FINANCIAL SECTION

CONTENTS

CONSOLIDATED FINANCIAL SUMMARY

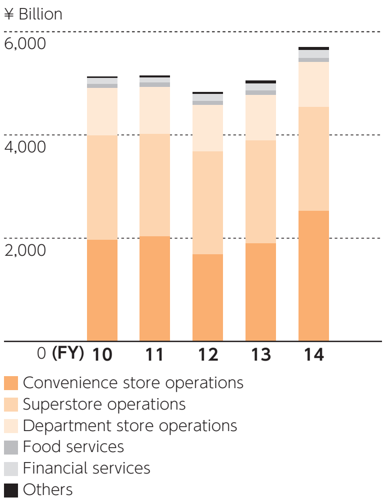
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2014, February 28, 2013 and February 29, 2012

	Millions of yen			Thousands of U.S. dollars (Note A)
	2014	2013	2012 (Note B)	**2014**
For the fiscal year:				
Revenues from operations	**¥5,631,820**	¥4,991,642	¥4,786,344	**$55,213,921**
Operating income	**339,659**	295,685	292,060	**3,329,990**
Income before income taxes and minority interests	**311,230**	262,722	230,817	**3,051,274**
Net income	**175,691**	138,064	129,837	**1,722,460**
Capital expenditures (Note C)	**336,758**	334,216	255,426	**3,301,549**
Depreciation and amortization (Note D)	**147,379**	155,666	139,994	**1,444,892**
At fiscal year-end:				
Total assets	**¥4,811,380**	¥4,262,397	¥3,889,358	**$47,170,392**
Cash and cash equivalents	**921,432**	800,087	733,707	**9,033,647**
Total current assets	**1,899,556**	1,655,528	1,516,584	**18,623,098**
Total current liabilities	**1,628,167**	1,534,579	1,385,728	**15,962,421**
Long-term debt	**731,844**	545,588	475,811	**7,174,941**
Total net assets	**2,221,557**	1,994,740	1,860,954	**21,779,970**

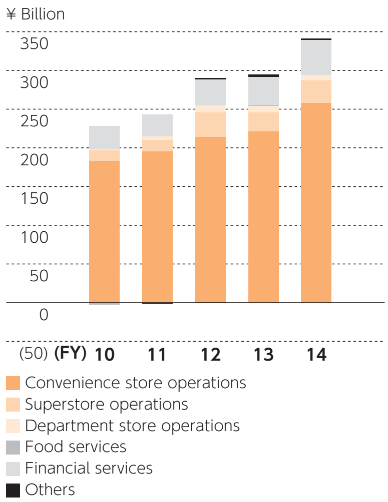
	Yen			U.S. dollars (Note A)
	2014	2013	2012 (Note B)	**2014**
Per share data:				
Net income (basic)	**¥198.84**	¥156.26	¥146.96	**$1.94**
Net income (diluted)	**198.69**	156.15	146.88	**1.94**
Cash dividends	**68.00**	64.00	62.00	**0.66**
Financial ratios:				
Operating income ratio (Note E)	**6.0%**	5.9%	6.1%	**6.0%**
Net income ratio (Note E)	**3.1%**	2.8%	2.7%	**3.1%**
ROE	**8.8%**	7.6%	7.5%	**8.8%**
ROA	**3.9%**	3.4%	3.4%	**3.9%**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥102=U.S.$1, the approximate rate of exchange prevailing on February 28, 2014.
(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.

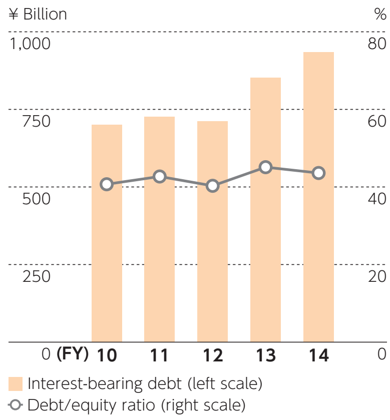
REVENUES FROM OPERATIONS BY BUSINESS SEGMENT



OPERATING INCOME (LOSS) BY BUSINESS SEGMENT



INTEREST-BEARING DEBT DEBT/EQUITY RATIO



MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2014, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥5,631.8 billion, an increase of ¥640.1 billion year on year, driven by convenience store operations and financial services. Operating income increased by ¥43.9 billion to ¥339.6 billion, primarily supported by convenience store operations and financial services.

Convenience Store Operations

Seven-Eleven Japan (SEJ), the core operating company in the convenience store operations, opened a record-high 1,579 stores, through measures such as expanding its regional coverage by opening stores in Tokushima and Kagawa prefectures. As a result, the number of domestic stores reached 16,319 at the end of the fiscal year under review, an increase of 1,247 stores from the end of the previous fiscal year. On the product front, SEJ continued its mission to realize "close-by, convenient stores" by focusing on developing original products that satisfy customers' demands for quality and tastiness. SEJ also bolstered its lineups of the Group's *Seven Premium* and *Seven Gold* private-brand products. Furthermore, SEJ introduced *SEVEN CAFÉ*, a high-quality self-serve drip coffee, at all stores, with cumulative sales exceeding 450 million cups served.

As a result of improving sales, mainly through the above-mentioned initiatives, the rate of sales growth at existing stores increased 2.3% year on year. Consequently, total store sales, which comprise directly-operated and franchised store sales, rose 7.8% to ¥3,781.2 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 5.7% to ¥979.3 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, as well as noodles and *sozai* prepared meals, were up 14.6% to ¥1,077.6 billion. Sales of daily food items, which include bread, pastries, and milk, were up 8.6% to ¥487.7 billion. Sales of nonfood products, which include cigarettes and sundries, were up 3.7% to ¥1,236.4 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly-operated stores, were up 10.0% to ¥679.5 billion.

Overseas, 7-Eleven, Inc. (SEI) had 8,292 stores in North America as of December 31, 2013. SEI continued to focus on the development and sale of fresh food and *7-Select* private-brand products. In addition, higher sales of non-alcoholic beverages, alcoholic beverages and certain other products had a positive effect on sales. On a U.S. dollar basis, merchandise sales at existing stores in the United States increased 1.0% year on year. Consequently, SEI's total store sales rose 42.6% to ¥2,641.1 billion due primarily to higher gasoline sales. In China, the Group had 150 stores in Beijing, 56 stores in Tianjin and 79 stores in Chengdu, Sichuan Province.

Consequently, revenues from operations in convenience store operations were ¥2,529.6 billion, up 33.2% year on year, while operating income was ¥257.5 billion, up 16.1%.

PLAN FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2015

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/ decrease
Revenues from operations	¥6,130.0 billion	+8.8%	+¥498.1 billion
Operating income	¥356.0 billion	+4.8%	+¥16.3 billion
Net income	¥184.0 billion	+4.7%	+¥8.3 billion

Note Exchange rates used for income statements: fiscal year ended Feb. 28, 2014: U.S.$1=¥97.73 (actual); assumption for fiscal year ending Feb. 28, 2015: U.S.$1=¥102.00 (Yen depreciation of ¥4.27)

CONSOLIDATED OPERATING INCOME BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/ decrease
Consolidated operating income	¥356.0 billion	+4.8%	+¥16.3 billion
Convenience store operations	¥270.0 billion	+4.8%	+¥12.4 billion
Superstore operations	¥32.8 billion	+10.6%	+¥3.1 billion
Department store operations	¥8.2 billion	+24.4%	+¥1.6 billion
Food services	¥1.3 billion	+115.2%	+¥0.6 billion
Financial services	¥47.5 billion	+5.8%	+¥2.5 billion
Mail order services	¥(4.7) billion	–	–
Others	¥3.7 billion	+70.8%	+¥1.5 billion

Superstore Operations

In superstore operations, Ito-Yokado (IY) worked to develop private-brand products in the apparel category, focusing on promotions utilizing the media and improving customer service. In the food category, we worked to provide safe, secure products and to strengthen our lineup of high-quality products. However, due to weather impacts and changes in sales promotion methods, sales at existing stores declined 4.6% year on year, and net sales of IY were down 1.7%, to ¥1,280.6 billion. By product category, apparel sales in the fiscal year under review were down 4.7% to ¥204.0 billion; sales of household goods declined 6.9% to ¥165.2 billion; and sales of food were down 2.4% to ¥608.3 billion. Despite these year-on-year declines in sales, profitability improved, mainly due to a reduction in markdown losses and an improving gross profit margin, reflecting growth in sales of private-brand products.

Furthermore, York-Benimaru (YB) strove to strengthen fresh foods and delicatessen products, in addition to promoting the development of differentiated products. Consequently, sales at existing stores increased 0.1% year on year and net sales of YB were ¥374.7 billion, an increase of 4.7% from the previous fiscal year.

As a result, revenues from operations in superstore operations were ¥2,009.4 billion, an increase of 0.7% from the previous fiscal year, and operating income was ¥29.6 billion, an increase of 16.4%.

Department Store Operations

Sogo & Seibu, the core business in department store operations, strengthened retailer-managed merchandising and store-managed sales areas. Sogo & Seibu also achieved high-quality customer service by increasing the number of sales personnel with a high degree of specialized knowledge, along with upgrading and expanding its total consulting capabilities using personnel with specialized qualifications. These and other initiatives led to a 1.2% year-on-year increase in the rate of sales growth at existing stores.

The decline in revenues from operations was mainly due to the closure of SEIBU Numazu and Sogo Kure in the previous fiscal year. Operating income declined, mainly because of tough competition at THE LOFT, although Sogo & Seibu achieved higher earnings.

Food Services

In the restaurant division of Seven & i Food Systems, sales at existing stores grew 1.6% year on year mainly as a result of enhancing high value-added menus and improving customer service.

As a result, revenues from operations in food services were ¥78.5 billion, up 0.3%. Operating income was ¥0.6 billion, down 16.3% due to incurring one-off expenses.

Financial Services

In financial services, Seven Bank had increased the number of installed ATMs by 1,472 from a year ago to 19,394 as of the end of February 2014. The daily average transactions per ATM during the fiscal year were 108.4, down 2.8 transactions 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, 2014 was 3.50 million, up 0.13 million cardholders, and the number of cardholders for the CLUB ON/ Millennium CARD SAISON, which is issued by Seven CS Card Service, was 3.28 million, up 0.07 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, 2014 was 28.39 million, up 6.94 million, and the number of stores at which *nanaco* could be used was approximately 142,900 stores, up about 21,900 stores.

As a result, revenues from operations in financial services were ¥158.8 billion, up 10.0%, and operating income was ¥44.9 billion, up 20.0%.

Others

In others operations, revenues from operations were ¥50.4 billion, an increase of 0.6% from the previous fiscal year. Operating income was ¥2.1 billion, down 44.3%. In IT/services, Seven & i Net Media merged with Seven Net Shopping on March 1, 2014. Through this merger, the Company has put in place a framework to vigorously promote the Omni-Channel Strategy.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥28.4 billion compared with net other expenses of ¥32.9 billion in the previous fiscal year. This change was mainly due to an increase in equity in earnings of affiliates, despite higher interest expenses at SEI.

Consequently, income before income taxes and minority interests increased ¥48.5 billion to ¥311.2 billion.

Net Income

Income taxes increased ¥12.3 billion year on year to ¥123.1 billion. After application of tax effect accounting, the effective tax rate was 39.6%.

As a result, net income rose ¥37.6 billion year on year to ¥175.6 billion. Net income per share was ¥198.84, up ¥42.58 per share from ¥156.26 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets on February 28, 2014 stood at ¥4,811.3 billion, up ¥548.9 billion from the end of the previous fiscal year.

Total current assets were ¥1,899.5 billion, up ¥244.0 billion from the end of the previous fiscal year. The main reasons were increases of ¥41.2 billion and ¥39.8 billion in notes and accounts receivable, trade and inventories, respectively, due to the consolidation of Nissen Holdings and its subsidiaries. Other factors included increases in cash and cash equivalents of ¥121.3 billion.

Property and equipment increased ¥227.4 billion, mainly due to new store openings and existing store remodeling at SEJ, and store acquisitions at SEI. Intangible assets were up ¥52.5 billion, mainly due to goodwill generated by SEI and exchange rate differences. Furthermore, investments and other assets increased ¥24.9 billion to ¥733.8 billion. This was mainly the result of an increase of ¥25.6 billion in investments in securities, reflecting the acquisition of shares of affiliates, such as Barneys Japan.

Total liabilities were up ¥322.1 billion to ¥2,589.8 billion.

Total current liabilities were up ¥93.5 billion to ¥1,628.1 billion. The main reasons were an increase of ¥77.6 billion in deposits received in the banking business of Seven Bank, as well as an increase of ¥55.1 billion in notes and accounts payable, trade and trade for franchised stores mainly due to the consolidation of Nissen Holdings and its subsidiaries. On the other hand, the current portion of bonds decreased by ¥43.9 billion mainly due to bond redemptions by the Company.

Non-current liabilities rose ¥228.5 billion to ¥961.6 billion. This was mainly due to bond issuances of ¥100.0 billion and ¥55.0 billion by the Company and Seven Bank, respectively.

Total net assets were up ¥226.8 billion to ¥2,221.5 billion.

Retained earnings increased ¥117.6 billion after recording net income of ¥175.6 billion, despite being reduced by ¥58.3 billion for payment of cash dividends.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, increased by ¥83.6 billion.

As a result of the above, owners' equity per share was up ¥231.47 per share from a year earlier to ¥2,371.92 per share, and the owners' equity ratio was 43.6% compared to 44.4% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥921.4 billion, up ¥121.3 billion from a year earlier. This was mainly due to cash provided by operations with high revenue generating capacity, centered on convenience store operations, and proceeds from the issuance of bonds by the Company. On the other hand, cash was used to open new stores and remodel existing stores, mainly by SEJ.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥454.3 billion, up ¥62.9 billion from the previous fiscal year. This was mainly due to an increase of ¥48.5 billion in income before income taxes and minority interests, a ¥40.4 billion net increase in deposits received in banking business at Seven Bank, and the absence of a special contribution of ¥27.9 billion to the corporate pension fund made in the previous fiscal year. On the other hand, there was a ¥78.8 billion net decrease in call money in banking business at Seven Bank.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥286.6 billion, down ¥54.2 billion from the previous fiscal year. This mainly reflected a decrease of ¥44.4 billion in payments for business acquisitions at SEI.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥55.2 billion, a change of ¥65.2 billion from net cash provided of ¥10.0 billion in the previous fiscal year. Payment for redemption of bonds was ¥40.0 billion. Proceeds from long-term debts, mainly at SEI, decreased by ¥78.7 billion while repayment of long-term debts increased by ¥26.5 billion. Meanwhile, there were proceeds from issuance of bonds, mainly at the Company, of ¥99.7 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 its 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 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 GROUPWIDE 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 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 new 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 through M&As, 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.

Omni-Channel Strategy

The Group is promoting its Omni-Channel Strategy to cope with the changes in customers' buying behavior due to a change in social structure. The Group aims to create a new retail environment where every product and service can be available to customers anytime and anywhere by taking advantage of the Group's nationwide networks of stores, logistics, and other infrastructures.

The Group is trying to stimulate latent customer demand through building a new "Integrated E-commerce Website," developing high-quality products, and enhancing service quality. However, the group may not attain its objectives completely because of some internal and/or external factors. If such is the case, its business performance and financial condition may be affected.

Human Resource Management

It is indispensable for the Group's business operations to secure human resources with the capability of good communication with stakeholders, especially customers. If fiercer competition for human resources in various business fields or regions in the future may lead to difficulty in securing appropriate staff and/or the loss of existing staff, its business performance and financial condition may be affected.

Toshifumi Suzuki, the Chairman and CEO of Seven & i Holdings, and the Group's top management are playing important roles in leading the implementation of the Group's strategy. If they were to become incapable of fulfilling their duties due to unforeseen circumstances, its business performance and financial condition could 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 by working with business partners to innovate production, distribution, sales, and their supporting information systems to realize differentiated, high-quality products and to create convenient services that support everyday life. 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 environments such as drastic fluctuation of the price may affect the Group's business performance and financial condition.

As of February 28, 2014, Seven-Eleven has grown into a global chain with more than 52,000 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 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 area. 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, 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 cards, 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.

Mail Order Services

In mail order operations, with the aim of transforming to multichannel-adaptive direct marketing operations, the Group strives to enhance the support base from customers, the capability of presenting optimal individualized solutions to customers, the development of value-added private-brand products and services, the capability of assorting carefully selected national-brand products and services, and the communication infrastructure, as well as maximize synergy with other Group operations. 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.

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 affect 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, 2014 and February 28, 2013

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 2014
Current assets:			
Cash and cash equivalents (Note 4)	¥ 921,432	¥ 800,087	$ 9,033,647
Notes and accounts receivable:			
Trade (Note 4)	327,072	285,817	3,206,588
Financial services	66,230	64,053	649,313
Franchisees and other	99,527	81,632	975,754
Allowance for doubtful accounts (Note 4)	(5,529)	(4,955)	(54,205)
	487,301	426,547	4,777,460
Inventories	202,118	162,286	1,981,549
Deferred income taxes (Note 10)	40,812	34,493	400,117
Prepaid expenses and other current assets (Note 4)	247,891	232,113	2,430,303
Total current assets	1,899,556	1,655,528	18,623,098
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,275,889	2,882,264	32,116,558
Less: Accumulated depreciation	(1,565,899)	(1,399,750)	(15,351,950)
	1,709,990	1,482,514	16,764,607
Intangible assets:			
Goodwill	277,943	245,402	2,724,931
Software and other (Notes 8 and 13)	190,004	170,011	1,862,784
	467,947	415,413	4,587,715
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	189,102	163,456	1,853,941
Long-term loans receivable	17,868	18,017	175,176
Long-term leasehold deposits (Notes 4 and 18)	402,878	400,867	3,949,784
Prepaid pension cost (Note 11)	31,822	31,786	311,980
Deferred income taxes (Note 10)	32,836	32,943	321,921
Other	66,344	68,540	650,431
Allowance for doubtful accounts (Note 4)	(6,966)	(6,671)	(68,294)
	733,885	708,941	7,194,950
Total assets	¥ 4,811,380	¥ 4,262,397	$ 47,170,392

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
LIABILITIES AND NET ASSETS	**2014**	2013	**2014**
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 116,147	¥ 145,750	$ 1,138,696
Current portion of long-term debt (Notes 4, 12 and 18)	135,705	199,683	1,330,441
Notes and accounts payable:			
Trade (Notes 4 and 6)	250,211	204,479	2,453,049
Trade for franchised stores (Notes 4 and 20)	133,760	124,321	1,311,372
Other	160,004	127,145	1,568,666
	543,976	455,946	5,333,098
Accrued expenses	97,543	85,443	956,303
Income taxes payable	62,625	34,827	613,970
Deposits received	154,795	136,850	1,517,598
Deposits received in banking business (Note 4)	403,062	325,444	3,951,588
Allowance for bonuses to employees	14,773	13,293	144,833
Allowance for sales promotion expenses	16,909	15,262	165,774
Allowance for loss on future collection of gift certificates	2,932	3,406	28,745
Provision for sales returns	205	2	2,009
Provision for loss on disaster	—	143	—
Other (Notes 4, 10 and 14)	79,490	118,524	779,313
Total current liabilities	1,628,167	1,534,579	15,962,421
Long-term debt (Notes 4, 6, 12 and 18)	731,844	545,588	7,174,941
Allowance for accrued pension and severance costs (Note 11)	6,853	4,613	67,186
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,019	2,124	19,794
Deferred income taxes (Note 10)	51,220	34,801	502,156
Deposits received from tenants and franchised stores (Notes 4 and 18)	55,046	55,089	539,666
Asset retirement obligations (Note 14)	60,376	51,170	591,921
Other liabilities (Note 18)	54,295	39,690	532,303
Total liabilities	2,589,823	2,267,656	25,390,421
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 2014 and 2013	50,000	50,000	490,196
Capital surplus	526,850	526,873	5,165,196
Retained earnings	1,511,555	1,393,935	14,819,166
Treasury stock, at cost, 2,876,349 shares in 2014 and 2,907,114 shares in 2013	(7,109)	(7,142)	(69,696)
	2,081,295	1,963,666	20,404,852
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	10,672	7,416	104,627
Unrealized losses on hedging derivatives, net of taxes	(6)	(5)	(58)
Foreign currency translation adjustments	3,785	(79,914)	37,107
Total accumulated other comprehensive income (loss)	14,450	(72,503)	141,666
Subscription rights to shares (Note 17)	1,944	1,538	19,058
Minority interests in consolidated subsidiaries	123,866	102,038	1,214,372
Total net assets	2,221,557	1,994,740	21,779,970
Total liabilities and net assets	¥4,811,380	¥4,262,397	$47,170,392

CONSOLIDATED STATEMENTS OF INCOME

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2014 and February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Revenues from operations:			
Net sales	¥4,679,087	¥4,149,003	$45,873,401
Operating revenues (Note 21)	952,732	842,639	9,340,509
	5,631,820	4,991,642	55,213,921
Costs and expenses:			
Cost of sales	3,694,217	3,218,270	36,217,813
Selling, general and administrative expenses (Notes 11, 13, 17 and 21)	1,597,944	1,477,686	15,666,117
	5,292,161	4,695,956	51,883,931
Operating income	339,659	295,685	3,329,990
Other income (expenses):			
Interest and dividend income	6,542	6,124	64,137
Interest expenses and interest on bonds	(9,271)	(7,963)	(90,892)
Equity in earnings of affiliates	2,649	1,874	25,970
Foreign currency exchange losses	(1,768)	(0)	(17,333)
Impairment loss on property and equipment (Note 8)	(15,094)	(18,330)	(147,980)
Gain on sales of property and equipment (Note 21)	1,299	1,404	12,735
Loss on disposals of property and equipment (Note 21)	(8,667)	(6,642)	(84,970)
Subsidy income	1,881	—	18,441
Other, net (Note 5)	(5,999)	(9,429)	(58,813)
	(28,429)	(32,962)	(278,715)
Income before income taxes and minority interests	311,230	262,722	3,051,274
Income taxes (Note 10)**:**			
Current	122,004	101,690	1,196,117
Deferred	1,177	9,148	11,539
	123,182	110,839	1,207,666
Income before minority interests	188,048	151,883	1,843,607
Minority interests in net income of consolidated subsidiaries	12,356	13,818	121,137
Net income	¥ 175,691	¥ 138,064	$ 1,722,460

	Yen		U.S. dollars (Note 3)
	2014	2013	2014
Per share information:			
Net income (Basic)	¥198.84	¥156.26	$1.94
Net income (Diluted)	198.69	156.15	1.94
Cash dividends	68.00	64.00	0.66

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, 2014 and February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Income before minority interests	¥188,048	¥151,883	$1,843,607
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities, net of taxes	3,244	4,061	31,803
Unrealized gains (losses) on hedging derivatives, net of taxes	(0)	(0)	(0)
Foreign currency translation adjustments	85,768	40,773	840,862
Share of other comprehensive income (loss) of associates accounted for using equity method	114	60	1,117
Total other comprehensive income (loss)	89,127	44,895	873,794
Comprehensive income	¥277,175	¥196,778	$2,717,401
Comprehensive income attributable to:			
Owners of the parent	¥262,645	¥181,864	$2,574,950
Minority interests	14,530	14,913	142,450

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, 2014 and February 28, 2013

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 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 changes of items other than shareholder equity					4,055	(2)	39,747	315	8,290	52,406
Net (decrease) increase for the year	—	(12)	81,321	69	4,055	(2)	39,747	315	8,290	133,785
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
Net income			175,691							175,691
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			244							244
Cash dividends			(58,315)							(58,315)
Purchase of treasury stock				(133)						(133)
Disposal of treasury stock		(23)		167						143
Other				(0)						(0)
Net changes of items other than shareholder equity					3,255	(1)	83,699	406	21,827	109,187
Net (decrease) increase for the year	—	(23)	117,620	33	3,255	(1)	83,699	406	21,827	226,817
Balance at February 28, 2014	¥50,000	¥526,850	¥1,511,555	¥(7,109)	¥10,672	¥(6)	¥ 3,785	¥1,944	¥123,866	¥2,221,557

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 28, 2013	$490,196	$5,165,421	$13,666,029	$(70,019)	$ 72,705	$(49)	$(783,470)	$15,078	$1,000,372	$19,556,274
Net income			1,722,460							1,722,460
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			2,392							2,392
Cash dividends			(571,715)							(571,715)
Purchase of treasury stock				(1,303)						(1,303)
Disposal of treasury stock		(225)		1,637						1,401
Other				(0)						(0)
Net changes of items other than shareholder equity					31,911	(9)	820,578	3,980	213,990	1,070,460
Net (decrease) increase for the year	—	(225)	1,153,137	323	31,911	(9)	820,578	3,980	213,990	2,223,696
Balance at February 28, 2014	$490,196	$5,165,196	$14,819,166	$(69,696)	$104,627	$(58)	$ 37,107	$19,058	$1,214,372	$21,779,970

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, 2014 and February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 311,230	¥ 262,722	$ 3,051,274
Depreciation and amortization	147,379	155,666	1,444,892
Impairment loss on property and equipment	15,094	18,330	147,980
Amortization of goodwill	18,697	17,684	183,303
Increase (decrease) in allowance for bonuses to employees	1,284	(1,436)	12,588
Decrease (increase) in prepaid pension cost	(35)	2,851	(343)
Interest and dividend income	(6,542)	(6,124)	(64,137)
Interest expenses and interest on bonds	9,271	7,963	90,892
Equity in earnings of affiliates	(2,649)	(1,874)	(25,970)
Gain on sales of property and equipment	(1,299)	(1,404)	(12,735)
Loss on disposals of property and equipment	8,667	6,642	84,970
Subsidy income	(1,881)	—	(18,441)
Decrease (increase) in notes and accounts receivable, trade	(12,889)	(12,603)	(126,362)
Decrease (increase) in notes and accounts receivable, financial services	(2,177)	4,638	(21,343)
Decrease (increase) in inventories	(13,344)	(6,474)	(130,823)
Increase (decrease) in notes and accounts payable, trade and trade for franchised stores	8,311	4,005	81,480
Increase (decrease) in deposits received	15,996	6,914	156,823
Net increase (decrease) in loans in banking business	(15,900)	16,900	(155,882)
Net increase (decrease) in bonds in banking business	31,000	30,000	303,921
Net increase (decrease) in deposits received in banking business	77,617	37,216	760,950
Net decrease (increase) in call loan in banking business	15,000	(20,000)	147,058
Net increase (decrease) in call money in banking business	(40,900)	37,900	(400,980)
Net change in ATM-related temporary accounts	(9,136)	(10,977)	(89,568)
Other	3,127	(12,028)	30,656
Subtotal	555,921	536,512	5,450,205
Interest and dividends received	3,516	3,190	34,470
Interest paid	(9,259)	(7,466)	(90,774)
Special contribution	—	(27,963)	—
Income taxes paid	(95,843)	(112,865)	(939,637)
Net cash provided by operating activities	454,335	391,406	4,454,264
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(274,531)	(276,941)	(2,691,480)
Proceeds from sales of property and equipment	21,059	7,927	206,460
Acquisition of intangible assets	(14,936)	(18,967)	(146,431)
Payment for purchase of investments in securities	(110,584)	(96,257)	(1,084,156)
Proceeds from sales of investments in securities	99,386	101,631	974,372
Payment for purchase of investments in subsidiaries	(449)	(0)	(4,401)
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(6,584)	(10,527)	(64,549)
Payment for long-term leasehold deposits	(27,305)	(23,746)	(267,696)
Refund of long-term leasehold deposits	36,693	30,315	359,735
Proceeds from deposits from tenants	3,376	3,485	33,098
Refund of deposits from tenants	(3,232)	(3,176)	(31,686)
Payment for acquisition of business (Note 9)	(8,245)	(52,671)	(80,833)
Payment for time deposits	(15,801)	(14,304)	(154,911)
Proceeds from withdrawal of time deposits	19,126	16,148	187,509
Other	(4,659)	(3,837)	(45,676)
Net cash used in investing activities	(286,686)	(340,922)	(2,810,647)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(23,750)	(840)	(232,843)
Proceeds from long-term debts	117,100	195,883	1,148,039
Repayment of long-term debts	(124,436)	(97,861)	(1,219,960)
Proceeds from commercial paper	216,838	40,620	2,125,862
Payment for redemption of commercial paper	(224,266)	(56,580)	(2,198,686)
Proceeds from issuance of bonds	99,700	—	977,450
Payment for redemption of bonds	(40,000)	—	(392,156)
Dividends paid	(58,270)	(56,556)	(571,274)
Capital contribution from minority interests	0	0	0
Dividends paid for minority interests	(5,493)	(6,480)	(53,852)
Other	(12,650)	(8,152)	(124,019)
Net cash provided by (used in) financing activities	(55,227)	10,032	(541,441)
Effect of exchange rate changes on cash and cash equivalents	8,924	5,864	87,490
Net increase (decrease) in cash and cash equivalents	121,344	66,380	1,189,647
Cash and cash equivalents at beginning of year	800,087	733,707	7,843,990
Cash and cash equivalents at end of year	¥ 921,432	¥ 800,087	$ 9,033,647

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 121 subsidiaries as of February 28, 2014 (92 subsidiaries as of February 28, 2013) 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.

29 entities have been newly consolidated for the fiscal year ended February 28, 2014 following the acquisition of shares of Nissen Holdings Co., Ltd. and the establishment of Seven Farm Niigata Co., Ltd., Seven Farm Shonan Co., Ltd. and Seven Farm Choshi Co., Ltd. Accompanying the consolidation of Nissen Holdings Co., Ltd., Nissen Holdings Co., Ltd.'s subsidiaries (Nissen Co., Ltd., SHADDY CO., LTD., Mail & eBusiness Logistics Service Co., Ltd. and 22 other companies) have been consolidated.

The fiscal year-end of some subsidiaries is December 20 or 31. The financial statements of such subsidiaries as of and for the year ended December 20 or 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from the closing date to February 28 are adjusted in the consolidation process.

The fiscal year-end of Seven Bank, Ltd. 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.

The fiscal year-end of some subsidiaries in the Mail order services segment is March 31 or September 30. Pro forma financial statements as of December 31 prepared in a manner that is substantially identical to the preparation of the official financial statements are prepared in order to facilitate its consolidation. All material transactions that occur during the period from January 1 to February 28 are adjusted in the consolidation process.

All material intercompany transactions and account balances have been eliminated.

26 affiliates as of February 28, 2014 (20 affiliates as of February 28, 2013), 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 six in connection with the acquisition of shares of Barneys Japan Co., Ltd., BALS CORPORATION, BALS INTERNATIONAL LIMITED, DAIICHI CO., LTD., Tenmaya Store Co., Ltd. and GE Nissen Credit Co., Ltd., accompanying the consolidation of Nissen Holdings 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 financial statements are used in preparing the Consolidated Financial Statements.

(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 (excluding subsidiaries in the Mail order services segment) and by the FIFO method (except for gasoline inventory that is determined mainly by the weighted-average cost method) for subsidiaries in the Mail order services segment and 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 securities sold 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 straight-line method for the Company and its consolidated subsidiaries, except for the consolidated subsidiaries in the Mail order services segment, which use the declining-balance method except for buildings.

(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 is 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 the leased property to the lessee changed from treating such leases as rental transactions to treating them as sale/purchase transactions, recognizing them as lease assets.

Under the existing accounting standards, finance leases commenced prior to March 1, 2009 that do not transfer ownership of the 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 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.

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

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

(e) Provision for sales returns

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

(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, 2014 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, 2014 and February 28, 2013 are ¥2,371.92 ($23.25) and ¥2,140.45, respectively. Net income per share for the fiscal years ended February 28, 2014 and February 28, 2013 is ¥198.84 ($1.94) and ¥156.26, respectively. Diluted net income per share for the fiscal years ended February 28, 2014 and February 28, 2013 is ¥198.69 ($1.94) and ¥156.15, 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, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Net income	¥175,691	¥138,064	$1,722,460
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥175,691	¥138,064	$1,722,460
Weighted-average number of shares of common stock outstanding (shares)	883,564,722	883,532,139	883,564,722

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)
Previously, the Company and its consolidated subsidiaries, excluding certain domestic and foreign consolidated subsidiaries, used the declining-balance method to calculate the depreciation of property and equipment.

However, effective from the fiscal year ended February 28, 2014, the Company and its consolidated subsidiaries integrated to the straight-line method of depreciation, excluding subsidiaries in the Mail order services segment. The Company reviewed the depreciation methods of the Company and its consolidated subsidiaries that used the declining-balance method mainly because of Seven-Eleven Japan Co., Ltd.'s increased investments in the store-properties and Ito-Yokado Co., Ltd.'s investments in larger shopping centers to meet business environment changes and customer needs surrounding the Company and its consolidated subsidiaries.

The company believes that the change from the declining-balance method to the straight-line method better reflects its business performance in terms of the matching of costs and revenues more appropriately, because it is expected that property and equipment are used evenly over their useful lives, revenues generated from the property and equipment are earned stably, and maintenance and repair expenses for those property and equipment are incurred regularly over their useful lives.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥31,555 million ($309,362 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 the 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) 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 ¥102=US$1, the approximate rate of exchange prevailing as of February 28, 2014. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. 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.

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 designated 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, 2014 and February 28, 2013 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
			2014
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 921,432	¥ 921,432	¥ —
Notes and accounts receivable, trade	327,072		
Allowance for doubtful accounts[a]	(3,064)		
	324,008	327,374	3,366
Marketable securities and investments in securities	140,172	142,631	2,458
Long-term leasehold deposits[b]	296,900		
Allowance for doubtful accounts[c]	(727)		
	296,173	294,991	(1,181)
Total assets	¥1,681,786	¥1,686,429	¥ 4,643
Notes and accounts payable, trade[d]	¥383,972	¥ 383,972	¥ —
Deposits received in banking business	403,062	403,473	411
Bonds[e]	384,987	392,970	7,982
Long-term loans[f]	433,261	436,733	3,471
Deposits received from tenants and franchised stores[g]	25,847	24,132	(1,715)
Total liabilities	¥1,631,131	¥1,641,282	¥10,150
Derivative instruments[h]	¥ 810	¥ 810	¥ —

	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	¥ —

	Thousands of U.S. dollars (Note 3)		
	2014		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 9,033,647	$ 9,033,647	$ —
Notes and accounts receivable, trade	3,206,588		
Allowance for doubtful accounts[a]	(30,039)		
	3,176,549	3,209,549	33,000
Marketable securities and investments in securities	1,374,235	1,398,343	24,098
Long-term leasehold deposits[b]	2,910,784		
Allowance for doubtful accounts[c]	(7,127)		
	2,903,656	2,892,068	(11,578)
Total assets	$16,488,098	$16,533,617	$ 45,519
Notes and accounts payable, trade[d]	$ 3,764,431	$ 3,764,431	$ —
Deposits received in banking business	3,951,588	3,955,617	4,029
Bonds[e]	3,774,382	3,852,647	78,254
Long-term loans[f]	4,247,656	4,281,696	34,029
Deposits received from tenants and franchised stores[g]	253,401	236,588	(16,813)
Total liabilities	$15,991,480	$16,091,000	$ 99,509
Derivative instruments[h]	$ 7,941	$ 7,941	$ —

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

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

Assets

(1) Cash and cash equivalents

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

(2) Notes and accounts receivable, trade

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

(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 prices 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)
	2014	2013	**2014**
			Book value
Investments in securities[a]			
Unlisted securities	**¥ 12,823**	¥ 14,013	**$ 125,715**
Shares of affiliates	**34,878**	17,733	**341,941**
Other	**1,228**	951	**12,039**
Long-term leasehold deposits[b]	**122,956**	122,275	**1,205,450**
Deposits received from tenants and franchised stores[b]	**29,700**	37,120	**291,176**

(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			
	2014			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥ 921,432	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	315,611	10,471	902	88
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	200	—	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	50,509	30,500	—	—
Bonds	—	15,000	10	—
Other	—	32	—	—
Long-term leasehold deposits	28,099	87,802	82,436	98,563
Total	¥1,315,853	¥143,805	¥83,348	¥98,651

	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

	Thousands of U.S. dollars (Note 3)			
	2014			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$ 9,033,647	$ —	$ —	$ —
Notes and accounts receivable, trade	3,094,225	102,656	8,843	862
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	1,960	—	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	495,186	299,019	—	—
Bonds	—	147,058	98	—
Other	—	313	—	—
Long-term leasehold deposits	275,480	860,803	808,196	966,303
Total	$12,900,519	$1,409,852	$817,137	$967,166

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

	Millions of yen 2014			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥319,241	¥83,820	¥—	¥—

	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	¥—	¥—

	Thousands of U.S. dollars (Note 3) 2014			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$3,129,813	$821,764	$—	$—

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

Note 5: Redemption schedule for long-term debt with maturities

	Millions of yen 2014					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥ 20,000	¥ 59,997	¥ 40,000	¥ 50,000	¥ 44,989	¥170,000
Long-term loans	100,775	61,122	80,886	81,905	35,157	73,413
Total	¥120,775	¥121,120	¥120,886	¥131,905	¥80,147	¥243,413

	Millions of yen 2013					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥ 63,999	¥ 20,000	¥ 59,996	¥ —	¥ 50,000	¥ 99,987
Long-term loans	124,857	89,504	49,802	25,469	61,743	55,373
Total	¥188,857	¥109,504	¥109,798	¥25,469	¥111,743	¥155,360

	Thousands of U.S. dollars (Note 3) 2014					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	$ 196,078	$ 588,205	$ 392,156	$ 490,196	$441,068	$1,666,666
Long-term loans	987,990	599,235	793,000	802,990	344,676	719,735
Total	$1,184,068	$1,187,450	$1,185,156	$1,293,186	$785,754	$2,386,401

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, 2014 and February 28, 2013:

	Millions of yen		
	2014		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥200	¥200	¥0
Total	¥200	¥200	¥0

	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

	Thousands of U.S. dollars (Note 3)		
	2014		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$1,960	$1,960	$0
Total	$1,960	$1,960	$0

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2014 and February 28, 2013 (excluding non-marketable securities of ¥12,823 million ($125,715 thousand) and ¥14,013 million as of February 28, 2014 and February 28, 2013, respectively):

	Millions of yen		
	2014		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 32,324	¥ 17,270	¥15,053
Debt securities			
Governmental and municipal bonds, etc.	94,076	94,033	43
Subtotal	126,401	111,304	15,096
Securities with book value not exceeding acquisition cost:			
Equity securities	4,933	5,659	(726)
Debt securities			
Governmental and municipal bonds, etc.	1,999	2,000	(0)
Corporate bonds	10	10	—
Others	63	63	—
Subtotal	7,006	7,733	(726)
Total	¥133,408	¥119,037	¥14,370

	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

	Thousands of U.S. dollars (Note 3)		
	2014		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 316,901	$ 169,313	$147,578
Debt securities			
Governmental and municipal bonds, etc.	922,313	921,892	421
Subtotal	1,239,225	1,091,215	148,000
Securities with book value not exceeding acquisition cost:			
Equity securities	48,362	55,480	(7,117)
Debt securities			
Governmental and municipal bonds, etc.	19,598	19,607	(0)
Corporate bonds	98	98	—
Others	617	617	—
Subtotal	68,686	75,813	(7,117)
Total	$1,307,921	$1,167,029	$140,882

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2014 and February 28, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Sales amounts	¥1,600	¥124	$15,686
Gain on sales of available-for-sale securities	53	31	519
Loss on sales of available-for-sale securities	123	6	1,205

(4) Impairment loss on securities
There were no securities on which impairment losses were recognized for the fiscal year ended February 28, 2014. For the fiscal year ended February 28, 2013, the Companies recognized ¥1 million as impairment loss on securities.

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, 2014 and February 28, 2013 are ¥41,442 million ($406,294 thousand) and ¥20,285 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, 2014 and February 28, 2013 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			
	2014			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥5,793	—	¥(53)	¥(53)
Buy Euro	114	—	2	2
Buy Chinese Yuan	128	—	(4)	(4)
Buy Hong Kong dollar	90	—	(2)	(2)

	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	—	¥577	¥577
Buy Euro	123	—	21	21

	Thousands of U.S. dollars (Note 3)			
	2014			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	$56,794	—	$(519)	$(519)
Buy Euro	1,117	—	19	19
Buy Chinese Yuan	1,254	—	(39)	(39)
Buy Hong Kong dollar	882	—	(19)	(19)

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		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥10,612	—	¥868
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥ 344	—	—(b)

	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)		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$104,039	—	$8,509
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	$ 3,372	—	—(b)

Note:
(a) The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.
(b) Forward exchange contracts, accounted for by designation method are accounted for as part of notes and accounts payable, trade. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying notes and accounts payable, trade.

(2) Interest rate related transactions

	Millions of yen		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met(b)			
Receive float / Pay fixed	¥21,468	¥15,615	—(a)

	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)

	Thousands of U.S. dollars (Note 3)		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	$210,470	$153,088	—[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 at February 28, 2014 and February 28, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Buildings and structures	¥ 1,869,739	¥ 1,662,449	$ 18,330,774
Furniture, fixtures and other	699,326	561,360	6,856,137
	2,569,065	2,223,809	25,186,911
Less: Accumulated depreciation	(1,565,899)	(1,399,750)	(15,351,950)
	1,003,166	824,059	9,834,960
Land	681,651	627,251	6,682,852
Construction in progress	25,171	31,203	246,774
Total	¥ 1,709,990	¥ 1,482,514	$ 16,764,607

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2014 and February 28, 2013, the Companies recognized ¥15,094 million ($147,980 thousand) and ¥18,330 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2014:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 58 stores Kanagawa Pref. 34 stores Others (including U.S.)	¥14,248	$139,686
Stores (Superstores)	Land and buildings, etc.	Kanagawa Pref. 6 stores Tokyo Met. 4 stores Others 19 stores		
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 2 stores Osaka Pref. 1 store Others 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 31 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. & others	846	8,294
Total			¥15,094	$147,980

Fiscal year ended February 28, 2013:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 46 stores Hokkaido Pref. 32 stores Others (including U.S.)	¥17,463
Stores (Superstores)	Land and buildings, etc.	Ibaraki Pref. 5 stores Chiba Pref. 3 stores Others 12 stores	
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
Total			¥18,330

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 prices 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 years ended February 28, 2014 and February 28, 2013 is as follows:

Fiscal year ended February 28, 2014:

	Millions of yen		
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥ 8,072	¥592	¥ 8,664
Land	3,584	19	3,604
Software	2	157	159
Other	2,589	76	2,665
Total	¥14,248	¥846	¥15,094

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 28, 2014:

	Thousands of U.S. dollars (Note 3)		
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	$ 79,137	$5,803	$ 84,941
Land	35,137	186	35,333
Software	19	1,539	1,558
Other	25,382	745	26,127
Total	$139,686	$8,294	$147,980

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 2.2–6.0% discount rates in 2014 and 1.7–6.0% in 2013 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended February 28, 2014:

Nissen Holdings Co., Ltd. and its subsidiaries

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Current assets	¥ 63,604	$ 623,568
Non-current assets	38,329	375,774
Current liabilities	(55,465)	(543,774)
Non-current liabilities	(21,126)	(207,117)
Subscription rights to shares	(16)	(156)
Goodwill	194	1,901
Minority interests in consolidated subsidiaries	(13,241)	(129,813)
Acquisition cost	12,278	120,372
Cash and cash equivalents	(5,694)	(55,823)
Payment for acquisition of shares	¥ 6,584	$ 64,549

Fiscal year ended February 28, 2013:

Financial Consulting & Trading International, Inc.

	Millions of yen
	2013
Current assets	¥ 176
Non-current assets	5,568
Current liabilities	(351)
Non-current liabilities	(1,645)
Goodwill	6,928
Acquisition cost	10,675
Cash and cash equivalents	(148)
Payment for acquisition of shares	¥10,527

(2) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	**2014**
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	**¥10,571**	¥16,036	**$103,637**
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	**10,408**	7,681	**102,039**

(3) Acquisition of business

For the fiscal year ended February 28, 2014, 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)
	2014	**2014**
Inventories	**¥ 766**	**$ 7,509**
Goodwill	**5,904**	**57,882**
Current liabilities	**(153)**	**(1,500)**
Non-current liabilities	**(6)**	**(58)**
Other	**1,304**	**12,784**
Subtotal	**7,816**	**76,627**
Property and equipment	**6,180**	**60,588**
Total	**¥13,996**	**$137,215**

The property and equipment set out above at an amount of ¥6,180 million ($60,588 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2014.

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

	Millions of yen
	2013
Inventories	¥ 5,709
Goodwill	52,380
Non-current liabilities	(8,695)
Other	3,276
Subtotal	52,671
Property and equipment	32,332
Total	¥85,004

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

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 38.0% for the fiscal year ended February 28, 2014 and 40.7% for the fiscal year ended February 28, 2013.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2014 and February 28, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Deferred tax assets:			
Allowance for bonuses to employees	¥ 5,584	¥ 5,013	$ 54,745
Allowance for sales promotion expenses	6,244	5,613	61,215
Accrued payroll	7,604	5,383	74,549
Allowance for retirement benefits to directors and corporate auditors	753	855	7,382
Allowance for accrued pension and severance costs	1,360	679	13,333
Allowance for loss on future collection of gift certificates	1,096	1,284	10,745
Deposit received in relation to the electronic money business	—	4,673	—
Depreciation and amortization	15,053	14,101	147,578
Tax loss carried forward	34,674	29,812	339,941
Valuation loss on available-for-sale securities	1,098	1,190	10,764
Allowance for doubtful accounts	3,625	3,453	35,539
Unrealized loss on property and equipment	13,762	12,485	134,921
Impairment loss on property and equipment valuation and loss on land	40,156	39,671	393,686
Accrued enterprise taxes and business office taxes	6,336	4,956	62,117
Accrued expenses	13,740	9,674	134,705
Asset retirement obligations	16,519	15,001	161,950
Rights of trademark	6,958	7,998	68,215
Other	23,931	23,718	234,617
Subtotal	198,501	185,567	1,946,088
Less: Valuation allowance	(78,202)	(77,400)	(766,686)
Total	120,298	108,167	1,179,392
Deferred tax liabilities:			
Unrealized gains on property and equipment	(52,034)	(37,370)	(510,137)
Royalties, etc.	(14,707)	(10,272)	(144,186)
Reserve for advanced depreciation of property and equipment	(953)	(991)	(9,343)
Unrealized gains on available-for-sale securities	(4,030)	(2,658)	(39,509)
Prepaid pension cost	(11,243)	(11,228)	(110,225)
Unrealized intercompany profit	(5,346)	(5,303)	(52,411)
Removal cost related to asset retirement obligations	(5,874)	(4,847)	(57,588)
Other	(4,155)	(3,022)	(40,735)
Total	(98,345)	(75,695)	(964,166)
Net deferred tax assets[(a)]	¥ 21,952	¥ 32,471	$ 215,215

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Current assets—Deferred income taxes	¥ 40,812	¥ 34,493	$ 400,117
Other assets—Deferred income taxes	32,836	32,943	321,921
Current liabilities—Other	(475)	(163)	(4,656)
Non-current liabilities—Deferred income taxes	(51,220)	(34,801)	(502,156)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2014 and February 28, 2013 is as follows:

	2014	2013
Statutory tax rate	38.0%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.3)	(0.3)
Amortization of goodwill	2.3	2.7
Non-deductible items, such as entertainment expenses	0.2	0.2
Decrease in valuation allowance	(1.0)	(1.3)
Inhabitant taxes per capital	0.5	0.6
Elimination of gain on sales of subsidiaries' stock for consolidation	0.0	0.3
Other	(0.1)	(0.7)
Effective tax rate	39.6%	42.2%

(3) Note on change in rates of income taxes subsequent to balance sheet date
On March 31, 2014, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was enacted and the corporate tax rate will change from the fiscal years beginning on or after March 1, 2015.

In accordance with this revision, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2015, the effective statutory tax rate used to calculate deferred tax assets and liabilities will change from 38.0% to 35.6%.

The impact of this change on profit or loss is immaterial.

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)
	2014	2013	2014
Projected benefit obligations[(a)]	¥(224,779)	¥(218,009)	$(2,203,715)
Fair value of plan assets (including employee retirement benefit trust)	244,665	219,117	2,398,676
Unrecognized actuarial differences	5,015	25,856	49,166
Unrecognized prior service cost	67	208	656
Prepaid pension cost, net of allowance for accrued pension and severance costs	24,969	27,173	244,794
Prepaid pension cost	31,822	31,786	311,980
Allowance for accrued pension and severance costs	¥ (6,853)	¥ (4,613)	$ (67,186)

(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)
	2014	2013	2014
Service cost[(a)]	¥11,818	¥11,338	$115,862
Interest cost	3,390	4,124	33,235
Expected return on plan assets	(5,460)	(4,280)	(53,529)
Amortization of actuarial differences	3,545	5,011	34,754
Amortization of prior year service cost	140	142	1,372
Additional retirement benefits	2,695	3,454	26,421
Net periodic benefit cost[(b)]	¥16,129	¥19,790	$158,127

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥498 million ($4,882 thousand) and ¥510 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States was recorded for the fiscal years ended February 28, 2014 and February 28, 2013, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2014	2013
Allocation method of estimated total retirement benefits	Mainly point basis	Point basis
Discount rate:		
Mainly	1.5%	1.5%
Consolidated subsidiaries in the United States	5.1%	4.1%
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)
	2014	2013	2014
Outstanding balance at fiscal year-end:			
Short-term bank loans[a]	¥116,147	¥145,750	$1,138,696
Weighted-average interest rate at year-end:			
Short-term bank loans	0.3%	0.4%	0.3%

(a) The total amounts of short-term loans with collateral as of February 28, 2014 and February 28, 2013 are ¥3,400 million ($33,333 thousand) and ¥3,400 million, respectively (Note 18).

Long-term debt as of February 28, 2014 and February 28, 2013 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2013 to 2027 with interest rates ranging from 0.1% to 7.0%[b]	¥ 433,261	¥ 406,751	$ 4,247,656
Lease obligations	49,300	37,958	483,333
Seven &i Holdings. Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	—	39,999	—
1.68% unsecured straight bonds, due June 19, 2015	29,997	29,996	294,088
1.94% unsecured straight bonds, due June 20, 2018	29,989	29,987	294,009
0.541% unsecured straight bonds, due June 19, 2015	30,000	30,000	294,117
0.852% unsecured straight bonds, due June 20, 2017	20,000	20,000	196,078
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	588,235
0.258% unsecured straight bonds, due June 20, 2016	40,000	—	392,156
0.383% unsecured straight bonds, due June 20, 2019	40,000	—	392,156
0.671% unsecured straight bonds, due March 20, 2023	20,000	—	196,078
Seven Bank, Ltd.:			
1.67% unsecured straight bonds, due December 20, 2013	—	24,000	—
1.038% unsecured straight bonds, due June 20, 2014	20,000	20,000	196,078
0.398% unsecured straight bonds, due June 20, 2017	30,000	30,000	294,117
0.613% unsecured straight bonds, due June 20, 2019	10,000	10,000	98,039
0.243% unsecured straight bonds, due March 20, 2018	15,000	—	147,058
0.46% unsecured straight bonds, due March 19, 2020	20,000	—	196,078
0.803% unsecured straight bonds, due March 20, 2023	20,000	—	196,078
7-Eleven, Inc.:			
Commercial paper	—	6,579	—
	867,549	745,272	8,505,382
Current portion of long-term debt	(135,705)	(199,683)	(1,330,441)
	¥ 731,844	¥ 545,588	$ 7,174,941

(b) The total amounts of long-term debt with collateral as of February 28, 2014 and February 28, 2013 are ¥12,288 million ($120,470 thousand) and ¥14,292 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)
2015	¥135,705	$1,330,441
2016	128,457	1,259,382
2017	127,217	1,247,225
2018	136,555	1,338,774
2019	83,562	819,235
Thereafter	256,051	2,510,303
	¥867,549	$8,505,382

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, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Furniture, fixtures and equipment:			
Acquisition cost	¥ 702	¥ 18,920	$ 6,882
Accumulated depreciation	(635)	(17,302)	(6,225)
Accumulated impairment loss	0	0	0
Net book value	¥ 66	¥ 1,618	$ 647
Software:			
Acquisition cost	¥ —	¥ 8	$ —
Accumulated depreciation	—	(7)	—
Net book value	¥ —	¥ 1	$ —
Lease payments	¥1,542	¥ 8,765	$15,117
Reversal of allowance for impairment loss on leased assets	¥ 0	¥ 65	$ 0
Depreciation expense[a], [b]	¥1,542	¥ 8,830	$15,117
Impairment loss	¥ —	¥ —	$ —

(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, 2014 and February 28, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥66	¥1,550	$647
Due after one year	0	68	0
Total	¥66	¥1,619	$647
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 0	¥ 0	$ 0

As lessor:

A summary of acquisition cost, accumulated depreciation, and net book value as of February 28, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Furniture, fixtures and equipment:			
Acquisition cost	¥ 2,373	¥ 5,890	$ 23,264
Accumulated depreciation	(2,066)	(4,956)	(20,254)
Net book value	¥ 306	¥ 934	$ 3,000
Lease income	¥ 388	¥ 1,071	$ 3,803
Depreciation expense	¥ 351	¥ 973	$ 3,441
Interest income[c]	¥ 16	¥ 51	$ 156

(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, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥270	¥ 672	$2,647
Due after one year	67	345	656
Total	¥338	¥1,017	$3,313

(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, 2014 and February 28, 2013 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥ 80,052	¥ 69,336	$ 784,823
Due after one year	480,396	413,773	4,709,764
Total	¥560,448	¥483,109	$5,494,588

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Due within one year	¥2,236	¥1,735	$21,921
Due after one year	5,467	4,164	53,598
Total	¥7,704	¥5,899	$75,529

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2014 and February 28, 2013:

(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, 2014 and February 28, 2013

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Balance at beginning of year	¥52,220	¥45,186	$511,960
Increase due to acquisition of property and equipment	7,258	5,041	71,156
Adjustment due to passage of time	1,256	990	12,313
Decrease due to settlement of asset retirement obligations	(2,112)	(1,774)	(20,705)
Increase due to new consolidation	353	–	3,460
Others	2,189	2,777	21,460
Balance at end of year	¥61,166	¥52,220	$599,666

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).

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal years ended February 28, 2014 and February 28, 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities, net of taxes:			
Increase (decrease) during the fiscal year	¥ 4,686	¥ 5,839	$ 45,941
Reclassification adjustments	120	2	1,176
Amount before tax	4,807	5,842	47,127
Tax (expense) or benefit	(1,562)	(1,781)	(15,313)
Subtotal	3,244	4,061	31,803
Unrealized gains (losses) on hedging derivatives, net of taxes:			
Increase (decrease) during the fiscal year	(0)	(0)	(0)
Reclassification adjustments	–	–	–
Amount before tax	(0)	(0)	(0)
Tax (expense) or benefit	–	–	–
Subtotal	(0)	(0)	(0)
Foreign currency translation adjustments:			
Increase (decrease) during the fiscal year	85,768	40,773	840,862
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the fiscal year	114	60	1,117
Total other comprehensive income	¥89,127	¥44,895	$873,794

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 22, 2014, the shareholders approved cash dividends amounting to ¥30,942 million ($303,352 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2014 because those 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, 2014 and February 28, 2013 amounted to ¥532 million ($5,215 thousand) and ¥392 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

	Eleventh grant	Twelfth grant
Title and number of grantees	7 directors of the Company	108 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options [a]	24,900 common shares	110,500 common shares
Grant date	August 7, 2013	August 7, 2013
Exercise condition	[b]	[b]
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2014 to August 7, 2033	From February 28, 2014 to August 7, 2043

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

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2014. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2014:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 28, 2013	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	15,900	60,400	24,000	91,100
Vested	—	—	—	—
Exercised	3,000	7,000	4,200	9,700
Forfeited	—	—	—	—
Outstanding	12,900	53,400	19,800	81,400

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested				
As of February 28, 2013	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	21,100	86,400	25,900	118,400
Vested	—	—	—	—
Exercised	3,600	12,100	—	14,100
Forfeited	—	—	—	—
Outstanding	17,500	74,300	25,900	104,300

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested				
As of February 28, 2013	—	—	—	—
Granted	—	—	24,900	110,500
Forfeited	—	—	—	—
Vested	—	—	24,900	110,500
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	27,000	124,700	—	—
Vested	—	—	24,900	110,500
Exercised	—	13,900	—	—
Forfeited	—	—	—	—
Outstanding	27,000	110,800	24,900	110,500

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥342,500 ($3,357) per subscription to share	¥360,900 ($3,538) per subscription to share	¥342,500 ($3,357) per subscription to share	¥352,700 ($3,457) per subscription to share
Fair value at the grant date[a]	¥307,000 ($3,009) per subscription to share	¥311,300 ($3,051) per subscription to share	¥204,500 ($2,004) per subscription to share	¥211,100 ($2,069) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥342,500 ($3,357) per subscription to share	¥354,700 ($3,477) per subscription to share	—	¥357,100 ($3,500) per subscription to share
Fair value at the grant date[a]	¥185,000 ($1,813) per subscription to share	¥168,900 ($1,655) per subscription to share	¥188,900 ($1,851) per subscription to share	¥185,300 ($1,816) per subscription to share

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	—	¥356,300 ($3,493) per subscription to share	—	—
Fair value at the grant date[a]	¥216,400 ($2,121) per subscription to share	¥206,400 ($2,023) per subscription to share	¥345,700 ($3,389) per subscription to share	¥330,600 ($3,241) per subscription to share

(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

The valuation method used for valuating fair value of Eleventh grant of subscription rights to shares and Twelfth grant of subscription rights to shares during the fiscal year ended February 28, 2014 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Eleventh grant	Twelfth grant
Expected volatility of the underlying stock price[a]	22.61%	30.79%
Remaining expected life of the option[b]	3.92 years	6.50 years
Expected dividends on the stock[c]	¥64 ($0.62) per share	¥64 ($0.62) per share
Risk-free interest rate during the expected option term[d]	0.206%	0.452%

(a) The Eleventh grant is calculated based on the actual stock prices during the three years and eleven months from September 7, 2009 to August 7, 2013.
The Twelfth grant is calculated based on the actual stock prices during the six years and six months from February 8, 2007 to August 7, 2013.
(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 numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended February 28, 2014.
(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 8, 2041	From August 9, 2011 to August 8, 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

	Sixth grant-1	Sixth 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)]	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043

(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, 2014. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2014:
Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 28, 2013	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	157,000	7,000	171,000	23,000
Vested	—	—	—	—
Exercised	—	—	—	—
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 28, 2013	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	423,000	25,000	440,000	104,000
Vested	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding	423,000	25,000	440,000	104,000

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Before vested				
As of February 28, 2013	—	—	—	—
Granted	—	—	216,000	43,000
Forfeited	—	—	—	—
Vested	—	—	216,000	43,000
Outstanding	—	—	—	—
After vested				
As of February 28, 2013	363,000	77,000	—	—
Vested	—	—	216,000	43,000
Exercised	—	—	—	—
Forfeited	—	—	—	—
Outstanding	363,000	77,000	216,000	43,000

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	—	—	—	—
Fair value at the grant date[a]	¥236,480 ($2,318) per subscription to share	¥236,480 ($2,318) per subscription to share	¥221,862 ($2,175) per subscription to share	¥221,862 ($2,175) per subscription to share

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1($0.009) per share
Average exercise price	—	—	—	—
Fair value at the grant date[a]	¥139,824 ($1,370) per subscription to share	¥139,824 ($1,370) per subscription to share	¥127,950 ($1,254) per subscription to share	¥127,950 ($1,254) per subscription to share

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	—	—	—	—
Fair value at the grant date[a]	¥175,000 ($1,715) per subscription to share	¥175,000 ($1,715) per subscription to share	¥312,000 ($3,058) per subscription to share	¥312,000 ($3,058) per subscription to share

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

(3) Nissen Holdings Co., Ltd.

A. Outline of stock options

	Resolution on July 20, 2012
Title and number of grantees	39 employees (including transferring employees) of Nissen Holdings Co., Ltd., 14 directors of subsidiaries (including subsidiaries of subsidiaries) of Nissen Holdings Co., Ltd. and 468 employees of subsidiaries (including subsidiaries of subsidiaries) of Nissen Holdings Co., Ltd.
Number of stock options [a]	778,000 common shares
Grant date	August 6, 2012
Exercise condition	[b]
Intended service period	From August 6, 2012 to August 5, 2014
Exercise period	From August 6, 2014 to August 5, 2015

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) It is required to fulfill following working condition and stock price condition.
1. Stock option holder must be a director or a auditor or an employee of Nissen Holdings Co., Ltd. or its subsidiaries at the time they exercise the stock option unless they retire due to the expiration of their term of office or retirement age, or for any other justifiable reason.
2. Stock price average (fractions less than ¥1 rounded up) in the last month just before the exercise period must be over ¥482 ($4.725).

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, 2014. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2014:
Number of stock options

	Resolution on July 20, 2012
Before vested	
As of February 28, 2013	—
Granted	—
Forfeited	—
Vested	—
Outstanding	748,000
After vested	—
As of February 28, 2013	—
Vested	—
Exercised	—
Forfeited	—
Outstanding	—

Price information

	Resolution on July 20, 2012
Exercise price	¥373 ($3.656) per share
Average exercise price	—
Fair value at the grant date[a]	¥3,100 ($30) per subscription to share

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of Nissen Holdings Co., Ltd.
(b) Nissen Holdings Co., Ltd. has been newly consolidated from the end of the fiscal year ended February 28, 2014. The information above only represents its state as of February 28, 2014.

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

The valuation method used for valuating fair value of Sixth grant-1 of subscription rights to shares and Sixth grant-2 of subscription rights to shares during the fiscal year ended February 28, 2014 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Sixth grant-1	Sixth grant-2
Expected volatility of the underlying stock price[a]	32.233%	32.233%
Remaining expected life of the option[b]	6.03 years	6.03 years
Expected dividends on the stock[c]	¥6.75 ($0.06) per share	¥6.75 ($0.06) per share
Risk-free interest rate during the expected option term[d]	0.405%	0.405%

(a) Calculated based on the actual stock prices during the five years and five months from February 29, 2008 to August 7, 2013.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2013 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended March 31, 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.

18. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2014

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥266 million ($2,607 thousand).

As of February 28, 2013

The Companies were contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥273 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, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Buildings and structures	¥ 3,204	¥ 2,703	$ 31,411
Land	7,461	14,237	73,147
Investments in securities	90,065	89,348	882,990
Long-term leasehold deposits	3,655	3,805	35,833
Total	¥104,387	¥110,094	$1,023,401

Debts for the pledged assets above as of February 28, 2014 are as follows: short-term loans, ¥3,400 million ($33,333 thousand); long-term loans (including current portion), ¥12,288 million ($120,470 thousand); long-term accounts payable, ¥552 million ($5,411 thousand); and long-term deposits received from tenants and franchised stores, ¥87 million ($852 thousand).

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

B. The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2014 and February 28, 2013 is as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Buildings	¥ 433	¥ 454	$ 4,245
Land	1,368	1,368	13,411
Total	¥1,801	¥1,822	$17,656

Debts of affiliates for the pledged assets above as of February 28, 2014 and February 28, 2013 are ¥3,243 million ($31,794 thousand) and ¥3,343 million, respectively.

C. Other

As of February 28, 2014

The amounts of assets pledged as collateral for fund transfer and for real estate business are ¥6,001 million ($58,833 thousand) and ¥54 million ($529 thousand), respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million ($13,088 thousand). In addition, ¥323 million ($3,166 thousand) of assets were pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2013

The amount of assets pledged as collateral for fund transfer and for real estate business was ¥7,302 million and ¥54 million, respectively. The amount of assets pledged as collateral for installment sales were ¥1,335 million. In addition, ¥1,209 million of assets were 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, 2014 and February 28, 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Credit availability of cash loan business	¥987,001	¥1,007,587	$9,676,480
Outstanding balance	(27,035)	(28,041)	(265,049)
Unused credit balance	¥959,966	¥979,546	$9,411,431

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical record. 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. BUSINESS COMBINATIONS

Fiscal year ended February 28, 2014:

Business combination by acquisition

1. Outline of the business combination

(1) Name and main business of the acquired entity

Name: Nissen Holdings Co., Ltd.

Main business: Formulate growth strategies for Nissen Holdings Co., Ltd. and its subsidiaries (the "Nissen group"); design the Nissen group business portfolio and develop new business through M&As and other means; supervise the Nissen group's business execution.

(2) Business combination objectives

Seven & i Net Media's acquiring the half of voting rights of Nissen Holdings Co., Ltd., Seven & i Holdings Co., Ltd. decided to make Nissen Holdings Co., Ltd. a consolidated subsidiary of the Company, having judged that the cooperation of the Seven & i group and the Nissen group as one group and a robust capital relationship will facilitate more efficient mutual use of one another's business resources and the creation and expansion of corporate value at a higher level than would be possible through each individual group's growth alone, as well as contribute to the promotion of the Seven & i group's Omni-Channel Strategy.

(3) Date of the business combination

January 29, 2014

(4) Form of the business combination

Stock acquisition

(5) The acquired entity's name after the business combination

No change

(6) Voting rights acquired through the business combination

50.74%

(7) Main basis of the decision of the acquired entity

Seven & i Net Media acquired 50.74% voting rights of the acquired entity through the stock acquisition by means of tender offer and a third-party allocation.

2. Period for which the acquired entity's operating results are included in the consolidated financial statements

Regarding February 28, 2014 as the acquisition date, the Company does not include operating results of Nissen Holdings Co., Ltd. in the consolidated financial statements.

3. Acquisition cost and its details

		Millions of yen	Thousands of U.S. dollars (Note 3)
		2014	2014
Consideration for the acquired company	Stock purchase cost (cash)	¥13,278	$130,176
Direct costs of the acquisition	Advisory cost	309	3,029
Acquisition cost		¥13,588	$133,215

4. Amount, reason for recognition of goodwill

(1) Amount of goodwill

¥194 million ($1,901 thousand)

(2) Reason for recognition of goodwill

Expected excess earning power of future business development

(3) Period and method of amortization of goodwill

20 years using the straight line method

5. Assets and liabilities assumed on the date of the business combination and the main components

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2014	2014
Current assets	¥ 63,604	$623,568
Non-current assets	38,329	375,774
Total assets	¥101,933	$999,343
Current liabilities	¥ 55,465	$543,774
Non-current liabilities	21,126	207,117
Total liabilities	¥ 76,591	$750,892

20. 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.

21. 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 net sales of franchised stores are as follows:

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Franchise commission from franchised stores	¥ 579,073	¥ 521,863	$ 5,677,186
Net sales of franchised stores	3,685,095	3,416,986	36,128,382

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Franchise commission from franchised stores	¥172,720	¥133,586	$1,693,333
Net sales of franchised stores	965,765	740,980	9,468,284

(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)
	2014	2013	2014
Buildings and structures	¥ 662	¥ 799	$ 6,490
Land	277	587	2,715
Others	359	17	3,519
Total	¥1,299	¥1,404	$12,735

(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)
	2014	2013	2014
Buildings and structures	¥3,182	¥2,697	$31,196
Furniture, fixtures and equipment	1,470	1,635	14,411
Others	4,015	2,309	39,362
Total	¥8,667	¥6,642	$84,970

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2013	2014
Advertising and decoration expenses	¥127,099	¥119,292	$1,246,068
Salaries and wages	415,964	381,667	4,078,078
Provision for allowance for bonuses to employees	14,539	13,221	142,539
Legal welfare expenses	50,704	49,344	497,098
Land and building rent	297,815	271,956	2,919,754
Depreciation and amortization	140,573	148,335	1,378,166
Utility expenses	116,091	101,344	1,138,147
Store maintenance and repair expenses	62,818	62,489	615,862

22. RELATED PARTIES TRANSACTIONS

No items required to report.

23. 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 seven segments which are “Convenience store operations,” “Superstore operations,” “Department store operations,” “Food services,” “Financial services,” “Mail order 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.

“Mail order services” is newly added to reportable segments from the fiscal year ended February 28, 2014, because the Company made Nissen Holdings Co., Ltd. a consolidated subsidiary of the Company by tender offer for shares and third-party allocation of shares on January 29, 2014.

(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.

(Change in depreciation method)

Previously, the Company and its consolidated subsidiaries, excluding certain domestic and foreign consolidated subsidiaries, used the declining-balance method to calculate the depreciation of property and equipment. However, as described in changes in accounting policies, effective from the fiscal year ended February 28, 2014, the Company and its consolidated subsidiaries integrated to the straight-line method of depreciation excluding subsidiaries in the Mail order services segment.

As a result of this change, the impact on segment income increased by ¥15,893 million ($155,813 thousand) in convenience store operations, ¥10,413 million ($102,088 thousand) in superstore operations, ¥280 million ($2,745 thousand) in department store operations, ¥203 million ($1,990 thousand) in food services, ¥3,900 million ($38,235 thousand) in financial services, ¥672 million ($6,588 thousand) in others, and ¥191 million ($1,872 thousand) in adjustments for the fiscal year ended February 28, 2014.

(3) Information on revenues from operations, income or loss, assets, liabilities and other monetary items for each reportable segment

Fiscal year ended February 28, 2014

Millions of yen

	Reportable segments									
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥2,529,245	¥2,000,389	¥869,140	¥77,716	¥ 133,913	¥ —	¥ 21,413	¥5,631,820	¥ —	¥5,631,820
Intersegment	449	9,019	1,991	850	24,912	—	29,078	66,301	(66,301)	—
Total revenues	2,529,694	2,009,409	871,132	78,566	158,826	—	50,492	5,698,122	(66,301)	5,631,820
Segment income (loss)	¥ 257,515	¥ 29,664	¥ 6,590	¥ 604	¥ 44,902	¥ —	¥ 2,166	¥ 341,443	¥ (1,784)	¥ 339,659
Segment assets	¥1,630,826	¥1,000,318	¥501,856	¥22,398	¥1,798,059	¥103,437	¥169,602	¥5,226,498	¥(415,117)	¥4,811,380
Segment liabilities (interest-bearing debt)	¥ 115,955	¥ 19,245	¥180,345	¥ —	¥ 331,768	¥ 17,093	¥ —	¥ 664,409	¥ 269,987	¥ 934,396
Other items										
Depreciation	¥ 91,256	¥ 18,472	¥ 13,460	¥ 438	¥ 20,198	¥ —	¥ 2,524	¥ 146,349	¥ 1,029	¥ 147,379
Amortization of goodwill	¥ 8,387	¥ 3,129	¥ 5,290	¥ —	¥ 1,747	¥ —	¥ 142	¥ 18,697	¥ —	¥ 18,697
Investment in associates accounted for using the equity method	¥ 13,643	¥ 5,673	¥ 528	¥ —	¥ —	¥ 3,500	¥ 18,096	¥ 41,442	¥ —	¥ 41,442
Impairment loss	¥ 4,322	¥ 6,814	¥ 3,128	¥ 606	¥ 29	¥ —	¥ 192	¥ 15,094	¥ —	¥ 15,094
Net increase in property and equipment, and intangible assets	¥ 174,795	¥ 64,809	¥ 13,493	¥ 2,057	¥ 34,305	¥ —	¥ 7,452	¥ 296,913	¥ 7,588	¥ 304,502

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	¥ 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 28, 2014

Thousands of U.S. dollars (Note 3)

	Reportable segments									
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	$24,796,519	$19,611,656	$8,520,980	$761,921	$ 1,312,872	$ —	$ 209,931	$55,213,921	$ —	$55,213,921
Intersegment	4,401	88,421	19,519	8,333	244,235	—	285,078	650,009	(650,009)	—
Total revenues	24,800,921	19,700,088	8,540,509	770,254	1,557,117	—	495,019	55,863,941	(650,009)	55,213,921
Segment income (loss)	$ 2,524,656	$ 290,823	$ 64,607	$ 5,921	$ 440,215	$ —	$ 21,235	$ 3,347,480	$ (17,490)	$ 3,329,990
Segment assets	$15,988,490	$ 9,807,039	$4,920,156	$219,588	$17,628,029	$1,014,088	$1,662,764	$51,240,176	$(4,069,774)	$47,170,392
Segment liabilities (interest-bearing debt)	$ 1,136,813	$ 188,676	$1,768,088	$ —	$ 3,252,627	$ 167,578	$ —	$ 6,513,813	$ 2,646,931	$ 9,160,745
Other items										
Depreciation	$ 894,666	$ 181,098	$ 131,960	$ 4,294	$ 198,019	$ —	$ 24,745	$ 1,434,794	$ 10,088	$ 1,444,892
Amortization of goodwill	$ 82,225	$ 30,676	$ 51,862	$ —	$ 17,127	$ —	$ 1,392	$ 183,303	$ —	$ 183,303
Investment in associates accounted for using the equity method	$ 133,754	$ 55,617	$ 5,176	$ —	$ —	$ 34,313	$ 177,411	$ 406,294	$ —	$ 406,294
Impairment loss	$ 42,372	$ 66,803	$ 30,666	$ 5,941	$ 284	$ —	$ 1,882	$ 147,980	$ —	$ 147,980
Net increase in property and equipment, and intangible assets	$ 1,713,676	$ 635,382	$ 132,284	$ 20,166	$ 336,323	$ —	$ 73,058	$ 2,910,911	$ 74,392	$ 2,985,313

Notes:
1. The adjustments of ¥(1,784) million ($(17,490) thousand) and ¥(1,634) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 28, 2014 and February 28, 2013, respectively.
2. The adjustments of ¥(415,117) million ($(4,069,774) thousand) and ¥(499,494) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2014 and February 28, 2013, respectively.
3. The adjustments of ¥269,987 million ($2,646,931 thousand) and ¥209,982 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2014 and February 28, 2013, 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.

Millions of yen

Fiscal year ended February 28, 2014	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,681,318	¥1,831,294	¥119,207	¥5,631,820	¥ —	¥5,631,820
Intersegment	824	187	—	1,012	(1,012)	—
Total revenues	¥3,682,143	¥1,831,482	¥119,207	¥5,632,833	¥(1,012)	¥5,631,820
Operating income	¥ 299,653	¥ 41,519	¥ (1,545)	¥ 339,627	¥ 32	¥ 339,659

Millions of yen

Fiscal year ended February 28, 2013	Japan	North America	Others	Total before eliminations	Eliminations	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

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2014	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$36,091,352	$17,953,862	$1,168,696	$55,213,921	$ —	$55,213,921
Intersegment	8,078	1,833	—	9,921	(9,921)	—
Total revenues	$36,099,441	$17,955,705	$1,168,696	$55,223,852	$(9,921)	$55,213,921
Operating income	$ 2,937,774	$ 407,049	$ (15,147)	$ 3,329,676	$ 313	$ 3,329,990

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, 2014 and February 28, 2013

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, 2014

Millions of yen

Japan	North America	Others	Total
¥3,681,318	¥1,831,294	¥119,207	¥5,631,820

Fiscal year ended February 28, 2013

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

Fiscal year ended February 28, 2014

			Thousands of U.S. dollars (Note 3)
Japan	North America	Others	Total
$36,091,352	$17,953,862	$1,168,696	$55,213,921

(2) Property and equipment
Fiscal year ended February 28, 2014

			Millions of yen
Japan	North America	Others	Total
¥1,281,622	¥425,913	¥2,453	¥1,709,990

Fiscal year ended February 28, 2013

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

Fiscal year ended February 28, 2014

			Thousands of U.S. dollars (Note 3)
Japan	North America	Others	Total
$12,564,921	$4,175,617	$24,049	$16,764,607

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

Millions of yen

Fiscal year ended February 28, 2014	Reportable segments: Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill										
Amortization	¥ 8,387	¥ 3,129	¥ 5,290	¥—	¥ 1,747	¥ —	¥142	¥ 18,697	¥—	¥ 18,697
Balance at the end of current year	155,585	39,213	64,383	—	17,865	201	941	278,191	—	278,191
Negative Goodwill										
Amortization	—	23	0	4	—	—	—	28	—	28
Balance at the end of current year	—	210	—	37	—	—	—	248	—	248

Millions of yen

Fiscal Year ended February 28, 2013	Reportable segments: 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

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2014	Reportable segments: Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill										
Amortization	$ 82,225	$ 30,676	$ 51,862	$ —	$ 17,127	$ —	$1,392	$ 183,303	$—	$ 183,303
Balance at the end of current year	1,525,343	384,441	631,205	—	175,147	1,970	9,225	2,727,362	—	2,727,362
Negative Goodwill										
Amortization	—	225	0	39	—	—	—	274	—	274
Balance at the end of current year	—	2,058	—	362	—	—	—	2,431	—	2,431

6. Information regarding gain on negative goodwill by reporting segment

None

24. SUBSEQUENT EVENTS

Subsequent to February 28, 2014, the Company's Board of Directors declared a year-end cash dividend of ¥30,942 million ($303,352 thousand) to be payable on May 23, 2014 to shareholders on record as of February 28, 2014.

The dividend declared was approved by the shareholders at the meeting held on May 22, 2014.

KPMG

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 at February 28, 2014 and 2013, 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 at February 28, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (17) to the consolidated financial statements. Previously, Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, excluding certain domestic and foreign consolidated subsidiaries, used the declining-balance method to calculate the depreciation of property and equipment. However, effective from the fiscal year ended February 28, 2014, Seven & i Holdings Co., Ltd. and its consolidated subsidiaries integrated to the straigt-line method of depreciation, excluding subsidiaries in the Mail order services segment.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2014 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 27, 2014
Tokyo, Japan