258,528
Accumulated gains (losses) from valuation and translation adjustments	**8,240**	**9,556**
Unrealized gains (losses) on available-for-sale securities, net of taxes	8,240	9,556
TOTAL NET ASSETS	**507,849**	**492,632**
TOTAL LIABILITIES AND NET ASSETS	**666,022**	**650,372**

Nonconsolidated statements of income

(Millions of yen)

	Year Ended February 28, 2022	Year Ended February 28, 2023
	Amount	Amount
Revenues from operations	**1,067,545**	**729,342**
Net sales	1,038,664	654,251
Cost of sales	806,626	470,990
Gross profit on sales	**232,037**	**183,261**
Other operating revenues	28,881	75,090
Rental income	21,050	21,846
Other income	7,831	53,243
Gross profit from operations	**260,919**	**258,351**
Selling, general and administrative expenses	**259,298**	**257,943**
Advertising and decoration expenses	14,840	8,138
Salaries and wages	83,814	78,884
Land and building rent	46,098	47,508
Depreciation and amortization	13,318	15,402
Utility expenses	12,034	24,057
Other	89,191	83,952
Operating income	**1,620**	408
Non-operating income	**1,615**	**1,580**
Interest income	616	532
Dividend income	754	797
Other	244	250
Non-operating expenses	**864**	**901**
Interest expenses	11	11
Foreign exchange losses	15	93
Other	836	796
Ordinary income	**2,371**	**1,087**
Special gains	**1,540**	**1,832**
Gain on sales of property and equipment	283	5
Gain on sales of property and equipment related to restructuring	740	—
Compensation income	—	854
Gain on sale of shares of subsidiaries and associates	40	—
Other	476	971
Special losses	**18,824**	**21,877**
Loss on sales of property and equipment	94	29
Loss on disposals of property and equipment	2,284	1,670
Impairment loss	3,066	5,016
Restructuring expenses	3,928	8,658
Loss related to COVID-19	3,298	—
Consolidated tax payment individual attribution adjustment amount	6,052	6,226
Other	99	276
Income (loss) before income taxes	**(14,911)**	**(18,958)**
Income taxes - current	(5,555)	(5,766)
Income taxes - deferred	1,845	2,011
Net income (loss)	**(11,201)**	**(15,203)**

[Reference] York-Benimaru Co., Ltd.

Nonconsolidated balance sheets (Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**38,515**	**54,861**
Cash and bank deposits	12,055	15,708
Accounts receivable, trade	2,845	3,044
Inventories	9,709	11,697
Work in process	—	19
Supplies	12	168
Prepaid expenses	983	1,084
Short-term loans receivable	87	90
Deposits held by subsidiaries and affiliates	2,500	12,500
Accounts receivable, other	6,235	7,614
Payments in advance	3,268	2,092
Other	817	840
Non-current assets	**162,628**	**192,851**
Property and equipment	**123,615**	**149,827**
Buildings	53,561	69,228
Structures	8,410	9,333
Machinery and equipment	—	3,560
Vehicles, net	—	9
Furniture, fixtures and equipment	2,390	4,318
Land	47,013	50,223
Lease assets	9,372	10,550
Construction in progress	2,866	2,603
Intangible assets	**349**	**906**
Software	333	885
Other	16	21
Investments and other assets	**38,663**	**42,117**
Investments in securities	11,522	12,808
Stocks of subsidiaries and affiliates	170	—
Investments in capital	1	1
Long-term loans receivable	268	278
Long-term prepaid expenses	3,288	3,448
Prepaid pension cost	5,594	7,317
Long-term leasehold deposits	15,710	16,356
Deferred income taxes	1,801	1,504
Other	678	654
Allowance for doubtful accounts	(372)	(252)
TOTAL ASSETS	**201,144**	**247,713**

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**37,416**	**43,447**
Accounts payable, trade	20,789	21,514
Short-term loans	71	74
Lease obligations	1,798	2,156
Accounts payable, other	6,150	7,052
Accounts payable to parent company	778	1,466
Income taxes payable	718	915
Accrued expenses	3,366	4,160
Deposits received	999	1,645
Contract liabilities	—	1,694
Advance received	341	45
Allowance for bonuses to employees	1,912	2,328
Allowance for bonuses to Directors and Audit & Supervisory Board Members	42	76
Allowance for loss on future collection of gift certificates	4	—
Other	443	315
Non-current liabilities	**16,605**	**17,658**
Long-term loans	131	149
Lease obligations	9,293	10,266
Deposits received from tenants	3,448	3,484
Allowance for retirement benefits to directors and corporate auditors	216	216
Allowance for stock payments	349	506
Asset retirement obligations	3,036	2,997
Other	129	37
TOTAL LIABILITIES	**54,022**	**61,106**
NET ASSETS		
Shareholder's equity	**141,552**	**180,144**
Common stock	9,927	9,927
Capital surplus	12,605	12,605
Additional paid-in capital	12,605	12,605
Other capital surplus	0	0
Retained earnings	119,018	157,610
Legal reserve	2,186	2,186
General reserve	69,345	69,334
Retained earnings brought forward	47,487	86,090
Accumulated gains (losses) from valuation and translation adjustments	**5,569**	**6,462**
Unrealized gains (losses) on available-for-sale securities, net of taxes	5,569	6,462
TOTAL NET ASSETS	**147,122**	**186,606**
TOTAL LIABILITIES AND NET ASSETS	**201,144**	**247,713**

Nonconsolidated statements of income

(Millions of yen)

	Year Ended February 28, 2022	Year Ended February 28, 2023
	Amount	Amount
Revenues from operations	**478,144**	**469,994**
Net sales	469,415	458,991
Cost of sales	358,395	325,622
Gross profit on sales	**111,019**	**133,368**
Other operating revenues	8,728	11,002
Rental income	4,639	4,850
Commission fee income	4,089	6,152
Gross profit from operations	**119,748**	**144,371**
Selling, general and administrative expenses	**105,044**	**126,357**
Salaries and wages	44,766	55,661
Provision for bonuses to employees	1,912	2,264
Legal welfare expenses	6,728	8,910
Advertising and decoration expenses	5,955	4,065
Land and building rent	10,500	10,722
Store maintenance and repair expenses	6,310	5,910
Depreciation and amortization	7,297	9,466
Utility expenses	5,498	9,979
Other	16,075	19,376
Operating income	**14,704**	**18,013**
Non-operating income	**1,454**	**654**
Interest income	74	95
Dividend income	1,348	508
Other	32	50
Non-operating expenses	**206**	**246**
Interest expenses	3	3
Maintenance expenses for idle assets	95	105
Other	107	138
Ordinary income	**15,953**	**18,421**
Special gains	**6**	**36,113**
Gain on sales of property and equipment	—	24
Insurance income	—	400
Compensation income	1	—
Reversal of allowance for doubtful accounts	—	96
Gain on extinguishment of tie-in shares	—	35,516
Other	4	76
Special losses	**2,864**	**4,478**
Loss on sales of property and equipment	4	106
Loss on disposals of property and equipment	636	667
Impairment loss	1,869	1,633
Loss related to COVID-19	1	—
Loss on disaster	326	2,072
Other	26	—
Income before income taxes	**13,094**	**50,056**
Income taxes - current	3,500	4,126
Income taxes - deferred	538	651
Net income	**9,055**	**45,278**

[Reference] Sogo & Seibu Co., Ltd.

Nonconsolidated balance sheets

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
ASSETS		
Current assets	**66,358**	**56,508**
Cash and bank deposits	21,727	20,288
Notes receivable, trade	61	63
Accounts receivable, trade	15,116	16,728
Inventories	10,301	8,956
Real estate for sale	2,385	2,331
Supplies	151	179
Prepaid expenses	2,230	2,251
Short-term loans receivable	66	53
Accounts receivable, other	3,006	2,805
Current portion of construction contribution	83	83
Deposits held by subsidiaries and affiliates	10,000	—
Other	1,227	2,766
Non-current assets	**367,687**	**346,381**
Property and equipment	**216,149**	**209,922**
Buildings	66,848	61,408
Structures	909	818
Machinery and equipment	520	416
Furniture, fixtures and equipment	2,203	2,114
Lease assets	1,854	1,238
Land	143,742	143,742
Construction in progress	69	182
Intangible assets	**72,418**	**71,139**
Rights of leasehold	68,488	68,488
Other	3,929	2,651
Investments and other assets	**79,120**	**65,319**
Investments in securities	2,758	2,683
Stocks of subsidiaries and affiliates	25,124	7,956
Long-term loans receivable	30	22
Long-term leasehold deposits	40,320	41,135
Construction contribution	290	211
Long-term accounts receivable, other	1,011	969
Receivable in bankruptcy	1,327	1,307
Deferred income taxes	6,701	9,594
Other	1,795	1,675
Allowance for doubtful accounts	(239)	(237)
TOTAL ASSETS	**434,045**	**402,889**

(Millions of yen)

	February 28, 2022	February 28, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	**213,281**	**299,609**
Accounts payable, trade	18,289	20,878
Short-term loans	160,366	232,643
Accounts payable, other	6,458	6,825
Lease obligations	648	584
Accrued expenses	2,377	2,229
Income taxes payable	555	409
Consumption taxes withheld	975	512
Advance received	1,127	157
Gift certificates	11,993	19,755
Deposits received	6,265	10,223
Allowance for bonuses to employees	851	925
Allowance for bonuses to Directors and Audit & Supervisory Board Members	21	21
Allowance for sales promotion expenses	2,315	2
Allowance for loss on future collection of gift certificates	406	—
Allowance for store closing losses	101	—
Allowance for store closing losses	—	920
Asset retirement obligations	205	—
Contract liabilities	—	3,365
Other	323	153
Non-current liabilities	**156,598**	**76,536**
Long-term loans	144,642	61,171
Long-term accounts payable, other	177	348
Lease obligations	1,620	1,035
Deposits received from tenants	5,455	5,319
Allowance for stock payments	261	334
Allowance for environmental obligations	182	182
Allowance for store closing losses	—	220
Asset retirement obligations	3,765	7,559
Other	491	364
TOTAL LIABILITIES	**369,880**	**376,145**
NET ASSETS		
Shareholder's equity	**63,676**	**26,083**
Common stock	20,500	20,500
Capital surplus	69,767	52,063
Additional paid-in capital	49,767	5,125
Other capital surplus	20,000	46,938
Retained earnings	(26,590)	(46,480)
Other retained earnings		
Retained earnings brought forward	(26,590)	(46,480)
Accumulated gains (losses) from valuation and translation adjustments	**489**	**660**
Unrealized gains (losses) on available-for-sale securities, net of taxes	489	660
TOTAL NET ASSETS	**64,165**	**26,743**
TOTAL LIABILITIES AND NET ASSETS	**434,045**	**402,889**

Nonconsolidated statements of income

(Millions of yen)

	Year Ended February 28, 2022	Year Ended February 28, 2023
	Amount	Amount
Revenues from operations	**456,842**	**185,434**
Net sales	446,973	103,925
Cost of sales	360,735	81,861
Gross profit on sales	**86,238**	**22,064**
Operating revenues	9,868	81,508
Gross profit from operations	**96,106**	**103,572**
Selling, general and administrative expenses	**99,634**	**101,109**
Advertising and decoration expenses	13,038	9,261
Salaries and wages	23,816	23,699
Land and building rent	25,575	23,437
Depreciation and amortization	8,731	9,751
Utility expenses	4,559	6,505
Other	23,912	28,453
Operating income (loss)	**(3,527)**	**2,463**
Non-operating income	**320**	**396**
Interest and dividend income	118	112
Other	201	284
Non-operating expenses	**2,323**	**2,748**
Interest expenses	1,225	1,626
Other	1,097	1,122
Ordinary income (loss)	**(5,530)**	**111**
Special gains	**4,195**	**1,470**
Gain on sales of investment securities	—	674
Gain on sales of property and equipment	1,690	—
Subsidies for employment adjustment	1,214	—
Other	1,290	796
Special losses	**11,254**	**18,262**
Loss on disposals of property and equipment	1,443	1,924
Impairment loss	1,242	8,302
Consolidated tax payment individual attribution adjustment amount	5,175	3,051
Restructuring expenses	238	309
Store structural reform expenses	—	4,184
Loss related to COVID-19	2,696	—
Other	456	490
Income(loss) before income taxes	**(12,588)**	**(16,680)**
Income taxes - current	(5,064)	(2,892)
Income taxes - deferred	1,302	(728)
Net income (loss)	**(8,826)**	**(13,059)**