"It's a New Day" for...

Annual Report 2013
Seven & i Holdings Co., Ltd.

. . .Our Markets

SALES CAPABILITIES

Approximately

¥8.5 trillion in total Group sales*

* Including the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees

NATIONAL MARKET SHARE*
(Fiscal year ended February 28, 2013)

1st place

* Including the sales of Seven-Eleven Japan franchisees
Source: Current Survey of Commerce
(Ministry of Economy, Trade and Industry)

NUMBER OF CUSTOMER STORE-VISITS PER DAY
(Approximate numbers)

GLOBAL

53 million

JAPAN

18 million

The Seven & i Group operates diverse businesses including convenience stores, superstores, department stores, restaurants, financial services and Internet shopping.

Each day we strive to propose new ideas for living more conveniently. In doing so, we employ innovative management techniques to leverage our Group synergies and the unique characteristics of each of our business formats.

TOTAL NUMBER OF STORES
(Approximate numbers)

GLOBAL

51,600

JAPAN

16,800

Convenience Store Operations

More information on pp. 26–30, 51, 53–54

Convenience store operations comprise 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

PRINCIPAL SUBSIDIARIES
- **Seven-Eleven Japan**
- **7-Eleven, Inc.**
- **SEVEN-ELEVEN (CHINA) INVESTMENT**
- **SEVEN-ELEVEN (BEIJING)**
- **SEVEN-ELEVEN (CHENGDU)**
- **SEVEN-ELEVEN (HAWAII)**


Japan


North America

China

...Our Busines

Superstore Operations

More information on pp. 31–33, 51–52, 54

Superstore operations comprise superstores that provide apparel, household goods, and food in Japan and China, specifically Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

PRINCIPAL SUBSIDIARIES
- **Ito-Yokado**
- **York-Benimaru**
- **York Mart**
- **Akachan Honpo**
- **Ito-Yokado (China) Investment**
- **Hua Tang Yokado Commercial**
- **Chengdu Ito-Yokado**

Ito-Yokado


York-Benimaru

York Mart

Department Store Operations

More information on pp. 34–36, 52, 54

Department store operations comprise department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department stores are developed under two brands, Sogo and SEIBU.

PRINCIPAL SUBSIDIARIES
- **Sogo & Seibu**
- **THE LOFT**
- **SHELL GARDEN**

SEIBU

LOFT

Food Services

More information on pp. 37, 52, 54

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan. We also operate restaurants in Beijing, China.

PRINCIPAL SUBSIDIARIES
- **Seven & i Food Systems**
- **Seven & i Restaurant (Beijing)**

Denny's

ses

Financial Services

More information on pp. 38, 52, 54

Financial services comprise ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

PRINCIPAL SUBSIDIARIES
- **Seven Bank**
- **Seven Financial Service**
- **Seven Card Service**
- **Seven CS Card Service**

Seven Bank ATM

nanaco

Others

More information on pp. 39, 54

Others comprise Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

PRINCIPAL SUBSIDIARIES
- **Seven & i Netmedia**
- **Seven Net Shopping**
- **7dream.com**
- **Seven-Meal Service**

Net shopping

1950–

1958
Ito-Yokado

Yokado Co., Ltd. (currently, Ito-Yokado Co., Ltd.) incorporated.

➲1972 Ito-Yokado listed on the Tokyo Stock Exchange (TSE).

1973
Seven-Eleven Japan

York-Seven Co., Ltd. (currently, Seven-Eleven Japan Co., Ltd.) established.

➲1979 Seven-Eleven Japan listed on the TSE.

1991
7-Eleven, Inc.

Seven-Eleven Japan and Ito-Yokado concluded capital participation in The Southland Corporation (currently, 7-Eleven, Inc.).

➲2005 7-Eleven, Inc. made a wholly owned subsidiary.

1996
Chengdu Ito-Yokado

Chengdu Ito-Yokado Co., Ltd. established in Chengdu, Sichuan, China.

1997
Hua Tang Yokado Commercial

Hua Tang Yokado Commercial Co., Ltd. established in Beijing, China.

...Our History

1973
York-Benimaru

Ito-Yokado concluded a business tie-up with York-Benimaru Co., Ltd.

➲1980 York-Benimaru listed on the TSE.

1973
Denny's Japan

Denny's Japan Co., Ltd. established.

➲1982 Denny's Japan listed on the TSE.

2001
Seven Bank

IYBank Co., Ltd. (currently, Seven Bank, Ltd.) established.

➲2011 Seven Bank listed on the TSE.

2001
Seven Card Service

IY Card Service Co., Ltd. (currently, Seven Card Service Co., Ltd.) established.

➲2007 *nanaco* electronic money service started.

2004
SEVEN-ELEVEN (BEIJING)

SEVEN-ELEVEN (BEIJING) CO., LTD. established in Beijing, China.

2005–

September 2005

Seven & i Holdings Co., Ltd. established through consolidation of three companies and listed on the TSE:

- Seven-Eleven Japan
- Ito-Yokado
- Denny's Japan

2007

Seven & i Food Systems Co., Ltd. established and merged with Denny's Japan, Famil, and York Bussan.

THE LOFT CO., LTD. made a subsidiary.

Akachan Honpo Co., Ltd. made a subsidiary.

2008

SEVEN-ELEVEN CHINA Co., Ltd. (Currently, SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.) established in Beijing, China.

Seven & i Netmedia Co., Ltd. established.

Seven & i Holdings made a business and capital tie-up with AIN PHARMACIEZ INC.

The companies in the Seven & i Group have always worked to provide products and services from the customer's viewpoint while responding appropriately to changes in society. The Seven & i Group's predecessor—the Ito-Yokado Group—developed a range of retail- and service-related businesses. These included Ito-Yokado, which operated superstores; Seven-Eleven Japan, which established an original franchise business; and Denny's Japan, which offered high-quality service in its restaurants.

In September 2005, Seven & i Holdings Co., Ltd. was established as a holding company. The new Seven & i Group built a system that could respond rapidly to changes in society and maximize the corporate value of the Group as a whole.

The Seven & i Group strives to create new value everyday by leveraging its Group capabilities and innovative approach on a global basis.

2006

Seven and Y Corp. (currently, Seven Net Shopping Co., Ltd.) made a subsidiary.

Millennium Retailing, Inc. made a wholly owned subsidiary.

York-Benimaru made a wholly owned subsidiary.

2009

Seven Culture Network Co., Ltd. established.

Seven Health Care Co., Ltd. (currently, Seven Bi no Garden Co., Ltd.) established in a joint venture with AIN PHARMACIEZ.

Millennium Retailing, Sogo, and The Seibu Department Stores were merged, and Sogo, as the surviving company, changed its name to Sogo & Seibu Co., Ltd.

Seven & i Holdings made a business and capital tie-up with PIA CORPORATION.

–2013

2010

Seven & i Holdings initiated a capital participation in Tower Records Japan Inc.

Seven & i Asset Management Co., Ltd. established.

Signed basic agreement concerning comprehensive business alliance with Credit Saison Co., Ltd.

SEVEN-ELEVEN (CHENGDU) Co., Ltd. established in Chengdu, Sichuan, China.

2011

SEVEN & i FINANCIAL GROUP CO., LTD., SE CAPITAL CORPORATION, and Seven Cash Works Co., Ltd. merged, and SE CAPITAL, as the surviving company, changed its name to Seven Financial Service Co., Ltd.

Seven CS Card Service Co., Ltd. made a subsidiary.

Seven & i Holdings made a capital and business alliance with Kinsho Store Co., Ltd.

2012

Seven Financial Service merged as the surving company with K.K. York Insurance.

Seven-Eleven Japan invested in the joint venture SHAN DONG ZHONG DI CONVENIENCE CO., LTD., following its establishment, and signed an agreement to open Seven-Eleven stores in Qingdao, China.

Ito-Yokado (China) Investment Co., Ltd. established in Beijing, China.

SEVEN-ELEVEN CHINA changed its business objective, increased its capital and changed its name to SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.

SEJ Asset Management & Investment Company established in the U.S.

SEVEN-ELEVEN (TIANJIN) CO., LTD. established in Tianjin, China.

Development of *Seven Premium* Private-brand Products

2006

Launched The Group Merchandising Reform Project.

2007

Started sales of *Seven Premium* in the processed food category.

Started sales in the household goods category.

2008

Started sales of processed fresh foods.

2009

Started sales of wine simultaneously in Japan and North America as the Group's first private-brand product for the global market.

2010

Started sales of *Seven Gold*.

2011

Launched a new branding strategy.

2012

Started sales of household goods private-brand *Seven Lifestyle*.

Started sales in the apparel category.

Announced *Seven Premium* sales target for the fiscal year ending February 2016 of ¥1 trillion.

The Seven & i Group has created a corporate brand message. The message conveys our commitment to bringing our customers the joy of discovering something new and different from before, by constantly striving to implement new ideas. As we move forward, this message will guide our efforts to focus the Group's comprehensive strengths and to leverage Group synergy effects.

BRAND MESSAGE

"It's a New Day"

Our stores can meet your needs. When you visit one of our stores, you're sure to find something that makes you a little happier. In fact, we think that's the real meaning of a "store."

Our stores have the things you want. They have delicious foods. They have goods that you cannot find at other stores. They have products that are brought to you with care, and items that will surprise you.

They have employees who are kind and warmhearted—who offer you a warm welcome.

Our stores are always clean, and they have efficient systems that enable you to quickly and accurately handle your daily affairs.

Rather than huge things that change our lives, isn't it the things that make us a little happier that, in the end, make our day-to-day lifestyles more comfortable?

But that isn't easy to do. It's not even possible without the wholehearted effort of the people who work in the stores.

Focusing on people—what do people want now? And what do they want to be? That is what we concentrate on, listen to, and strive to understand. We know that is the only way to meet the needs of our customers.

From convenience stores, superstores, and department stores to specialty stores, restaurants, Internet shopping, banking, and a range of public services, we are committed to being a Group that always asks,"what do customers want?"

The answer, of course, lies with the customers themselves. That is our vision for the Seven & i Group. It's a vision that we will always remember.

GROUP CORPORATE CREED

- We aim to be a sincere company that our customers trust.
- We aim to be a sincere company that our business partners, shareholders, and local communities trust.
- We aim to be a sincere company that our employees trust.

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INCLUSION IN SRI INDICES

Dow Jones Sustainability Indexes
Member 2012/13

An SRI stock price index developed jointly by U.S.-based Dow Jones and Switzerland-based RobecoSAM Corporate Sustainability Assessment (CSA), an SRI ratings company. About 2,500 companies around the world are evaluated from a comprehensive perspective incorporating non-financial factors.

Forum ETHIBEL is a Belgian-based non-profit organization for the promotion of socially responsible investing.

Japan's first domestic SRI stock price index created by Morningstar comprised of 150 companies listed in Japan, which are selected for their superior social responsibility.

(As of the end of May 2013)

COMMUNICATION TOOLS

Seven & i Holdings offers a range of communication tools on its website.

- Corporate Profile
- Corporate Outline
- CSR Report
- Financial Results
- Brief Summary
- Presentation Materials
- Convocation Notice

For the latest investor relations information, please refer to the following website:

www.7andi.com/en

FORWARD-LOOKING STATEMENTS

This annual report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

Statistical Portrait of Seven & i Holdings

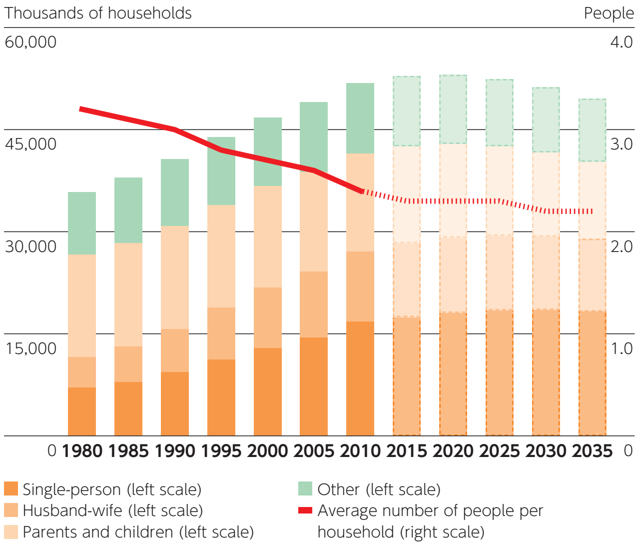
Industry Trends

POINT

- **Market Trend Summary**
  The market environment in Japan in recent years has been characterized by an increasing number of single-person households, nuclear families, and working women as well as population aging. In this environment, retailers need to take on new roles in order to meet customers' changing needs. For instance, there is a growing need for highly convenient products and services that are more available locally.

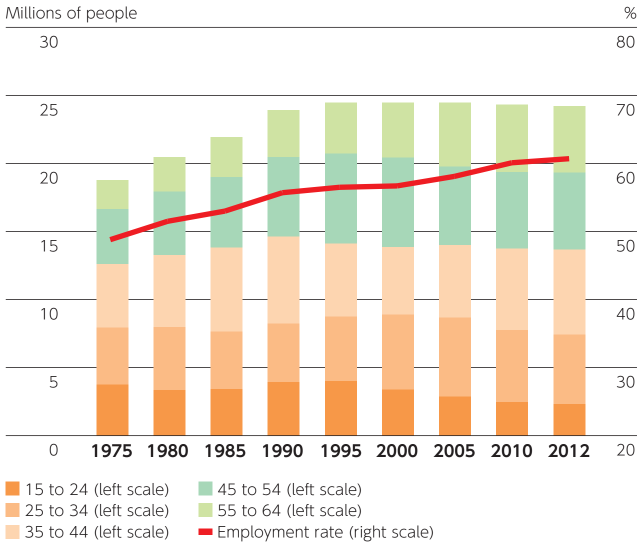
Changes in Japan's Consumer Market

CHANGES IN THE NUMBER OF HOUSEHOLDS



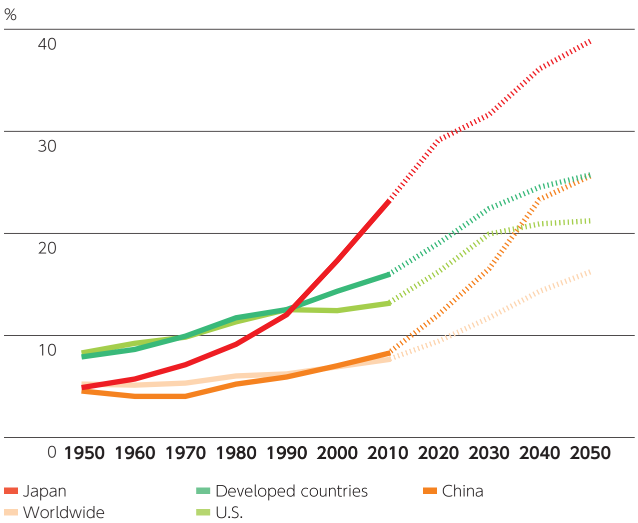
Source: National Institute of Population and Social Security Research

THE NUMBER OF FEMALE WORKERS AND THEIR EMPLOYMENT RATE



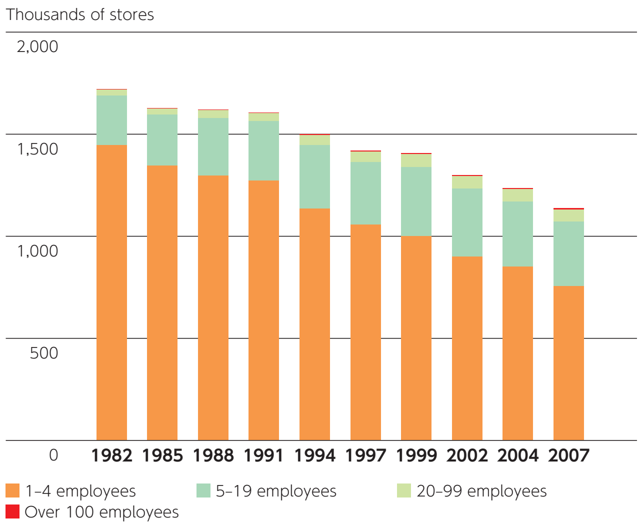
Source: Labour Force Survey (Ministry of Internal Affairs and Communications)

CHANGES IN THE POPULATION OF THOSE AGED OVER 65



Source: Statistical Handbook of the World (Ministry of Internal Affairs and Communications)

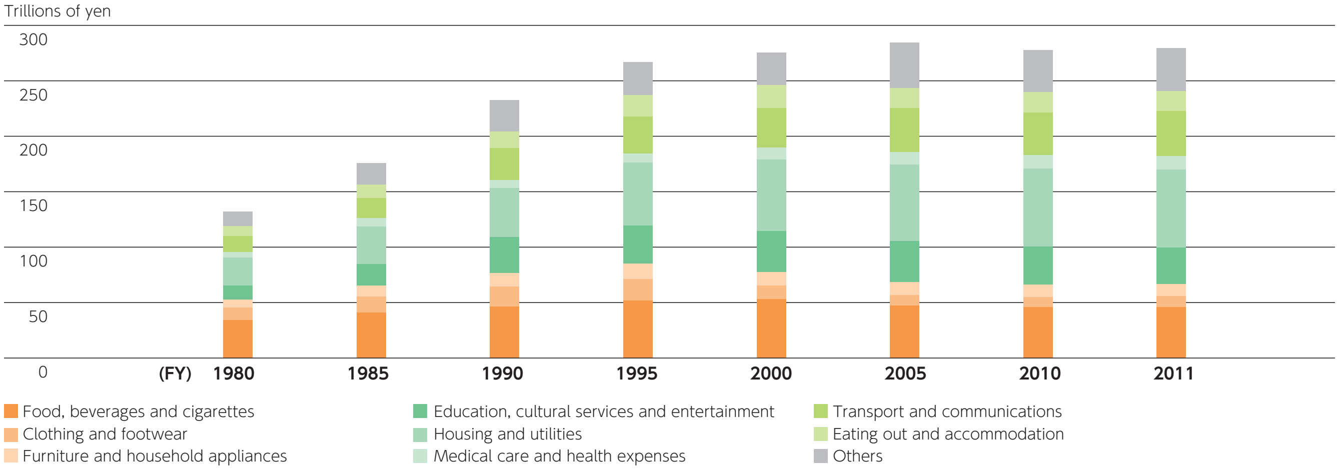
TREND IN NUMBER OF STORES BY STRATUM OF NUMBER OF EMPLOYEES



Source: The Census of Commerce (Ministry of Economy, Trade and Industry)

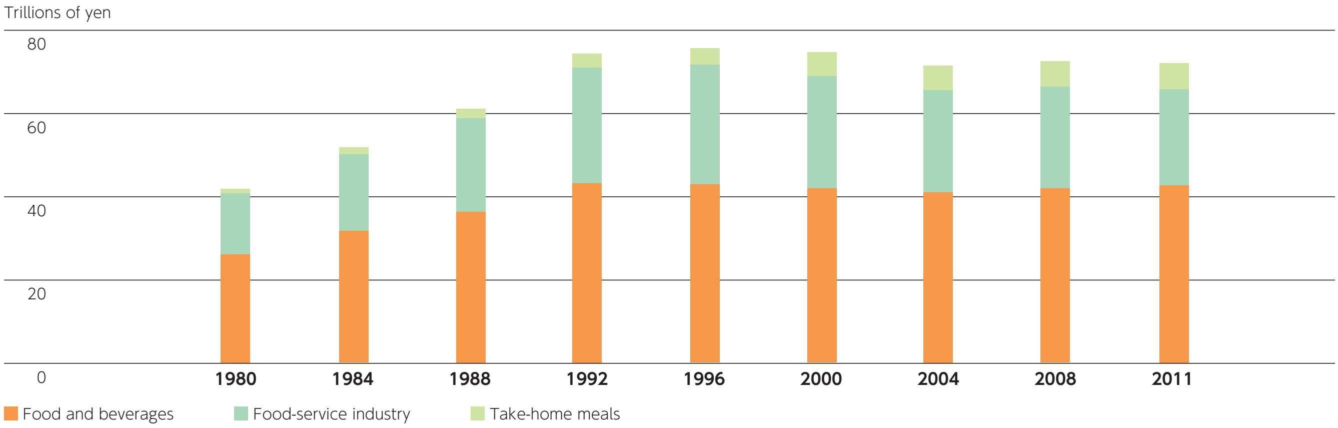
Environment of Retail Industry

DOMESTIC FINAL CONSUMPTION EXPENDITURE OF HOUSEHOLDS



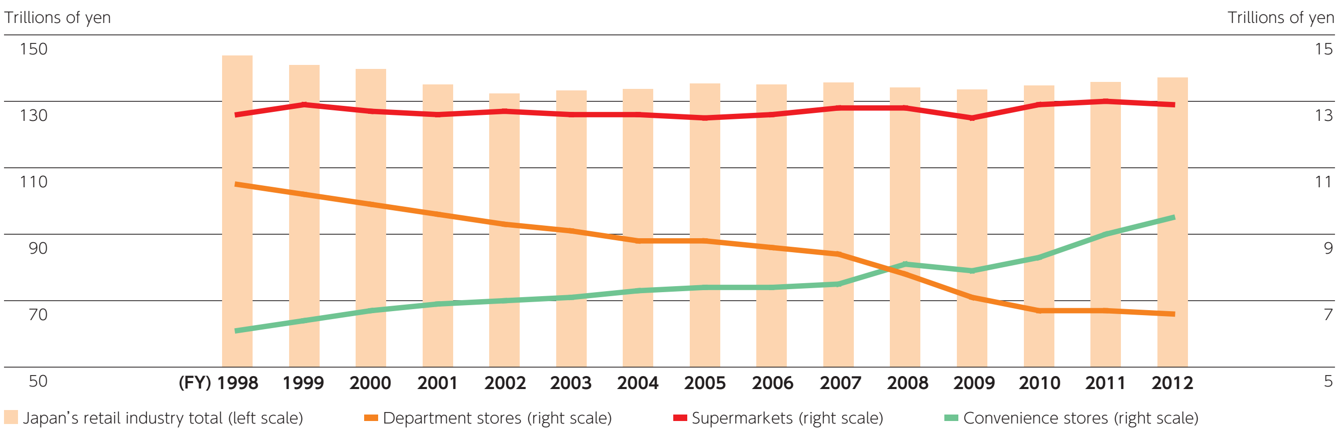
Source: National Accounts (Economic and Social Research Institute, Cabinet Office)
Note: The figures before 2000 are based on an old standard.

TRENDS IN THE SCALE OF THE FOOD MARKET



Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry), Foodservice Industry Research Institute

SALES TRENDS OF RETAIL INDUSTRY IN JAPAN



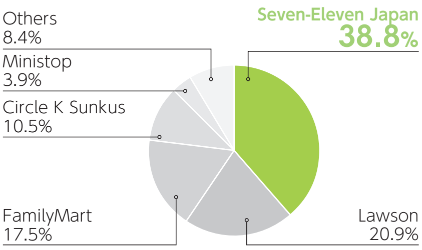
Source: Current Survey of Commerce (Ministry of Economy, Trade and Industry)

Market Presence

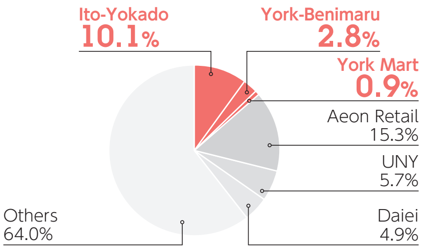
Domestic Market

SALES MARKET SHARES OF THE GROUP'S MAJOR OPERATING COMPANIES IN JAPAN (NON-CONSOLIDATED)

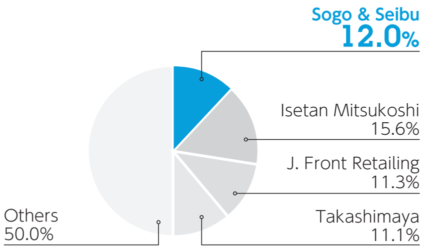
Seven-Eleven Japan: No. 1



Ito-Yokado: No. 2



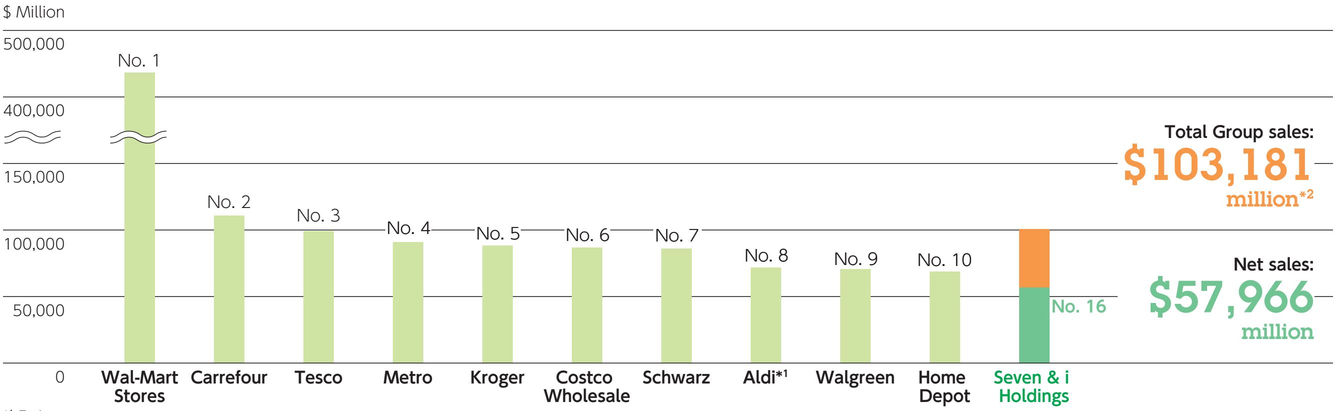
Sogo & Seibu: No. 2



Notes: 1. Total store sales of Lawson and Circle K Sunkus represent the respective simple sums of the non-consolidated net sales of each company and the net sales of its domestic convenience store subsidiaries.
2. Net sales of Isetan Mitsukoshi, J. Front Retailing and Takashimaya represent simplified sum of their subsidiaries of domestic department stores.
Sources: Current Survey of Commerce (Ministry of Economy, Trade and Industry), Convenience Store Statistics Investigation Monthly Report (Japan Franchise Association), Public information from each company.

Global Market

SALES RANKING BY RETAILERS WORLDWIDE IN FISCAL 2012



*1 Estimate
*2 Total Group sales include the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees.
Note: Exchange rate: U.S.$1=¥78
Source: STORES Magazine, January 2013

RANKING BY MARKET CAPITALIZATION OF RETAILERS-WORLDWIDE

	Company	Market capitalization ($ million)	ROE (%)	EPS ($)	PER (Times)	PBR (Times)
1	Wal-Mart Stores	262,726	23.0	5.17	15.5	3.4
2	Amazon.com	121,350	(0.5)	(0.09)	—	14.8
3	Home Depot	115,431	25.4	3.06	25.5	6.5
4	Inditex	84,582	29.8	4.87	27.9	7.8
5	CVS Caremark	73,892	10.2	3.17	19.1	2.0
6	eBay	73,520	13.5	2.01	28.2	3.5
7	Wal-Mart de Mexico	52,126	17.1	0.11	27.4	4.6
8	H&M Hennes & Mauritz	51,204	38.4	1.73	20.3	7.8
9	Costco Wholesale	49,231	14.0	3.92	28.8	4.0
10	Lowe's	47,985	12.9	1.76	24.5	3.5
18	**Seven & i Holdings**	**35,181**	**7.6**	**1.53**	**26.0**	**1.9**

Note: Exchange rate: U.S.$1=¥102.43 (as of May 15, 2013)
Source: FactSet

Financial Highlights

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28 or 29

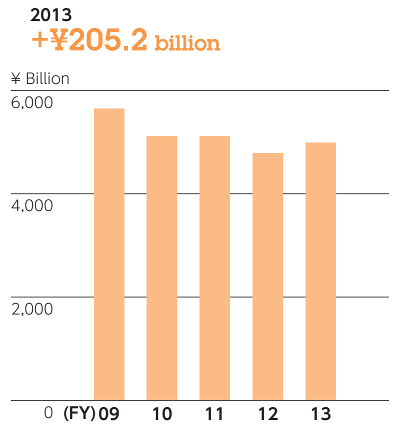
	2013	2012 (Note B)	2011	2010	2009	2008
For the fiscal year:						
Revenues from operations	¥4,991,642	¥4,786,344	¥5,119,739	¥5,111,297	¥5,649,948	¥5,752,392
Operating income	295,685	292,060	243,346	226,666	281,865	281,088
Income before income taxes and minority interests	262,722	230,817	223,291	143,104	215,115	227,441
Net income	138,064	129,837	111,961	44,875	92,336	130,657
Capital expenditures (Note D)	334,216	255,426	338,656	211,189	188,943	217,738
Depreciation and amortization (Note E)	155,666	139,994	132,421	132,232	140,529	143,642
Cash flows from operating activities	391,406	462,642	310,527	322,202	310,007	465,380
Cash flows from investing activities	(340,922)	(342,805)	(312,081)	(115,158)	(139,568)	(237,184)
Cash flows from financing activities	10,032	(40,561)	(56,258)	(156,708)	(169,755)	(130,136)
Free cash flows (Note F)	50,484	119,836	(1,553)	207,044	170,438	228,195
At fiscal year-end:						
Total assets	¥4,262,397	¥3,889,358	¥3,732,111	¥3,673,605	¥3,727,060	¥3,886,680
Total net assets	1,994,740	1,860,954	1,776,512	1,793,940	1,860,672	2,058,038
Owners' equity (Note G)	1,891,163	1,765,983	1,702,514	1,721,967	1,785,189	1,985,018

	2013	2012 (Note B)	2011	2010	2009	2008
Per share data:						
Net income (basic)	¥ 156.26	¥ 146.96	¥ 126.21	¥ 49.67	¥ 100.54	¥ 137.03
Net income (diluted)	156.15	146.88	126.15	49.66	100.54	—
Cash dividends (Note H)	64.00	62.00	57.00	56.00	56.00	54.00
Owners' equity (Note G)	2,140.45	1,998.84	1,927.09	1,905.97	1,975.95	2,081.85
Financial ratios:						
Operating income ratio (Note I)	5.9%	6.1%	4.8%	4.4%	5.0%	4.9%
Net income ratio (Note I)	2.8%	2.7%	2.2%	0.9%	1.6%	2.3%
ROE	7.6%	7.5%	6.5%	2.6%	4.9%	6.7%
ROA	3.4%	3.4%	3.0%	1.2%	2.4%	3.4%
Owners' equity ratio (Note G)	44.4%	45.4%	45.6%	46.9%	47.9%	51.1%
Dividend payout ratio	41.0%	42.2%	45.2%	112.7%	55.7%	39.4%

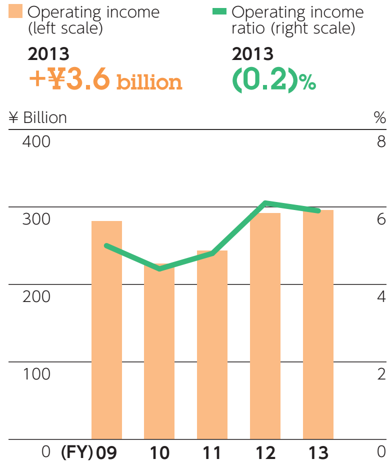
Notes:
(A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93=U.S.$1, the approximate rate of exchange prevailing on February 28, 2013.
(B) From the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements, from "gross amount" to "net amount."
(C) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006, are consolidated only in the balance sheets.
(D) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(E) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(F) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.
(G) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.
(H) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.
(I) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

Millions of yen		Thousands of U.S. dollars (Note A)
2007	2006 (Note C)	2013
¥5,337,806	¥3,895,772	$53,673,569
286,838	244,940	3,179,408
243,060	178,518	2,824,967
133,419	87,930	1,484,559
278,388	185,354	3,593,720
132,693	97,810	1,673,827
157,209	217,325	4,208,666
(235,983)	(388,080)	(3,665,827)
37,241	103,093	107,870
(78,774)	(170,754)	542,838
¥3,809,192	¥3,424,878	$45,832,225
1,969,149	1,717,880	21,448,817
1,906,798	1,603,684	20,335,086
Yen		U.S. dollars (Note A)
¥ 142.90	¥ 100.83	$ 1.68
—	—	1.67
52.00	28.50	0.68
1,999.77	1,772.25	23.01
5.4%	6.3%	5.9%
2.5%	2.3%	2.8%
7.6%	5.5%	7.6%
3.7%	2.6%	3.4%
50.1%	46.8%	44.4%
36.4%	—	41.0%

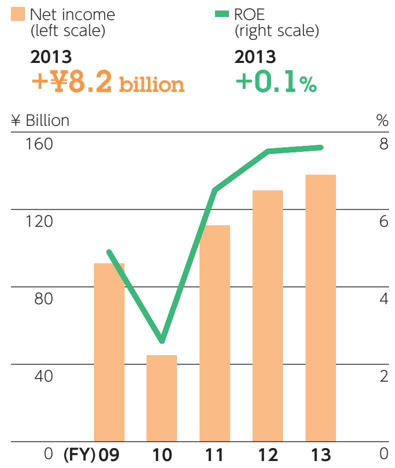
REVENUES FROM OPERATIONS



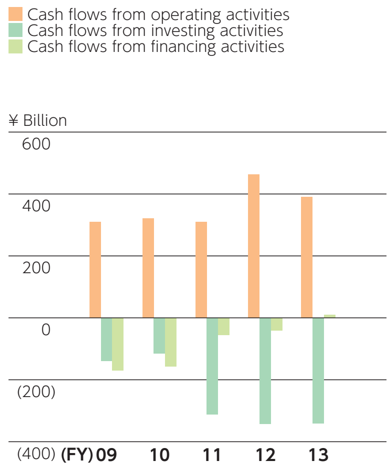
OPERATING INCOME
OPERATING INCOME RATIO



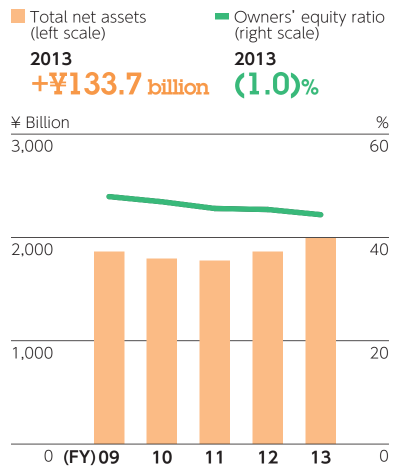
NET INCOME
ROE



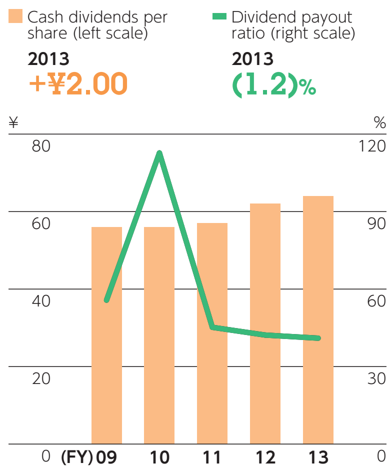
CASH FLOWS



TOTAL NET ASSETS
OWNERS' EQUITY RATIO



CASH DIVIDENDS PER SHARE
DIVIDEND PAYOUT RATIO



CEO Message

Toshifumi Suzuki
Chairman and Chief Executive Officer

Under our brand message *It's a New Day*, we will focus our energies on the creation of new value.

Seven & i Holdings posted record operating and net income in the fiscal year ended February 2013. I believe that this achievement is a result of the consistent implementation of the Group's management principle of "Responding to Change while Strengthening Fundamentals."

In Japan, the macroeconomic environment changed, key factors being increases in the numbers of single-person households and working women, an aging population, and declining retail store numbers. These developments have altered customer needs and consumption patterns, dramatically transforming consumers' expectations of us as a retailer. In this operating climate, we have identified growth opportunities arising from new needs for local shopping facilities in the form of convenience stores and other small-format stores. We have therefore been engaging in aggressive store development. At the same time, we are overhauling our business structure, notably by switching away from traditional self-service approaches at superstores and other large-scale stores to build sales systems that deliver product and service value by engaging with customers.

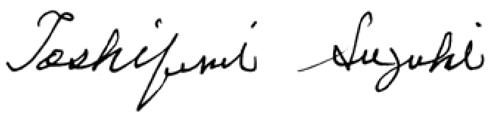
Overseas, we aim to reinforce and expand the 7-Eleven chain by aggressive store openings, mainly in North America. We see our network of more than 50,000 7-Eleven stores worldwide and their sales capabilities as a vital infrastructure for Group growth.

In merchandising, we are developing original product lineups that are differentiated by an uncompromising insistence on high quality in response to a growing number of customers focusing on quality and value in recent years. By creating new value, the Seven & i Group aims to boost annual sales of original products from ¥2 trillion to ¥3 trillion by the fiscal year ending February 2016.

We will continue to reform existing businesses and reinforce our immediate structure. At the same time, we will bolster our business infrastructure in growth businesses, centered on our domestic and overseas convenience store operations. In addition, we will create Group synergies by leveraging the Group's store network and sales capabilities to further enhance corporate value.

I ask for the continued support of all our shareholders and investors for our ongoing efforts.

June, 2013



Toshifumi Suzuki
Chairman and Chief Executive Officer

Interview with the President

In the fiscal year ended February 28, 2013, Seven & i Holdings posted new highs in everything from net sales to operating income and net income. Amid indications of an upturn for the Japanese economy, the Group is striving in concert to achieve further growth by creating new value in keeping with a changing social climate. Seven & i Holdings' President and Chief Operating Officer, Noritoshi Murata, discusses the Group's operating environment and its policies for the future.

Noritoshi Murata
President and Chief Operating Officer

Analysis and Response to Changing Operating Environment

In Japan, the yen has depreciated and share prices have climbed since the change of government near the end of last year. This has been an improvement from earlier economic stagnation stemming from a rising yen and deflation. There is now rising hope for a turnaround in the Japanese economy. At the same time, the operating environment for the retail industry is facing dramatic changes, including consumption tax hikes that the government plans to phase in from April 2014.

Individuals hold ¥1,500 trillion in financial assets in Japan; and we are now beginning to see promising consumer trends, particularly among high income earners. That said, consumers overall continue to keep a tight hold on their wallets for now, because the outlook remains unclear. So, we need to pursue a medium-to-long term growth strategy in Japan. I believe that one immediate priority should be

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
For the fiscal year:			
Revenues from operations	**¥4,991,642**	¥4,786,344	**$53,673,569**
Operating income	**295,685**	292,060	**3,179,408**
Net income	**138,064**	129,837	**1,484,559**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93=U.S.$1, the approximate rate of exchange prevailing on February 28, 2013.

to stimulate individual consumption, which accounts for 60% of the nation's nominal gross domestic product.

Looking ahead, depending on how the economy fares, the government plans to raise consumption tax in two phases.

I think that our policies for the year running up to the tax hikes will be pivotal. One prime challenge for this fiscal year will be Groupwide efforts to propose more quality-oriented products that make shopping more enjoyable. Consumer sentiment is becoming more rational—people increasingly prefer to pay a little more for quality to the extent that they need it, rather than simply focus on prices. Responding to this trend, we will differentiate ourselves from the competition by improving the quality of our products and services. We will also leverage the Group's sales capabilities to maximize scale benefits in purchasing. At the same time, we will develop more quality-driven offerings, particularly in our private-brand and original product ranges.

Management Focus on People to Create Rewarding Workplaces

Given a rapidly changing economic environment, I think it's important that we shift our management focus back to people in order to make workplaces more rewarding and to drive our growth. For the fiscal year ending February 2014, we plan to boost base salaries Groupwide. On top of that, we have deployed a clear policy to maintain a remuneration system that properly reflects the skillsets of part-timers, who are vital for our stores. These actions show our determination to lift staff morale and to demonstrate the concerted strength of the Group.

Progress among Principal Group Companies in Deploying Management Policies

When the Group adopted a holding company structure in 2005, management pledged to share strategies while keeping brands independent. In other words, while sharing Group strategies to generate and deliver new value, each Group company continues to offer consumers the value it has cultivated under its own brand.

Convenience Store Operations

Looking first at our convenience store operations, Seven-Eleven Japan (SEJ) seized on changes in the social climate as opportunities for growth. These included an aging population, an increase in the number of working women, households with fewer members, and a decline in the number of small and medium-sized retail stores. SEJ expanded the 7-Eleven chain by prioritizing high-density, concentrated store openings under its market concentration strategy. At the same time, SEJ reinforced its sales capabilities by developing high-quality original products and extending its lineup of the daily essentials that consumers expect from convenience stores. Many convenience stores are small and have limited shelf space. They therefore tend to risk stock depletions and opportunity losses. SEJ enhances its order placement capabilities through the advice that Operations Field Consultants provide each franchised store and by extensively training store staff. We consider that SEJ has performed well in attending to changes in consumer sentiment and achieving high profitability. We have also positioned SEJ as a core driver of Group growth.

In North America, 7-Eleven, Inc. (SEI), is cultivating denser store networks through aggressive openings, including through M&A transactions. SEI's goal is to build a network of 10,000 stores by the end of 2015. In store openings, SEI employs the market concentration strategy, just like SEJ in Japan, to ensure effective merchandising and efficient infrastructure usage. SEI has been differentiating itself by reinforcing its range of private-brand products and fast food offerings. It has also been improving store operations by drawing on the contributions of sales executives from SEJ in Japan. These initiatives are starting to bear fruit, in terms of boosting SEI's profitability. I believe that current initiatives to strengthen the 7-Eleven chain will be key to boosting our procurement capabilities by leveraging our global networks. In the future, this will become one of the Group's strengths.

Superstore Operations

In superstore operations, we faced a very adverse operating climate in the year under review, particularly in the first half. The main reason was that the spike in demand that followed the Great East Japan Earthquake in 2011 had run its course. Still, there were signs of profitability improvements in the second half.

Apparel reforms at Ito-Yokado (IY) have begun to show results. We have extended four core private-brand product lines in women's and men's apparel and in functional underwear, while boosting customer service to increase the value appeal of our stores. IY has enhanced its store cost structure by optimizing directly-managed sales areas and attracting more tenants. While the results of our business structure reforms at IY are gradually becoming apparent, we recognize a need to continue our reform program and improve profitability going forward.

York-Benimaru (YB) is making its groceries more price-competitive while differentiating itself by enhancing the quality of its fresh foods, including delicatessen items. In fresh foods, it is vital to maintain high standards in everything from sourcing at production sites to in-store processing and merchandise management that helps to minimize opportunity losses and wastage. Food supermarkets with close community ties attract consumers, and YB is generating strong support from its customers in this respect.

Department Store Operations

In department store operations, we undertake reforms using specific strategies for key and regional stores. At the key stores, which account for around 70% of Sogo & Seibu net sales, we are focusing in particular on disseminating the successful business model of SEIBU Ikebukuro, whose sales have continued to grow since it reopened in 2010 after remodeling. In 2012, we started to remodel Sogo Yokohama, whose sales rank second to those of SEIBU Ikebukuro. Neither of these remodeling initiatives increased floor space, but the stores succeeded in building customer support by improving customer service and providing more enjoyment in non-sales aspects, notably services and information, and by offering enhanced product lineups. To differentiate our offerings and make our department stores more attractive, we are expanding our retailer-managed merchandising and store-managed sales areas. Sharing the raw materials and business partners of IY has generated synergies. As we continue to build on our framework for store development, we are targeting ¥100 billion in sales of apparel developed by our retailer-managed merchandising system for the fiscal year ending February 2015, up from ¥40 billion in the fiscal year ended February 2013.

Internet Business Leveraging Group Store Networks and Sales Capabilities

We plan to build a new Internet business that encompasses real stores. We will leverage the competitive edge we have honed from around 17,000 stores in Japan and business infrastructure elements such as Group companies' advanced information and distribution systems. IY's *Net Supermarket* is particularly popular among customers, and now generates more than ¥40 billion in annual sales. We consider this operation a positive synergy between the customer loyalty that IY has cultivated at its stores over the years and the diversification of shopping channels through information technology.

In July 2012, we consolidated online shopping sites that Group companies developed into *Seven Net Shopping*. We will reinforce the infrastructure of that business by opening a distribution center this year. This advanced facility will have a floor space of around 50,000 m^2. We will move quickly to enhance customer convenience and services by consolidating customer information and shopping points.

Targeting a 10% ROE by Fiscal Year Ending February 29, 2016

Management's mission is to enhance corporate value. We deem ROE a crucial performance benchmark, and aim to achieve a 10% ROE by the fiscal year ending February 2016. We will therefore endeavor to boost Group growth by enhancing operating income, while focusing on financial stability and efficiency in keeping with the economic environment.

Our basic policy is to determine new investments by the prospective return on invested capital. Seven & i Holdings formulates Groupwide financial policies, but it is the role of each Group company to generate investment returns. The Company determines capital investment allocations by positioning each operation as either a growth business or one requiring structural reforms. Growth operations include domestic convenience stores, overseas businesses, food supermarkets, and financial services. Operations needing reform are superstores, department stores, and food services.

Basic Policy on Shareholder Returns

Our basic policy is to reflect earnings growth in our return of profits to shareholders. We aim to maintain a consolidated payout ratio of at least 35%, and aim to improve it further in the future. For this, we plan to increase cash dividends per share this fiscal year by ¥2, to ¥66. This follows a rise of ¥2 per share in the previous term, to ¥64. We seek to maximize returns to shareholders through further earnings improvements going forward.

Conclusion

We consider our business to be highly social in its nature, as it ties in closely to consumer sentiment. So we realize that we can only grow when society does and that we have to address changes in the social climate. We will maximize synergies by promoting further collaboration between Group companies. At the same time, we will achieve growth by executing strategies to make each company the leader in its respective format as we continue in our mission to create new value.

We would like to ask for the continued support of our shareholders and investors in the years ahead.

June 2013

Noritoshi Murata
President and Chief Operating Officer

Feature

Seven & i Group Merchandise Policy

Targeting ¥3 trillion in Group Sales of Original

The Seven & i Group will endeavor to cultivate new markets by pursuing quality and building new value.

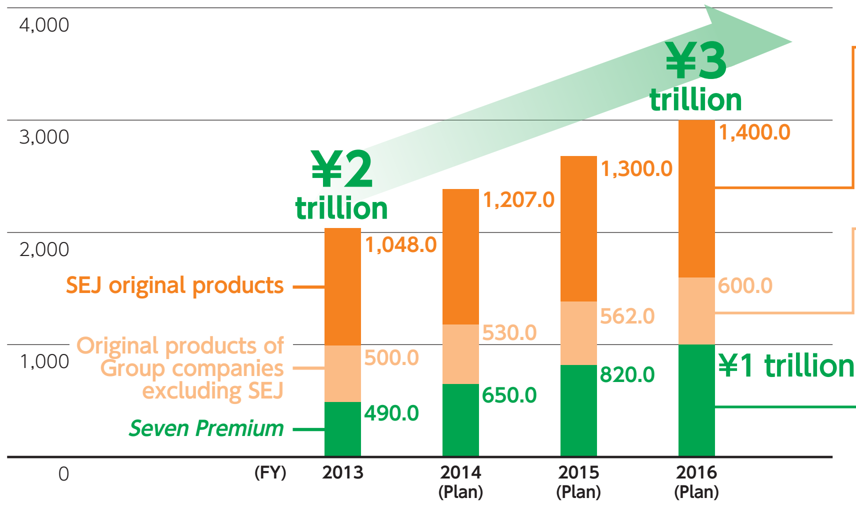
Private-Brand Products Offer Variety at Mealtimes

Initiatives for Targeting ¥3 trillion in Sales of Original Products

We launched *Seven Premium* private-brand products in May 2007. We created this category by drawing on original product development techniques within Seven-Eleven Japan (SEJ) and leveraging the product development expertise and sales capabilities of Group companies. We have harnessed team merchandising with outstanding suppliers in developing a line of products that combine quality and reasonable pricing. In doing so, we aimed to dispel the image of private-brand offerings of being focused on low-prices, and build a new private-brand concept that accommodates customer tastes. Recent years have seen a steady rise in customers looking for quality and value. Against this backdrop, the Seven & i Group will place further emphasis on its strategy of developing original products offering taste, functionality, quality, and value. In doing so, the Group aims to boost sales of original products from ¥2 trillion in the fiscal year ended February 2013, to ¥3 trillion in the fiscal year ending February 2016.

1. **Renew *Seven Premium* Lineup and Broaden Development Scope**
2. **Expand *Seven Gold***
3. **Enhance Original Products of Group Companies**

SALES PLAN FOR GROUP ORIGINAL PRODUCTS

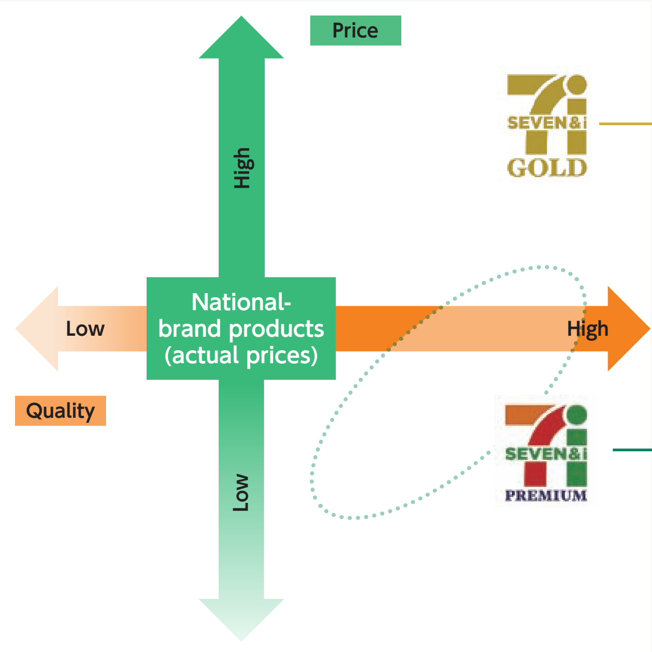


Products

Seven Premium Product Concept and Advantages

Seven Premium is a range of private-brand products that leverage Group companies' product development expertise and infrastructures. In our ongoing development of *Seven Premium* products, we aim to create items suitable for all formats from convenience stores to department stores while also pursuing added value. Some *Seven Premium* products generate more than ¥1 billion in Group sales annually per SKU, underscoring our successful creation of a lineup that can compete head to head with national-brand products. The *Seven Gold* range, meanwhile is the result of team merchandising efforts with leading national-brand manufacturers to develop offerings that provide added value one step above the existing *Seven Premium* line.

Product Concept



Seven Gold

- Quality same as or better than specialty-store products
- Prices are perceived as very reasonable considering the taste and quality
- Secure sufficient profit

Seven Premium

- Quality same as or better than national-brand products
- Priced 20%–30% lower than national brand actual prices
- Secure sufficient profit

Seven Key Points of *Seven Premium*

1) Safe and reliable
2) Delicious
3) Regional flavors
4) Cutting-edge technologies
5) Universally designed
6) Health conscious
7) Reasonably priced

Products that Sold Over ¥1 billion Per SKU in Total Seven & i Group Sales

(March 1, 2012 to February 28, 2013)

Daily food products
52 SKU

+

Beverages and alcohol
23 SKU

+

Confectionery
9 SKU

+

Processed food products
8 SKU

= Total 92 SKU

1

Renew *Seven Premium* Lineup and Broaden Development Scope

Seven Premium Merchandising

Seven Premium offers quality that is the same as or better than top-selling national-brand products. Although pricing is 20% to 30% lower than actual prices for national-brand items, *Seven Premium* products are sufficiently profitable. We will renew existing offerings to keep them attractive for consumers and accommodate changes in quality benchmarks. We will also broaden our product lineups, extending them into new areas, while cultivating *Seven Premium* products for outstanding private-brand and original products from Group companies.

Need for Renewal

1. Because people tire quickly of delicious tastes

Although we pursue reasonable pricing and quality to encourage repeat purchases of *Seven Premium* products, people tend to tire of delicious tastes

2. Because of changes in products that are subject to target quality and benchmarks

Since, markets constantly change, we must evolve products that are subject to target quality and benchmarks to match new customer preferences

3. To engage in team merchandising with consistently optimal partners

The technological capabilities of national-brand manufacturers are constantly changing, so renewals are an opportunity to determine whether those companies are truly the best partners for team merchandising

2

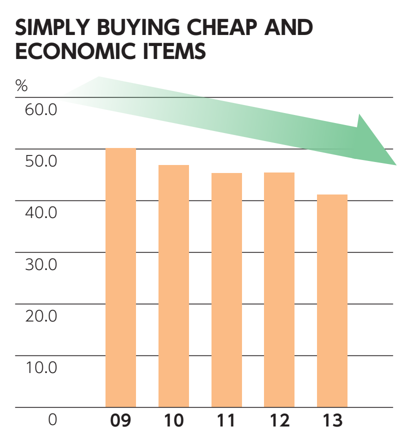
Expand *Seven Gold*

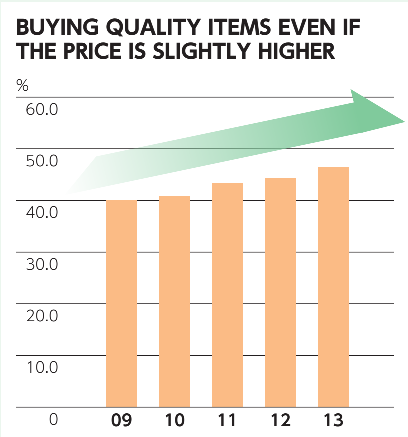
Seven Gold Merchandising

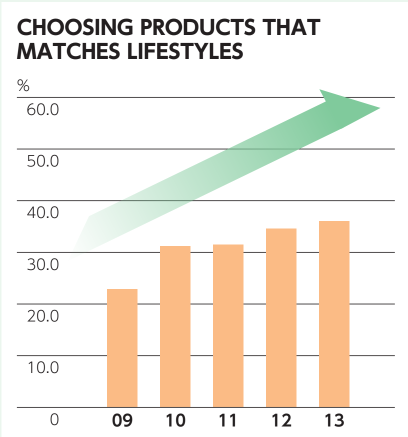
With *Seven Gold*, we seek to develop high-quality products using only select ingredients and production techniques. We aim to provide these items at prices that consumers find reasonable, while offering taste and quality the same as or better than specialty-store products. To support more affluent customer lifestyles, we plan to expand the number of *Seven Gold* SKU to 300, raising its share of the *Seven Premium* lineup from 2% currently to 15%.

Changing Consumer Preferences

According to a survey of 10,000 consumers, every year, consumers are trending away from simply buying cheap and economic items, toward seeking quality products that match their lifestyles.







Source: Questionnaire Survey of 10,000 Consumers (Nomura Research Institute, Ltd.)

Product Development Example 1: Bread

Priority: Achieve a soft, chewy texture of superior quality, and a classy, deep sweetness.

1. Marketing

In light of the wide variation in quality and price of plain loaves, which represent around 60% of the market for bread, we expanded our range of high value-added items.

2. Raw materials

All flour used is specially blended to the Seven & i Group's own specification.

3. Baking process

The dough is enriched with malt extract after thoroughly blending water and flour.

Product Development Example 2: Hams and Sausages

Priority: Develop a mature and delicious flavor through selection of raw ingredients that draw out maximum possible taste, and special manufacturing processes.

1. Marketing

We use pork from hogs raised on designated farms in stress-free environments and fed according to their growth stages.

2. Raw materials

We developed a marinating technique based on Specific JAS Standards for creating mature, delicious flavors.

3

Enhance Original Products of Group Companies

Original Product Merchandising

Group companies develop products that match the quality and pricing preferences of customers. Underpinning the development of items that prioritize quality is SEJ's core range of original products.

Original daily food products are produced at 171 sites around Japan, with 92% of these facilities making SEJ products exclusively. Deliveries to stores are from SEJ's dedicated temperature-separated distribution centers. This unique framework, which draws on close collaboration with business partners, enables exceptional productivity. The resulting lineup of more than 1,000 original products is SEJ's greatest strength, promoting strong store loyalty and differentiation from other retail stores.

We are also solidifying the structure of our private-brand products in apparel, notably through *GALLORIA L&B* and *good day* from Ito-Yokado and *Limited Edition* from Sogo & Seibu, as part of efforts to create products that match customer needs.

Original daily food products at SEJ

Private-brand apparel at Ito-Yokado

MESSAGE FROM YASUSHI KAMATA
Sub Leader of Group Merchandising Reform Project
Director and Managing Executive Officer of Seven-Eleven Japan Co., Ltd.

We will cultivate private-brand products that customers find easy to understand by clarifying our brand concepts, centered on our *Seven Premium* and *Seven Gold* lines. The Seven & i Group will retain its firm commitment to quality as a fundamental approach to product development efforts. In order to achieve unrivaled differentiation, we will continue to pursue quality in marketing, raw materials, and production techniques.

In the *Seven Gold* category, for example, we see growth opportunities among those wishing to try something a little more tasty once in a while as society ages and households become smaller.

We currently offer just 23 *Seven Gold* SKUs, but aim to expand the lineup to 300 by the fiscal year ending February 2016, to match the increasingly discerning needs of customers.

At a Glance

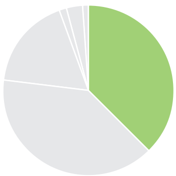
Convenience Store Operations

More information on pp. 26–30, 51, 53–54

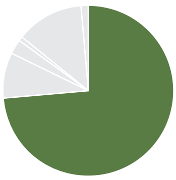
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2013

Revenues from operations
37.6%
¥1,899.5 billion

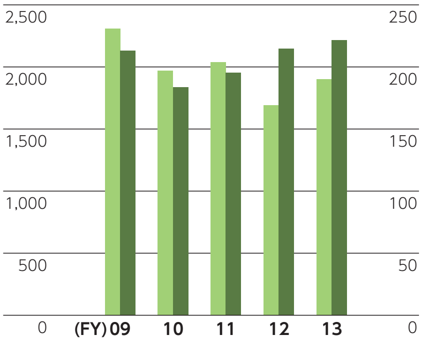


Operating income
74.6%
¥221.7 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

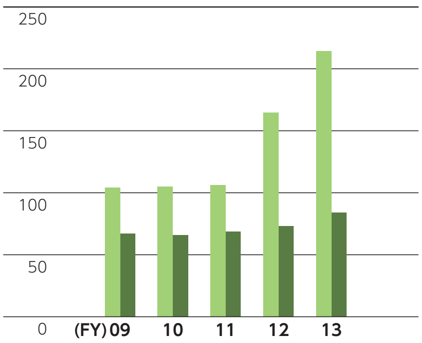
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

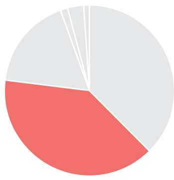
Superstore Operations

More information on pp. 31–33, 51–52, 54

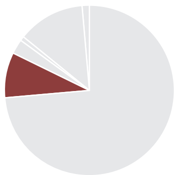
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2013

Revenues from operations
39.5%
¥1,994.5 billion

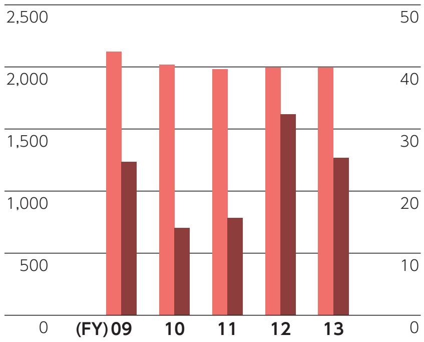


Operating income
8.6%
¥25.4 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

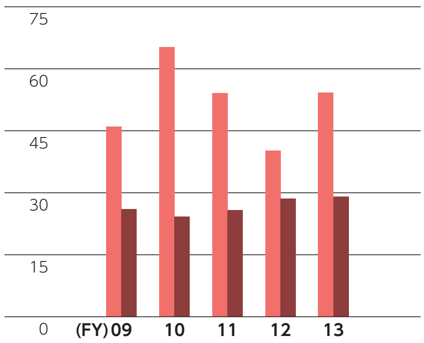
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

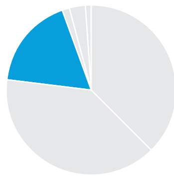
Department Store Operations

More information on pp. 34–36, 52, 54

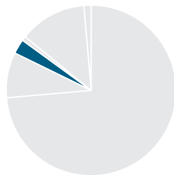
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2013

Revenues from operations
17.5%
¥884.0 billion

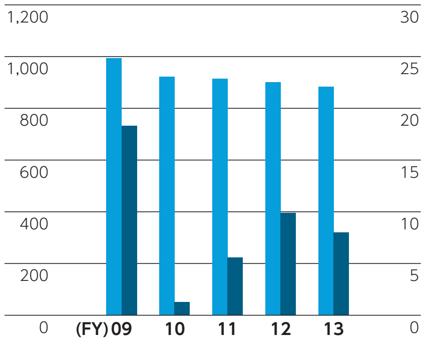


Operating income
2.7%
¥8.0 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

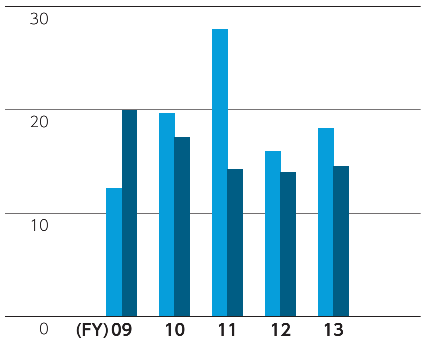
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

Food Services

More information on pp. 37, 52, 54

Financial Services

More information on pp. 38, 52, 54

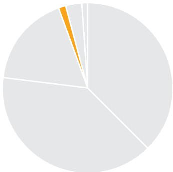
Others

More information on pp. 39, 54

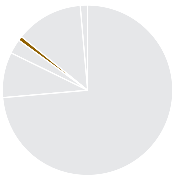
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2013

Revenues from operations
1.6%
¥78.3 billion



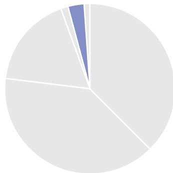
Operating income
0.2%
¥0.7 billion



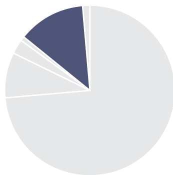
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2013

Revenues from operations
2.9%
¥144.3 billion



Operating income
12.6%
¥37.4 billion



CONTRIBUTION TO RESULTS

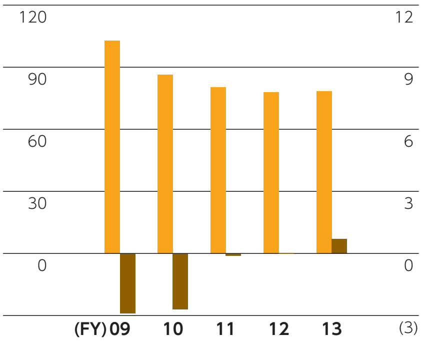
For the fiscal year ended February 28, 2013

Revenues from operations
1.0%
¥50.2 billion

Operating income
1.3%
¥3.8 billion

REVENUES FROM OPERATIONS OPERATING INCOME

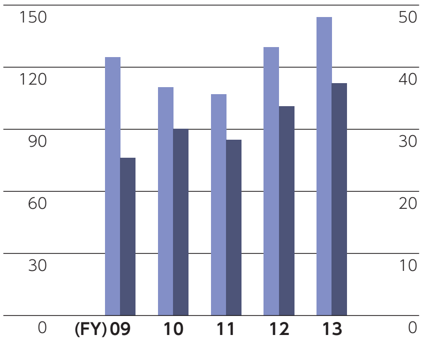
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

REVENUES FROM OPERATIONS OPERATING INCOME

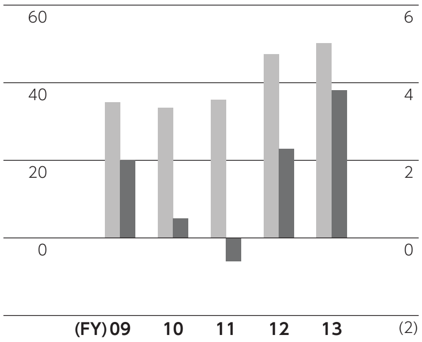
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

REVENUES FROM OPERATIONS OPERATING INCOME

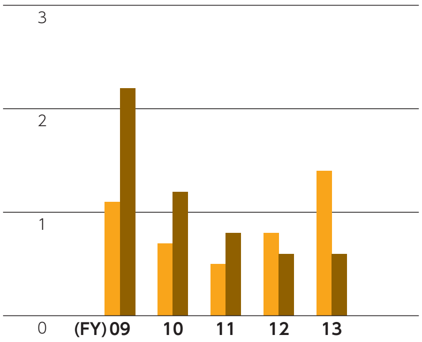
¥ Billion



Revenues from operations (left scale)
Operating income (right scale)

CAPITAL EXPENDITURES DEPRECIATION AND AMORTIZATION

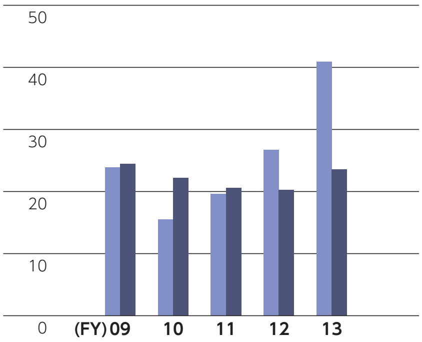
¥ Billion



Capital expenditures
Depreciation and amortization

CAPITAL EXPENDITURES DEPRECIATION AND AMORTIZATION

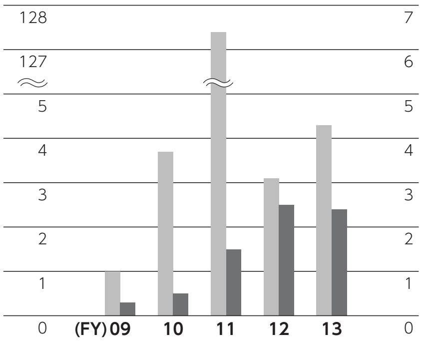
¥ Billion



Capital expenditures
Depreciation and amortization

CAPITAL EXPENDITURES DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures (left scale)
Depreciation and amortization (right scale)

Convenience Store Operations

Convenience store operations comprise 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

Overview of the Fiscal Year Ended February 28, 2013

In the fiscal year ended February 28, 2013, the convenience store segment's revenues from operations were ¥1,889.5 billion, up 12.3%, and operating income was ¥221.7 billion, an increase of 3.3%. Capital expenditures totaled ¥214.2 billion, up 29.9%, and depreciation and amortization was up 14.6%, to ¥83.9 billion.

This segment's revenues from operations rose on the strength of sales gains at Seven-Eleven Japan (SEJ), as well as from higher franchise fees and royalties from franchised stores and growth in gasoline sales at 7-Eleven, Inc. (SEI).

Due to the success of SEJ's measures targeting the realization of "close-by, convenient stores," there was a record increase in the number of stores—1,354 new stores on an overall basis and 1,067 in net terms. Existing stores sales rose 1.3%, and operating income reached a new record high. SEI endeavored to aggressively expand its store network, opening 1,078 stores, including through M&A transactions. SEI also generated record earnings as merchandise sales of existing stores in the U.S. rose by 2.9% due to steady demand for fresh food, private-brand products, beverages, and other core offerings.

Capital expenditures rose year on year, owing to aggressive store openings in Japan and North America.

REVENUES FROM OPERATIONS

¥1,899.5 billion
+12.3%

OPERATING INCOME

¥221.7 billion
+3.3%

CAPITAL EXPENDITURES

¥214.2 billion
+29.9%

Original daily products at SEJ

Island-type chilled case

The effect of exchange rates was minimal on both revenues from operations and operating income.

In the convenience store segment, management continued its efforts to expand overseas businesses. In North American operations, SEJ established wholly owned subsidiary SEJ Asset Management & Investment Company to oversee tangible and intangible fixed assets transferred from SEI and undertake leasing operations for SEI.

In Chinese operations, SEVEN-ELEVEN CHINA Co., Ltd., the master licensor for China, changed its corporate name, business objectives, capitalization, and other aspects of its business to become an investment company that can oversee operations and directly invest in its subsidiaries in China.

Business Strategies for the Fiscal Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥2,495.0 billion, up 31.3%, and operating income of ¥249.0 billion, an increase of 12.3%. Capital expenditures are forecast at ¥204.0 billion, down 4.8%, and depreciation and amortization at ¥96.0 billion, an increase of 14.3%. Capital expenditures are planned for aggressive store openings in Japan and overseas, as well as investments in existing stores to enhance their sales capabilities.

Moreover, with respect to the exchange rate for income calculation, the yen is projected to fall ¥12.19 against the U.S. dollar to ¥92.00. The resulting foreign currency effects are projected to increase reported segment revenues from operations by about ¥237.0 billion and segment operating income by about ¥6.5 billion.

Inside a 7-Eleven store

Domestic Operations

For SEJ, changes in Japan's social landscape mean that convenience stores are growing in importance. Changes include the aging of the population, an increase in the number of working women, households with fewer members, and a decline in the number of small and medium-sized retail stores. SEJ is approaching these changes as opportunities for growth, and will work to increase the number of store openings to a record-high 1,500 in the fiscal year ending February 28, 2014. Meanwhile, we will continue to focus on developing high-quality fast food products, while working to enhance our sales capabilities, mainly by enhancing our lineup of private-brand products centered on *Seven Premium* and its lineup of products essential to daily life. In other initiatives, SEJ will bolster its service offerings, starting with product home delivery services, as part of its ongoing focus on evolving the 7-Eleven chain into stores that are "close-by and convenient."

Diagram A

Diagram A

BUSINESS STRATEGIES OF SEVEN-ELEVEN JAPAN: FURTHER PROGRESS IN THE EVOLUTION OF "CLOSE-BY AND CONVENIENT"

Merchandising	**Develop differentiated products and aggressively roll out new products and services** • Bolster development of daily products and expand the lineup of core products • Increase sales of *Seven Premium* and *Seven Gold* • Proactively develop service-related operations
Store operations	**Focus on customer needs** • Improve customer service and ordering accuracy by stepping up franchise training programs • Innovate sales areas to allow stronger product lineups
Store-opening strategy	**Continue to open high-quality stores by leveraging the strong store-development framework, and strengthen the 7-Eleven chain** • Open a record-high1,500 stores • Step up store openings in Japan's three main urban centers (Tokyo metropolitan area, Chukyo area, Kansai area) • Open up new areas (Shikoku)

Overseas Convenience Stores

SEI will increase development of fresh foods and private-brand products to differentiate its lineup. It will also work aggressively to open new stores, including through M&A transactions, to further increase its market concentration in existing store areas, Meanwhile, in China, the Group will work to bolster operations in existing stores, while opening stores in new areas to broaden the store network.

Diagram B

Diagram B

BUSINESS STRATEGIES OF 7-ELEVEN, INC.:
INCREASING CUSTOMER SATISFACTION BY BOLSTERING DIFFERENTIATION STRATEGIES

Merchandising	• Reinforce fresh food product development • Bolster development of *7-Select* private-brand products
Store operations	• Strengthen guidance from Operations Field Consultants for thorough implementation of item-by-item management • Improve profitability by converting the stores acquired through M&A transactions in line with SEI standards
Store-opening strategy	• Implement market concentration strategy (increase store density in areas with existing stores) • Strengthen store openings in urban areas

Seven-Eleven Japan

Working to further the evolution of the concept "close-by and convenient"

SEVEN CAFÉ

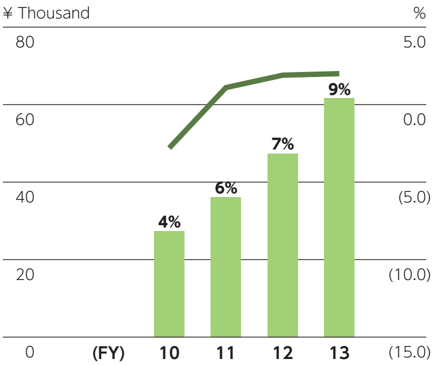
Merchandising

SEJ will continue to respond to new customer needs that arise from structural changes in society to progress further in our evolution of "close-by, convenient stores."

In products, SEJ will continue to enhance its fast foods as a differentiated product. In private-brand products, we will strengthen the *Seven Gold* lineup of products that offer quality one step above the existing *Seven Premium* line, with the goal of creating a new market. In addition, we will take steps to respond to increasing numbers of female and elderly customers by enhancing our product lineups. Specifically, to enable these customers to use stores as a point for obtaining their daily necessities, we will expand the number of core products with high daily consumption rates from about 500 to about 900.

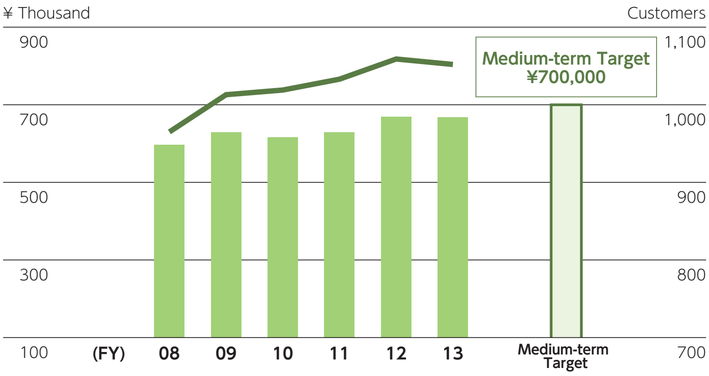
SEJ will also propose new ways to use 7-Eleven stores. In fast food, SEJ will introduce fresh coffee machines into every store while promoting related sales of snacks and desserts. We will also bolster our product delivery services, mainly *Seven-Meal*, to support shopping activity among the increasing number of elderly and people who cannot easily go shopping.

SALES OF *SEVEN PREMIUM* PRODUCTS AND EXISTING STORES SALES INCREASE, EXCLUDING CIGARETTES



Average daily sales (left scale) and composition of *Seven Premium* products per store
Existing stores sales increase, excluding cigarettes (right scale)

AVERAGE DAILY SALES AND NUMBER OF CUSTOMER STORE-VISITS PER STORE



Average daily sales per store (left scale)
Average number of customer store-visits per store (right scale)

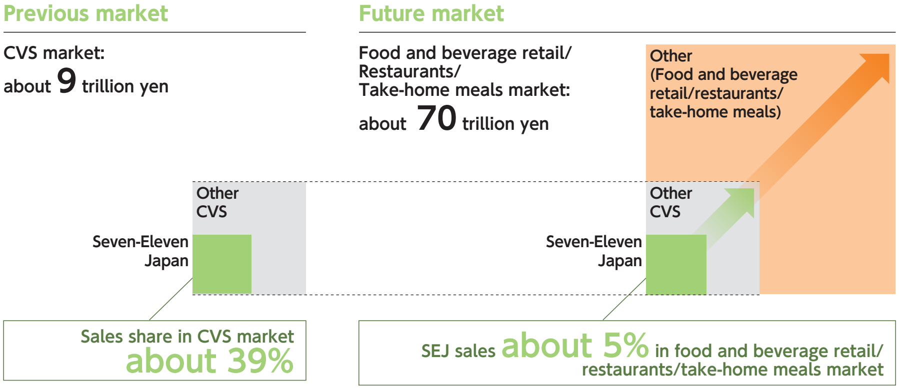
Store-Opening Policies

SEJ's basic policy for opening stores is to implement its market concentration strategy while maintaining a focus on individual store profitability. A record-high 1,500 store openings are planned for the fiscal year ending February 28, 2014.

Rather than accept the conventional definition of the convenience store market with a scale of ¥9 trillion, we have redefined our market to include food and beverage retail, restaurant, and take-home meal businesses. By this definition the market has total sales of ¥70 trillion. In terms of store openings, we will expand into new areas such as Shikoku and Akita Prefecture. Moreover, there is still room for further store openings in existing store areas also; fewer small and medium-sized retailers in a given area has meant less convenience for consumers, and consumers also want to get all their errands done within an area close to their homes and offices. In urban areas especially, where populations are large, there is a growing sense that convenience stores play a vital function. SEJ will respond by continuing to open stores in densely populated urban areas such as Tokyo, Nagoya, and Osaka.

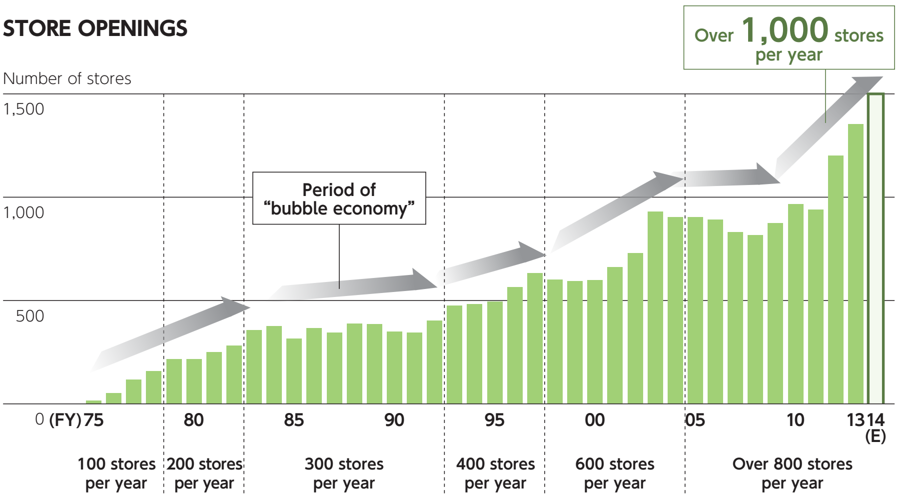
VIEW OF SEJ'S MARKET

Expand share in market for food and beverage retail, restaurants, and take-home meal operations



Sources: Japan Franchise Association monthly convenience store survey, Current Survey of Commerce (Ministry of Economy, Trade and Industry), Foodservice Industry Research Institute

STORE OPENINGS



MESSAGE FROM RYUICHI ISAKA, PRESIDENT OF SEVEN-ELEVEN JAPAN CO., LTD.

Creating Convenience Stores for a New Era

Today demand for "close-by, convenient stores" is growing faster than ever. This change is being driven by Japan's aging population, growth in the number of working women, a trend towards smaller households, and a decline in the number of small and medium-sized retail stores. At SEJ, we will meet these new needs by aggressively striving to expand the number of core products with high daily consumption rates and strengthening our lineup of private-brand products, mainly our *Seven Premium* range. As part of this, we have made steady progress in reforming our sales areas by introducing island-type chilled cases and wall-type chilled cases, and making other changes to further develop the concept of "close-by and convenient." We have begun to sense a real groundswell in support from customers for these initiatives, which shows that SEJ has found a place as a partner in their daily lives.

In the fiscal year ending February 28, 2014, we will propose new ways for customers to use 7-Eleven stores. We plan to introduce special fresh coffee machines into every store, and to strengthen our hand in services for delivering goods to customers' homes, mainly *Seven-Meal*.

By further evolving the concept of "close-by and convenient" in this way, our operation will open the door to new business opportunities. Our organizational capabilities, which enable us to respond to environmental changes at all times, and the powerful partnerships we have built with our outstanding franchisees will continue to drive our growth going forward.

7-Eleven, Inc.

We will increase store density in areas with existing stores through aggressive store openings and pursue a differentiation strategy by proposing product value.

Store Initiatives

SEI will increase store density in areas with existing stores by expanding store numbers through M&A transactions and by opening its own new stores. In line with key measures to strengthen its fresh food lines, SEI will focus more on opening stores in urban areas where fresh food demand is high in comparison with the suburbs. At the same time, SEI will pursue profitability through more efficient distribution and sales promotion efforts that leverage the company's market concentration strategy.

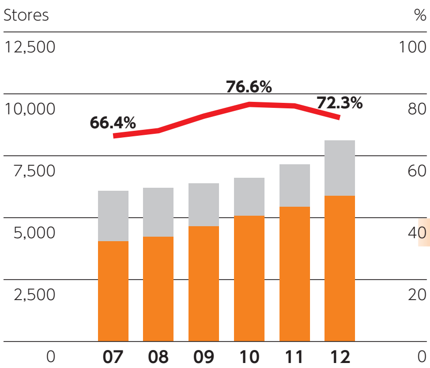
SEI will endeavor to improve sales not just by remodeling the exteriors of acquired stores, but also by deploying a product policy and IT system, and enhancing store operator training. SEI will convert acquired stores to franchised stores to maximize profitability. In the fiscal year ending December 31, 2013, SEI plans to open 600 stores, including opening 370 of its own new stores.

Merchandising

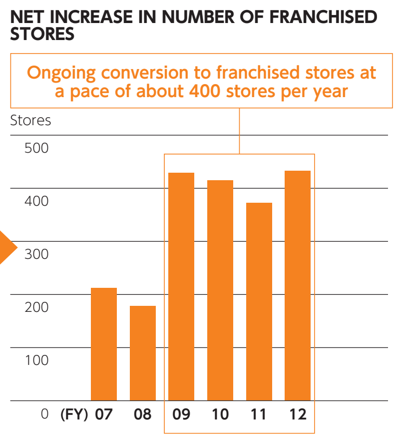
With many retailers engaged in price competition, SEI aims to differentiate itself through value proposals centered on new products and services for its customers. Our key *7-Select* private-brand products enjoy solid customer support for being more reasonably priced than national-brand products for the same or better quality, and sales of these offerings are increasing steadily. We have responded to studies that found that people in the U.S. eat five or six times a day by stepping up our development of fresh foods to develop balanced product lineups with products offering additional value, health foods, and snacks.

7-Select private-brand products

TREND IN STORE TYPE



Franchised stores (left scale)
Directly operated stores (left scale)
Franchise ratio (right scale)



MESSAGE FROM JOSEPH DEPINTO, PRESIDENT OF 7-ELEVEN, INC.

Leveraging Group Scale to Become More Competitive

Despite some positive signs in the U.S. economy, personal consumption has yet to fully recover. This is because of such factors as increasing Social Security taxes, concerns about prospects for the unemployment rate, and low growth rates in individual incomes. We therefore recognize the need for innovative measures to keep customers coming back to our stores. Our parent company, SEJ has managed to maintain high daily sales and profitability despite an adverse economic climate in Japan. We will therefore actively seek SEJ's advice and differentiate based not on price but by offering new added value while improving the experience for our customers. Our store policies will not simply focus on expanding the number of stores, but on leveraging our market concentration strategy to increase operating efficiencies in terms of marketing, distribution, and product development, and to increase customer recognition of our stores.

The Group's greatest strength is its global network. SEI will leverage this network to make itself more competitive and to increase its enterprise value.

Superstore Operations

Superstore operations comprise superstores that provide apparel, household goods, and food in Japan and China, specifically Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

REVENUES FROM OPERATIONS

¥1,994.5 billion
+0.1%

OPERATING INCOME

¥25.4 billion
(21.4)%

CAPITAL EXPENDITURES

¥54.2 billion
+34.7%

Overview of the Fiscal Year Ended February 28, 2013

In the year ended February 28, 2013, the superstore segment's revenues from operations were ¥1,994.5 billion, up 0.1%, while operating income was ¥25.4 billion, down 21.4%. Capital expenditures totaled ¥54.2 billion, up 34.7%, and depreciation and amortization rose 1.8%, to ¥29.1 billion.

At Ito-Yokado (IY), existing store sales declined 4.3%, mainly as the result of a backswing in the first half of the fiscal year, following higher demand related to the Great East Japan Earthquake in the previous fiscal year. However, profitability improved in the second half on the back of an improved gross profit margin, particularly in apparel, which was attributable to a reduction in markdown losses and sales growth of private-brand products. At York-Benimaru (YB), the rate of growth in existing store sales was on a par with the previous fiscal year, thanks to efforts to further improve the quality of fresh foods, which countered the backswing from a post-earthquake surge in the previous fiscal year. In Chinese operations, anti-Japan demonstrations and large renovation work on the Second Ring Road in Chengdu impacted performance.

For the above reasons, segment operating income declined year on year.

Business Strategies for the Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥2,030.0 billion, up 1.8%, and operating income of ¥39.6 billion, up 55.3%. Capital expenditures are forecast at ¥69.0 billion, up 27.2%, and depreciation and amortization at ¥19.0 billion, a decrease of 34.8%. The increase in capital expenditures includes investment related to *Ario* shopping centers, which IY plans to open in the fiscal year ending February 28, 2015.

GALLORIA L&B private-brand apparel at IY

Diagram A

BUSINESS STRATEGIES OF ITO-YOKADO: TRANSFORMING INTO A NEW TYPE OF GENERAL MERCHANDISE STORE

Merchandising	**Food: Further increase competitiveness by using the Group's comprehensive strengths** • Thoroughly increase differentiation by strengthening sales of fresh foods • Expand *Seven Premium* private-brand products **Apparel: Continue structural reforms** • Nurture core private brands and promote store specialization • Improve efficiency in apparel sales areas through the use of tenants **Strengthen *Net Supermarket*: Focus on interaction between Internet shopping and actual stores**
Store operations	**Push ahead with structural store reforms** • Enhance customer service levels and sales techniques by improving the ability of part-time staff • Increase customer-drawing power through the use of specialty stores from inside and outside the Group • Bolster sales capabilities at high-profit stores through strategic investment
Store initiatives	**Focus store openings on *Ario* mall-type shopping centers**

Diagram B

BUSINESS STRATEGIES OF YORK-BENIMARU: ESTABLISH NEW LIFESTYLE-PROPOSAL SUPERMARKETS

Merchandising	**Propose products matched to changes in customers' values** • Strengthen product development capabilities and nurture core categories • Achieve unrivaled differentiation in fresh foods and delicatessen foods
Store operations	**Increase productivity with a thorough focus on the basics** • Entrench organization for enforcing the basics and implementing item-by-item management • Enhance processing techniques and improve operational efficiency
Store-opening strategy	**Increase area share by deepening market concentration strategy** • Aggressively expand store network in areas where it already has a presence

Superstore Operations

IY will work to further improve its revenue and profit generating base. Measures will include enhancing store loyalty by strengthening development of private-brand products and face-to-face sales service for customers. IY will also focus on sales area reforms utilizing specialty stores from inside and outside the Group as one facet of structured store reforms.

Diagram A

Food Supermarket Operations

YB will continue to strengthen its lineup of products that meet regional needs, particularly fresh foods, while aggressively opening new stores in areas where it already has a presence, with the aim of achieving a high market concentration.

Diagram B

China Operations

In China, we will expand the revenue and profit generating base of existing stores, while preparing our organization for future business expansion. As part of this, in July 2012 we established Ito-Yokado (China) Investment Co., Ltd. to oversee business and allow direct investment in its subsidiaries. In the past, it has been necessary for individual operating companies to establish local subsidiaries to invest directly in China. However, the establishment of this investment company creates a structure for investing cash flows generated in Chinese businesses directly in Group companies within China. We will develop business in China by formulating overall strategies and expediting decision-making.

Ito-Yokado

We will strengthen our profit structure by continuing to transform into a new superstore format.

Merchandising

IY will maintain a sales system that doesn't rely on a low-price orientation pricing strategy and on large-scale sales promotions. At the same time, we will revamp our sales approach, shifting from the traditional self-service approach to one that places more emphasis on engaging with customers. This will allow us to communicate the added value of our products and services to customers, including providing product information. In these and other ways, IY aims to raise customer loyalty.

In apparel, where IY has been facing the challenge of improving profitability, the store plans to set itself apart chiefly through four core lines of private-brand products, including *GALLORIA L&B*. It will also develop proposal-based sales shops by creating areas where customers can find full apparel combinations and get advice on them. In conjunction with these steps, IY will strive to reduce markdown losses by raising the purchasing rate at normally marked prices. This will be achieved by initially stocking apparel in line with a hypothetical sales volume plan and producing additional inventory as needed on a timely basis.

In the food category, we will expand the *Seven Premium* line of private-brand products. In addition, in fresh foods we will differentiate our offerings through improved quality and thereby encourage customers to visit our stores. For national-brand products, we will utilize the Group's strengths to reduce procurement costs and improve the gross profit margin.

Store Initiatives

In store openings, we will focus on *Ario* mall-type shopping centers. We started opening *Ario* shopping centers in 2005

Ario shopping center

and have steadily grown them into an earnings driver with our accumulated management knowhow and other expertise. We view *Ario* as a format with huge potential because it has high customer-drawing power thanks to the ability to attract large tenants, and because it offers cultural, educational, medical and financial services. The combination of these information services and product sales means the format can make comprehensive proposals. There were 14 *Ario* shopping centers at the end of February 2013, and we plan to open another six over the next three years to increase the number to 20. Three of these will be opened in the fiscal year ending February 28, 2014, including *Ario* Sendai Izumi, which has been converted from an Ito-Yokado brand format.

In our existing stores, we will continue to push through store structure reforms. By rightsizing directly-managed sales floor space for apparel and household goods, we have started to see efficiency improvements. However, we will continue working to raise the profitability of stores as a whole, in combination with the use of specialty stores from inside and outside the Group. Moreover, we intend to actively make investments in sales to increase the competitiveness of profitable stores in the Tokyo metropolitan area.

MESSAGE FROM ATSUSHI KAMEI, PRESIDENT OF ITO-YOKADO CO., LTD.

Transforming Ito-Yokado to Offer Customers a Pleasurable and Fresh Shopping Experience

Our business isn't just simply about each store offering a wide product lineup of apparel, household goods, food, and other items according to regional needs. We also create added value by offering various information and services. The key requirements of IY in this day and age are to strengthen our customer service ability, promote store reforms, and provide high-quality products. In our drive to achieve these goals, we are emphasizing communication between locally based part-time staff and customers, as we move from a self-service to a customer service-centric sales approach. In store reforms, we continue to develop stores that will play a role in local communities. These stores are barrier free, offer clean toilets and rest areas, have wider aisles, provide sign language services, and boast other amenities. Our flagships here are *Ario* shopping centers, which offer a full complement of goods, information, and services. In terms of products, we will aggressively promote sales of the *Seven Premium* line of private-brand products to help achieve the Group sales target of ¥1 trillion in the fiscal year ending February 2016.

To continue to please and earn the support of everyone in our local communities, we feel strongly that we must take IY to an even higher stage of evolution—one that responds to changes in the social environment. Drawing on synergies with Group companies, we are determined to rise to the challenge of creating new value going forward.

MESSAGE FROM ZENKO OHTAKA, PRESIDENT OF YORK-BENIMARU CO., LTD.

Aiming Always To Be the No. 1 Supermarket in Local Communities

The essential challenge in our business is to keep customers coming back to our stores every day by earning their unequivocal loyalty, in the sense that they know they can trust us when they go shopping. We have garnered customer support by eschewing a sales approach that hinges on limited-time large-scale sales promotions, and instead focusing on an everyday fair price system where customers can make purchases at reasonable prices whenever they come to our stores.

In terms of products, I feel it is important to provide high-value-added products through rigorous quality assurance in order to be comprehensively judged on service, product lineups, and freshness by customers. To improve our product line in delicatessen products, which are offered by our wholly owned subsidiary, Life Foods Co., Ltd., we brought a new plant online in March 2013 that was built specifically for these items. We are thus establishing an integrated production and sales business model, as we seek to develop and sell products catering to increasingly diverse needs.

In terms of stores, we are pursuing a market concentration strategy. By building on this strategy, we aim to achieve low-cost operations and capture the No. 1 share in each region in terms of sales.

As we work to establish a new lifestyle proposal-based supermarket concept to respond to change in the social environment, our greatest imperative is to develop an organization where people can function autonomously and act responsibly. If each and every employee can act with an understanding of the company's philosophy and principles, I believe we will be able to grow even more.

Department Store Operations

Department store operations comprise department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department stores are developed under two brands, Sogo and SEIBU.

Overview of the Fiscal Year Ended February 28, 2013

In the fiscal year ended February 28, 2013, the department store segment's revenues from operations were ¥884.0 billion, down 1.8%, and operating income was ¥8.0 billion, down 19.3%. Capital expenditures totaled ¥18.2 billion, up 13.7%, and depreciation and amortization increased 4.7%, to ¥14.6 billion.

The decline in revenues from operations was mainly due to the closure of Sogo Hachioji in the previous fiscal year. However, sales at existing stores rose 0.9% year on year, driven by the benefits of remodeling the SEIBU Ikebukuro flagship store and Sogo Yokohama. On the other hand, operating income declined as the gross profit margin declined 0.2 of a percentage point, dragging down earnings. This decline in the gross profit margin mainly reflected lower apparel sales and higher sales of high-priced, low-margin products, namely art and jewelry.

With the objective of focusing management resources and increasing asset efficiency, SEIBU Numazu and Sogo Kure were closed on January 31, 2013.

Business Strategies for the Fiscal Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥887.0 billion, up 0.3%, and operating income of ¥8.9 billion, up 10.8%. Capital expenditures

REVENUES FROM OPERATIONS
¥884.0 billion
(1.8)%

OPERATING INCOME
¥8.0 billion
(19.3)%

CAPITAL EXPENDITURES
¥18.2 billion
+13.7%

Limited Edition
Private-brand apparel at Sogo & Seibu

are forecast at ¥16.0 billion, down 12.4%, and depreciation and amortization at ¥12.0 billion, down 18.2%. The projected capital expenditures include investments for remodeling Sogo Yokohama and Sogo Omiya, aiming to build on the success of the SEIBU Ikebukuro remodeling.

At Sogo & Seibu, we will bolster sales of high-quality, distinctive products produced by our retailer-managed merchandising system, as part of our mission to achieve "new department store creation." This will also involve communicating the value of products better and improving consulting. A key aspect of this ambition is to develop people with specialist knowledge to improve customer service. Furthermore, at key stores, we intend to extend the successful examples of the remodeling of SEIBU Ikebukuro.

➔ Diagram A

➔ Diagram A

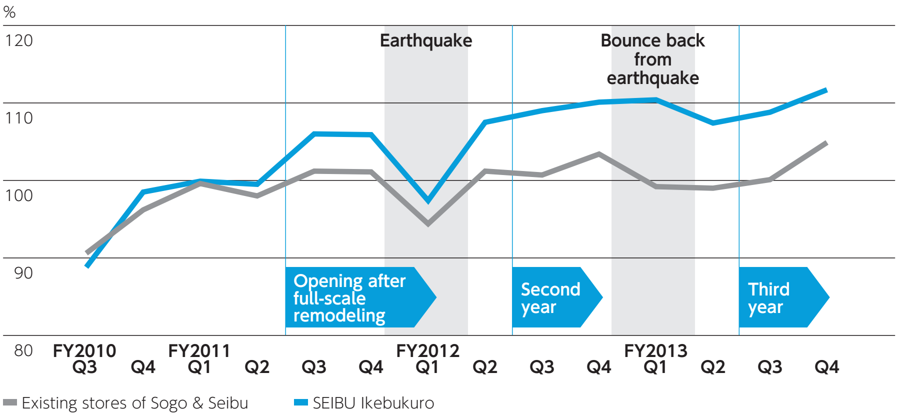
BUSINESS STRATEGIES OF SOGO & SEIBU: A MISSION TO CREATE A NEW TYPE OF DEPARTMENT STORE IN LINE WITH CHANGING LIFESTYLES

Merchandising	**Differentiate the product lineups through merchandising reforms** • Strengthen retailer-managed merchandising and store-managed sales areas • Bolster product procurement based on attribute analysis
Store operations	**Strengthen customer service capabilities** • Develop people with a high level of specialist knowledge to support autonomous operations in a retailer-managed merchandising system • Strengthen consulting from the standpoint of customers
Store initiatives	**Reinvigorate key stores, which generate 70% of sales** • Extend successful examples of the remodeling of SEIBU Ikebukuro

SALES OF SEIBU IKEBUKURO

- Sales are still growing even in the third year after remodeling
- Highlights the success of strengthening self-planned product lineups and customer service

SEIBU IKEBUKURO SALES (COMPARED WITH YEARS BEFORE REMODELING)



Sogo & Seibu

By strengthening the differentiation strategy, centered on apparel, we will move ahead with the creation of a new type of department store.

Merchandising

At Sogo & Seibu, as we work to create a new type of department store, we will concentrate on initiatives to step up our retailer-managed merchandising. Eyeing changing lifestyles, we plan to strengthen product development and sales, particularly of our *Limited Edition* private-brand lineup, through which we propose new, high-quality products. Complementing these efforts will be the development of store-managed sale areas. And, utilizing our original product information system for attribute analysis of sales data, we hope to be able to stock best-selling products faster than before. In combination with better customer service, we will raise our ability to make product proposals to customers.

Strengthening Retailer-managed Merchandising

We began sales of *Limited Edition* private-brand products in fall 2009. So far, we have developed brands for women in different roles such as home-makers and career women, among others. In the fiscal year ending February 28, 2014, we will launch a new brand for senior citizens, as we strive to broaden the lineups and upgrade sales

A store-managed sales area for interior goods

Expectant mothers Station
A consultation area for expectant and new mothers

Coordinate Station
A consultation area that proposes stylish, cross-brand ensembles for any occasion

area development. Our goal in product development is to differentiate our offerings from those of other companies, by focusing on developing products that offer high quality, but at a fraction of the price of other products. For this, we have been working with Group companies to cultivate relationships with new manufacturers and to buy materials in bulk.

Bolstering Product Procurement Based on Our Original Attribute Analysis of Sales Data

In March 2012, we began using a product information system at all of our stores. This system now facilitates analysis of attributes such as materials, design, and size on an item-by-item basis. Utilizing this unique attribute analysis system enables us to quickly identify trends of best-selling products and use that information for procuring products. At the same time, by sharing data with suppliers, we can mutually improve operating efficiency.

Store Operations

Bolstering Customer Service

To sell retailer-managed quality products and propose best-selling items based on sales data, we must ensure that our customer service personnel communicate the value of these products to customers. Aiming for highly expert sales services, Sogo & Seibu is redoubling efforts to develop trainers and sales personnel. We are also strengthening the services that we provide, such as increasing the number of consultants who do not sell products but instead provide advice about all brands on offer. We are continuing to expand these measures, which have been highly appraised by customers.

MESSAGE FROM RYU MATSUMOTO, PRESIDENT OF SOGO & SEIBU CO., LTD.

Sogo & Seibu is Fully Committed to Its Mission of "New Department Store Creation."

Upon my recent appointment as president, I set forth two key strategies for achieving the shared goal of all employees: to create a new type of department store. One is to step up retailer-managed merchandising. The other is to raise levels of customer service. In terms of the first strategy, we have succeeded in developing new, high-quality products that other department stores don't offer. We have accomplished this by improving our links with other Group members and focusing on materials and production sites. Armed with confidence from this success, our next step is to extend product development. In fact, we have set an ambitious sales target for retailer-managed merchandising of apparel of ¥100.0 billion in the fiscal year ending February 2015, 2.5 times the sales in the year ended February 2013. In regards to the second strategy of improving customer service, we no longer leave this up to our tenants as was the case in the past. Now, each and every employee is responsible for customer service on the shop floor. This is bringing about a change in employee awareness.

In developing retailer-managed merchandising, we are taking on risk, but are learning from the successes of other Group companies, most notably the development of the *Seven Premium* product line. We are also working to lower procurement costs by getting involved in the production side, and to provide quality goods suited to customers' changing lifestyles.

I believe that the Group's strengths lie in adopting a customer-centric approach and a fully committed approach. Maintaining these qualities, we remain dedicated to our mission of "new department store creation."

Food Services

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan. We also operate restaurants in Beijing, China.

REVENUES FROM OPERATIONS

¥78.3 billion
+0.4%

OPERATING INCOME

¥0.7 million
Improved profitability by ¥0.8 billion

CAPITAL EXPENDITURES

¥1.4 billion
+69.3%

Overview of the Fiscal Year Ended February 28, 2013

In the fiscal year ended February 28, 2013, the food services segment's revenues from operations were ¥78.3 billion, up 0.4%, and operating income was ¥0.7 billion, an improvement of ¥0.8 billion from the previous fiscal year. Capital expenditures totaled ¥1.4 billion, up 69.3%, and depreciation and amortization declined 4.2%, to ¥0.6 billion.

In the core restaurant division, the merchandise gross profit margin improved by 0.7 of a percentage point. In addition, the rate of growth in sales at existing restaurants increased by 0.8%, the result of efforts to strengthen core items on the menu and enhance customer service.

In the meal provision service division, we were entrusted with the cafeteria operations for the Group's Sogo and SEIBU department stores, and we increased openings of facilities in companies outside the Group. As a result, the division recorded higher revenues.

Consequently, Seven & i Food Systems, which is responsible for domestic food services, saw growth in revenues and improvement in profits.

Business Strategies for the Fiscal Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥79.0 billion, up 0.8%, and operating income of ¥1.4 billion, an increase of 94.0%. Capital expenditures are forecast at ¥1.2 billion, down 14.7%, and depreciation and amortization at ¥0.5 billion, a decrease of 21.8%.

In the restaurant division, we will reinforce our focus on the fundamentals—greetings and customer service, cleanliness, and the provision of delicious food. At the same time, we will strive to offer products and services that satisfy customers by strengthening core menu items. In products, we will step up the development of high-quality menu items with a focus on ingredients and volume, particularly for the dinner-time hours. We will also work to improve the gross profit margin through Group-wide joint raw material procurement, recipe innovations, and work process improvements at restaurants. In restaurants, we will strive to revitalize existing restaurants by remodeling older stores and revamping kitchen facilities and cooking equipment. We will also propose a new café-style type of Denny's restaurant. Through such initiatives as these, we will strive to create an environment that meets the needs of customers.

In the meal provision service division, we will focus our efforts on increasing openings of facilities in companies outside the Group.

A sample of items from the Denny's menu

Financial Services

Financial services comprise ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

REVENUES FROM OPERATIONS

¥144.3 billion
+11.4%

OPERATING INCOME

¥37.4 billion
+10.8%

CAPITAL EXPENDITURES

¥40.9 billion
+52.9%

Overview of the Fiscal Year Ended February 28, 2013

In the fiscal year ended February 28, 2013, the financial services segment's revenues from operations were ¥144.3 billion, up 11.4%, and operating income was ¥37.4 billion, an increase of 10.8%. Capital expenditures totaled ¥40.9 billion, up 52.9%, and depreciation and amortization was up 16.4%, to ¥23.6 billion.

Seven Bank recorded increases in revenues and profits atop growth in the total number of transactions. This growth was driven by increases in the number of installed ATMs (up 1,382 since the previous fiscal year-end), and the number of transactions made by customers of deposit-taking financial institutions. In October 2012, Seven Bank acquired all shares of Financial Consulting & Trading International, Inc., in the U.S., with the aim of expanding the overseas ATM business as a future growth field.

In credit card operations, transaction volume expanded due to growth in membership for both the Seven Card credit card issued by Seven Card Service and the CLUB ON/Millennium CARD SAISON credit cards issued by Seven CS Card Service.

In electronic money operations, the number of *nanaco* cards issued increased as a result of Group-wide efforts to proactively capture new members. Consequently, revenues and profits increased both in credit card and electronic money operations.

Business Strategies for the Fiscal Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥160.0 billion, up 10.8%, and operating income of ¥41.4 billion, an increase of 10.6%.

Capital expenditures are forecast at ¥43.0 billion, up 5.0%, and depreciation and amortization at ¥25.0 billion, an increase of 5.6%.

Capital expenditures are earmarked mainly for increasing the number of installed ATMs, along with investments accompanying the installation of third-generation ATMs.

Seven Bank will work to strengthen existing operations through continued increases in installed ATMs and the cultivation of new customers.

In card operations, we will work to promote usage of credit cards and the *nanaco* electronic money service. At the same time, we will put card data to good use in marketing activities as a kind of shared Group infrastructure.

Furthermore, in April 2013, Seven Card Sevice began issuing the SEVEN CARD plus, a credit card featuring *nanaco* electronic money functionality, as a new card service.

BUSINESS STRATEGIES

ATM operations	• Expand ATM operations • Replace existing ATMs with third-generation ATMs with enhanced functions • Expand international money transfer service and increase personal loan customers
Card operations	• Capture new members and encourage greater card usage • Increase the number of active members by enhancing convenience • Encourage customers to make greater use of other Seven & i Group company stores through *nanaco*

NUMBER OF CARDS ISSUED (as of February 28, 2013)

	(million)
Seven Card (credit card and point function)	3.3
CLUB ON/Millennium CARD SAISON (credit card)	3.2
nanaco (electronic money)	21.4
Seven Bank (cash card)	1.0

Others

Others comprise Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

REVENUES FROM OPERATIONS

¥50.2 billion
+5.8%

OPERATING INCOME

¥3.8 billion
+68.7%

CAPITAL EXPENDITURES

¥4.3 billion
+39.1%

Overview of the Fiscal Year Ended February 28, 2013

In the fiscal year ended February 28, 2013, the others segment's revenues from operations were ¥50.2 billion, up 5.8%, and operating income was ¥3.8 billion, an increase of 68.7%. Capital expenditures were ¥4.3 billion, an increase of 39.1% from the previous fiscal year. Depreciation and amortization decreased 4.0% to ¥2.4 billion.

In IT operations, we focused on upgrading and expanding highly convenient services. To this end, we integrated several sites into *Seven Net Shopping*, an Internet shopping website operated by Seven Net Shopping. These integrated sites included *Net Supermarket*, *Seven-Meal* and *e.depart*, which are operated by Ito-Yokado, Seven-Eleven Japan (SEJ) and Sogo & Seibu, respectively. Previously each company's site had required separate user IDs, but with this site integration, we made it possible for customers to access each Group company's services using a single user ID from any one of the integrated sites.

Net Supermarket

Business Strategies for the Fiscal Year Ending February 28, 2014

For the fiscal year ending February 28, 2014, the segment is forecasting revenues from operations of ¥52.0 billion, up 3.6%, and operating income of ¥4.0 billion, an increase of 2.9%. Capital expenditures are forecast at ¥6.8 billion, up 57.0%, and depreciation and amortization at ¥3.3 billion, an increase of 32.8%. Capital expenditures are earmarked primarily for investments related to construction of Seven Net Shopping's distribution center.

In IT/services, we will work to maximize synergies through interaction between Internet shopping operations and the Group's domestic network of about 16,800 stores, one of the Group's strengths. In particular, Seven Net Shopping will further upgrade and expand its product lineups and services as it starts operating a new distribution center, with a view to strengthening business infrastructure in order to realize smooth, prompt product shipping and delivery by sharing information with suppliers.

CORE OPERATING COMPANIES IN THE OTHERS SEGMENT

The others segment principally comprises companies that operate IT/services related businesses that are associated with retail operations, the core business of the Group.

Seven & i Netmedia
Seven & i Netmedia is an intermediate holding company with overall responsibility for IT/services.

Seven Net Shopping
Seven Net Shopping operates the Group's Internet shopping services.

Seven-Meal Service
Seven-Meal Service conducts planning and operation of SEJ's meal delivery services.

7dream.com
7dream.com operates information terminal operations and provides services utilizing the multi-function copy machines in 7-Eleven stores.

Seven & i Asset Management
Seven & i Asset Management holds and manages the land and buildings of SEIBU Ikebukuro, Sogo & Seibu's flagship store.

Corporate Governance

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to maximize the enterprise value of the Seven & i Group over the long term. In taking steps to achieve this goal, the Company seeks to create Group synergies and implements the appropriate allocation of management resources. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

In this way, responsibilities are clearly allocated among Group companies, and through oversight by the directors and auditing by the audit & supervisory board members, the Company's corporate governance system strives to ensure that these operating company activities are implemented in a manner that is fair, appropriate, and effective.

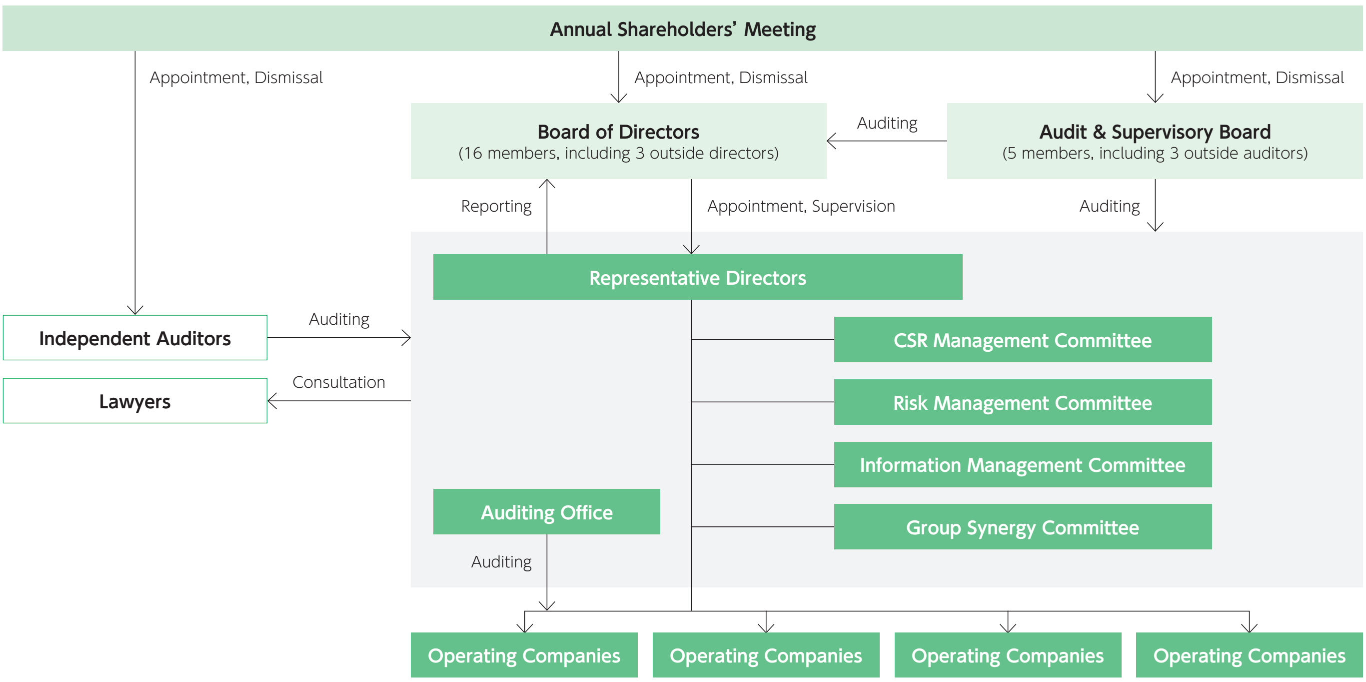
Organization

The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 16 members, of whom three are outside directors. Through the use of multiple outside directors who maintain their independence and have advanced management knowledge and experience, the Company protects the interests of general shareholders and enhances the quality of decision making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of directors has been set at one year.

To facilitate prompt decision making and business execution, the Company has introduced the executive officer system. Under this system, the Board of Directors is able to focus on the formulation of management strategies and the oversight of business execution, while the executive officers can focus on business execution.

The Audit & Supervisory Board comprises five members, including three outside audit & supervisory board members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting.

CORPORATE GOVERNANCE SYSTEM (As of May 23, 2013)



Each audit & supervisory board member takes such steps as attending meetings of the Board of Directors and other important meetings, exchanging opinions with the representative directors, periodically receiving reports from directors and others regarding business execution, and actively exchanging information with the Auditing Office. Through these activities, the audit & supervisory board members audit the fulfillment of the duties of directors. In addition, the audit & supervisory board members actively exchange information with the independent auditors to maintain close ties with them with respect to financial audits.

Strengthening Corporate Governance

Seven & i Holdings appoints outside directors and outside audit & supervisory board members to enhance its management oversight function and increase transparency. All of the outside directors and outside audit & supervisory board members are independent from the Company.

These outside directors and outside audit & supervisory board members hold periodic meetings, as necessary, with the Board of Directors, representative directors, and individual directors to exchange opinions regarding such matters as the Group's management and corporate governance. In addition, the Company assigns employees to assist the outside directors and the outside audit & supervisory board members. The Company has established a support system that facilitates smooth information exchange and close interaction with the inside directors and inside audit & supervisory board members.

Furthermore, to strengthen corporate governance from an organizational perspective, the Company has established the CSR Management Committee, the Risk Management Committee, the Information Management Committee, and the Group Synergy Committee under the representative directors. Each committee works with the operating companies to determine and disseminate the Group's policies.

Reinforcing Internal Control Systems

Seven & i Holdings has worked to enhance its internal control systems to achieve the required conditions of internal control: (1) operational effectiveness and efficiency; (2) reliability in financial reporting; (3) strict compliance with laws and regulations in operating activities; and (4) appropriate preservation of assets.

The Board of Directors responded to the enforcement of the Corporate Law of Japan in May 2006 by passing a resolution concerning the Company's "Basic Policy on Internal Control Systems." The Board of Directors continually monitors the establishment of various rules as well as the status of risk management. In February 2009, as one facet of initiatives implemented in response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Law, the Company formulated a set of "Rules for Establishing Internal Control Concerning Financial Reporting."

Up to February 2009, as an independent department responsible for internal auditing, the Auditing Office served an oversight function involving verification and guidance provision for the internal auditing of the major operating companies as well as an internal auditing function involving auditing of the holding company, Seven & i Holdings. Through this reorganization, the Company consolidated these functions under the operational auditing director, and the Company established the position of internal control evaluation director. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

In addition to system enhancement, the Company is also taking steps to ensure that awareness of internal control permeates the Company. To that end, the Company distributes an Internal Control Handbook to all employees throughout the Group and is striving to maintain accuracy and enhance operating efficiency.

Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

The outside directors expressed their opinions—mainly from the perspective of management and administration for Mr. Shimizu, management and administration and corporate social responsibility for Mr. Davis, and organizational and management theory for Mr. Nonaka—and gave advice and made proposals to ensure the suitability and appropriateness of the Board of Directors' decision making.

The outside audit & supervisory board members asked questions and expressed their opinions as appropriate—mainly from a legal perspective for Ms. Suzuki, a corporate governance perspective for Ms. Suto, and a finance and accounting perspective for Mr. Fujinuma.

Basic Approach to Compensation of Directors and Audit & Supervisory Board Members

In regard to the compensation of directors and audit & supervisory board members, the Company emphasizes compensation that is linked with financial results and enterprise value. To further increase motivation and the desire to contribute to improved financial results and increased enterprise value, and to secure highly capable human resources who will support enhanced corporate governance through appropriate supervision and auditing of operational execution, the Company provides compensation levels and compensation systems that are appropriate to responsibilities.

Compliance

Each of the Group's major operating companies has established a Corporate Ethics Committee with the aim of cultivating awareness among employees of the "Seven & i Holdings Corporate Action Guidelines" and compliance with applicable laws and regulations. The Seven & i Holdings Corporate Action Guidelines were revised in September 2011 in line with changes in the Group's fields of business and operating environment. In addition, each operating company formulated Principles for Action Guidelines and specified standards for the actions of employees. Moreover, the personnel responsible for the operating companies' Corporate Ethics Committees participate in the Seven & i Holdings Corporate Ethics and Culture Subcommittee.

In this way, the Company is working to foster shared objectives and a common understanding throughout the Group and to share measures that have proven effective. Further, the operating companies' Corporate Ethics Committees analyze and verify the details of consultations from the help lines for company employees and from the Groupwide Help Line, a consultation help desk that is operated by a third-party organization for all employees of domestic consolidated subsidiaries. Through these committees, we are taking steps to improve the workplace environment, such as working to limit and prevent actions that violate the Seven & i Holdings Corporate Action Guidelines and to resolve any problems.

ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND THE AUDIT & SUPERVISORY BOARD

Outside Directors

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors
Noritaka Shimizu	Advisor for other companies	13 of 13 meetings
Scott Trevor Davis	Academic	12 of 13 meetings
Ikujiro Nonaka	Academic	11 of 13 meetings

Outside Audit & Supervisory Board Members

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors	Attendance at meetings of Audit & Supervisory Board
Yoko Suzuki	Lawyer	13 of 13 meetings	15 of 15 meetings
Megumi Suto	Academic	13 of 13 meetings	15 of 15 meetings
Tsuguoki Fujinuma	Certified Public Accountant	12 of 13 meetings	15 of 15 meetings

AMOUNTS OF COMPENSATION FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS IN THE FISCAL YEAR UNDER REVIEW

Classification of directors/ audit & supervisory board members	Number of eligible directors/ audit & supervisory board members	Total amount of compensation (¥ Million)	Total amount of compensation, etc., by type (¥ Million)		
			Fixed compensation	Results-linked compensation	
				Bonus	Stock options for stock-linked compensation
Directors (excluding outside directors)	13	253	150	44	58
Outside directors	3	32	32	—	—
Audit & supervisory board members (excluding outside audit & supervisory board members)	3	35	35	—	—
Outside audit & supervisory board members	3	29	29	—	—

(Notes)
1. Audit & supervisory board members (excluding outside audit & supervisory board members) include one audit & supervisory board member retired upon the conclusion of the 7th Annual Shareholders' Meeting, held on May 24, 2012.
2. The aggregate amounts of compensation, etc., of directors shown above do not include amounts paid as salaries for employees to directors who serve concurrently as employees.
3. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to directors shall not exceed ¥1 billion (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to corporate auditors shall not exceed ¥100 million.
4. Stock options for stock-linked compensation were issued to seven directors (excluding outside directors).

Corporate Social Responsibility (CSR)

The Seven & i Group aims to be a corporate group that contributes to building an even better society by focusing on measures to resolve social issues through its stores, products, and businesses.

For further information, please visit our CSR website.
www.7andi.com/en/csr/index.html

As the Holding Company, We Have Established the Group Policies and the Challenges Facing the Seven & i Group and Promoted CSR Management

In 2009, through dialogue with outside experts, Seven & i Holdings formulated the five Challenges Facing the Seven & i Group. The Challenges were also established with reference to ISO 26000, which are international guidelines on social responsibility, and the Global Reporting Initiative's (GRI's) Sustainability Reporting Guidelines (see right column).

In order to strengthen measures regarding the Challenges and CSR activities, we established the CSR Department, which reports directly to the president. Furthermore, we established the CSR Management Committee, which is chaired by the president and composed of the people responsible for the CSR-related divisions, and three subcommittees under its management—the Corporate Ethics and Culture Subcommittee, Consumer Affairs and Fair Business Practices Subcommittee, and Environment Subcommittee.

CHALLENGES FACING THE SEVEN & i GROUP

1. Strengthening Corporate Governance and CSR Management
2. Reducing Environmental Impact
3. Providing Safe, Reliable Products and Services
4. Coexisting with Local Communities
5. Creating Fulfilling Workplaces

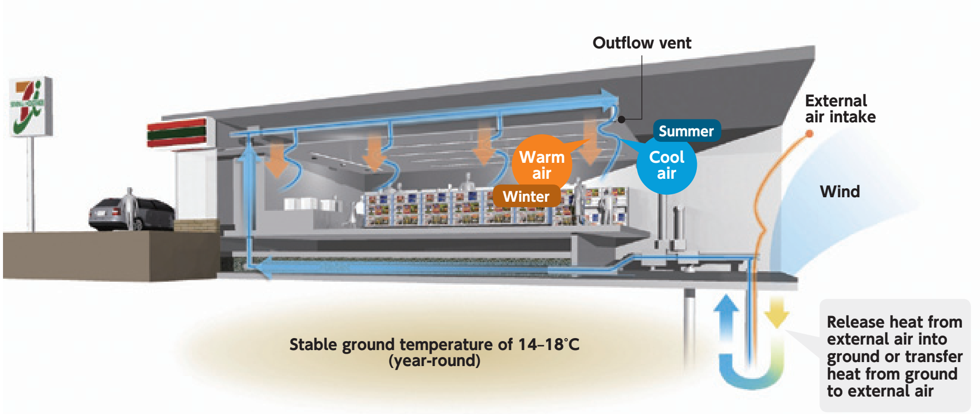
Each subcommittee formulated targets for activities in line with the Challenges, and set up project teams made up of members of each company and the CSR Department for each specific activity to be pursued. The project teams jointly explore and formulate solutions, and implement the activities after obtaining subcommittee approval.

Reducing Environmental Impact

In order to fulfill our mission of offering society safe and reliable products and convenience, the Group has continued aggressively opening new stores and developing products and services. However, the increasing number of stores, products and services has been accompanied by an increase in electricity consumption and waste volume. While suppressing the expansion of the environmental impact to the extent possible, we strive to maintain the best balance between the benefits of our business activities to society and their environmental impact.

Photo© ITTO/TJ Bruder

7-Eleven store with an air conditioning system using geo-heat



As a measure for reducing environmental impact, the Group adopts energy-saving equipment for new stores and refurbished stores. Leveraging the characteristics of the retail sector, we are also proactively conducting environmental activities in cooperation with customers by selling eco-friendly products, reducing the use of plastic disposable bags, and collecting donations for environmental protection. Moreover, as a corporate group that operates globally, we are implementing forest conservation projects both within and outside Japan to reduce the CO_2 emissions of society as a whole. We are continuing these activities to curb CO_2 emissions from deforestation and forest degradation, which represent one of the factors contributing to climate change; to foster CO_2 absorption by forests; and to secure habitats for diverse living forms.

Energy Conservation Measures Taken at Stores

Seven-Eleven Japan (SEJ) has been actively opening eco-friendly stores incorporating top lights, solar panels, LED lights and water heaters using exhaust heat from freezers. SEJ has adopted a prefabrication method for these stores which significantly reduces the number of steel frames used compared to the conventional construction method. The number of eco-friendly stores was 490 as of February 28, 2013. Electricity consumption at eco-friendly stores is 30% less than at conventional stores.

Also SEJ can reduce store construction costs by 10% per store by adopting the prefabrication method. In addition, this method reduces CO_2 emissions associated with steel frame manufacturing by 5.8 tons per store. The company has adopted the prefabrication method for 619 stores during the fiscal year ended February 28, 2013, which equates to a reduction of 3,590 tons in associated CO_2 emissions.

ESTIMATED EFFECT OF SOLAR PANEL AND LED LIGHT INSTALLATION AT SEJ IN THE FISCAL YEAR ENDED FEBRUARY 28, 2013

	Number of stores	Reduction in electricity consumption (thousand kWh)	Reduction in CO_2 emissions (tons)
Solar panels	6,500	15,103	8,443
LED lights	11,256	29,534	16,510
Total	—	44,637	24,953

As a new initiative for the fiscal year ended February 28, 2013, SEJ introduced an air conditioning system using geo-heat at four stores on a trial basis. Through the use of geo-heat, which provides a stable source of natural energy year-round, both the consumption of electricity by air conditioners and CO_2 emissions from them are expected to be reduced by about 30%. Going forward, Seven-Eleven Japan will accelerate the introduction of energy-saving equipment to its stores and explore the implementation of new initiatives.

TOPICS

Formulated CO_2 Reduction Target of around 10% for the Fiscal Year Ending February 28, 2018

The increasing number of stores has been accompanied by an increase in CO_2 emissions. Against this backdrop, in February 2013, Seven & i Holdings announced initiatives to reduce CO_2 emissions by introducing energy-saving equipment and utilizing renewable energy at its stores. The Company estimated the total CO_2 emissions of nine Seven & i Group companies in Japan in the fiscal year ending February 28, 2018, using emissions in the fiscal year ended February 29, 2012 as the base year. We are now taking steps to reduce the estimated total CO_2 emissions figure for the fiscal year ending February 28, 2018 by 10%.

Supporting Agriculture and Utilizing Food Waste

The agriculture environment in Japan has faced a major turning point, brought about by the aging of farmers, increase of farmland that is no longer cultivated, and amendments to the Agricultural Land Act.

Ito-Yokado (IY) has responded by establishing "Seven Farms" in different areas throughout Japan. "Seven Farms" aim to contribute to the revitalization of regional agriculture and improvement of agricultural productivity while utilizing food residue from stores. IY turns the food residue from its stores into compost and cultivates crops using the compost at its dedicated "Seven Farms." The harvested crops are sold mainly at neighboring stores. There are seven "Seven Farms" (approx. 50 hectares in total) across Japan as of February 28, 2013. The number of the farms is planned to be increased to 10 by February 28, 2014.

Coexisting with Local Communities

As the number of elderly people in Japanese society continues to increase while the number of children declines, we hope to make our stores part of the infrastructure of daily lives so they can be useful to customers in diverse ways. These include providing new types of shopping services and conducting corporate citizenship activities that make use of the characteristics of stores which serve as a focal point for many people.

Supporting Daily Shopping for Those in Need

The number of retail stores has decreased in many areas, along with shrinking public transportation networks in Japan. Increasing numbers of people also feel worried about driving as they age. For these reasons, the number of people who have difficulties with daily shopping has increased, mainly among the elderly, and this has become a social issue. Responding to these social trends, the Seven & i Group companies have been working to create new services for supporting daily shopping.

IY offers the Porter Service, which delivers the products purchased in stores to customers' homes on the same day, and the *Net Supermarket*.

SALES FROM *NET SUPERMARKET* AND CHANGE IN MEMBERSHIP

Net Sales (left scale)

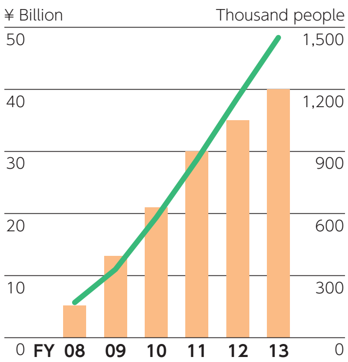
¥40.0 billion

(Fiscal year ended Feb. 28, 2013)

Number of Members (right scale)

1,450 thousand people

(as of Feb. 28, 2013)



SEJ began operating mobile stores called *Seven Anshin Delivery* utilizing proprietary light trucks equipped with store facilities. These mobile stores visit areas that are inconvenient for daily shopping and where many residents are elderly people who have trouble securing means of transportation. Also we have introduced electric mini-cars called COMS to deliver products to customers' homes and other locations. These electric vehicles offer several advantages. They emit no CO_2 or air pollutants during driving, they are easy to operate with recharging possible using ordinary household power outlets, and they are easy to drive. We plan to increase the number of COMS electric mini-cars so that an even greater number of stores can provide delivery services. By the end of the fiscal year ending February 28, 2014, we plan to deploy COMS at 1,000 stores.

Mobile store (*Seven Anshin Delivery*)

Electric mini-car COMS

Toward Increasing Japan's Food Self-Sufficiency Ratio

Japan has a low food self-sufficiency rate of about 40%*. From the standpoint of food security, one major priority for Japan is to increase the food self-sufficiency rate. Notably, there is a need to make better use of rice, given the decline in demand for this staple crop.

The Group companies sell a range of *Seven Premium* products made using domestically produced rice powder. In this initiative, we cooperate with the Komeko Club project implemented as part of the FOOD ACTION NIPPON initiative promoted by the Ministry of Agriculture, Forestry and Fisheries to increase Japan's self-sufficiency rate. By attaching the logo of the Club to the rice powder product packages, the Group contributes to increasing public awareness and consumption of rice powder.

The Group received the Grand Prix Award for the distribution section of Food Action Nippon Award 2012 in November 2012. This award recognized our initiatives to develop products using rice powder and promote them to customers at stores. Furthermore, SEJ received the Excellence Award for the product section in recognition of using domestically produced ingredients for chilled Japanese-style confectioneries.

* Calculated on a calorie basis.

Collaborating with Business Partners

The Group has diverse business partners, ranging from agricultural producers and manufacturers to wholesalers and distributors. To achieve CSR at all stages of our business activities, including the provision of safe and high-quality products, the Group aims to build cooperative relations with them as equal partners and promote CSR jointly.

The Group conducts training on relevant laws and regulations and rules. The Group has also formulated the "Seven & i Holdings Business Partner Action Guidelines." In Japan, we strive to promote our business partners' understanding of CSR, and have established the Business Partner Help Line outside the Company for exclusive use by our business partners to ensure fair trading with the Group.

Business Partner CSR Audit

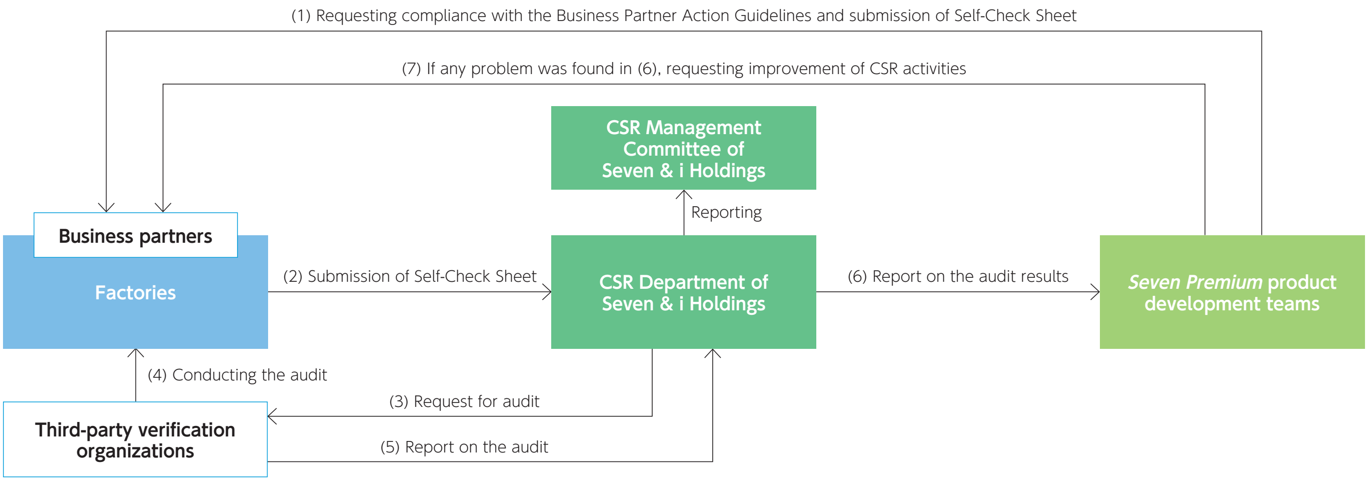
To get a better understanding of our business partners' CSR initiatives and to promote CSR activities among them, we require the contract manufacturers of our Group's private brands in Japan to answer and submit a Self-Check Sheet with items related to the Seven & i Holdings Business Partner Action Guidelines. For some factories owned by business partners, outside verification organizations check the status of compliance with the Guidelines based on 142 audit items in 16 categories (see right column) established independently by the Company.

For non-compliance matters found in the audit, corrective measures are implemented pursuant to the Corrective Action Plan issued by the business partner under the guidance of the verification organization. We issue compliance certificates (valid for three years) for business partners once they have completed implementing the corrective measures.

AUDIT CATEGORIES

1. Management systems and code implementation
2. Forced labor
3. Freedom of association
4. Health and safety
5. Child labor and young workers
6. Living wage
7. Working hours
8. Discrimination
9. Regular employment
10. Subcontracting, home working, and external processing
11. Discipline
12. Environment
13. Fair business practices
14. Product safety
15. Security management
16. Community benefits

PROCESS FLOW OF BUSINESS PARTNER ACTION GUIDELINES OPERATION (FOR *SEVEN PREMIUM* PRODUCTS)



Management Framework

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

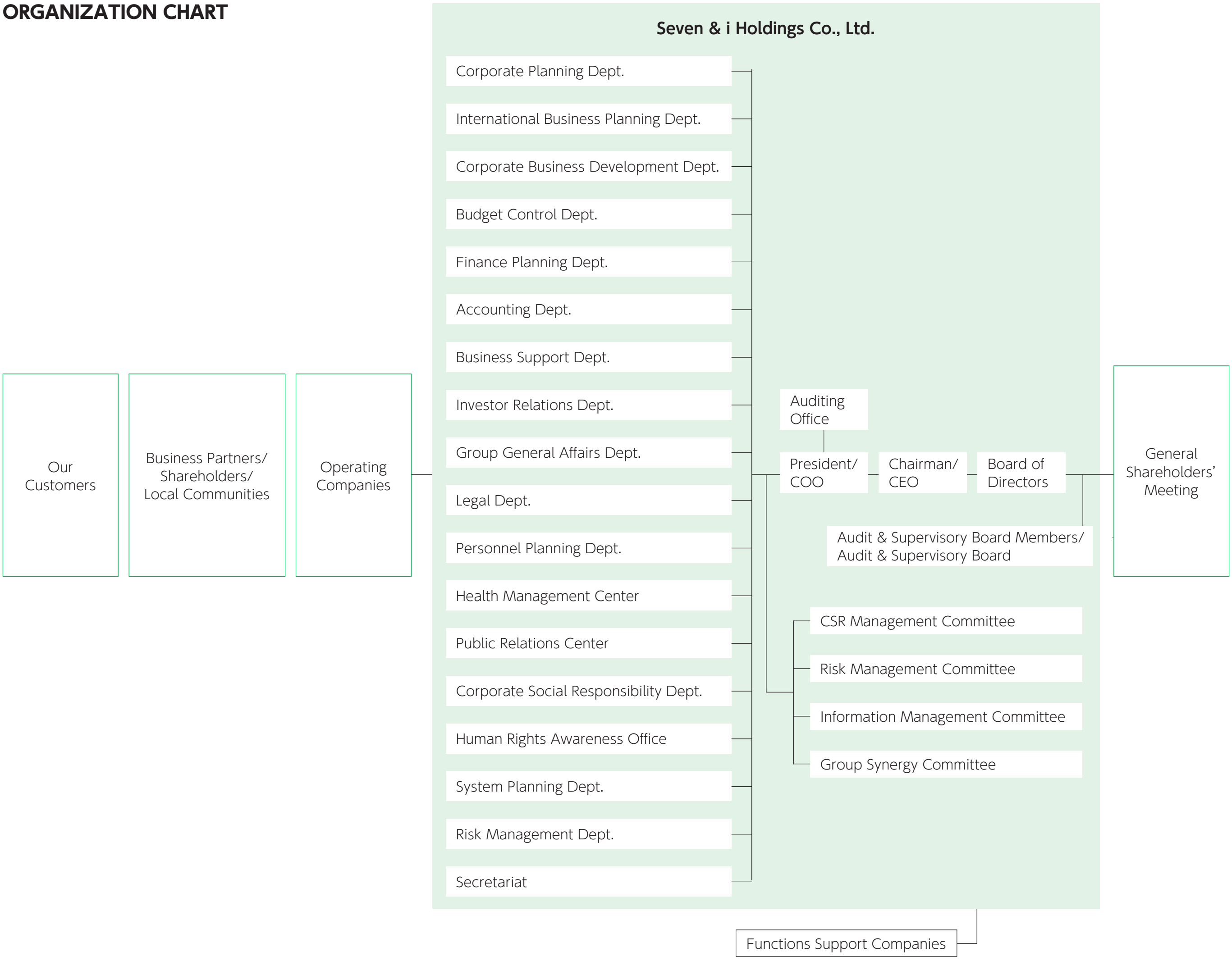
As of May 23, 2013

Board of Directors		Area of Responsibility and Important Concurrent Positions
Representative Director and Chairman	Toshifumi Suzuki	Chief Executive Officer (CEO) Representative Director and Chairman and Chief Executive Officer (CEO) of Seven-Eleven Japan Co., Ltd. Representative Director and Chairman and Chief Executive Officer (CEO) of Ito-Yokado Co., Ltd. Representative Director and Chairman of 7-Eleven, Inc. Representative Director and Chairman of SEVEN-ELEVEN (HAWAII), INC.
Representative Director and President	Noritoshi Murata	Chief Operating Officer (COO)
	Katsuhiro Goto	Chief Administrative Officer (CAO) Managing Executive Officer Senior Officer of the System Planning Department Representative Director and President of Seven & i Netmedia Co., Ltd. Director of Ito-Yokado Co., Ltd. Director of Sogo & Seibu Co., Ltd.
	Tsuyoshi Kobayashi	Executive Officer Senior Officer of the Corporate Planning Department Senior Officer of the International Business Planning Department Senior Officer of the Corporate Business Development Department
	Junro Ito	Executive Officer Senior Officer of the Corporate Social Responsibility Department
	Kunio Takahashi	Chief Financial Officer (CFO), Executive Officer Senior Officer of the Finance Planning Department Representative Director and President of Seven & i Asset Management Co., Ltd. Representative Director and President of SEVEN & i Financial Center Co., Ltd.
	Akihiko Shimizu	Executive Officer Senior Officer of the Accounting Department
	Atsushi Kamei	Representative Director and President and Chief Operating Officer (COO) of Ito-Yokado Co., Ltd. Director of Sogo & Seibu Co., Ltd.
	Ryuichi Isaka	Representative Director and President and Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
	Takashi Anzai	Representative Director and Chairman of Seven Bank, Ltd.
	Zenko Ohtaka	Representative Director and President and Chief Operating Officer (COO) of York-Benimaru Co., Ltd.
	Ryu Matsumoto	Representative Director and President of Sogo & Seibu Co., Ltd.
	Tsuneo Okubo	Representative Director and President of Seven & i Food Systems Co., Ltd.
Outside Director	Noritaka Shimizu	Advisor of TOYOTA MOTOR CORPORATION Advisor of TOYOTA HOUSING CORPORATION
Outside Director	Scott Trevor Davis	Professor of the Department of Global Business, College of Business, Rikkyo University
Outside Director	Ikujiro Nonaka	Emeritus Professor of Hitotsubashi University Xerox Distinguished Professor in Knowledge, Haas School of Business, University of California, Berkeley Emeritus Scholar of The Drucker School, Claremont Graduate University

Audit & Supervisory Board Member		Area of Responsibility, and Important Concurrent Positions
Standing Audit & Supervisory Board Member	Hisashi Seki	Audit & Supervisory Board Member of Seven-Eleven Japan Co., Ltd.
Standing Audit & Supervisory Board Member	Hideo Nomura	Audit & Supervisory Board Member of Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., and York Mart Co., Ltd.
Outside Audit & Supervisory Board Member	Yoko Suzuki	Attorney at Law
Outside Audit & Supervisory Board Member	Megumi Suto	Dean of the Waseda Graduate School of Finance, Accounting and Law
Outside Audit & Supervisory Board Member	Tsuguoki Fujinuma	Certified Public Accountant

Executive Officers		Area of Responsibility
Chief Executive Officer (CEO)	Toshifumi Suzuki	
Chief Operating Officer (COO)	Noritoshi Murata	
Chief Administrative Officer (CAO) Managing Executive Officer	Katsuhiro Goto	
	Tsuyoshi Kobayashi	
	Junro Ito	
Chief Financial Officer (CFO)	Kunio Takahashi	
	Akihiko Shimizu	
	Yoshihiro Tanaka	Senior Officer of Budget Control Department
	Yasuo Takaha	Senior Officer of Public Relations Center
	Masataka Tosaya	Senior Officer of Personnel Planning Department
	Akira Miyakawa	Assistant to President
	Kazuyo Sohda	Senior Officer of Health Management Center
	Seiichiro Sato	Senior Officer of Group General Affairs Department
	Shinobu Matsumoto	Senior Officer of Investor Relations Department
	Hisataka Noguchi	Senior Officer of Legal Department
	Kimiyoshi Yamaguchi	Senior Officer of Public Relations Center

ORGANIZATION CHART



Financial Section

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Consolidated Financial Summary

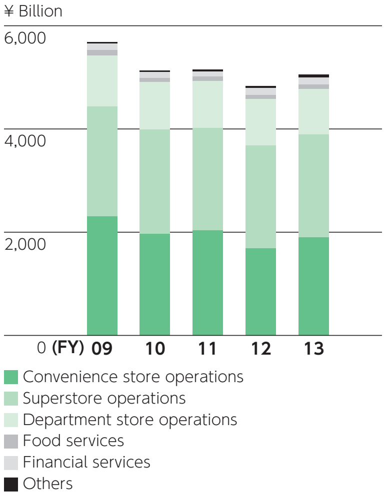
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013, February 29, 2012 and February 28, 2011

		Millions of yen		Thousands of U.S. dollars (Note A)
	2013	2012 (Note B)	2011	**2013**
For the fiscal year:				
Revenues from operations	**¥4,991,642**	¥4,786,344	¥5,119,739	**$53,673,569**
Operating income	**295,685**	292,060	243,346	**3,179,408**
Income before income taxes and minority interests	**262,722**	230,817	223,291	**2,824,967**
Net income	**138,064**	129,837	111,961	**1,484,559**
Capital expenditures (Note C)	**334,216**	255,426	338,656	**3,593,720**
Depreciation and amortization (Note D)	**155,666**	139,994	132,421	**1,673,827**
At fiscal year-end:				
Total assets	**¥4,262,397**	¥3,889,358	¥3,732,111	**$45,832,225**
Cash and cash equivalents	**800,087**	733,707	656,747	**8,603,086**
Total current assets	**1,655,528**	1,516,584	1,406,594	**17,801,376**
Total current liabilities	**1,534,579**	1,385,728	1,348,728	**16,500,849**
Long-term debt	**545,588**	475,811	472,111	**5,866,537**
Total net assets	**1,994,740**	1,860,954	1,776,512	**21,448,817**

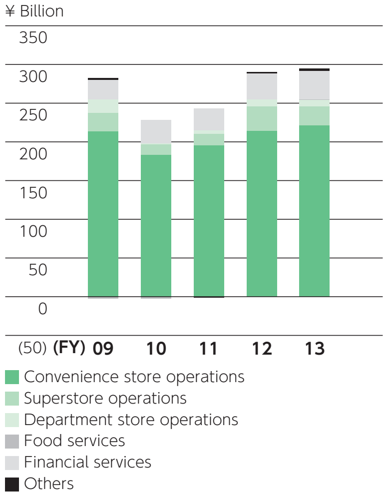
		Yen		U.S. dollars (Note A)
	2013	2012	2011	**2013**
Per share data:				
Net income (basic)	**¥156.26**	¥146.96	¥126.21	**$1.68**
Net income (diluted)	**156.15**	146.88	126.15	**1.67**
Cash dividends	**64.00**	62.00	57.00	**0.68**
Financial ratios:				
Operating income ratio (Note E)	**5.9%**	6.1%	4.8%	**5.9%**
Net income ratio (Note E)	**2.8%**	2.7%	2.2%	**2.8%**
ROE	**7.6%**	7.5%	6.5%	**7.6%**
ROA	**3.4%**	3.4%	3.0%	**3.4%**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93=U.S.$1, the approximate rate of exchange prevailing on February 28, 2013.
(B) From the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements, from "gross amount" to "net amount."
(C) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(E) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

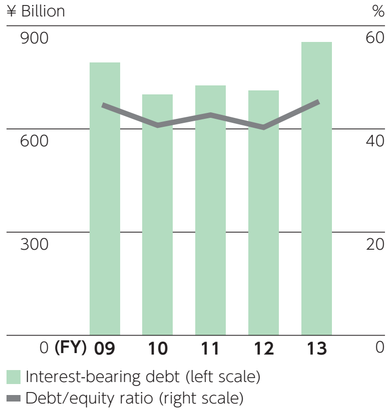
REVENUES FROM OPERATIONS BY BUSINESS SEGMENT



OPERATING INCOME (LOSS) BY BUSINESS SEGMENT



INTEREST-BEARING DEBT DEBT/EQUITY RATIO



Financial Summary of Principal Group Companies

Non-consolidated basis

SEVEN-ELEVEN JAPAN CO., LTD.

Millions of yen

For the fiscal years ended February 28 or 29	2013	2012	2011
Revenues from operations	¥ 617,559	¥ 576,186	¥ 549,111
Operating income	186,763	183,160	169,152
Net income	112,446	100,738	102,049
Total store sales	3,508,444	3,280,512	2,947,606
Existing stores sales increase (%)	1.3	6.7	2.2
Merchandise gross profit margin (%)	30.0	29.7	30.5
Average daily sales per store (thousands of yen)	668	669	629
Number of stores	15,072	14,005	13,232

7-ELEVEN, INC.

Millions of yen

For the fiscal years ended December 31	2012	2011	2010
Revenues from operations	¥1,247,287	¥1,086,522	¥ —
Operating income	38,175	32,737	33,328
Net income	22,378	22,413	18,918
Total store sales	1,852,162	1,624,095	1,470,632
Merchandise	954,100	876,672	883,905
Gasoline	898,062	747,423	586,726
Existing stores sales increase (U.S. merchandise sales) (%)	2.9	2.8	1.5
Merchandise gross profit margin (%)	35.2	34.7	35.1
Number of stores	8,118	7,149	6,610

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of U.S.$1=¥79.81, ¥79.80, and ¥87.79, the rate of exchange for 2012, 2011, and 2010, respectively.
(B) In the fiscal year ended December 2012, SEJ Asset Management & Investment Company was established to manage tangible and intangible fixed assets received from 7-Eleven, Inc., as well as leasing operations related to 7-Eleven, Inc. From the fiscal year ended December 2012, consolidated figures of SEJ Asset Management & Investment Company as a parent company are presented as financial figures of 7-Eleven, Inc.
(C) The amounts for each fiscal year reflect adjustments necessary for the creation of Seven & i Holdings' consolidated accounts.
(D) From the fiscal year ended December 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchised agreements, from "gross amount" to "net amount."

ITO-YOKADO CO., LTD.

Millions of yen

For the fiscal years ended February 28 or 29	2013	2012	2011
Revenues from operations	¥1,332,292	¥1,361,060	¥1,373,670
Net sales	1,302,923	1,334,297	1,349,345
Operating income	9,009	10,554	2,155
Net income (loss)	1,687	(520)	6,696
Existing stores sales increase (decrease) (%)	(4.3)	(2.6)	(2.5)
Merchandise gross profit margin (%)	29.9	29.7	29.1
Number of stores	174	173	170

YORK-BENIMARU CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥363,862	¥348,600	¥343,379
Net sales	358,061	342,944	337,734
Operating income	11,854	14,955	8,877
Net income	7,731	1,430	5,093
Existing stores sales increase (decrease) (%)	0.0	1.5	(4.1)
Merchandise gross profit margin (%)	26.0	27.0	26.6
Number of stores	184	176	170

SOGO & SEIBU CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥810,998	¥830,340	¥846,796
Net sales	798,427	817,927	834,723
Operating income	10,040	11,159	7,385
Net income (loss)	(3,650)	9,964	5,831
Existing stores sales increase (decrease) (%)	0.9	(0.5)	0.0
Merchandise gross profit margin (%)	24.9	25.1	25.4
Number of stores	24	26	27

SEVEN & i FOOD SYSTEMS CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥78,238	¥77,940	¥80,167
Net sales	77,706	77,400	79,609
Operating income (loss)	868	22	(89)
Net loss	(439)	(879)	(2,009)
(Restaurant division)			
Existing stores sales increase (decrease) (%)	0.8	(1.0)	0.5
Merchandise gross profit margin (%)	69.0	68.3	68.3
Number of stores	476	486	489

SEVEN BANK, LTD.

For the fiscal years ended March 31	2013	2012	2011
			Millions of yen
Ordinary income	¥94,105	¥88,318	¥83,964
Ordinary profit	32,013	29,557	27,449
Net income	19,515	17,267	16,008
Daily average transactions per ATM	111.1	112.6	112.3
Total number of transactions (millions)	698	655	609
Number of installed ATMs	18,123	16,632	15,363

Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2013, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥4,991.6 billion, an increase of ¥205.2 billion year on year, due to higher revenues mainly in convenience store operations. Operating income increased by ¥3.6 billion to ¥295.6 billion, primarily as a result of higher income in convenience store operations and financial services.

Convenience Store Operations

Seven-Eleven Japan (SEJ), the core operating company in the convenience store operations, took an aggressive approach to opening stores, expanding its regional coverage by opening stores in Akita Prefecture, and continuing to strengthen store openings in urban areas. As a result, the number of domestic stores reached 15,072 at the end of the fiscal year under review, an increase of 1,067 stores from the end of the previous fiscal year. In merchandising, SEJ continued its mission to realize "close-by, convenient stores" by bolstering its lineup of products for which daily food shopping needs are high, such as *Seven Premium* private-brand products, *sozai* prepared meals, vegetables, and desserts. SEJ also positioned its lineup of daily essentials as core products and focused on enhancing this lineup at each store. In services, SEJ also took steps to further increase convenience. These included revising service details so that customers will find services even more convenient to use, such as revision of delivery fees for the *Seven-Meal* meal delivery service. In another step we launched *Seven RakuRaku Delivery*, a service for delivering almost all products in stores to customers' homes, offices, and other locations using electric mini-cars. As a result of these initiatives, sales at existing stores grew 1.3%. Total store sales, which comprise directly-operated and franchised store sales, rose 6.9% to ¥3,508.4 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 6.1% to ¥926.2 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were up 10.2% to ¥940.2 billion, and sales of daily food items, which include bread, pastries, and milk, were up 11.3% to ¥449.0 billion. Sales of nonfood products, which include cigarettes and sundries, were up 3.6% to ¥1,192.8 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly-operated stores, were up 7.2% to ¥617.5 billion.

In North America, 7-Eleven, Inc. (SEI) aggressively expanded its store network, opening 1,078 stores, including stores acquired from Tetco, Inc. in Texas. At the end of December 2012, SEI had 8,118 stores, an increase of 969 stores year on year. SEI continued to focus on the development and sale of fresh food and private-brand products. In addition, higher sales of hot food and non-alcoholic beverages had a positive effect on sales.

On a U.S. dollar basis, merchandise sales at existing stores in the United States increased 2.9% year on year. Consequently, SEI's total store sales rose 14.0% to ¥1,852.1 billion, due primarily to higher gasoline sales.

In China, SEVEN-ELEVEN (BEIJING) had 138 stores in Beijing and 62 in Tianjin as of the end of December 2012. Meanwhile, SEVEN-ELEVEN (CHENGDU), had 87 stores as of the end of December 2012. In each of these areas, the stores met the needs of local customers and sales recorded favorable

PLAN FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2014

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/ decrease	Special factors (Impact of increase/decrease represents impact on income)
Revenues from operations	¥5,640.0 billion	+13.0%	+¥648.3 billion	• Effect of foreign currency translation: Approx. +¥237.0 billion
Operating income	¥340.0 billion	+15.0%	+¥44.3 billion	• Effect of change in accounting method for depreciation and amortization: +¥24.8 billion • Effect of foreign currency translation: Approx. +¥6.5 billion

Notes 1. Exchange rates used for income statements: fiscal year ended Feb. 28, 2013: U.S.$1=¥79.81 (actual); assumption for fiscal year ending Feb. 28, 2014: U.S.$1=¥92.00 (Yen depreciation of ¥12.19)

2. From the fiscal year ending February 28, 2014, the Company and its domestic consolidated subsidiaries (except for certain operating companies) changed the depreciation method for property and equipment from the declining-balance method to the straight-line method. As a result of this change, the forecast of operating income and ordinary income increased by 24.8 billion yen.

CONSOLIDATED OPERATING INCOME BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/ decrease	Effect of change in accounting method for depreciation and amortization
Consolidated operating income	¥340.0 billion	+15.0%	+¥44.3 billion	+¥24.8 billion
Convenience store operations	¥249.0 billion	+12.3%	+¥27.2 billion	+¥11.0 billion
Superstore operations	¥39.6 billion	+55.3%	+¥14.1 billion	+¥9.6 billion
Department store operations	¥8.9 billion	+10.8%	+¥0.8 billion	+¥0.2 billion
Food services	¥1.4 billion	+94.0%	+¥0.6 billion	+¥0.2 billion
Financial services	¥41.4 billion	+10.6%	+¥3.9 billion	+¥3.0 billion
Others	¥4.0 billion	+2.9%	+¥0.1 billion	+¥0.7 billion

progress, despite a temporary dip in sales that appeared from September 2012.

Consequently, revenues from operations in convenience store operations were ¥1,899.5 billion, up 12.3% year on year, while operating income was ¥221.7 billion, up 3.3%. Moreover, the impact of currency exchange rates on the revenues from operations and operating income of the convenience store operations segment was immaterial.

Superstore Operations

Ito-Yokado was operating 174 stores, up one store year on year, as of February 28, 2013. In apparel, we recorded solid sales of our four core lines of pivate-brand products—*good day*, *GALLORIA L&B*, *Kent*, and functional underwear products. In addition, we promoted face-to-face sales at stores and implemented promotions utilizing the media in order to emphasize the value of these products. In the food category, we worked to provide safe, secure products and to strengthen our lineup of high-quality products. However, due to our limiting of large-scale sales promotions and other factors, sales at existing stores declined 4.3% year on year, and net sales were down 2.4%, to ¥1,302.9 billion. By product category, apparel sales in the fiscal year under review were down 3.9% to ¥230.8 billion; sales of household goods declined 7.0% to ¥160.9 billion; and sales of food were down 3.8% to ¥623.5 billion. Despite these year-on-year declines in sales, profitability improved in the second half, mainly due to a reduction in markdown losses and an improving gross profit margin reflecting growth in sales of private-brand products.

York-Benimaru (YB) had 184 stores as of February 28, 2013, an increase of eight stores year on year, principally in the southern part of the Tohoku region. York Mart had 71 stores in the Tokyo metropolitan area, an increase of three stores from a year earlier. YB saw a backswing from the post-earthquake surge, but nevertheless maintained about the same level of existing store sales as a year before by continuing to approach sales with a focus on making lifestyle proposals centered on fresh foods, including *sozai* prepared meals. Net sales of YB were ¥358.0 billion, an increase of 4.4% from the previous fiscal year as we pursued aggressive store openings in existing store areas under our market concentration strategy.

In China, as of December 31, 2012, we had eight superstores in Beijing and five superstores in Chengdu, Sichuan Province. The rates of growth in sales at existing stores was lower year on year mainly due to the impact of the deterioration in sales accompanying major renovation work on the Second Ring Road in Chengdu from August 2012.

As a result, revenues from operations in superstore operations were ¥1,994.5 billion, an increase of 0.1% from the previous fiscal year, and operating income was ¥25.4 billion, a decrease of 21.4%.

Department Store Operations

Sogo & Seibu worked to maximize the effects of the remodeling of the SEIBU Ikebukuro flagship store and to introduce examples of those successful reforms to other stores. We also started to remodel Sogo Yokohama. In merchandising, we strengthened retailer-managed merchandise and store-managed floor areas to achieve differentiation. As a result, sales at existing stores grew 0.9% year on year. Net sales declined 2.4% to ¥798.4 billion, however, due to the impact of closing Sogo Hachioji.

As a result, revenues from operations in department store operations were ¥884.0 billion, down 1.8%, and operating income was ¥8.0 billion, a decline of 19.3%.

Food Services

In the restaurant division of Seven & i Food Systems, sales at existing stores climbed 0.8% year on year in the absence of the impact of reduced operating hours following the Great East Japan Earthquake, in addition to efforts to strengthen core menu items and enhance customer service capabilities.

As a result, revenues from operations in food services were ¥78.3 billion, up 0.4% and operating income was ¥0.7 billion, an improvement of ¥0.8 billion from an operating loss in the previous year.

Financial Services

In financial services, Seven Bank continued working to install ATMs in new locations inside and outside the Group. In addition, Seven Bank increased the number of its affiliated financial institutions. As of the end of February 2013, Seven Bank had 17,922 installed ATMs, an increase of 1,382 ATMs from a year ago. However, the number of transactions made by customers of non-bank institutions declined, primarily due to the implementation of revisions to the law. Consequently, the daily average transactions per ATM during the fiscal year were 111.2, down 1.0 transaction year on year. However, in addition to the increase in the number of installed ATMs, the number of transactions made by customers of deposit-taking financial institutions also increased, and as a result the total number of transactions recorded a steady increase.

In credit card operations, the number of cardholders for the Seven Card, which is issued by Seven Card Service, on February 28, 2013 was 3.37 million, up 0.15 million cardholders, and the number of cardholders for the CLUB ON/ Millennium CARD SAISON, which is issued by Seven CS Card Service, was 3.21 million, up 0.09 million cardholders.

In electronic money operations, Seven Card Service worked aggressively to expand the *nanaco* electronic money service inside and outside the Group. As a result, the total number of *nanaco* accounts issued as of February 28, 2013 was 21.45 million, up 5.09 million, and the number of stores at which *nanaco* could be used was approximately 121,000 stores, up about 19,200 stores.

As a result, revenues from operations in financial services were ¥144.3 billion, up 11.4%, and operating income was ¥37.4 billion, up 10.8%.

Others

In others operations, revenues from operations were ¥50.2 billion, an increase of 5.8% from the previous fiscal year. Operating income was ¥3.8 billion, up 68.7%, mainly on the back of higher income at Seven Net Shopping.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥32.9 billion compared with net other expenses of ¥61.2 billion in the previous fiscal year. The decline in net expenses is mainly due to expenses recorded in the previous fiscal year that were not recorded in the fiscal year under review, namely, a loss on disaster of ¥25.7 billion due to the Great East Japan Earthquake, and a loss on adjustment for changes of accounting standard for asset retirement obligations of ¥22.5 billion.

Consequently, income before income taxes and minority interests increased ¥31.9 billion to ¥262.7 billion.

Net Income

Income taxes increased ¥20.5 billion year on year to ¥110.8 billion in the fiscal year under review. The main reason was that total income taxes had declined in the previous fiscal year in tandem with a rise in deferred tax assets due to the application of the consolidated taxation system from the fiscal year under review. After application of tax effect accounting, the effective tax rate was 42.2%.

Net income rose ¥8.2 billion year on year to ¥138.0 billion. The rise was due to the increase in income before income taxes and minority interests, which outweighed the effects of higher income taxes.

Net income per share was ¥156.26, up ¥9.3 per share from ¥146.96 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets on February 28, 2013 stood at ¥4,262.3 billion, up ¥373.0 billion from the end of the previous fiscal year.

Total current assets were ¥1,655.5 billion, up ¥138.9 billion from a year earlier, as cash and cash equivalents were up ¥66.3 billion, and prepaid expenses and other current assets increased ¥46.4 billion; the latter includes ATM-related temporary accounts at Seven Bank.

Property and equipment increased ¥162.3 billion, mainly due to new store openings and existing store remodeling at SEJ, and store acquisitions at SEI.

Intangible assets were up ¥82.2 billion due to goodwill generated by SEI and other factors.

Investments and other assets declined ¥10.5 billion, as prepaid pension cost increased ¥25.1 billion due to payment of a special contribution to the corporate pension fund, while investments in securities declined ¥18.4 billion due to redemption of Japanese government bonds held by Seven Bank.

Total liabilities were up ¥239.2 billion to ¥2,267.6 billion.

Total current liabilities were up ¥148.8 billion to ¥1,534.5 billion. Looking at borrowings, the total of short-term loans and long-term loans increased by ¥125.8 billion, mainly as borrowings rose in line with store acquisitions at SEI. Bonds, including the current portion due within one year, increased by ¥30.0 billion, mainly due to the issue of corporate bonds by Seven Bank.

Total net assets were up ¥133.7 billion to ¥1,994.7 billion.

Retained earnings increased ¥81.3 billion after recording net income of ¥138.0 billion, despite being reduced by ¥56.5 billion for payment of cash dividends.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, declined by ¥39.7 billion.

As a result of the above, owners' equity per share were up ¥141.61 per share from a year earlier to ¥2,140.45 per share, and the owners' equity ratio was 44.4% compared to 45.4% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥800.0 billion on February 28, 2013, up ¥66.3 billion from a year earlier. The increase resulted from the following factors. Cash was used to open new stores and to remodel existing stores. On the other hand, cash increased in the fiscal year under review due to the use of cash in the previous fiscal year to succeed the business of Seven CS Card Service. In addition, cash was provided by operations with high revenue generating capacity, centered on convenience store operations.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥391.4 billion, down ¥71.2 billion from a year earlier. Income before income taxes and minority interests increased ¥31.9 billion, and the net increase in bonds in banking business at Seven Bank was ¥30.0 billion, compared to net decrease in bonds in banking business of ¥36.0 billion in the previous fiscal year. Meanwhile, the net decrease in call loan in banking business at Seven Bank was ¥20.0 billion, compared to net increase in call loan in banking business of ¥115.0 billion in the previous fiscal year, and the Company made a special contribution of ¥27.9 billion to the corporate pension fund.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥340.9 billion, almost the same level as the previous fiscal year, although down by ¥1.8 billion. At Seven Bank, payments for purchase of investments in securities declined ¥82.4 billion, and in the previous fiscal year Seven CS Card Service spent ¥135.7 billion as payment for succession of business of Credit Saison Co., Ltd. Meanwhile, proceeds from sales of investments in securities at Seven Bank declined ¥122.9 billion, and payments for acquisition of property and equipment such as for new store openings, mainly in convenience store operations, increased ¥67.3 billion.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥10.0 billion, a change of ¥50.5 billion from net cash used of ¥40.5 billion in the previous fiscal year. Net decrease in short-term loans was ¥0.8 billion, a change of ¥39.1 billion from a net increase in the previous fiscal year, while proceeds from long-term debts mainly at SEI increased ¥82.4 billion, and repayment of long-term debts, mainly at Sogo & Seibu, declined ¥36.8 billion.

Risk Factors

Seven & i Holdings and its operating companies ("the Group") has established the framework under which it implements a Groupwide risk assessment survey to recognize potential risks through identifying and evaluating risks in an integrated and comprehensive manner on a regular basis. Based on that recognition, it prioritizes these risks, takes countermeasures that correspond to the materiality and urgency of each risk, and seeks continuous improvements through monitoring of the progress of such countermeasures.

The Group is exposed to a variety of risks and uncertainties in conducting its business, which may have a significant influence on the judgment of investors, including, but not limited to, the following. Many of these risks are interdependent and the occurrence of one risk may lead to an increase in other risks in quality and quantity.

Any of these risks may affect the Group's business performance, operating results, and financial condition.

Recognizing the potential for these risks, the Group strives to take measures to prevent risks from materializing, while taking other effective measures to promptly and adequately respond to risks when they materialize.

This section includes forward-looking statements and future expectations as of the date of this annual report.

1. RISKS RELATED TO ECONOMIC CONDITIONS

Japanese and Global Economies

The Group carries on its core operations in Japan, and also operates around the world. As a result, economic conditions such as the business climate and trends in consumer spending in Japan as well as in other countries and regions where the Group does business may affect the Group's operating results and financial condition. To cater appropriately to the needs of consumers, the Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behaviors due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

The Group is exposed to interest rate fluctuation risks that may affect the interest expenses, interest income, and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may affect its business performance and financial condition.

Foreign Exchange Rate Fluctuations

Foreign exchange rate changes can affect the yen value of assets and liabilities of the Group's overseas companies because Seven & i Holdings' consolidated financial statements are presented in Japanese yen. In addition, products sold by the Group include products that are sourced overseas and affected by changes in foreign exchange rates. Accordingly, foreign exchange rate fluctuations may affect its business performance and financial condition.

2. RISKS RELATED TO THE GROUP'S BUSINESS (GROUP-WIDE RISKS)

Procurement of Products, Raw Materials, etc., and Fluctuations in Purchase Prices

The Group's operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations.

In addition, there are products in the Group's lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

Product Safety and Representations

The Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene-related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Group's measures could reduce public trust in its products and could cause the Group to incur costs stemming from countermeasures. If such is the case, its business performance and financial condition could be affected. Further, the Group is striving to provide customers with newly value-added and high-quality products and services through the aggressive introduction of *Seven Premium* private-brand products and original products developed by respective group companies. Therefore, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Store-opening Strategy

The Group's opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the City Planning Law, and the Building Standards Law. In the event that those laws are amended or local authorities change related regulations, it may become difficult to open stores in accordance with initially prepared store-opening plans or remodel existing stores; there may be a decline in potential candidate areas for future store openings; or costs related to legal or regulatory compliance may be incurred. If such is the case, its business performance and financial condition may be affected.

M&As, Alliances, and Strategic Investments

The Group develops new businesses and reorganizes its operations by M&A, forming alliances or joint ventures with other companies, etc. However, the Group may not be able to achieve expected results or the strategic objectives of these investments. If such is the case, its business performance and financial condition may be affected.

Credit Management

The Group, in leasing stores, has paid deposits and/or guarantee deposits to store lessors. Deterioration in the economic condition of the store lessors or a drop in the value of the collateral properties received as a pledge for the deposits and/or guarantee deposits may affect its business performance and financial condition.

Impairment of Fixed Assets

The Group has many non-current assets including property and equipment and goodwill. The Group has already adopted asset impairment accounting. However, further recognition of asset impairment may become necessary due to deterioration in profitability of stores or a drop in market value of the assets. If such is the case, its business performance and financial condition may be affected.

RISKS BY SEGMENT

Convenience Store Operations

The Group's convenience store operations are primarily organized under a franchise system, and chain operations are conducted under the identical name, Seven-Eleven. The franchise system is a joint enterprise in which franchised stores and the Group fulfill their respective roles based on an equal partnership and a relationship of trust. In the event that agreements with numerous franchised stores become unsustainable because either the Group or the franchised stores did not fulfill their respective roles, its business performance could be affected.

In its convenience store operations, the Group has sought to cater to constantly changing customer needs through innovating production, distribution, sales, and their supporting information systems; realizing differentiated and high quality products; and creating convenient services that support everyday life in collaboration with business partners. Thus, the unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, its business performance and financial condition could be affected.

7-Eleven, Inc. has been proactively increasing stores, especially, those with a gas station in the United States and Canada, and the sales of gasoline have accounted for about half of the total sales. 7-Eleven, Inc. has focused on strategies such as vertically integrating the fuel supply operations so that it can offset the risk of profit margin decline resulting from retail fuel price increases, however, unexpected changes in business environment such as drastic fluctuation of the price may affect the Group's business performance and financial condition.

As of February 28, 2013, Seven-Eleven has grown into a global chain with more than 49,000 stores in 16 countries and regions around the world, including stores outside the Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Group's superstore operations mainly comprise superstores and food supermarkets. In order to respond appropriately to the changes in consumer needs, for the part of superstores, the Group is promoting merchandising innovation and communication with customers through enhancing customer service levels and sales techniques, and undertaking structural reform in stores under which it focuses on revitalizing existing stores and advancing conversion to store formats that meet changes in the conditions of locations or area market needs while steadily closing unprofitable stores. For the part of food supermarkets, the Group endeavors to establish the new model of lifestyle-proposal supermarkets through promoting a differentiation strategy on products and improving operational efficiency. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in the operating environment. If such is the case, its business performance and financial condition may be affected.

Department Store Operations

The Group is striving to create a new type of department store by strengthening the differentiation strategies in response to the changing lifestyle of consumers. In the key stores, the Group is promoting a retailer-managed merchandising system which consists of strengthening development and sales of high-quality and new private-brand products, and expanding store-managed sales areas. In the regional stores, the Group is advancing conversion to store formats that meet the conditions of localities and market needs. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Food Services

In food services, as the Group has accomplished considerable results with initiatives for maximizing integration synergies through the merger of three companies that operate restaurants, meal provision services, and fast food, and for implementing business reorganization mainly through closing unprofitable stores, the Group has shifted to a growth strategy through providing higher-quality products and creating a new business model in its restaurant business, and enhancing productivity. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Financial Services

The Group conducts financial services, including banking and credit card operations.

Seven Bank owes its revenues mainly to ATM operations. Therefore, the occurrence of such circumstances as the growing use of alternatives to cash for settlement, intensifying competition for ATM services, and/or the peaking out of ATM network expansion may affect its business performance and financial condition.

In its credit card operations, the Group is striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the Seven Card credit card, CLUB ON / Millennium CARD SAISON credit card and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate, unexpected default losses, or restriction on the total volume of lending pursuant to the Money Lending Business Act, etc., may affect its business performance and financial condition. Regarding electronic money operations, the Group has built an original system and worked to achieve differentiation, but the rapid spread of electronic money in Japan has been accompanied by such qualitative changes as increased versatility, etc. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Others

The Group strives to enhance IT/services through the interaction of actual stores and the Internet in order to adapt to the changing needs of society. However, the pace of progress and change in IT, including the introduction of IT for logistics management, is extremely rapid, and if its efforts to cope with such progress and change are delayed by some internal and/or external factors, the quality of service and competitiveness could deteriorate. If such is the case, its business performance and financial condition may be affected.

3. LEGAL RESTRICTIONS AND LITIGATIONS

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof, which the Group cannot predict, could affect its business performance and financial condition.

Environmental Regulations or Issues

The Group is subject to a variety of environment-related laws and regulations such as those relating to food recycling, containers and packaging recycling, waste management, and global warming countermeasures. These laws and regulations may become more stringent or additional laws and regulations may be adopted in the future, which may cause the Group to incur additional compliance costs or restrict its operating activities.

Leaks of Confidential Information

In the normal course of business, such as in financial services, the Group holds confidential information about customers regarding privacy, credit worthiness, and other information including personal information, as well as confidential information about companies and other third parties. Such information could be leaked inadvertently or deliberately, and any material leakage of confidential information could face damage liability claims and /or damage society's trust in the Group. Moreover, there is a risk that the Group's trade secrets could be leaked by misappropriation or negligence. If such is the case, its business performance and financial condition could be affected.

Litigation and Regulatory Actions

The Group is exposed to the risk that it will be subject to various legal procedures stemming from lawsuits, etc., or regulatory authorities in regard to the execution of its business activities.

Currently, no lawsuits that significantly affect the Group's performance have been filed against the Group. However, if decisions unfavorable to the Group result from lawsuits with a potentially significant effect on business results or social standing, its operating results and financial condition may be affected.

Also, a substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings due to the implementation of stricter laws and regulations or stricter interpretations, may affect its business performance, financial condition, and reputation.

4. RISKS RELATED TO DISASTERS OR UNPREDICTABLE EVENTS

Influence of Disasters or Other Unpredictable Events

The Group's head office, stores, and facilities for core operations are located in Japan. The Group also operates businesses around the world. Major natural disasters such as earthquakes, typhoons, floods, and tsunamis; fires; power outages; nuclear power plant disasters; wars; illegal activities such as terrorist attacks; or other contingencies could lead to a halt of business activities or incurring expenses related to such damages, which could have a serious impact on the business operations of the Group. If such is the case, its business performance and financial condition could be affected. In particular, the occurrence of a large natural disaster or other event in the Tokyo metropolitan area—where stores for core operations including convenience store operations and superstore operations are concentrated—could likely have a significant effect.

In addition, as network and information systems have become increasingly important to the Group's operating activities, network and information system shutdowns caused by such unpredictable events as power outages, disasters, terrorist attacks, hardware or software defects, or computer viruses and computer hacking could impede business operations, which could affect its business performance and financial condition.

Pandemic of Infectious Diseases, Such as New Strain of Influenza

The Group operates retail businesses as its core operations, which play a role as a lifeline. While it places top priority on the security and safety of customers and employees, in order to fulfill its social responsibilities, the Group has come up with business continuity plans that respond to a pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Group could take such appropriate measures as shortening operating hours or limiting the number of stores it operates, etc. If such is the case, its business performance and financial condition could be affected.

5. OTHER RISKS

Retirement Benefit Obligations and Retirement Benefit Expenses

The Group calculates retirement benefit obligations and retirement benefit expenses based on assumptions such as the discount rates and the expected rates of return on plan assets. However, unexpected changes in such underlying factors as domestic and international share prices, foreign exchange rates, or interest rates; deterioration in the return on plan assets due to such changes; or changes in the general pension system may affect its business performance and financial condition.

Deferred Tax Assets

Some of the Group companies record deferred tax assets based on estimates of future taxable income or the time period within which the underlying temporary differences become taxable or deductible. However, if estimates of taxable income are lowered due to a worsening business climate or other significant changes, the Group may be required to reduce the amount of its deferred tax assets, resulting in an impact on its business performance and financial condition. Seven & i Holdings and its eligible consolidated subsidiaries introduced a consolidated taxation system in the fiscal year ended February 28, 2013.

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel, or it could be difficult to secure the necessary personnel, which could affect the Group's business performance and financial condition.

Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 800,087**	¥ 733,707	**$ 8,603,086**
Notes and accounts receivable:			
Trade (Note 4)	**285,817**	270,953	**3,073,301**
Financial services	**64,053**	68,691	**688,741**
Franchisees and other	**81,632**	71,228	**877,763**
Allowance for doubtful accounts (Note 4)	**(4,955)**	(4,758)	**(53,279)**
	426,547	406,114	**4,586,526**
Inventories	**162,286**	152,205	**1,745,010**
Deferred income taxes (Note 10)	**34,493**	38,905	**370,892**
Prepaid expenses and other current assets (Note 4)	**232,113**	185,652	**2,495,838**
Total current assets	**1,655,528**	1,516,584	**17,801,376**
Property and equipment, at cost (Notes 7, 8, 13 and 18)	**2,882,264**	2,607,533	**30,992,086**
Less: Accumulated depreciation	**(1,399,750)**	(1,287,359)	**(15,051,075)**
	1,482,514	1,320,174	**15,941,010**
Intangible assets:			
Goodwill	**245,402**	184,305	**2,638,731**
Software and other (Notes 8 and 13)	**170,011**	148,851	**1,828,075**
	415,413	333,156	**4,466,806**
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	**163,456**	181,863	**1,757,591**
Long-term loans receivable	**18,017**	18,279	**193,731**
Long-term leasehold deposits (Notes 4 and 18)	**400,867**	412,098	**4,310,397**
Prepaid pension cost (Note 11)	**31,786**	6,674	**341,784**
Deferred income taxes (Note 10)	**32,943**	40,147	**354,225**
Other	**68,540**	66,538	**736,989**
Allowance for doubtful accounts (Note 4)	**(6,671)**	(6,160)	**(71,731)**
	708,941	719,442	**7,623,021**
Total assets	**¥ 4,262,397**	¥ 3,889,358	**$ 45,832,225**

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

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 3) 2013
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 145,750	¥ 139,690	$ 1,567,204
Current portion of long-term debt (Notes 4, 12 and 18)	199,683	128,145	2,147,129
Notes and accounts payable:			
Trade (Notes 4 and 6)	204,479	195,347	2,198,698
Trade for franchised stores (Notes 4 and 19)	124,321	120,724	1,336,784
Other	127,145	146,098	1,367,150
	455,946	462,170	4,902,645
Accrued expenses	85,443	71,700	918,741
Income taxes payable	34,827	58,295	374,483
Deposits received	136,850	116,569	1,471,505
Deposits received in banking business (Note 4)	325,444	288,228	3,499,397
Allowance for bonuses to employees	13,293	14,755	142,935
Allowance for sales promotion expenses	15,262	15,092	164,107
Allowance for loss on future collection of gift certificates	3,406	4,089	36,623
Provision for loss on disaster	143	1,063	1,537
Other (Notes 4, 10 and 14)	118,526	85,927	1,274,473
Total current liabilities	1,534,579	1,385,728	16,500,849
Long-term debt (Notes 4, 6, 12 and 18)	545,588	475,811	5,866,537
Allowance for accrued pension and severance costs (Note 11)	4,613	3,796	49,602
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,124	2,191	22,838
Deferred income taxes (Note 10)	34,801	34,550	374,204
Deposits received from tenants and franchised stores (Notes 4 and 18)	55,089	55,380	592,354
Asset retirement obligations (Note 14)	51,170	43,740	550,215
Other liabilities (Note 18)	39,690	27,204	426,774
Total liabilities	2,267,656	2,028,403	24,383,397
Commitments and contingent liabilities (Note 18)			
Net assets (Note 16)**:**			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2013 and 2012	50,000	50,000	537,634
Capital surplus	526,873	526,886	5,665,301
Retained earnings	1,393,935	1,312,613	14,988,548
Treasury stock, at cost, 2,907,114 shares in 2013 and 2,935,526 shares in 2012	(7,142)	(7,212)	(76,795)
	1,963,666	1,882,287	21,114,688
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	7,416	3,360	79,741
Unrealized losses on hedging derivatives, net of taxes	(5)	(3)	(53)
Foreign currency translation adjustments	(79,914)	(119,661)	(859,290)
Total accumulated other comprehensive income (loss)	(72,503)	(116,303)	(779,602)
Subscription rights to shares (Note 17)	1,538	1,222	16,537
Minority interests in consolidated subsidiaries	102,038	93,748	1,097,182
Total net assets	1,994,740	1,860,954	21,448,817
Total liabilities and net assets	¥4,262,397	¥3,889,358	$45,832,225

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Revenues from operations:			
Net sales	**¥4,149,003**	¥4,013,617	**$44,612,935**
Operating revenues (Note 20)	**842,639**	772,727	**9,060,634**
	4,991,642	4,786,344	**53,673,569**
Costs and expenses:			
Cost of sales	**3,218,270**	3,078,575	**34,605,053**
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	**1,477,686**	1,415,708	**15,889,096**
	4,695,956	4,494,284	**50,494,150**
Operating income	**295,685**	292,060	**3,179,408**
Other income (expenses):			
Interest and dividend income	**6,124**	5,802	**65,849**
Interest expenses and interest on bonds	**(7,963)**	(6,974)	**(85,623)**
Equity in earnings of affiliates	**1,874**	2,061	**20,150**
Impairment loss on property and equipment (Note 8)	**(18,330)**	(14,460)	**(197,096)**
Gain on sales of property and equipment (Note 20)	**1,404**	2,135	**15,096**
Loss on disposals of property and equipment (Note 20)	**(6,642)**	(5,468)	**(71,419)**
Gain on sales of investments in securities (Note 5)	**31**	1,198	**333**
Gain on changes in accounting policies applied to foreign subsidiary	**—**	4,503	**—**
Loss on disaster	**—**	(25,741)	**—**
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 14)	**—**	(22,500)	**—**
Other, net (Note 5)	**(9,461)**	(1,799)	**(101,731)**
	(32,962)	(61,242)	**(354,430)**
Income before income taxes and minority interests	**262,722**	230,817	**2,824,967**
Income taxes (Note 10):			
Current	**101,690**	116,366	**1,093,440**
Deferred	**9,148**	(26,109)	**98,365**
	110,839	90,257	**1,191,817**
Income before minority interests	**151,883**	140,559	**1,633,150**
Minority interests in net income of consolidated subsidiaries	**13,818**	10,722	**148,580**
Net income	**¥ 138,064**	¥ 129,837	**$ 1,484,559**

	Yen		U.S. dollars (Note 3)
	2013	2012	**2013**
Per share information:			
Net income (Basic)	**¥156.26**	¥146.96	**$1.68**
Net income (Diluted)	**156.15**	146.88	**1.67**
Cash dividends	**64.00**	62.00	**0.68**

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

Consolidated Statements of Comprehensive Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Income before minority interests	¥151,883	¥140,559	$1,633,150
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities, net of taxes	4,061	103	43,666
Unrealized gains (losses) on hedging derivatives, net of taxes	(0)	328	(0)
Foreign currency translation adjustments	40,773	(15,481)	438,419
Share of other comprehensive income (loss) of associates accounted for using equity method	60	(5)	645
Total other comprehensive income (loss)	44,895	(15,055)	482,741
Comprehensive income	¥196,778	¥125,504	$2,115,892
Comprehensive income attributable to:			
Owners of the parent	¥181,864	¥114,802	$1,955,526
Minority interests	14,913	10,701	160,354

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

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013 and February 29, 2012

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2011	¥50,000	¥526,899	¥1,234,204	¥(7,320)	¥3,226	¥(328)	¥(104,167)	¥ 981	¥ 73,016	¥1,776,512
Net income			129,837							129,837
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(184)							(184)
Cash dividends			(51,243)							(51,243)
Purchase of treasury stock				(10)						(10)
Disposal of treasury stock		(12)		123						110
Other				(5)						(5)
Net (decrease) increase for the year					133	325	(15,494)	241	20,731	5,938
Balance at February 29, 2012	¥50,000	¥526,886	¥1,312,613	¥(7,212)	¥3,360	¥ (3)	¥(119,661)	¥1,222	¥ 93,748	¥1,860,954
Net income			**138,064**							**138,064**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**(196)**							**(196)**
Cash dividends			**(56,546)**							**(56,546)**
Purchase of treasury stock				**(13)**						**(13)**
Disposal of treasury stock		**(12)**		**83**						**70**
Other				**(0)**						**(0)**
Net (decrease) increase for the year					**4,055**	**(2)**	**39,747**	**315**	**8,290**	**52,406**
Balance at February 28, 2013	**¥50,000**	**¥526,873**	**¥1,393,935**	**¥(7,142)**	**¥7,416**	**¥ (5)**	**¥ (79,914)**	**¥1,538**	**¥102,038**	**¥1,994,740**

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 29, 2012	$537,634	$5,665,440	$14,114,118	$(77,548)	$36,129	$(32)	$(1,286,677)	$13,139	$1,008,043	$20,010,258
Net income			**1,484,559**							**1,484,559**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**(2,107)**							**(2,107)**
Cash dividends			**(608,021)**							**(608,021)**
Purchase of treasury stock				**(139)**						**(139)**
Disposal of treasury stock		**(129)**		**892**						**752**
Other				**(0)**						**(0)**
Net (decrease) increase for the year					**43,602**	**(21)**	**427,387**	**3,387**	**89,139**	**563,505**
Balance at February 28, 2013	**$537,634**	**$5,665,301**	**$14,988,548**	**$(76,795)**	**$79,741**	**$(53)**	**$ (859,290)**	**$16,537**	**$1,097,182**	**$21,448,817**

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

Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 262,722	¥ 230,817	$ 2,824,967
Depreciation and amortization	155,666	139,994	1,673,827
Impairment loss on property and equipment	18,330	14,460	197,096
Amortization of goodwill	17,684	12,915	190,150
Increase (decrease) in allowance for bonuses to employees	(1,436)	1,032	(15,440)
Decrease (increase) in prepaid pension cost	2,851	3,303	30,655
Interest and dividend income	(6,124)	(5,802)	(65,849)
Interest expenses and interest on bonds	7,963	6,974	85,623
Equity in earnings of affiliates	(1,874)	(2,061)	(20,150)
Gain on sales of property and equipment	(1,404)	(2,135)	(15,096)
Loss on disposals of property and equipment	6,642	5,468	71,419
Gain on changes in accounting policies applied to foreign subsidiary	—	(4,503)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	22,500	—
Decrease (increase) in notes and accounts receivable, trade	(12,603)	(12,530)	(135,516)
Decrease (increase) in notes and accounts receivable, financial services	4,638	12,651	49,870
Decrease (increase) in inventories	(6,474)	(10,110)	(69,612)
Increase (decrease) in notes and accounts payable, trade	4,005	32,861	43,064
Increase (decrease) in deposits received	6,914	(10,145)	74,344
Net increase (decrease) in loans in banking business	16,900	(3,200)	181,720
Net increase (decrease) in bonds in banking business	30,000	(36,000)	322,580
Net increase (decrease) in deposits received in banking business	37,216	12,532	400,172
Net decrease (increase) in call loan in banking business	(20,000)	115,000	(215,053)
Net increase (decrease) in call money in banking business	37,900	(7,000)	407,526
Net change in ATM-related temporary accounts	(10,977)	3,739	(118,032)
Other	(12,028)	50,720	(129,333)
Sub-total	536,512	571,482	5,768,946
Interest and dividends received	3,190	3,017	34,301
Interest paid	(7,466)	(7,092)	(80,279)
Special contribution	(27,963)	—	(300,677)
Income taxes paid	(112,865)	(104,765)	(1,213,602)
Net cash provided by operating activities	391,406	462,642	4,208,666
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(276,941)	(209,604)	(2,977,860)
Proceeds from sales of property and equipment	7,927	12,543	85,236
Acquisition of intangible assets	(18,967)	(11,193)	(203,946)
Payment for purchase of investments in securities	(96,257)	(178,692)	(1,035,021)
Proceeds from sales of investments in securities	101,631	224,549	1,092,806
Payment for purchase of investments in subsidiaries	(0)	(2,151)	(0)
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(10,527)	(18,279)	(113,193)
Payment for long-term leasehold deposits	(23,746)	(22,365)	(255,333)
Refund of long-term leasehold deposits	30,315	29,849	325,967
Proceeds from deposits from tenants	3,485	5,333	37,473
Refund of deposits from tenants	(3,176)	(5,276)	(34,150)
Proceeds from subsidy income related to urban redevelopment project	—	2,545	—
Payment for succession of business	—	(135,794)	—
Payment for acquisition of business (Note 9)	(52,671)	(32,979)	(566,354)
Payment for time deposits	(14,304)	(13,020)	(153,806)
Proceeds from withdrawal of time deposits	16,148	15,987	173,634
Other	(3,837)	(4,257)	(41,258)
Net cash used in investing activities	(340,922)	(342,805)	(3,665,827)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(840)	38,324	(9,032)
Proceeds from long-term debts	195,883	113,480	2,106,268
Repayment of long-term debts	(97,861)	(134,666)	(1,052,268)
Proceeds from commercial paper	40,620	369,009	436,774
Payment for redemption of commercial paper	(56,580)	(361,252)	(608,387)
Payment for redemption of bonds	—	(100)	—
Dividends paid	(56,556)	(51,258)	(608,129)
Capital contribution from minority interests	0	222	0
Dividends paid for minority interests	(6,480)	(3,596)	(69,677)
Other	(8,152)	(10,723)	(87,655)
Net cash provided by (used in) financing activities	10,032	(40,561)	107,870
Effect of exchange rate changes on cash and cash equivalents	5,864	(2,314)	63,053
Net increase (decrease) in cash and cash equivalents	66,380	76,960	713,763
Cash and cash equivalents at beginning of year	733,707	656,747	7,889,322
Cash and cash equivalents at end of year	¥ 800,087	¥ 733,707	$ 8,603,086

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

Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries (the "Companies") have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS"), and are compiled from the Consolidated Financial Statements prepared by Seven & i Holdings Co., Ltd. (the "Company") as required by the Financial Instruments and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries. The accounts of the Company's foreign consolidated subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for the specific five items as applicable.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying Consolidated Financial Statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 92 subsidiaries as of February 28, 2013 (87 subsidiaries as of February 29, 2012) which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd., and Seven Bank, Ltd.

Seven entities have been newly consolidated for the fiscal year ended February 28, 2013 following the establishment of SEJ Asset Management & Investment Company, SEVEN-ELEVEN (TIANJIN) CO., LTD., Ito-Yokado (China) Investment Co., Ltd., Seven Farm Tokai Co., Ltd. and Seven Farm Tokyo Co., Ltd. and the acquisition of shares of Financial Consulting & Trading International, Inc. and Handee Marts, Inc.

On the other hand, two entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2013 due to the following reason. On March 1, 2012, K.K. York Insurance was dissolved due to an absorption-type merger with Seven Financial Service Co., Ltd. being the surviving entity. On October 1, 2012, Seven Internet Lab. Co., Ltd. was dissolved due to an absorption-type merger with Seven Net Shopping Co., Ltd., being the surviving entity.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the fiscal year ended December 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from January 1 to February 28 are adjusted for in the consolidation process.

The closing date of a certain subsidiary is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements, are prepared in order to facilitate its consolidation.

20 affiliates as of February 28, 2013 (19 affiliates as of February 29, 2012), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method. The number of affiliates to which the equity method is applied increased by one in connection with the establishment of SHAN DONG ZHONG DI CONVENIENCE CO., LTD. When an affiliate is in a net loss position, the Company's share of such loss is reduced from its loan receivable from that affiliate. For the affiliates that have a balance sheet date other than February 28, their individual balance sheet dates are used in preparing the Consolidated Financial Statements.

All material intercompany transactions and account balances have been eliminated.

(2) Inventories

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

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

(3) Securities

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

Available-for-sale securities are classified into two categories, where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries, except for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries, which use the straight-line method.

(6) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method for the Company and its domestic consolidated subsidiaries.

Internal use software is amortized using the straight-line method over an estimated useful life of 5 years.

Goodwill and negative goodwill arising from consolidated subsidiaries that occurred until February 28, 2011 are mainly amortized over a period of 20 years on a straight-line basis, or charged to income, if they are immaterial. Negative goodwill arising from consolidated subsidiaries that occurred after March 1, 2011 are charged to income when incurred. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

(7) Lease assets

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treating them as sale/purchase transactions and recognizing them as lease assets.

Under the existing accounting standards, finance leases commenced prior to March 1, 2009 that do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the lessee's financial statements.

(8) Income taxes

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

Deferred tax accounting is applied.

From the fiscal year ended February 28, 2013, the Company and its wholly owned domestic subsidiaries have applied the Consolidated Taxation System.

(9) Allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for sales promotion expenses

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

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

Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for future collection of gift certificates recognized as income after remaining uncollected for certain periods from their issuance. The amount is calculated using the historical results of collection.

(d) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(e) Provision for loss on disaster

Provision for loss on disaster is provided at the amount considered to be appropriate based on the estimation of expenses for the restoration of properties and facilities damaged by the Great East Japan Earthquake and related losses.

(f) Allowance for accrued pension and severance costs (Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year.

The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligations adjusted by unrecognized actuarial differences as of February 28, 2013 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs.

Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the year following the year in which they arise, which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of 5 years or 10 years.

(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 benefit system for Directors and Audit & Supervisory Board Members, for which some subsidiaries have determined to pay the balance at the time of retirement.

(10) Hedge accounting

Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Companies have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in interest rates and reducing finance costs.

The Companies do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts that meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries and subscription rights to shares) per share as of February 28, 2013 and February 29, 2012 are ¥2,140.45 ($23.01) and ¥1,998.84, respectively. Net income per share for the fiscal years ended February 28, 2013 and February 29, 2012 are ¥156.26 ($1.68) and ¥146.96, respectively. Diluted net income per share for the fiscal years ended February 28, 2013 and February 29, 2012 are ¥156.15 ($1.67) and ¥146.88, respectively.

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

The basis for the calculation of net income per share for the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net income	¥138,064	¥129,837	$1,484,559
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥138,064	¥129,837	$1,484,559
Weighted-average number of shares of common stock outstanding (shares)	883,532,139	883,499,397	—

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the respective fiscal year.

(12) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the United States and Canada is included in the accompanying Consolidated Statements of Income.

(14) 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 at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. 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 "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries."

(15) Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash, and are subject to minimum risk of price fluctuation.

(16) Accounting for franchised stores in convenience store operations

Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. recognize franchise commission from their franchised stores as revenues and include it in "Operating revenues."

(17) Change in significant accounting policies for the preparation of Consolidated Financial Statements

(Change in depreciation method for property and equipment)
In accordance with the amendment of the Corporation Tax Law, effective from the fiscal year ended February 28, 2013, the Company and its domestic consolidated subsidiaries have changed their depreciation method for those property and equipment acquired on or after April 1, 2012.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥2,746 million ($29,526 thousand).

(18) New accounting pronouncements

On May 17, 2012 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, actuarial gains and losses and prior service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. In addition, the revised accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan's benefit formula basis. In addition, the determination method of the discount rate was amended.

The Company expects to apply the revised accounting standard from the end of the fiscal year ending February 28, 2015. However, the amendment of the calculation method for present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending February 29, 2016.

The effect of adoption of this revised accounting standard is under assessment at the time of preparation of the accompanying Consolidated Financial Statements.

(19) Supplementary information

(Application of Accounting Standard for Accounting Changes and Error Corrections)
From the beginning of the consolidated fiscal year ended February 28, 2013, the Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior year's errors made on or after the beginning of the fiscal year ended February 28, 2013.

(20) Reclassification

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

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥93=US$1, the approximate rate of exchange prevailing as of February 28, 2013. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. FINANCIAL INSTRUMENTS

Qualitative information on financial instruments

(1) Policies relating to financial instruments
For the management of surplus funds, the Companies' basic policy is to give priority to safety, liquidity, and efficiency, investing only in short-term instruments (within one year) such as deposits at banks that have high credit ratings.

The Companies mainly raise funds through bank loans and bond issuance while ensuring the dispersal of redemption periods.

Also, the Companies use derivative instruments to mitigate the risk of currency exchange rates fluctuations for receivables and payables denominated in foreign currencies and the risk of fluctuations in the interest rates of interest-bearing debt as well as to optimize cash flows for future interest payments. The Companies do not hold or issue derivative instruments for trading or speculative purposes.

(2) Details of financial instruments, associated risk, and risk management systems
The Companies' risk management policy is incorporated in the "Fundamental Risk Management Policy," which designates the divisions that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.
Notes and accounts receivable, trade are exposed to individual customer's credit risk. The Companies regularly monitor due dates and outstanding balances, as well as customer creditworthiness, to identify any concerns and mitigate losses associated with their collectability.

Long-term leasehold deposits, mainly arising from store rental agreements, are also exposed to individual lessor's credit risk. As with notes and accounts receivable, trade, the Companies monitor lessor creditworthiness to identify any concerns and mitigate losses associated with their collectability.

Marketable securities mainly consist of negotiable certificates of deposit used for the management of surplus funds. Investments in securities mainly consist of shares of companies with which the Companies have operational relationships and Japanese government bonds held by Seven Bank, Ltd., which is a subsidiary of the Company. These investments are exposed to market risk. The Companies regularly reconsider the holding status of these securities by monitoring market prices and the issuers' financial position, in light of the Companies' business partnerships.

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations. In order to mitigate the risk, the Companies enter into foreign exchange forward contracts that cover a portion of the settlement amount. With regards to the foreign exchange forward contracts, the Companies regularly monitor their valuation.

Among loans, short-term loans and commercial paper are used mainly to raise operating funds, while long-term loans and bonds are used mainly for capital investments. These debts are managed comprehensively based on the asset-liability management ("ALM") model.

Among these debts, long-term loans with variable interest rates are exposed to the risk of interest rate fluctuations, which is partially mitigated by interest rate swap contracts. The detailed explanation as to the specific hedge methods are set out in Note 2, "Summary of Significant Accounting Policies."

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

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

(3) Supplementary information on fair values

Fair values of financial instruments are measured through quoted market prices when available. When quoted market prices are not available, fair values are estimated by using reasonable valuation methods. The assumptions of such estimations include variable factors and, accordingly, if different assumptions are adopted, estimated fair values may change. The contract amounts of the derivatives discussed in Note 6, "Derivative Transactions," below are not an indicator of the market risk associated with derivative transactions.

Fair values of financial instruments

Book values and fair values of the financial instruments on the Consolidated Balance Sheets as of February 28, 2013 and February 29, 2012 are as follows.

Certain items that are deemed to be immaterial are not included in the table. Financial instruments whose fair value is deemed highly difficult to measure are also excluded from the table.

	Millions of yen		
			2013
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 800,087	¥ 800,087	¥ —
Notes and accounts receivable, trade	285,817		
Allowance for doubtful accounts[a]	(2,610)		
	283,206	286,362	3,155
Marketable securities and investments in securities	130,782	132,172	1,389
Long-term leasehold deposits[b]	297,819		
Allowance for doubtful accounts[c]	(848)		
	296,971	295,323	(1,647)
Total assets	¥1,511,048	¥1,513,946	¥ 2,897
Notes and accounts payable, trade[d]	¥ 328,800	¥ 328,800	¥ —
Deposits received in banking business	325,444	326,043	598
Bonds[e]	293,982	303,085	9,102
Long-term loans[f]	406,751	412,289	5,537
Deposits received from tenants and franchised stores[g]	21,754	19,842	(1,911)
Total liabilities	¥1,376,733	¥1,390,060	¥13,326
Derivative instruments[h]	¥ 598	¥ 598	¥ —

	Millions of yen		
	2012		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 733,707	¥ 733,707	¥ —
Notes and accounts receivable, trade	270,953		
Allowance for doubtful accounts[a]	(2,284)		
	268,668	271,422	2,753
Marketable securities and investments in securities	151,300	151,081	(218)
Long-term leasehold deposits[b]	302,925		
Allowance for doubtful accounts[c]	(954)		
	301,971	296,948	(5,022)
Total assets	¥1,455,647	¥1,453,160	¥(2,487)
Notes and accounts payable, trade[d]	¥ 316,072	¥ 316,072	¥ —
Deposits received in banking business	288,228	289,061	832
Bonds[e]	263,978	272,131	8,153
Long-term loans[f]	286,953	287,804	850
Deposits received from tenants and franchised stores[g]	21,697	19,451	(2,245)
Total liabilities	¥1,176,929	¥1,184,520	¥ 7,591
Derivative instruments[h]	¥ 126	¥ 126	¥ —

	Thousands of U.S. dollars (Note 3)		
	2013		
	Book value	Fair value	Difference
Cash and cash equivalents	**$ 8,603,086**	**$ 8,603,086**	**$ —**
Notes and accounts receivable, trade	**3,073,301**		
Allowance for doubtful accounts[a]	**(28,064)**		
	3,045,225	**3,079,161**	**33,924**
Marketable securities and investments in securities	**1,406,258**	**1,421,204**	**14,935**
Long-term leasehold deposits[b]	**3,202,354**		
Allowance for doubtful accounts[c]	**(9,118)**		
	3,193,236	**3,175,516**	**(17,709)**
Total assets	**$16,247,827**	**$16,278,989**	**$ 31,150**
Notes and accounts payable, trade[d]	**$ 3,535,483**	**$ 3,535,483**	**$ —**
Deposits received in banking business	**3,499,397**	**3,505,838**	**6,430**
Bonds[e]	**3,161,096**	**3,258,978**	**97,870**
Long-term loans[f]	**4,373,666**	**4,433,215**	**59,537**
Deposits received from tenants and franchised stores[g]	**233,913**	**213,354**	**(20,548)**
Total liabilities	**$14,803,580**	**$14,946,881**	**$143,290**
Derivative instruments[h]	**$ 6,430**	**$ 6,430**	**$ —**

(a) The amount of allowance for doubtful accounts relates only to notes and accounts receivable, trade.
(b) The amount of long-term leasehold deposits includes a portion of leasehold deposits maturing within one year.
(c) The amount of allowance for doubtful accounts relates only to long-term leasehold deposits.
(d) The amount of notes and accounts payable, trade includes trade for franchised stores.
(e) The amount of bonds includes bonds due within one year.
(f) The amount of long-term loans include long-term loans due within one year.
(g) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.
(h) The value of assets and liabilities arising from derivative instruments are shown by net value. Net liabilities are shown in parentheses.

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

Assets

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

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

(3) Marketable securities and investments in securities
For the fair value of equity securities, market prices are used. For debt securities, market prices or the prices shown by correspondent financial institutions are used. For negotiable certificates of deposit, the relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

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

Liabilities

(1) Notes and accounts payable, trade

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

(2) Deposits received in banking business

The fair value of deposit on demand is measured at the amount payable on demand at the balance sheet date (book value). The fair value of time deposits is measured at their present value, which is obtained by categorizing the balance in accordance with their maturity and discounting the relevant future cash flows by each category. The discount rate is the interest rate that would be applied to newly accepted deposits. For time deposits that are due within one year, the relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values.

(3) Bonds

The fair value of bonds that have market prices is based on those prices.

The fair value of bonds that do not have market price is based on the present value, which is obtained by discounting the total principal and interest over the remaining period by the interest rate that reflects credit risk.

(4) Long-term loans

The fair value of long-term loans is based on the present value, which is obtained by discounting the total of principal and interest by the interest rate that would be applied if similar new borrowings were entered into.

(5) Deposits received from tenants and franchised stores

The fair value of deposits received from tenants is the present value, which is obtained by discounting future cash flows by the corresponding interest rate for government bonds over the remaining period.

Derivative instruments

Refer to Note 6, "Derivative Transactions."

Note 2: Items for which fair value is deemed highly difficult to measure

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
			Book value
Investments in securities[a]			
Unlisted securities	**¥ 14,013**	¥ 15,242	**$ 150,677**
Shares of affiliates	**17,733**	14,974	**190,677**
Other	**951**	370	**10,225**
Long-term leasehold deposits[b]	**122,275**	125,825	**1,314,784**
Deposits received from tenants and franchised stores[b]	**37,120**	38,024	**399,139**

(a) These are not included in "Marketable securities and investments in securities" in the above tables since determining their estimated fair values was deemed to be highly difficult, due to the fact that these do not have market prices and the future cash flows cannot be estimated.

(b) These are not included in "Long-term leasehold deposits" and "Deposits received from tenants and franchised stores" in the above tables since determining their fair values was deemed to be highly difficult, due to the fact that the amount to be repaid cannot be reasonably estimated.

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

	Millions of yen			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**¥ 800,087**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable, trade	**275,603**	**9,392**	**762**	**58**
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	**220**	**200**	**—**	**—**
Available-for-sale securities with maturities				
Governmental and municipal bonds	**96,500**	**10**	**—**	**—**
Other	**24**	**—**	**—**	**—**
Long-term leasehold deposits	**31,532**	**86,900**	**82,291**	**97,094**
Total	**¥1,203,968**	**¥96,503**	**¥83,053**	**¥97,153**

	Millions of yen			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥ 733,707	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	262,429	7,874	608	40
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	—	420	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	101,500	26,010	—	—
Other	25	—	—	—
Long-term leasehold deposits	31,650	88,161	78,017	105,097
Total	¥1,129,311	¥122,465	¥78,626	¥105,138

	Thousands of U.S. dollars (Note 3)			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$ 8,603,086	$ —	$ —	$ —
Notes and accounts receivable, trade	2,963,473	100,989	8,193	623
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	2,365	2,150	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	1,037,634	107	—	—
Other	258	—	—	—
Long-term leasehold deposits	339,053	934,408	884,849	1,044,021
Total	$12,945,892	$1,037,666	$893,043	$1,044,655

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

	Millions of yen			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥257,247	¥68,197	¥—	¥—

	Millions of yen			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥225,341	¥62,887	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$2,766,096	$733,301	$—	$—

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

Note 5: The redemption schedule for long-term debt is disclosed in Note 12, “Short-term Loans and Long-term Debt.”

5. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2013 and February 29, 2012:

	Millions of yen		
	2013		
Type	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥421	¥422	¥1
Total	¥421	¥422	¥1

	Millions of yen		
	2012		
Type	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥422	¥426	¥3
Total	¥422	¥426	¥3

	Thousands of U.S. dollars (Note 3)		
	2013		
Type	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$4,526	$4,537	$10
Total	$4,526	$4,537	$10

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2013 and February 29, 2012 (excluding non-marketable securities of ¥14,013 million ($150,677 thousand) and ¥15,242 million as of February 28, 2013 and February 29, 2012, respectively):

	Millions of yen		
	2013		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 26,814	¥ 15,992	¥10,821
Debt securities			
Governmental and municipal bonds, etc.	60,659	60,654	5
Subtotal	87,474	76,647	10,827
Securities with book value not exceeding acquisition cost:			
Equity securities	4,308	5,569	(1,260)
Debt securities			
Governmental and municipal bonds, etc.	36,001	36,001	(0)
Others	24	24	—
Subtotal	40,334	41,596	(1,261)
Total	¥127,808	¥118,243	¥ 9,565

	Millions of yen		
	2012		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 14,338	¥ 8,888	¥ 5,450
Debt securities			
Governmental and municipal bonds, etc.	48,650	48,642	7
Subtotal	62,988	57,530	5,457
Securities with book value not exceeding acquisition cost:			
Equity securities	6,056	7,773	(1,716)
Debt securities			
Governmental and municipal bonds, etc.	79,084	79,103	(18)
Others	25	25	—
Subtotal	85,166	86,901	(1,735)
Total	¥148,155	¥144,432	¥ 3,722

	Thousands of U.S. dollars (Note 3)		
	2013		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 288,322	$ 171,956	$116,354
Debt securities			
Governmental and municipal bonds, etc.	652,247	652,193	53
Subtotal	940,580	824,161	116,419
Securities with book value not exceeding acquisition cost:			
Equity securities	46,322	59,881	(13,548)
Debt securities			
Governmental and municipal bonds, etc.	387,107	387,107	(0)
Others	258	258	—
Subtotal	433,698	447,268	(13,559)
Total	$1,374,279	$1,271,430	$102,849

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Sales amounts	¥124	¥5,285	$1,333
Gain on sales of available-for-sale securities	31	1,198	333
Loss on sales of available-for-sale securities	6	—	64

(4) Impairment loss on securities
For the fiscal years ended February 28, 2013 and February 29, 2012, the Companies recognized ¥1 million ($10 thousand) and ¥413 million as impairment loss on securities, respectively.

The Companies consider securities to be irrecoverable where market prices decline by more than or equal to 50% of their acquisition cost. Where market prices decline by between 30% and 50% of their acquisition cost, the Companies assess the recoverability and, to the extent necessary, recognize impairment losses on such securities.

(5) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2013 and February 29, 2012 are ¥20,285 million ($218,118 thousand) and ¥17,697 million, respectively.

6. DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Companies do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible divisions in the Companies enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2013 and February 29, 2012 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments

(1) Currency-related transactions

	Millions of yen			
	2013			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**¥8,578**	**—**	**¥9,155**	**¥577**
Buy euro	**123**	**—**	**145**	**21**

	Millions of yen			
	2012			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥4,028	—	¥4,154	¥125
Buy euro	87	—	88	0

	Thousands of U.S. dollars (Note 3)			
	2013			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**$92,236**	**—**	**$98,440**	**$6,204**
Buy euro	**1,322**	**—**	**1,559**	**225**

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

Derivatives designated as hedging instruments

(1) Currency-related transactions

	Millions of yen		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**¥8**	**—**	**¥(0)**

	Thousands of U.S. dollars (Note 3)		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**$86**	**—**	**$(0)**

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

(2) Interest rate related transactions

	Millions of yen		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	¥15,000	¥14,000	—[a]

	Millions of yen		
	2012		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	¥5,000	¥5,000	—[a]

	Thousands of U.S. dollars (Note 3)		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	$161,290	$150,537	—[a]

Note:
(a) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.
(b) The estimated fair value of these interest rate swaps is, in effect, included in and presented with that of the hedged item. For details, refer to Note 2 (10), "Hedge accounting."

7. PROPERTY AND EQUIPMENT

Property and equipment as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	2013
Buildings and structures	¥ 1,662,449	¥ 1,525,567	$ 17,875,795
Furniture, fixtures and other	561,360	474,874	6,036,129
	2,223,809	2,000,442	23,911,924
Less: Accumulated depreciation	(1,399,750)	(1,287,359)	(15,051,075)
	824,059	713,083	8,860,849
Land	627,251	590,524	6,744,634
Construction in progress	31,203	16,566	335,516
Total	¥ 1,482,514	¥ 1,320,174	$ 15,941,010

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2013 and February 29, 2012, the Companies recognized ¥18,330 million ($197,096 thousand) and ¥14,460 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2013:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 46 stores Hokkaido Pref. 32 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Ibaraki Pref. 5 stores Chiba Pref. 3 stores Others 12 stores	¥17,463	$187,774
Stores (Department stores)	Land and buildings, etc.	Saitama Pref. 2 stores Tokushima Pref. 2 stores Others 3 stores		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 37 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	866	9,311
Total			¥18,330	$197,096

Fiscal year ended February 29, 2012:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 47 stores Osaka Pref. 46 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 14 stores Saitama Pref. 12 stores Others 27 stores	¥13,721
Stores (Department stores)	Land and buildings, etc.	Shizuoka Pref. 1 store Others 1 store	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 38 stores	
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	739
Total			¥14,460

The Companies 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 price or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amounts were recorded as an impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

Fiscal year ended February 28, 2013:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	**¥11,753**	**¥286**	**¥12,040**
Land	**3,370**	**144**	**3,515**
Software	**1**	**2**	**4**
Other	**2,337**	**432**	**2,770**
Total	**¥17,463**	**¥866**	**¥18,330**

Fiscal year ended February 29, 2012:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥ 7,616	¥200	¥ 7,816
Land	5,024	328	5,353
Software	5	94	99
Other	1,075	116	1,191
Total	¥13,721	¥739	¥14,460

Fiscal year ended February 28, 2013:

			Thousands of U.S. Dollars (Note 3)
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	**$126,376**	**$3,075**	**$129,462**
Land	**36,236**	**1,548**	**37,795**
Software	**10**	**21**	**43**
Other	**25,129**	**4,645**	**29,784**
Total	**$187,774**	**$9,311**	**$197,096**

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 1.7–6.0% discount rates in 2013 and the 1.8–6.0% in 2012 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended February 28, 2013:

Financial Consulting & Trading International, Inc.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	**2013**
Current assets	**¥ 176**	**$ 1,892**
Non-current assets	**5,568**	**59,870**
Current liabilities	**(351)**	**(3,774)**
Non-current liabilities	**(1,645)**	**(17,688)**
Goodwill	**6,928**	**74,494**
Acquisition cost	**10,675**	**114,784**
Cash and cash equivalents	**(148)**	**(1,591)**
Payment for acquisition of shares	**¥10,527**	**$113,193**

Fiscal year ended February 29, 2012:

Seven CS Card Service Co., Ltd.

	Millions of yen
	2012
Current assets	¥ 158,447
Non-current assets	132
Deferred assets	394
Goodwill	7,251
Current liabilities	(137,059)
Minority interests	(10,738)
Acquisition cost	18,428
Cash and cash equivalents	(148)
Payment for acquisition of shares	¥ 18,279

(2) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal years	**¥16,036**	¥12,491	**$172,430**
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal years	**7,681**	38,130	**82,591**

(3) Acquisition of business

For the fiscal year ended February 28, 2013, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from the acquisition of business are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	**2013**
Inventories	**¥ 5,709**	**$ 61,387**
Goodwill	**52,380**	**563,225**
Current liabilities	**(8,695)**	**(93,494)**
Other	**3,276**	**35,225**
Subtotal	**52,671**	**566,354**
Property and equipment	**32,332**	**347,655**
Total	**¥85,004**	**$914,021**

The property and equipment set out above at an amount of ¥32,332 million ($347,655 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2013.

For the fiscal year ended February 29, 2012, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from acquisition of business are as follows:

	Millions of yen
	2012
Inventories	¥ 8,747
Goodwill	22,795
Current liabilities	(5,256)
Other	6,693
Subtotal	32,979
Property and equipment	20,181
Total	¥53,160

The property and equipment set out above at an amount of ¥20,181 million are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 29, 2012.

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2013 and February 29, 2012. The significant components of deferred tax assets and liabilities as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Deferred tax assets:			
Allowance for bonuses to employees	**¥ 5,013**	¥ 5,954	**$ 53,903**
Allowance for sales promotion expenses	**5,613**	5,921	**60,354**
Accrued payroll	**5,383**	4,647	**57,881**
Allowance for retirement benefits to directors and corporate auditors	**855**	893	**9,193**
Allowance for accrued pension and severance costs	**679**	579	**7,301**
Allowance for loss on future collection of gift certificates	**1,284**	1,572	**13,806**
Deposit received in relation to the electronic money business	**4,673**	4,673	**50,247**
Depreciation and amortization	**14,101**	13,196	**151,623**
Tax loss carried forward	**29,812**	35,380	**320,559**
Valuation loss on available-for-sale securities	**1,190**	1,170	**12,795**
Allowance for doubtful accounts	**3,453**	3,040	**37,129**
Unrealized loss on property and equipment	**12,485**	12,307	**134,247**
Impairment loss on property and equipment valuation and loss on land	**39,671**	41,681	**426,569**
Accrued enterprise taxes and business office taxes	**4,956**	5,555	**53,290**
Accrued expenses	**9,674**	7,718	**104,021**
Asset retirement obligations	**15,001**	13,377	**161,301**
Rights of trademark	**7,998**	9,112	**86,000**
Other	**23,718**	21,488	**255,032**
Subtotal	**185,567**	188,273	**1,995,344**
Less: Valuation allowance	**(77,400)**	(83,895)	**(832,258)**
Total	**108,167**	104,377	**1,163,086**
Deferred tax liabilities:			
Unrealized gains on property and equipment	**(37,370)**	(33,728)	**(401,827)**
Royalties, etc.	**(10,272)**	(9,533)	**(110,451)**
Reserve for advanced depreciation of property and equipment	**(991)**	(1,063)	**(10,655)**
Unrealized gains on available-for-sale securities	**(2,658)**	(1,017)	**(28,580)**
Prepaid pension cost	**(11,228)**	(2,362)	**(120,731)**
Unrealized intercompany profit	**(5,303)**	(4,704)	**(57,021)**
Removal cost related to asset retirement obligations	**(4,847)**	(4,499)	**(52,118)**
Other	**(3,022)**	(2,965)	**(32,494)**
Total	**(75,695)**	(59,874)	**(813,924)**
Net deferred tax assets[a]	**¥ 32,471**	¥ 44,502	**$ 349,150**

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Current assets—Deferred income taxes	¥ 34,493	¥ 38,905	$ 370,892
Other assets—Deferred income taxes	32,943	40,147	354,225
Current liabilities—Other	(163)	—	(1,752)
Non-current liabilities—Deferred income taxes	(34,801)	(34,550)	(374,204)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

	2013	2012
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.3)	(0.4)
Amortization of goodwill	2.7	2.3
Non-deductible items, such as entertainment expenses	0.2	0.2
Decrease in valuation allowance	(1.3)	(0.7)
Inhabitant taxes per capital	0.6	0.6
Effect from the adoption of consolidated corporate-tax filing system	—	(4.3)
Effect of revised corporate tax rate	—	1.6
Elimination of gain on sales of subsidiaries' stock for consolidation	0.3	—
Other	(0.7)	(0.9)
Effective tax rate	42.2%	39.1%

11. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries mainly provide the employee pension fund plan in the form of a defined benefit plan, although some of the domestic subsidiaries provide a defined contribution pension plan or a lump severance payment plan.

Additional retirement benefits may be added upon the retirement of employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Projected benefit obligations[a]	¥(218,009)	¥(202,157)	$(2,344,182)
Fair value of plan assets (including employee retirement benefit trust)	219,117	171,852	2,356,096
Unrecognized actuarial differences	25,856	32,809	278,021
Unrecognized prior service cost	208	374	2,236
Prepaid pension cost, net of allowance for accrued pension and severance costs	27,173	2,878	292,182
Prepaid pension cost	31,786	6,674	341,784
Allowance for accrued pension and severance costs	¥ (4,613)	¥ (3,796)	$ (49,602)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Service cost[a]	¥11,338	¥11,599	$121,913
Interest cost	4,124	4,054	44,344
Expected return on plan assets	(4,280)	(4,201)	(46,021)
Amortization of actuarial differences	5,011	5,253	53,881
Amortization of prior year service cost	142	151	1,526
Additional retirement benefits	3,454	130	37,139
Net periodic benefit cost[b]	¥19,790	¥16,987	$212,795

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥510 million ($5,483 thousand) and ¥614 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2013	2012
Allocation method of estimated total retirement benefits	Point basis	Point basis
Discount rate:		
Mainly	1.5%	2.0%
Consolidated subsidiaries in the United States	4.1%	5.0%
Expected rate of return on plan assets:		
Mainly	2.5%	2.5%
Periods over which the prior service cost is amortized	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized[a]	10 years	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years), which is shorter than the average remaining years of service of the employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

12. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Outstanding balance at fiscal year-end:			
Short-term bank loans[a]	¥145,750	¥139,690	$1,567,204
Weighted-average interest rate at year-end:			
Short-term bank loans	0.4%	0.4%	0.4%

(a) The total amounts of short-term loans with collateral as of February 28, 2013 and February 29, 2012 are ¥3,400 million ($36,559 thousand) and ¥3,400 million, respectively (Note 18).

Long-term debt as of February 28, 2013 and February 29, 2012 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2012 to 2024 with interest rates ranging from 0.6% to 7.0%[b]	¥ 406,751	¥ 286,953	$ 4,373,666
Lease obligations	37,958	31,569	408,150
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	39,999	39,998	430,096
1.68% unsecured straight bonds, due June 19, 2015	29,996	29,994	322,537
1.94% unsecured straight bonds, due June 20, 2018	29,987	29,984	322,440
0.541% unsecured straight bonds, due June 19, 2015	30,000	30,000	322,580
0.852% unsecured straight bonds, due June 20, 2017	20,000	20,000	215,053
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	645,161
Seven Bank, Ltd.:			
1.67% unsecured straight bonds, due December 20, 2013	24,000	24,000	258,064
0.74% unsecured straight bonds, due June 20, 2012	—	10,000	—
1.04% unsecured straight bonds, due June 20, 2014	20,000	20,000	215,053
0.398% unsecured straight bonds, due June 20, 2017	30,000	—	322,580
0.613% unsecured straight bonds, due June 20, 2019	10,000	—	107,526
7-Eleven, Inc.:			
Commercial paper	6,579	21,455	70,741
	745,272	603,957	8,013,677
Current portion of long-term debt	(199,683)	(128,145)	(2,147,129)
	¥ 545,588	¥ 475,811	$ 5,866,537

(b) The total amounts of long-term debt with collateral as of February 28, 2013 and February 29, 2012 are ¥14,292 million ($153,677 thousand) and ¥62,911 million, respectively (Note 18).

The aggregate annual maturities of long-term debt are as follows:

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2014	¥199,683	$2,147,129
2015	115,935	1,246,612
2016	115,244	1,239,182
2017	29,852	320,989
2018	114,606	1,232,322
Thereafter	169,950	1,827,419
	¥745,272	$8,013,677

13. LEASES

(1) Finance leases

As described in Note 2 (7), under the existing accounting standards, 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.

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss, and net book value, including the interest portion, as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 18,920**	¥ 66,341	**$ 203,440**
Accumulated depreciation	**(17,302)**	(55,917)	**(186,043)**
Accumulated impairment loss	**0**	(65)	**0**
Net book value	**¥ 1,618**	¥ 10,358	**$ 17,398**
Software:			
Acquisition cost	**¥ 8**	¥ 164	**$ 86**
Accumulated depreciation	**(7)**	(134)	**(75)**
Net book value	**¥ 1**	¥ 30	**$ 10**
Lease payments	**¥ 8,765**	¥ 13,921	**$ 94,247**
Reversal of allowance for impairment loss on leased assets	**¥ 65**	¥ 129	**$ 698**
Depreciation expense[(a), (b)]	**¥ 8,830**	¥ 14,050	**$ 94,946**
Impairment loss	**¥ —**	¥ 39	**$ —**

(a) Depreciation expense included the interest portion.
(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Companies' finance leases, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Due within one year	**¥1,550**	¥ 8,832	**$16,666**
Due after one year	**68**	1,622	**731**
Total	**¥1,619**	¥10,454	**$17,408**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	**¥ 0**	¥ 65	**$ 0**

As lessor:

A summary of acquisition cost, accumulated depreciation, and net book value as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 5,890**	¥10,560	**$ 63,333**
Accumulated depreciation	**(4,956)**	(8,248)	**(53,290)**
Net book value	**¥ 934**	¥ 2,311	**$ 10,043**
Lease income	**¥ 1,071**	¥ 1,954	**$ 11,516**
Depreciation expense	**¥ 973**	¥ 1,776	**$ 10,462**
Interest income[(c)]	**¥ 51**	¥ 118	**$ 548**

(c) Allocation of interest income to each period is computed using the effective interest method.

The future lease income of the Companies' finance leases as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Due within one year	**¥ 672**	¥1,452	**$ 7,225**
Due after one year	**345**	1,027	**3,709**
Total	**¥1,017**	¥2,480	**$10,935**

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Due within one year	**¥ 69,336**	¥ 62,082	**$ 745,548**
Due after one year	**413,773**	360,904	**4,449,172**
Total	**¥483,109**	¥422,987	**$5,194,720**

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Due within one year	**¥1,735**	¥1,867	**$18,655**
Due after one year	**4,164**	6,107	**44,774**
Total	**¥5,899**	¥7,975	**$63,430**

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2013 and February 29, 2012:

(1) Summary of asset retirement obligations

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

(2) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Companies estimate terms of use between 2 and 50 years and use a discount rate between 0.1 and 8.3%.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Balance at beginning of year	**¥45,186**	¥40,311	**$485,870**
Increase due to acquisition of property and equipment	**5,041**	4,230	**54,204**
Adjustment due to passage of time	**990**	871	**10,645**
Decrease due to settlement of asset retirement obligations	**(1,774)**	(565)	**(19,075)**
Others	**2,777**	337	**29,860**
Balance at end of year	**¥52,220**	¥45,186	**$561,505**

Note: From the fiscal year ended February 29, 2012, the Companies have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).
The balance at beginning of the fiscal year ended February 29, 2012, above represents the asset retirement obligations as a result of the adoption of these standards.

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal year ended February 28, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	**2013**
Unrealized gains (losses) on available-for-sale securities, net of taxes:		
Increase (decrease) during the fiscal year	**¥ 5,839**	**$ 62,784**
Reclassification adjustments	**2**	**21**
Amount before tax	**5,842**	**62,817**
Tax (expense) or benefit	**(1,781)**	**(19,150)**
Subtotal	**4,061**	**43,666**
Unrealized gains (losses) on hedging derivatives, net of taxes:		
Increase (decrease) during the fiscal year	**(0)**	**(0)**
Reclassification adjustments	**—**	**—**
Amount before tax	**(0)**	**(0)**
Tax (expense) or benefit	**—**	**—**
Subtotal	**(0)**	**(0)**
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	**40,773**	**438,419**
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the fiscal year	**60**	**645**
Total other comprehensive income	**¥44,895**	**$482,741**

16. NET ASSETS

Net assets are comprised of four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and minority interests in consolidated subsidiaries.

Under the Japanese Corporation Law ("the Law") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Law.

At the annual shareholders' meeting, held on May 23, 2013, the shareholders approved cash dividends amounting to ¥29,157 million ($313,516 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

17. STOCK OPTIONS

Stock option expense that is accounted for as "Selling, general and administrative expenses" on the Consolidated Statements of Income for the fiscal years ended February 28, 2013 and February 29, 2012 amounted to ¥392 million ($4,215 thousand) and ¥357 million, respectively.

(1) The Company

A. Outline of stock options

	First grant	Second grant
Title and number of grantees	4 directors of the Company	92 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	15,900 common shares	95,800 common shares
Grant date	August 6, 2008	August 6, 2008
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038

	Third grant	Fourth grant
Title and number of grantees	6 directors of the Company	106 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	24,000 common shares	129,700 common shares
Grant date	June 15, 2009	June 15, 2009
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039

	Fifth grant	Sixth grant
Title and number of grantees	6 directors of the Company	115 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	21,100 common shares	114,400 common shares
Grant date	June 16, 2010	July 2, 2010
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2011 to June 16, 2030	From February 28, 2011 to July 2, 2040

	Seventh grant	Eighth grant
Title and number of grantees	6 directors of the Company	121 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	25,900 common shares	128,000 common shares
Grant date	June 15, 2011	June 15, 2011
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2012 to June 15, 2031	From February 29, 2012 to June 15, 2041

	Ninth grant	Tenth grant
Title and number of grantees	7 directors of the Company	118 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	27,000 common shares	126,100 common shares
Grant date	July 6, 2012	July 6, 2012
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2013 to July 6, 2032	From February 28, 2013 to July 6, 2042

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) Within 10 days from the day following the day that a subscription holder loses their position as a director or executive officer of the Company or of its subsidiaries.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2013. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2013:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	15,900	66,000	24,000	100,200
Vested	—	—	—	—
Exercised	—	5,600	—	9,100
Forfeited	—	—	—	—
Outstanding	15,900	60,400	24,000	91,100

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	21,100	95,900	25,900	128,000
Vested	—	—	—	—
Exercised	—	9,500	—	9,600
Forfeited	—	—	—	—
Outstanding	21,100	86,400	25,900	118,400

	Ninth grant	Tenth grant
Before vested		
As of February 29, 2012	—	—
Granted	27,000	126,100
Forfeited	—	1,400
Vested	27,000	124,700
Outstanding	—	—
After vested		
As of February 29, 2012	—	—
Vested	27,000	124,700
Exercised	—	—
Forfeited	—	—
Outstanding	27,000	124,700

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥229,600 ($2,468) per subscription right to shares	—	¥229,900 ($2,472) per subscription right to shares
Fair value at the grant date[a]	¥307,000 ($3,301) per subscription right to shares	¥311,300 ($3,347) per subscription right to shares	¥204,500 ($2,198) per subscription right to shares	¥211,100 ($2,269) per subscription right to shares

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥229,700 ($2,469) per subscription right to shares	—	¥229,800 ($2,470) per subscription right to shares
Fair value at the grant date[a]	¥185,000 ($1,989) per subscription right to shares	¥168,900 ($1,816) per subscription right to shares	¥188,900 ($2,031) per subscription right to shares	¥185,300 ($1,992) per subscription right to shares

	Ninth grant	Tenth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	—
Fair value at the grant date[a]	¥216,400 ($2,326) per subscription right to shares	¥206,400 ($2,219) per subscription right to shares

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of the Company.

C. Valuation method for estimating per share fair value of stock options

Valuation method used for valuating fair value of the Ninth grant of subscription rights to shares and Tenth grant of subscription rights to shares during the fiscal year ended February 28, 2013 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Ninth grant	Tenth grant
Expected volatility of the underlying stock price[a]	32.37%	30.34%
Remaining expected life of the option[b]	5.02 years	6.89 years
Expected dividends on the stock[c]	¥62 ($0.66) per share	¥62 ($0.66) per share
Risk-free interest rate during the expected option term[d]	0.202%	0.419%

(a) The Ninth grant is calculated based on the actual stock prices during the five years and one month from June 29, 2007 to July 6, 2012.
The Tenth grant is calculated based on the actual stock prices during the six years and ten months from September 1, 2005 to July 6, 2012.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the expectable dividends on common stock for the fiscal year ended February 28, 2013.
(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.

(2) Seven Bank, Ltd.

A. Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	3 executive officers of Seven Bank, Ltd.
Number of stock options[a]	184,000 common shares	21,000 common shares
Grant date	August 12, 2008	August 12, 2008
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

	Second grant-1	Second grant-2
Title and number of grantees	4 directors of Seven Bank, Ltd.	5 executive officers of Seven Bank, Ltd.
Number of stock options[a]	171,000 common shares	38,000 common shares
Grant date	August 3, 2009	August 3, 2009
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039

	Third grant-1	Third grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	4 executive officers of Seven Bank, Ltd.
Number of stock options[a]	423,000 common shares	51,000 common shares
Grant date	August 9, 2010	August 9, 2010
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 10, 2010 to August 9, 2040	From August 10, 2010 to August 9, 2040

	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	8 executive officers of Seven Bank, Ltd.
Number of stock options[a]	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 9, 2011 to August 9, 2041	From August 9, 2011 to August 9, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options[a]	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) Within 10 days from the day following the day that a subscription holder loses their position as a director of Seven Bank, Ltd.
(c) Within 10 days from the day following the day that a subscription holder loses their position as a director or executive officer of Seven Bank, Ltd.

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2013. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2013:
Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	157,000	14,000	171,000	30,000
Vested	—	—	—	—
Exercised	—	7,000	—	7,000
Forfeited	—	—	—	—
Outstanding	157,000	7,000	171,000	23,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	423,000	38,000	440,000	118,000
Vested	—	—	—	—
Exercised	—	13,000	—	14,000
Forfeited	—	—	—	—
Outstanding	423,000	25,000	440,000	118,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of February 29, 2012	—	—
Granted	363,000	77,000
Forfeited	—	—
Vested	363,000	77,000
Outstanding	—	—
After vested		
As of February 29, 2012	—	—
Vested	363,000	77,000
Exercised	—	—
Forfeited	—	—
Outstanding	363,000	77,000

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥186,000 ($2,000) per subscription right to shares	—	¥186,000 ($2,000) per subscription right to shares
Fair value at the grant date[a]	¥236,480 ($2,542) per subscription right to shares	¥236,480 ($2,542) per subscription right to shares	¥221,862 ($2,385) per subscription right to shares	¥221,862 ($2,385) per subscription right to shares

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.01) per share	¥1($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥186,000 ($2,000) per subscription right to shares	—	¥186,000 ($2,000) per subscription right to shares
Fair value at the grant date[a]	¥139,824 ($1,503) per subscription right to shares	¥139,824 ($1,503) per subscription right to shares	¥127,950 ($1,375) per subscription right to shares	¥127,950 ($1,375) per subscription right to shares

	Fifth grant-1	Fifth grant-2
Exercise price	¥1 ($0.01) per share	¥1($0.01) per share
Average exercise price	—	—
Fair value at the grant date[a]	¥175,000 ($1,881) per subscription right to shares	¥175,000 ($1,881) per subscription right to shares

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1,000 common share of Seven Bank, Ltd.

C. Valuation method for estimating per share fair value of stock options

The valuation method used for valuating fair value of the Fifth grant-1 of subscription rights to shares and Fifth grant-2 of subscription rights to shares during the fiscal year ended February 28, 2013 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Fifth grant-1	Fifth grant-2
Expected volatility of the underlying stock price[a]	32.448%	32.448%
Remaining expected life of the option[b]	5.95 years	5.95 years
Expected dividends on the stock[c]	¥5.2 ($0.05) per share	¥5.2 ($0.05) per share
Risk-free interest rate during the expected option term[d]	0.264%	0.264%

(a) Calculated based on the actual stock prices during the four years and five months from February 29, 2008 to August 6, 2012.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2012 to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2012.
(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.

18. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2013
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥273 million ($2,935 thousand).

As of February 29, 2012
The Companies were contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥397 million.

The amount of guarantee in relation to the loans of a certain store lessor was ¥38 million.

(2) Pledged assets

A. The amount of assets pledged as collateral by the Companies for their loans from certain financial institutions as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Buildings and structures	**¥ 2,703**	¥ 18,135	**$ 29,064**
Land	**14,237**	47,144	**153,086**
Investments in securities	**89,348**	100,681	**960,731**
Long-term leasehold deposits	**3,805**	3,954	**40,913**
Total	**¥110,094**	¥169,915	**$1,183,806**

Debts for the pledged assets above as of February 28, 2013 are as follows: short-term loans, ¥3,400 million ($36,559 thousand); long-term loans (including current portion), ¥14,292 million ($153,677 thousand); long-term accounts payable, ¥663 million ($7,129 thousand); and long-term deposits received from tenants and franchised stores, ¥104 million ($1,118 thousand).

Debts for the pledged assets above as of February 29, 2012 are as follows: short-term loans, ¥3,400 million; long-term loans (including current portion), ¥62,911 million; long-term accounts payable, ¥773 million; and long-term deposits received from tenants and franchised stores, ¥121 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Buildings	**¥ 454**	¥ 487	**$ 4,881**
Land	**1,368**	1,368	**14,709**
Total	**¥1,822**	¥1,855	**$19,591**

Debts of affiliates for the pledged assets above as of February 28, 2013 and February 29, 2012 are ¥3,343 million ($35,946 thousand) and ¥3,443 million, respectively.

C. Other

As of February 28, 2013
The amount of assets pledged as collateral for fund transfer and for real estate business are ¥7,302 million ($78,516 thousand) and ¥54 million ($580 thousand), respectively. The amounts of assets pledged as collateral for installment sales are ¥1,335 million ($14,354 thousand). In addition, ¥1,209 million ($13,000 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2012
The amount of assets pledged as collateral for fund transfer and for real estate business were ¥6,025 million and ¥54 million, respectively. The amount of assets pledged as collateral for installment sales were ¥1,335 million. In addition, ¥1,132 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Credit availability of cash loan business	**¥1,007,587**	¥1,026,657	**$10,834,268**
Outstanding balance	**(28,041)**	(31,176)	**(301,516)**
Unused credit balance	**¥ 979,546**	¥ 995,480	**$10,532,752**

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering historical record. Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. will cease finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

19. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the "Notes and accounts payable: Trade for franchised stores" account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. ("SEJ") and 7-Eleven, Inc. ("SEI"). SEJ and SEI centralize all purchasing procedures for merchandise purchased by an individual franchised store and make collective payments to all vendors on behalf of the franchisees.

20. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from Seven-Eleven Japan Co., Ltd.'s franchised stores and 7-Eleven, Inc.'s are included in "Operating revenues." The franchise commission from franchised stores and concurrent net sales of franchised stores are as follows:

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Franchise commission from franchised stores	¥ 521,863	¥ 479,825	$ 5,611,430
Net sales of franchised stores	3,416,986	3,189,317	36,741,784

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Franchise commission from franchised stores	¥133,586	¥119,251	$1,436,408
Net sales of franchised stores	740,980	666,930	7,967,526

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Buildings and structures	¥ 799	¥ 895	$ 8,591
Land	587	1,217	6,311
Others	17	22	182
Total	¥1,404	¥2,135	$15,096

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Buildings and structures	¥2,697	¥2,667	$29,000
Furniture, fixtures and equipment	1,635	563	17,580
Others	2,309	2,237	24,827
Total	¥6,642	¥5,468	$71,419

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Advertising and decoration expenses	¥119,292	¥111,420	$1,282,709
Salaries and wages	381,667	378,066	4,103,946
Provision for allowance for bonuses to employees	13,221	14,699	142,161
Legal welfare expenses	49,344	47,504	530,580
Land and building rent	271,956	258,652	2,924,258
Depreciation and amortization	148,335	133,914	1,595,000
Utility expenses	101,344	92,704	1,089,720
Store maintenance and repair	62,489	69,824	671,924

21. RELATED PARTIES TRANSACTIONS

No items required to report.

22. 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 "Convenience store operations," "Superstore operations," "Department store operations", "Food services," "Financial services," and "Others," according to the nature of products, services and sales operations.

"Convenience store operations" operate corporate stores and franchised stores under the name of "7-Eleven." "Superstore operations" operate superstores, supermarkets, specialty shops and others. "Department store operations" operate department store business which mainly consists of Sogo & Seibu Co., Ltd. "Food services" operate restaurant operations, meal provision service business (mainly for company cafeterias, hospitals and schools) and fast food operations. "Financial services" operate bank, credit card, lease, and other related financial businesses. "Others" operate IT business and other services.

(2) Calculation methodology for revenues from operations, income or losses, assets and liabilities and other items for each reporting segment

The accounting treatment of each reportable segment 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 or loss, assets, liabilities and other monetary items for each reportable segment

Fiscal year ended February 28, 2013

Millions of yen

	Reportable segments								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥1,899,133	¥1,983,622	¥882,699	¥77,450	¥ 123,539	¥ 25,195	¥4,991,642	¥ —	¥4,991,642
Intersegment	439	10,965	1,329	910	20,815	25,014	59,475	(59,475)	—
Total revenues	1,899,573	1,994,588	884,028	78,361	144,355	50,210	5,051,118	(59,475)	4,991,642
Segment income (loss)	¥ 221,764	¥ 25,491	¥ 8,029	¥ 721	¥ 37,425	¥ 3,886	¥ 297,319	¥ (1,634)	¥ 295,685
Segment assets	¥1,370,292	¥ 967,887	¥517,075	¥21,843	¥1,716,745	¥168,047	¥4,761,891	¥(499,494)	¥4,262,397
Segment liabilities (interest-bearing debt)	¥ 132,144	¥ 22,045	¥185,005	¥ —	¥ 303,136	¥ 750	¥ 643,081	¥ 209,982	¥ 853,064
Other items									
Depreciation and amortization	¥ 83,987	¥ 29,129	¥ 14,662	¥ 639	¥ 23,668	¥ 2,484	¥ 154,571	¥ 1,094	¥ 155,666
Amortization of goodwill	¥ 4,895	¥ 6,626	¥ 5,295	¥ —	¥ 805	¥ 61	¥ 17,684	¥ —	¥ 17,684
Investment in associates accounted for using the equity method	¥ 9,601	¥ 1,847	¥ 488	¥ —	¥ —	¥ 8,347	¥ 20,285	¥ —	¥ 20,285
Impairment loss	¥ 5,944	¥ 3,790	¥ 7,782	¥ 410	¥ 373	¥ 28	¥ 18,330	¥ —	¥ 18,330
Net increase in property and equipment, and intangible assets	¥ 193,689	¥ 53,066	¥ 16,473	¥ 1,156	¥ 36,942	¥ 4,282	¥ 305,610	¥ 772	¥ 306,383

Fiscal year ended February 29, 2012

Millions of yen

	Reportable segments								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥1,690,384	¥1,982,099	¥898,977	¥77,029	¥ 112,354	¥ 25,499	¥4,786,344	¥ —	¥4,786,344
Intersegment	539	10,199	1,245	996	17,246	21,965	52,193	(52,193)	—
Total revenues	1,690,924	1,992,298	900,222	78,026	129,601	47,464	4,838,538	(52,193)	4,786,344
Segment income (loss)	¥ 214,637	¥ 32,432	¥ 9,948	¥ (95)	¥ 33,778	¥ 2,304	¥ 293,005	¥ (945)	¥ 292,060
Segment assets	¥1,077,608	¥1,048,661	¥541,929	¥21,026	¥1,565,291	¥153,852	¥4,408,369	¥(519,010)	¥3,889,358
Segment liabilities (interest-bearing debt)	¥ 29,252	¥ 26,219	¥200,154	¥ —	¥ 244,973	¥ 1,500	¥ 502,099	¥ 209,978	¥ 712,077
Other items									
Depreciation and amortization	¥ 73,291	¥ 28,626	¥ 14,010	¥ 667	¥ 20,331	¥ 2,588	¥ 139,514	¥ 480	¥ 139,994
Amortization of goodwill	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥ —	¥ 12,915
Investment in associates accounted for using the equity method	¥ 7,625	¥ 1,656	¥ 467	¥ —	¥ —	¥ 7,947	¥ 17,697	¥ —	¥ 17,697
Impairment loss	¥ 4,301	¥ 7,238	¥ 2,059	¥ 428	¥ 97	¥ 334	¥ 14,460	¥ —	¥ 14,460
Net increase in property and equipment, and intangible assets	¥ 147,051	¥ 37,376	¥ 14,763	¥ 719	¥ 23,891	¥ 2,995	¥ 226,797	¥ 3,371	¥ 230,168

Fiscal year ended February 28, 2013

	Reportable segments								Thousands of U.S. dollars (Note 3)
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	$20,420,784	$21,329,268	$9,491,387	$832,795	$ 1,328,376	$ 270,913	$53,673,569	$ —	$53,673,569
Intersegment	4,720	117,903	14,290	9,784	223,817	268,967	639,516	(639,516)	—
Total revenues	20,425,516	21,447,182	9,505,677	842,591	1,552,204	539,892	54,313,096	(639,516)	53,673,569
Segment income (loss)	$ 2,384,559	$ 274,096	$ 86,333	$ 7,752	$ 402,419	$ 41,784	$ 3,196,978	$ (17,569)	$ 3,179,408
Segment assets	$14,734,322	$10,407,387	$5,559,946	$234,870	$18,459,623	$1,806,956	$51,203,129	$(5,370,903)	$45,832,225
Segment liabilities (interest-bearing debt)	$ 1,420,903	$ 237,043	$1,989,301	$ —	$ 3,259,526	$ 8,064	$ 6,914,849	$ 2,257,870	$ 9,172,731
Other items									
Depreciation and amortization	$ 903,086	$ 313,215	$ 157,655	$ 6,870	$ 254,494	$ 26,709	$ 1,662,053	$ 11,763	$ 1,673,827
Amortization of goodwill	$ 52,634	$ 71,247	$ 56,935	$ —	$ 8,655	$ 655	$ 190,150	$ —	$ 190,150
Investment in associates accounted for using the equity method	$ 103,236	$ 19,860	$ 5,247	$ —	$ —	$ 89,752	$ 218,118	$ —	$ 218,118
Impairment loss	$ 63,913	$ 40,752	$ 83,677	$ 4,408	$ 4,010	$ 301	$ 197,096	$ —	$ 197,096
Net increase in property and equipment, and intangible assets	$ 2,082,677	$ 570,602	$ 177,129	$ 12,430	$ 397,225	$ 46,043	$ 3,286,129	$ 8,301	$ 3,294,440

Notes:
1. The adjustments of ¥(1,634) million ($(17,569) thousand) and ¥(945) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.
2. The adjustments of ¥(499,494) million ($(5,370,903) thousand) and ¥(519,010) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.
3. The adjustments of ¥209,982 million ($2,257,870 thousand) and ¥209,978 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2013 and February 29, 2012, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment incomes (loss) is reconciled with the operating income in the Consolidated Statements of Income.

(Reference)

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

Fiscal year ended February 28, 2013	Japan	North America	Others	Total before eliminations	Eliminations	Millions of yen Consolidated total
Revenues from operations:						
Customers	¥3,625,244	¥1,269,171	¥97,226	¥4,991,642	¥ —	¥4,991,642
Intersegment	730	130	—	861	(861)	—
Total revenues	¥3,625,974	¥1,269,302	¥97,226	¥4,992,503	¥(861)	¥4,991,642
Operating income	¥ 263,443	¥ 33,137	¥ (909)	¥ 295,671	¥ 13	¥ 295,685

Fiscal year ended February 29, 2012	Japan	North America	Others	Total before eliminations	Eliminations	Millions of yen Consolidated total
Revenues from operations:						
Customers	¥3,590,473	¥1,106,347	¥89,524	¥4,786,344	¥ —	¥4,786,344
Intersegment	444	101	—	546	(546)	—
Total revenues	¥3,590,917	¥1,106,449	¥89,524	¥4,786,890	¥(546)	¥4,786,344
Operating income	¥ 261,531	¥ 29,181	¥ 1,324	¥ 292,037	¥ 22	¥ 292,060

Fiscal year ended February 28, 2013	Japan	North America	Others	Total before eliminations	Eliminations	Thousands of U.S. dollars (Note 3) Consolidated total
Revenues from operations:						
Customers	$38,981,118	$13,647,000	$1,045,440	$53,673,569	$ —	$53,673,569
Intersegment	7,849	1,397	—	9,258	(9,258)	—
Total revenues	$38,988,967	$13,648,408	$1,045,440	$53,682,827	$(9,258)	$53,673,569
Operating income	$ 2,832,720	$ 356,311	$ (9,774)	$ 3,179,258	$ 139	$ 3,179,408

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

(Related Information)

Fiscal Years ended February 28, 2013 and February 29, 2012

1. Information on products and services

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

2. Information by region

(1) Revenues from operations

Fiscal year ended February 28, 2013

Japan	North America	Others	Millions of yen Total
¥3,625,244	¥1,269,171	¥97,226	¥4,991,642

Fiscal year ended February 29, 2012

Japan	North America	Others	Millions of yen Total
¥3,590,473	¥1,106,347	¥89,524	¥4,786,344

Fiscal year ended February 28, 2013

Japan	North America	Others	Total
			Thousands of U.S. dollars (Note 3)
$38,981,118	**$13,647,000**	**$1,045,440**	**$53,673,569**

(2) Property and equipment
Fiscal year ended February 28, 2013

Japan	North America	Others	Total
			Millions of yen
¥1,140,468	**¥338,895**	**¥3,149**	**¥1,482,514**

Fiscal year ended February 29, 2012

Japan	North America	Others	Total
			Millions of yen
¥1,072,898	¥245,108	¥2,167	¥1,320,174

Fiscal year ended February 28, 2013

Japan	North America	Others	Total
			Thousands of U.S. dollars (Note 3)
$12,263,096	**$3,644,032**	**$33,860**	**$15,941,010**

3. Information about major customers

Information is omitted because there is no customer accounting for 10% or more of the net sales on the Consolidated Statements of Income.

4. Information regarding impairment loss on fixed assets by reportable segment

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

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

	Reportable segments								Millions of yen
Fiscal year ended February 28, 2013	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	**¥ 4,895**	**¥ 6,626**	**¥ 5,295**	**¥ —**	**¥ 805**	**¥ 61**	**¥ 17,684**	**¥—**	**¥ 17,684**
Balance at the end of current year	**114,773**	**42,343**	**69,672**	**—**	**17,803**	**1,084**	**245,678**	**—**	**245,678**
Negative goodwill									
Amortization	**—**	**23**	**—**	**4**	**—**	**10**	**37**	**—**	**37**
Balance at the end of current year	**—**	**233**	**—**	**42**	**—**	**—**	**275**	**—**	**275**

	Reportable segments								Millions of yen
Fiscal Year ended February 29, 2012	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥—	¥ 12,915
Balance at the end of current year	48,844	48,892	74,974	—	10,976	931	184,619	—	184,619
Negative goodwill									
Amortization	—	23	3	4	—	13	44	—	44
Balance at the end of current year	—	257	—	46	—	10	313	—	313

	Reportable segments								Thousands of U.S. dollars (Note 3)
Fiscal year ended February 28, 2013	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	**$ 52,634**	**$ 71,247**	**$ 56,935**	**$ —**	**$ 8,655**	**$ 655**	**$ 190,150**	**$—**	**$ 190,150**
Balance at the end of current year	**1,234,118**	**455,301**	**749,161**	**—**	**191,430**	**11,655**	**2,641,698**	**—**	**2,641,698**
Negative goodwill									
Amortization	**—**	**247**	**—**	**43**	**—**	**107**	**397**	**—**	**397**
Balance at the end of current year	**—**	**2,505**	**—**	**451**	**—**	**—**	**2,956**	**—**	**2,956**

6. Information regarding gain on negative goodwill by reporting segment

None

23. SUBSEQUENT EVENTS

Subsequent to February 28, 2013, the Company's Board of Directors declared a year-end cash dividend of ¥29,157 million ($313,516 thousand) to be payable on May 24, 2013 to shareholders on record as of February 28, 2013. The dividend declared was approved by the shareholders at the meeting held on May 23, 2013.

Independent Auditor's Report

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as of February 28, 2013 and February 29, 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as of February 28, 2013 and February 29, 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

May 28, 2013
Tokyo, Japan

Principal Subsidiaries

As of May 31, 2013

Convenience Store Operations	Equity Ownership[1] (%)
Seven-Eleven Japan Co., Ltd.	(100.0)
7-Eleven, Inc.	(100.0)
SEJ Asset Management & Investment Company	(100.0)
SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.	(100.0)
SEVEN-ELEVEN (BEIJING) CO., LTD.	(65.0)
SEVEN-ELEVEN (TIANJIN) CO., LTD.	(100.0)
SEVEN-ELEVEN (CHENGDU) Co., Ltd.	(100.0)
SEVEN-ELEVEN (HAWAII), INC.	(100.0)

Superstore Operations	Equity Ownership[1] (%)
Ito-Yokado Co., Ltd.	(100.0)
York-Benimaru Co., Ltd.	(100.0)
York Mart Co., Ltd.	(100.0)
Ito-Yokado (China) Investment Co., Ltd.	(100.0)
Hua Tang Yokado Commercial Co., Ltd.	(75.8)
Chengdu Ito-Yokado Co., Ltd.	(74.0)
Life Foods Co., Ltd.	(100.0)
IY Foods K.K.	(100.0)
Akachan Honpo Co., Ltd.	(95.0)
Oshman's Japan Co., Ltd.	(100.0)
Mary Ann Co., Ltd.	(100.0)
Seven Bi no Garden Co., Ltd.[2]	(93.1)

Department Store Operations	Equity Ownership[1] (%)
Sogo & Seibu Co., Ltd.	(100.0)
THE LOFT CO., LTD.	(70.7)
SHELL GARDEN CO., LTD.	(100.0)
IKEBUKURO SHOPPING PARK CO., LTD.	(60.7)
Yatsugatake Kogen Lodge Co., Ltd.	(100.0)
GOTTSUO BIN CO., LTD.	(100.0)

Food Services	Equity Ownership[1] (%)
Seven & i Food Systems Co., Ltd.	(100.0)
Seven & i Restaurant (Beijing) Co., Ltd.	(75.0)

Financial Services	Equity Ownership[1] (%)
Seven Bank, Ltd.	(45.8)
Seven Financial Service Co., Ltd.[3]	(100.0)
Seven Card Service Co., Ltd.	(95.5)
Seven CS Card Service Co., Ltd.	(51.0)
SEVEN & i Financial Center Co., Ltd.	(100.0)
Financial Consulting & Trading International, Inc.	(100.0)

Others	Equity Ownership[1] (%)
Seven & i Netmedia Co., Ltd.	(100.0)
Seven Net Shopping Co., Ltd.	(85.2)
7dream.com	(68.0)
Seven Culture Network Co., Ltd.	(100.0)
SEVEN & i Publishing Co., Ltd.	(100.0)
Seven-Meal Service Co., Ltd.	(90.0)
SEVEN & i Life Design Institute Co., Ltd.	(100.0)
K.K. Terre Verte	(99.0)
Seven & i Asset Management Co., Ltd.	(100.0)
Mall & SC Development Inc.	(100.0)
IY Real Estate Co., Ltd.	(100.0)
K.K. York Keibi	(100.0)

Notes:
1. Ownership ratios include indirect holdings.
2. On May 1, 2012, Seven Health Care Co., Ltd. changed its name to Seven Bi no Garden Co., Ltd.
3. On March 1, 2012, Seven Financial Service Co., Ltd., as the surviving company, and K.K. York Insurance were merged.
4. On October 6, 2012, Seven Bank, Ltd. acquired the shares of Financial Consulting & Trading International, Inc., making it into a wholly owned subsidiary.

Investor Information

As of February 28, 2013

Head Office

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan
Tel: +81-3-6238-3000
Fax: +81-3-3263-0232
URL: www.7andi.com/en/

Date of Establishment

September 1, 2005

Number of Employees

55,011 (Consolidated)
418 (Non-consolidated)

Paid-in Capital

¥50,000 million

Number of Common Stock

Issued: 886,441,983 shares

Number of Shareholders

89,849

Stock Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan

Annual Shareholders' Meeting

The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

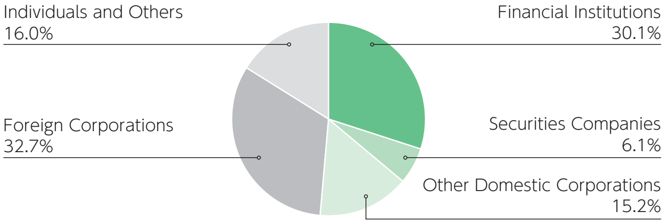
Auditors

KPMG AZSA LLC

PRINCIPAL SHAREHOLDERS

	Investment by each major shareholder in the Company	
	Number of shares held (Thousand shares)	Percentage of shares held
Ito-Kogyo Co., Ltd.	68,901	7.8%
Japan Trustee Services Bank, Ltd. (Trust account)	41,481	4.7%
The Master Trust Bank of Japan, Ltd. (Trust account)	38,966	4.4%
Nippon Life Insurance Company	19,664	2.2%
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	18,983	2.1%
Masatoshi Ito	16,801	1.9%
MITSUI & CO., LTD.	16,222	1.8%
State Street Bank and Trust Company 505225	15,448	1.7%
Nomura Securities Co., Ltd.	14,460	1.6%
The Dai-ichi Life Insurance Company, Limited	13,777	1.6%

CLASSIFICATION OF SHAREHOLDERS BY NUMBER OF SHARES HELD



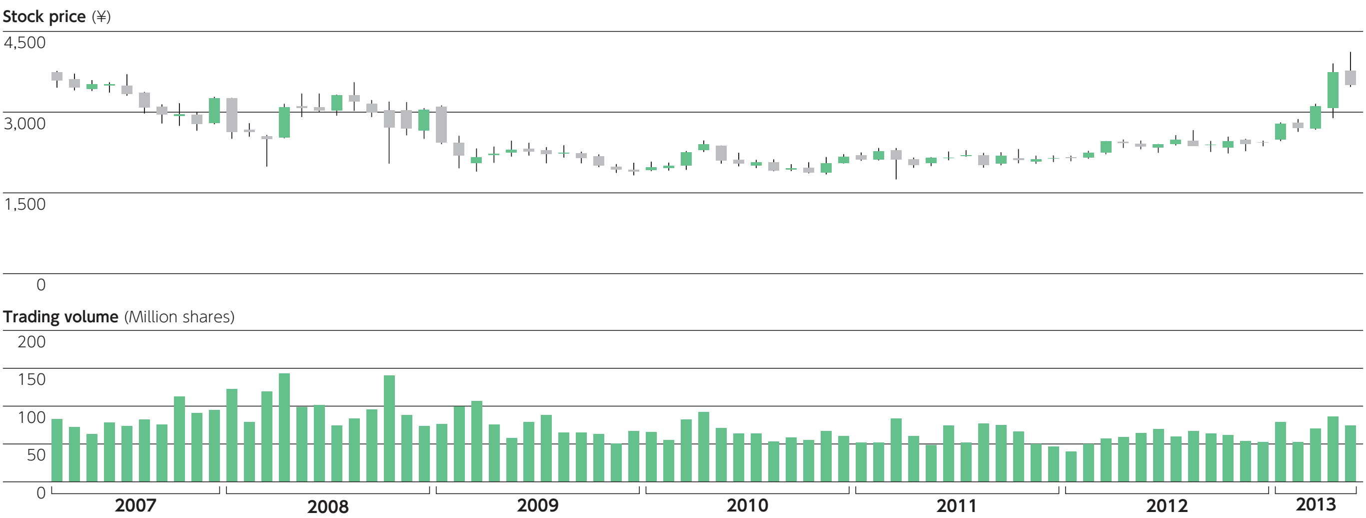
BOND RATINGS

(as of May 31, 2013)

		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA–	Aa3	AA	AA+
Seven-Eleven Japan	Long-term	AA–	–	–	AA+
	Short-term	A-1+	P-1	–	–
7-Eleven, Inc.	Long-term	AA–	Baa1	–	–
Seven Bank	Long-term	AA–	–	AA	–

Note: From January 2006, Seven-Eleven Japan's short-term rating is its rating as the guarantor of 7-Eleven, Inc.'s commercial paper program.

STOCK PRICE CHART (MONTHLY)



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