EVERY DAY, IN EVERY WAY...

Preparing for the Omni-Channel Era

Annual Report 2014
Seven & i Holdings Co., Ltd.

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

BRAND MESSAGE

IT'S A NEW DAY

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

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

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

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

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

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

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

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

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

GROUP CORPORATE CREED

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

CONTENTS

2 CORPORATE OVERVIEW
2 GROUP BUSINESS OVERVIEW
4 FINANCIAL HIGHLIGHTS

6 MESSAGE FROM THE TOP MANAGEMENT
6 CEO MESSAGE
8 INTERVIEW WITH THE PRESIDENT

TOSHIFUMI SUZUKI
Chairman and Chief Executive Officer

NORITOSHI MURATA
President and Chief Operating Officer

16 REVIEW OF OPERATIONS
16 AT A GLANCE
18 CONVENIENCE STORE OPERATIONS
26 SUPERSTORE OPERATIONS
29 DEPARTMENT STORE OPERATIONS
31 FOOD SERVICES
32 FINANCIAL SERVICES
33 OTHERS

34 MANAGEMENT FRAMEWORK
34 CORPORATE GOVERNANCE
37 BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND EXECUTIVE OFFICERS
39 CORPORATE SOCIAL RESPONSIBILITY (CSR)

43 FINANCIAL SECTION
93 INVESTOR INFORMATION

INCLUSION IN SRI INDICES

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

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

member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE
Reconfirmed since July 18, 2013

included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Global
Reconfirmed since March 24, 2014

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

Member 2013/2014 STOXX ESG LEADERS INDICES

STOXX Ltd. is a leading index specialist, which started in Europe. STOXX indices are licensed to more than 500 companies, which include the world's largest financial products issuers, capital owners and asset managers.

MS-SRI

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

(As of the end of May 2014)

COMMUNICATION TOOLS

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

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

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

www.7andi.com/en

FORWARD-LOOKING STATEMENTS

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

GROUP BUSINESS OVERVIEW

Sales Capabilities

approx. **9.6** Trillion yen
in the Group's total sales*

Store Network of Seven & i *HLDGS.*

Global: approx. **54,000** stores | Japan: approx. **18,000** stores

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

CONVENIENCE STORE OPERATIONS

More information on pp. 16, 18–25, 45

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

PRINCIPAL SUBSIDIARIES

• Seven-Eleven Japan	100.0%
• 7-Eleven, Inc.	100.0%
• SEVEN-ELEVEN HAWAII	100.0%
• SEVEN-ELEVEN (CHINA) INVESTMENT	100.0%
• SEVEN-ELEVEN (BEIJING)	65.0%
• SEVEN-ELEVEN (TIANJIN)	65.0%
• SEVEN-ELEVEN (CHENGDU)	100.0%


Japan


North America

China

SUPERSTORE OPERATIONS

More information on pp. 16, 26–28, 46

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

PRINCIPAL SUBSIDIARIES

• Ito-Yokado	100.0%
• York-Benimaru	100.0%
• York Mart	100.0%
• Akachan Honpo	95.0%
• Ito-Yokado (China) Investment	100.0%
• Hua Tang Yokado Commercial	75.8%
• Chengdu Ito-Yokado	74.0%

Ito-Yokado

York-Benimaru

Akachan Honpo

Note: Percentages are equity owned by Seven & i Holdings, including indirect holdings.

Number of Customer Store-Visits per Day

Global: approx. **55.0** million | Japan: approx. **19.5** million

DEPARTMENT STORE OPERATIONS

More information on pp. 16, 29–30, 46

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

SEIBU

PRINCIPAL SUBSIDIARIES

- **Sogo & Seibu** 100.0%
- **THE LOFT** 74.7%
- **SHELL GARDEN** 100.0%

FOOD SERVICES

More information on pp. 17, 31, 46

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan.

Denny's

PRINCIPAL SUBSIDIARY

- **Seven & i Food Systems** 100.0%

FINANCIAL SERVICES

More information on pp. 17, 32, 46

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

Seven Bank ATM

PRINCIPAL SUBSIDIARIES

- **Seven Bank** 45.8%
- **Seven Financial Service** 100.0%
- **Seven Card Service** 95.5%
- **Seven CS Card Service** 51.0%

OTHERS

More information on pp. 17, 33, 46

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

Net shopping

PRINCIPAL SUBSIDIARIES

- **Seven & i Net Media** 100.0%
- **7dream.com** 68.0%
- **Seven-Meal Service** 90.0%

FINANCIAL HIGHLIGHTS

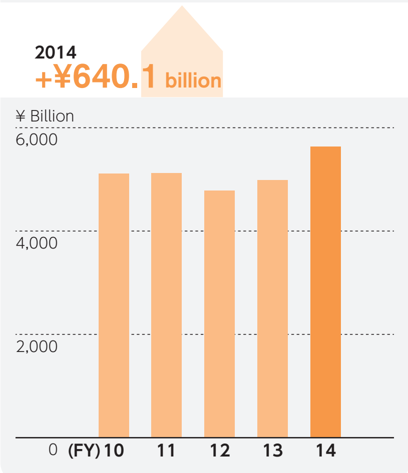
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28 or 29

	2006 (Note E)	2007	2008
For the fiscal year:			
Revenues from operations	¥3,895,772	¥5,337,806	¥5,752,392
Operating income	244,940	286,838	281,088
Income before income taxes and minority interests	178,518	243,060	227,441
Net income	87,930	133,419	130,657
Capital expenditures (Note F)	185,354	278,388	217,738
Depreciation and amortization (Note G)	97,810	132,693	143,642
Cash flows from operating activities	217,325	157,209	465,380
Cash flows from investing activities	(388,080)	(235,983)	(237,184)
Cash flows from financing activities	103,093	37,241	(130,136)
Free cash flows (Note H)	(170,754)	(78,774)	228,195
At fiscal year-end:			
Total assets	¥3,424,878	¥3,809,192	¥3,886,680
Total net assets	1,717,880	1,969,149	2,058,038
Owners' equity (Note I)	1,603,684	1,906,798	1,985,018

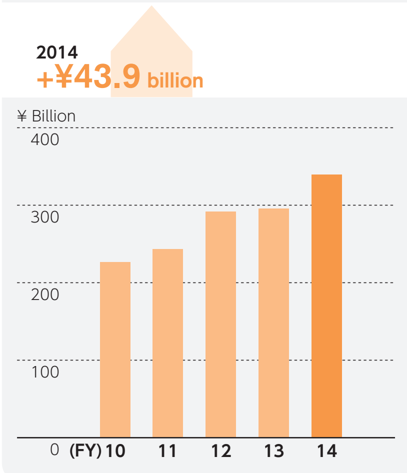
Per share data:			
Net income (basic)	¥ 100.83	¥ 142.90	¥ 137.03
Net income (diluted)	—	—	—
Cash dividends (Note J)	28.50	52.00	54.00
Owners' equity (Note I)	1,772.25	1,999.77	2,081.85
Financial ratios:			
Operating income ratio (Note K)	6.3%	5.4%	4.9%
Net income ratio (Note K)	2.3%	2.5%	2.3%
ROE	5.5%	7.6%	6.7%
ROA	2.6%	3.7%	3.4%
Owners' equity ratio (Note I)	46.8%	50.1%	51.1%
Dividend payout ratio	—	36.4%	39.4%

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 February 28, 2014, the Company and its domestic consolidated subsidiaries (except for certain operating companies) have changed the depreciation method for property and equipment from the decline-balance method to the straight-line method.
(C) The results of Nissen Holdings and its subsidiaries in the fiscal year ended February 28, 2014 are consolidated only in the balance sheets.
(D) 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."
(E) The results of Millennium Retailing (currently Sogo & Seibu) and its subsidiaries and affiliates in the fiscal year ended February 28, 2006, are consolidated only in the balance sheets.

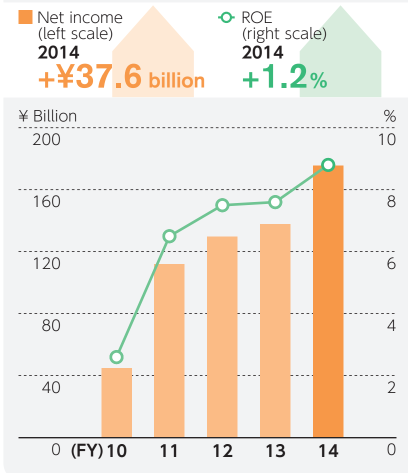
REVENUES FROM OPERATIONS



OPERATING INCOME



NET INCOME
ROE

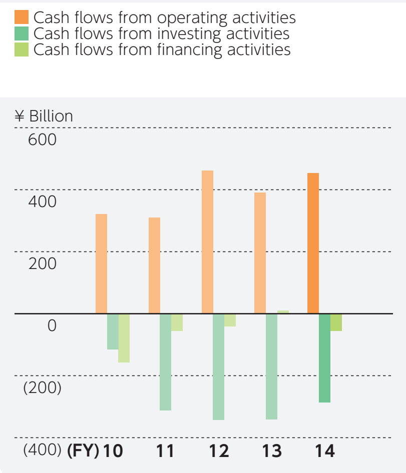


2009	2010	2011	2012 (Note D)	2013	Millions of yen 2014 (Note B, C)	Thousands of U.S. dollars (Note A) 2014 (Note B, C)
¥5,649,948	¥5,111,297	¥5,119,739	¥4,786,344	¥4,991,642	¥5,631,820	$55,213,921
281,865	226,666	243,346	292,060	295,685	339,659	3,329,990
215,115	143,104	223,291	230,817	262,722	311,230	3,051,274
92,336	44,875	111,961	129,837	138,064	175,691	1,722,460
188,943	211,189	338,656	255,426	334,216	336,758	3,301,549
140,529	132,232	132,421	139,994	155,666	147,379	1,444,892
310,007	322,202	310,527	462,642	391,406	454,335	4,454,264
(139,568)	(115,158)	(312,081)	(342,805)	(340,922)	(286,686)	(2,810,647)
(169,755)	(156,708)	(56,258)	(40,561)	10,032	(55,227)	(541,441)
170,438	207,044	(1,553)	119,836	50,484	167,648	1,643,607
¥3,727,060	¥3,673,605	¥3,732,111	¥3,889,358	¥4,262,397	¥4,811,380	$47,170,392
1,860,672	1,793,940	1,776,512	1,860,954	1,994,740	2,221,557	21,779,970
1,785,189	1,721,967	1,702,514	1,765,983	1,891,163	2,095,746	20,546,529

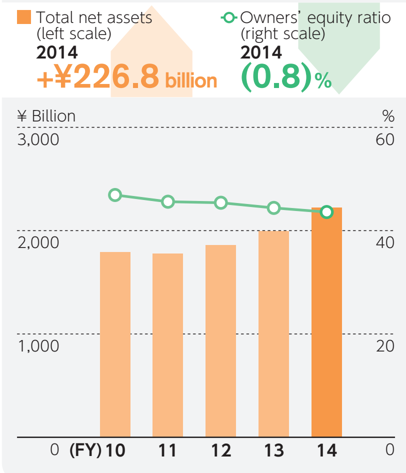
					Yen	U.S. dollars (Note A)
¥ 100.54	¥ 49.67	¥ 126.21	¥ 146.96	¥ 156.26	¥ 198.84	$ 1.94
100.54	49.66	126.15	146.88	156.15	198.69	1.94
56.00	56.00	57.00	62.00	64.00	68.00	0.66
1,975.95	1,905.97	1,927.09	1,998.84	2,140.45	2,371.92	23.25
5.0%	4.4%	4.8%	6.1%	5.9%	6.0%	—
1.6%	0.9%	2.2%	2.7%	2.8%	3.1%	—
4.9%	2.6%	6.5%	7.5%	7.6%	8.8%	—
2.4%	1.2%	3.0%	3.4%	3.4%	3.9%	—
47.9%	46.9%	45.6%	45.4%	44.4%	43.6%	—
55.7%	112.7%	45.2%	42.2%	41.0%	34.2%	—

(F) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(G) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(H) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.
(I) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.
(J) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.
(K) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

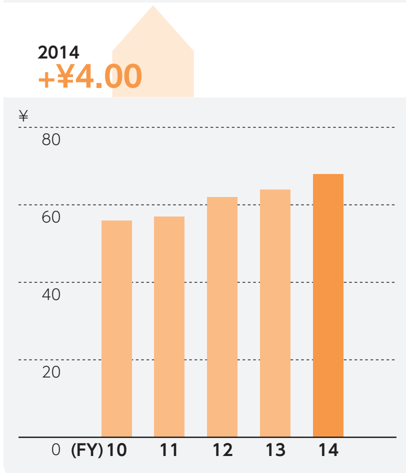
CASH FLOWS



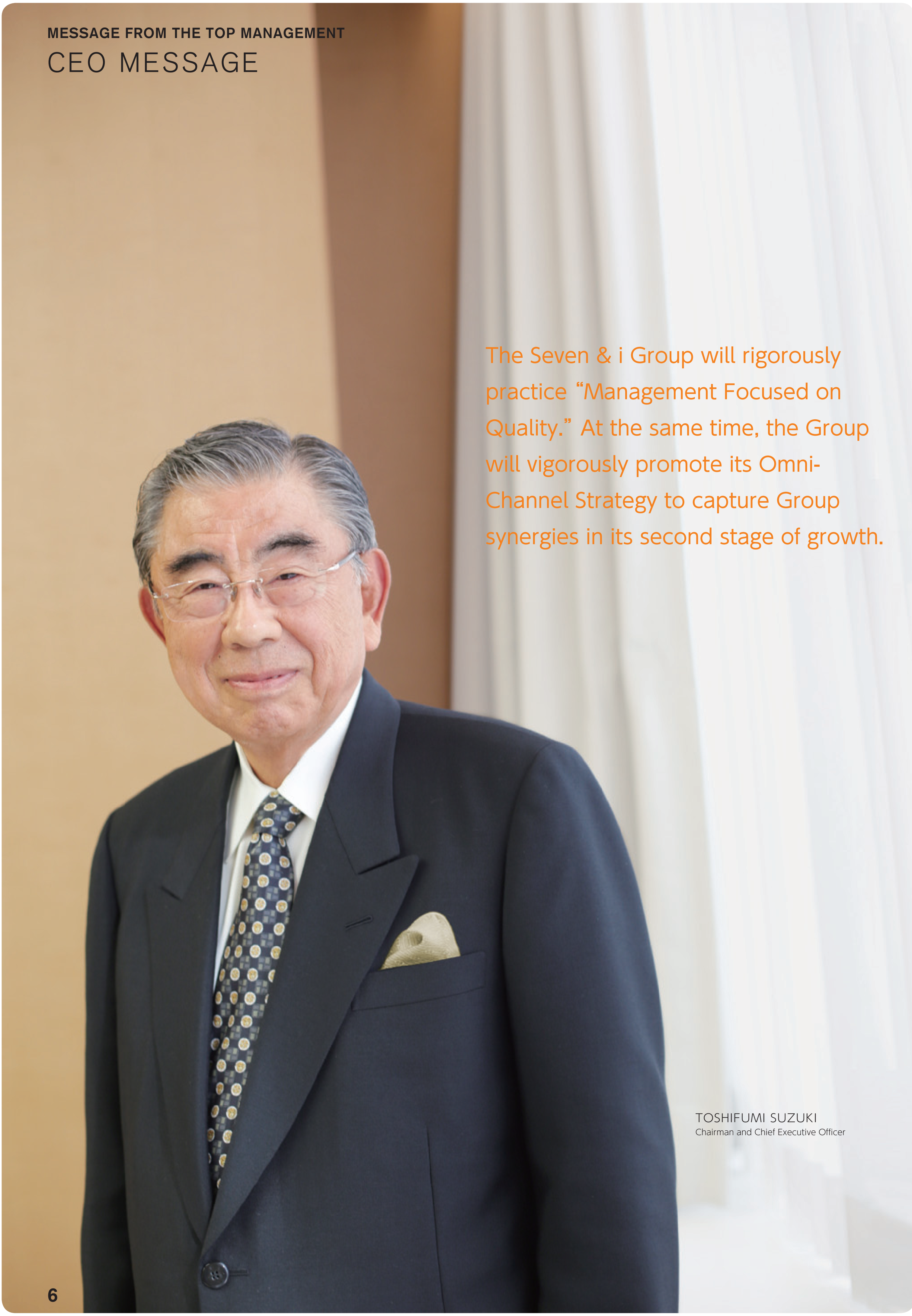
TOTAL NET ASSETS OWNERS' EQUITY RATIO



CASH DIVIDENDS PER SHARE



CEO MESSAGE



The Seven & i Group will rigorously practice "Management Focused on Quality." At the same time, the Group will vigorously promote its Omni-Channel Strategy to capture Group synergies in its second stage of growth.

TOSHIFUMI SUZUKI
Chairman and Chief Executive Officer

In the fiscal year ended February 2014, the Seven & i Group posted record operating income for the third straight year, becoming the first company in Japan's retail sector to attain operating income of more than ¥300.0 billion. I believe that this achievement is a result of consistent implementation of the Group's management principle of "Responding to Change while Strengthening Fundamentals." In the fiscal year ending February 2015, we will continue to reform existing businesses and reinforce our immediate structure. At the same time, we will actively bolster our business infrastructure in growth businesses, centered on our domestic convenience store operations.

In Japan, the social environment has continued to change, with the key factors being a falling birthrate combined with an aging population, and increases in the number of single-person households and working women. These developments have altered our customers' consumption patterns, and have led to a decline in retail store numbers, dramatically transforming consumers' expectations of us as a retailer. Moreover, the consumption tax rate increase in April 2014 has made our customers focus even more intently on value and price. To set ourselves apart even further from the competition, it is essential for us to successfully maximize Group synergies. For this reason, we will be rigorously practicing "Management Focused on Quality" in the fiscal year ending February 28, 2015.

In this environment, the Seven & i Group will work harder than ever to actively promote the Group's *Seven Premium* private-brand products and to develop and renew the original products of each Group company. Together with the pursuit of even better taste and quality, we will also strive to improve customer service to convey the value of our products to customers.

Furthermore, from the second half of the fiscal year ended February 2014, we have positioned the Omni-Channel Strategy, where we approach customers by seamlessly coordinating real stores with the Internet, as our second stage of growth. We will promote this strategy with the aim of maximizing the Group's value. The Seven & i Group possesses a wide array of business formats, from convenience stores to department stores, along with a domestic store network of approximately 18,000 stores receiving more than 19.5 million visitors every day. Leveraging these strengths, we will create an environment where our customers can purchase the products they want anywhere, anytime. Besides this, we will create a business structure based on an entirely new concept that maximizes the Group's assets, in an effort to position the Group even closer to its customers.

I ask for the continued support of all our shareholders and investors as we endeavor to reach our goals.

June 2014

Toshifumi Suzuki

TOSHIFUMI SUZUKI
Chairman and Chief Executive Officer

MESSAGE FROM THE TOP MANAGEMENT

INTERVIEW WITH THE PRESIDENT

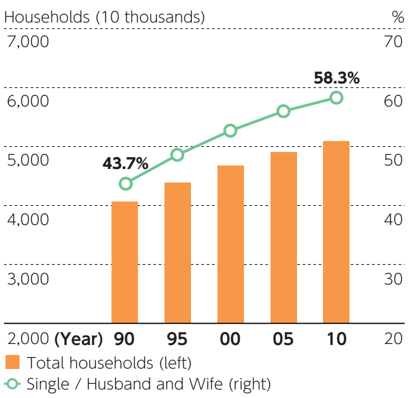
In the fiscal year ended February 28, 2014, Seven & i Holdings delivered record-high net sales, operating income, and net income. Operating income reached an all-time high for the third consecutive year, making the Group the first in Japan's retailing sector to achieve operating income of more than ¥300.0 billion.

Looking ahead, the Group aims to achieve further growth by working as one to address the changing social climate, as it continues in its mission to create new value.

Analysis and Response to Changing Operating Environment

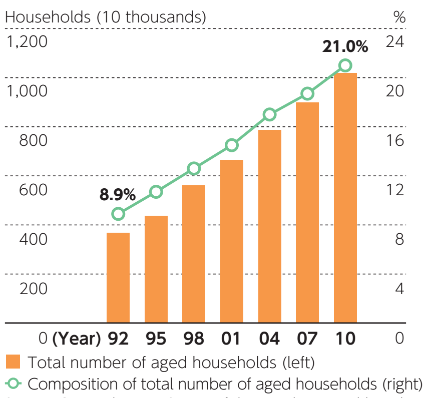
In Japan, there were signs of an economic recovery, owing mainly to the government's economic stimulus measures. However, we cannot be entirely upbeat about the operating environment for the retail industry, considering the increase in the consumption tax rate implemented in April 2014 and other developments. Compared with the previous consumption tax hike in 1997, we did not see any major differences in sales trends, but there was a pronounced increase in last-minute purchases of luxury goods, such as fine arts and jewelry, as well as home electronics, household goods and other items. Nonetheless, after the consumption tax hike, consumer spending in April bounced back quickly from the drop in spending that followed the last-minute purchases. In fact, new products and high-value-added products are now selling strongly. All in all, we believe that consumer sentiment is much better than it was in 1997.

INCREASE IN NUMBER OF PEOPLE PER HOUSEHOLD



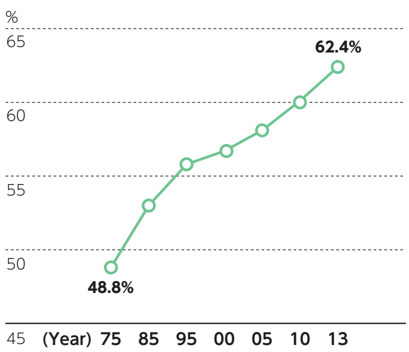
Source: Population Census of Japan (Ministry of Internal Affairs and Communications)

INCREASE IN NUMBER OF AGED HOUSEHOLDS



Source: Comprehensive Survey of the People on Health and Welfare (Ministry of Health, Labour and Welfare)

INCREASE IN NUMBER OF FEMALE EMPLOYEES IN JAPAN



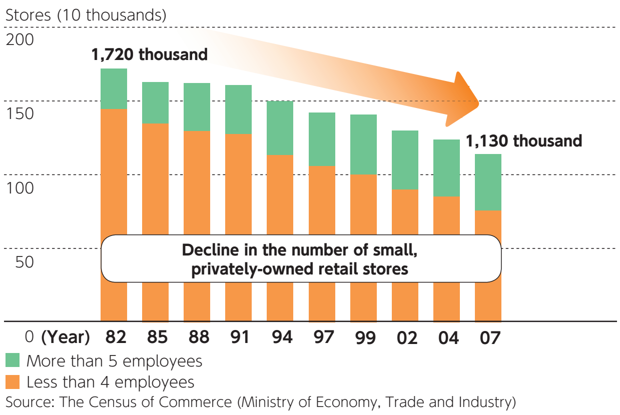
Source: Labour Force Survey 15–64 years old (Ministry of Internal Affairs and Communications)

NORITOSHI MURATA
President and Chief Operating Officer

Seven & i Holdings has adopted "Management Focused on Quality" as its Group policy. This is to ensure that we propose more quality-oriented products and services that make shopping more enjoyable. Our policy is also our strategy to avoid becoming embroiled in price-based competition and our response to changes in customer needs. Consumer sentiment is becoming more rational—people increasingly prefer to pay a little more for quality to the extent that they need it, rather than simply focus on prices. Responding to this trend, we will differentiate ourselves from the competition by improving product quality and customer service. We will also leverage the Group's sales capabilities to maximize scale benefits in purchasing. At the same time, we will develop more quality-driven offerings, particularly in the Group's private-brand products and the original products of each operating company.

We will also need to seize on changes in Japan's social structure from a medium-term perspective. These changes include the continued fall in the birthrate combined with an aging population and the increasing percentage of working women, which will continue unabated into the future. We believe that one of our key priorities will be to make a Groupwide effort to capture Group synergies in order to build our next growth platform.

DECLINE IN NUMBER OF RETAIL STORES



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

Maximizing Group Synergies

To achieve sustainable growth, we must continue to adapt to the changing operating environment, as we harness Group synergies by leveraging infrastructure such as the Group's store networks and the comprehensive strengths of our multiple business formats. We will pursue synergies with capital and business alliance partners, along with strengthening the development of our *Seven Premium* private-brand products and promoting the Omni-Channel Strategy, with the aim of attaining further growth.

Seven Premium:

Our Greatest Focus of Group Synergies

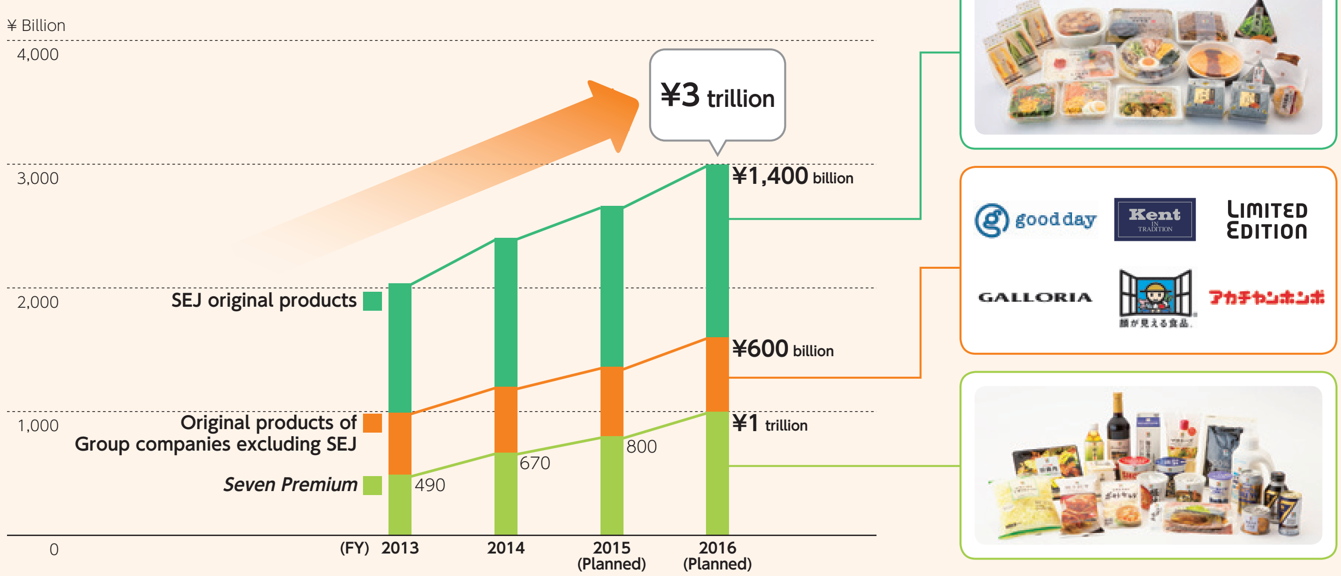
We launched *Seven Premium* private-brand products in May 2007. We created this category by drawing on original product development techniques within Seven-Eleven Japan (SEJ) and leveraging the product development expertise and sales capabilities of Group companies. We have harnessed team merchandising with outstanding suppliers in developing a line of products that combines quality and reasonable pricing. In doing so, we aimed to dispel the image of private-brand offerings of being focused on low-prices, and build a new private-brand concept that accommodates customer tastes. This private brand embodies the Group's corporate policy of providing quality-oriented products. It is suitable for all formats from convenience stores to department stores, and the private-brand products are designed to differentiate the Group from the competition by offering high added value. With the steady rise in customers looking for quality and value, the Seven & i Group will place further emphasis on its strategy of developing the Group's *Seven Premium* private-brand products and Group companies' original products, offering taste, functionality, quality, and value. In doing so, the Group aims to boost sales of original products to ¥3 trillion in the fiscal year ending February 2016.

Expanding *Seven Premium* Product Sales Further

● Renewing existing products

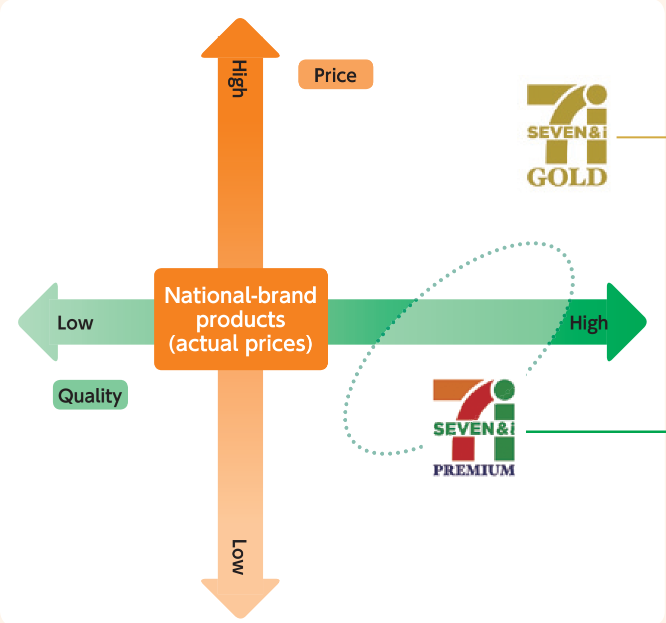
In the past, we have regularly renewed our existing products in order to provide delicious products that customers do not tire of and further improve product quality. In response to the consumption tax rate increase, we have been working to dramatically renew our products. In fact, we plan to renew 80% of all of our products in the span of one year. In an effort to improve gross profit, we will work to develop products with a universal appeal in terms of taste and quality by constantly harnessing team merchandising with the best manufacturers and insisting on high-quality ingredients, manufacturing methods and other elements. As a result of our efforts to date, *Seven Premium* has become a brand that can compete head to head with national-brand products. This is highlighted by the fact that the number of products generating more than ¥1 billion in Group sales annually per item has reached 120, an increase of 28 from the previous fiscal year.

SEVEN & i GROUP ORIGINAL PRODUCTS SALES PLAN



Note: SEJ: Seven-Eleven Japan

POSITIONING AND CONCEPT FOR PRIVATE-BRAND PRODUCTS



Seven Gold

- The *Seven Gold* products in the *Seven Premium* brand are developed to meet the needs of those who wish to try something a little more tasty as a luxury
- Equal to or better than the quality of products from specialty stores and popular stores
- A reasonable price

Seven Premium

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

Seven Key Points of *Seven Premium*

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

● Expand *Seven Gold*

Seven Gold was launched in 2010, with the aim of developing high-quality products using only select ingredients and production techniques, to offer quality that is the same as or better than top-selling national-brand products. The key concept is "a small indulgence" that allows consumers to enjoy the finest quality products at home. In the course of product development, we jointly develop products with leading manufacturers in each product field. By making the most of each manufacturer's insistence on using select manufacturing technologies, ingredients, and so forth, we work to create the "finest products" to satisfy customers' expectations. Some of our products can only be developed because we have comprehensive strengths in areas like marketing, logistics networks, and sales. We will continue to adhere to our policy of setting the Seven & i Group apart from the competition in terms of quality by leveraging our strengths.

PRODUCTS THAT SOLD OVER ¥1 BILLION PER ITEM IN TOTAL SEVEN & i GROUP SALES

	FY2013	FY2014
Daily food products	52 items	72 items
Beverages and alcohol	23 items	28 items
Confectionery	9 items	10 items
Processed food products	8 items	10 items
Total	**92 items**	**120 items**

Product Development Example

–*Golden Bread*–

Golden Bread achieves a soft, chewy texture of superior quality, and a classy, deep sweetness. In the year since April 2013, *Golden Bread* attained phenomenal sales of more than 33 million units Groupwide. The launch of this product was made possible by the Seven & i Group's comprehensive strengths, such as the dedicated network of factories established by SEJ nationwide, a development system integrated with manufacturers, and a systematic sales framework based on item-by-item management. As with *Golden Bread*, we will continue to develop unique, high-quality products that only the Seven & i Group can realize, in order to achieve unrivaled differentiation.

Driving Our Second Stage of Growth: The Omni-Channel Strategy

What is the Omni-Channel Strategy?

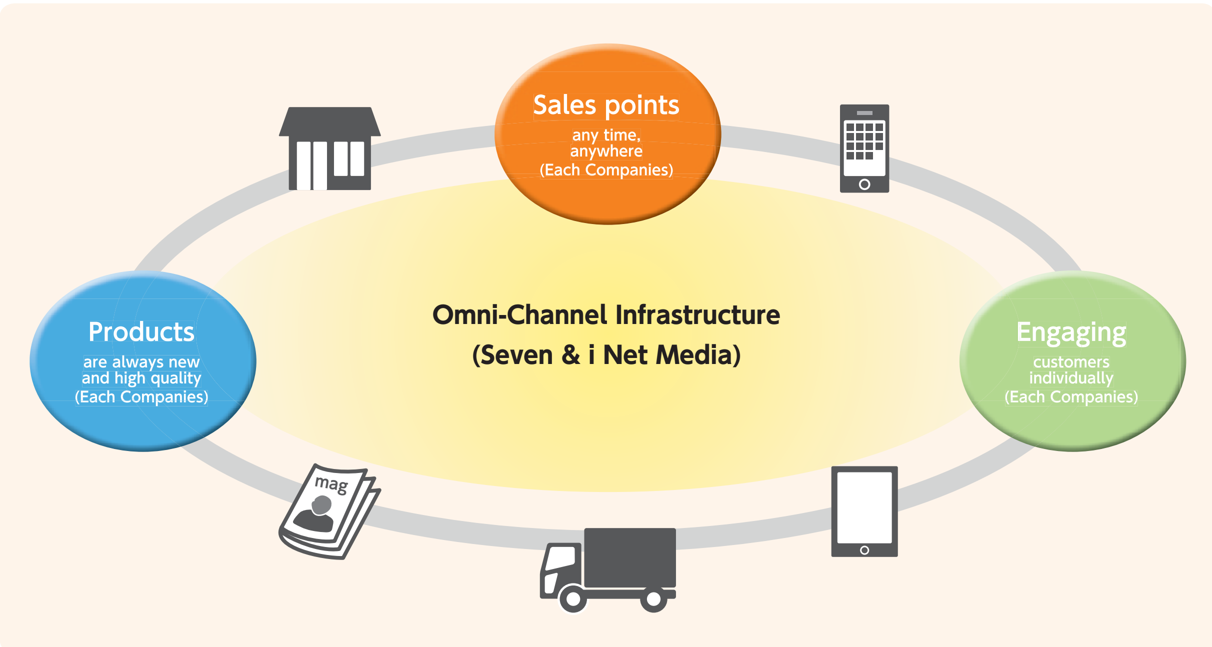
The Seven & i Group defines the "Omni-Channel" as a platform that will integrate various sales channels, including "real stores" and "Internet channels," and thereby enable the seamless ordering, purchasing, and collection of products using all manner of customer interfaces. The Seven & i Group has positioned the Omni-Channel Strategy as its second stage of growth, and will promote this strategy with the aim of maximizing Group value. The Group has a wide array of business formats, including convenience stores, superstores, food supermarkets, department stores, specialty stores, and restaurants, with a network of approximately 18,000 stores in Japan and receiving approximately 19.5 million visitors per day. By taking full advantage of these strengths, we aim to create an environment where customers can buy the products they desire anytime, anywhere.

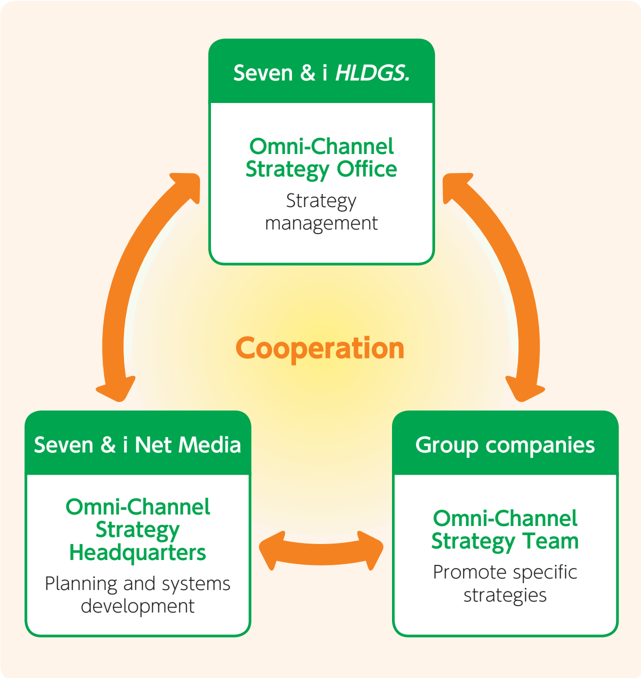
The crux of this strategy is the Group's network of more than 16,000 convenience stores nationwide and its overall merchandising and customer service capabilities. We are putting particular emphasis on merchandising. It will be crucial to propose value that is not found in conventional products through competitive in-house product development.

We also see customer service capabilities as a crucial element of our strategy. By communicating with customers at stores, we will drive home the value of our products and stimulate customer demand. To do so, we believe that it is also important to enhance the level of customer service at real stores and increase customer loyalty to our stores. One example of these initiatives is the *Ikeseikirei Station* (Beauty Station). This service combines counseling by cosmetic advisors at stores, product purchases over the Internet, and the ability to collect products at local 7-Eleven stores, and has proven highly popular among customers. As this example shows, we believe that the more that purchasing becomes centered on the Internet, the more important that customized services and customer service for each customer will become at real stores.

Driving the Omni-Channel Strategy Forward

The Seven & i Group conducted an absorption-type merger, effective March 1, 2014, with Seven & i Net Media Co., Ltd. as the surviving company and Seven Net Shopping Co., Ltd. as the dissolving company. This merger is aimed at clearly identifying the company that will play a pivotal role in promoting the Seven & i Group's Omni-Channel Strategy, and vigorously pressing ahead with this strategy. At the same time, we have clearly identified the departments that will promote the Omni-Channel Strategy at each operating company. In doing so, we now have a framework in place to promote the Omni-Channel Strategy across the entire Group.





From autumn of 2013, we have launched the Omni-Channel Strategy Project. Discussions are held all day from Tuesday to Friday every week by members chosen from Group companies and IT companies from outside the Group. Currently, the participants are divided into seven working groups and are holding discussions based on different themes.

WORKING GROUPS WILL BE ESTABLISHED IN SEVEN AREAS UNDER THE IMPLEMENTATION PLAN

Working Group	Theme
1. Customers	Call centers, security, common ID, customer database
2. Site	Site design, cross-sectional search of products from each company's products
3. Stores	Customer service, develop tablet terminals, real-store handovers
4. Products	Common product management code, Internet-based product strategies for each category
5. Logistics	Delivery, utilization of each company's logistics
6. Media	Examine sales promotions methods, summarize issues with each company's website
7. Big data	Use big data to introduce recommended functions and improve store operations, etc.

Looking Ahead

As part of promoting the Omni-Channel Strategy, we aim to enable all of the Group's online products to be collected at any of the Group's stores by the second half of 2015. When this is realized, the number of products handled by 7-Eleven stores could increase from around 2,800 items today to 3 million items. Furthermore, we expect to open up many different possibilities by making stores a collection point for brand merchandise that we have not handled previously. For example, we expect to see an increase in the number of customers and win over new customers. Although we must still overcome many challenges at this point, we are identifying each issue and steadily making preparations. In the fiscal year ending February 2015, we will conduct a wide range of field trials aimed at realizing the Omni-Channel Strategy.

Omni-Channel Initiatives Get a Head Start in the Hiroshima Area (SEJ and Sogo & Seibu)

During the year-end and New Year's holidays and the Valentine's Day period, we conducted a trial in the Hiroshima area ahead of Groupwide Omni-Channel initiatives. The trial enabled customers to collect Japanese and Western confectionery sold by famous manufacturers via the *e.depart* online shopping site of Sogo & Seibu at 470 7-Eleven stores in the Hiroshima area. One of the main features of this trial was that customers could collect high-quality department store merchandise at 7-Eleven stores while receiving the same level of service as at department stores. In this trial, customers picking up products at 7-Eleven stores accounted for just over 60% of all customers placing orders via *e.depart*. The trial thus confirmed that there is a strong need for temporarily holding products for collection by customers at convenience stores. In the future, we will further boost customer convenience by expanding this initiative nationwide.

Capturing Synergies with Capital and Business Alliance Partners

We are also capturing synergies with companies with whom we formed capital and business alliances in the fiscal year ended February 2014.

These capital and business alliances are expected to play a part in strengthening and complementing the Group's business in areas such as the purchasing activities of Sogo & Seibu and bolstering household goods, which has been an issue at Ito-Yokado (IY). Naturally, the alliances are also aimed at enhancing the Group's Internet shopping expertise and product lineups as it pushes ahead with the Omni-Channel Strategy.

CAPITAL AND BUSINESS ALLIANCE PARTNERS AND MAIN OBJECTIVES

DAIICHI CO., LTD.	Bolster merchandising capabilities in Hokkaido (Joint purchasing, implementing logistics reforms, etc.)
Tenmaya Store Co., Ltd.	Strengthen business in West Japan (Jointly remodel the IY Fukuyama Store, etc.)
Nissen Holdings Co., Ltd.	Utilize products developed in-house and Internet shopping expertise (Expertise in Internet sales, specialty store retailing of private-brand apparel (SPA), and catalog sales)
Barneys Japan Co., Ltd.	Enhance the lineup of high-quality products with brand appeal (Utilize Barneys' purchasing functions and overseas product procurement expertise, etc.)
BALS CORPORATION	Develop products and sell at department stores, shopping malls, and on the Internet (Collaboration with IY, department stores, SEJ and others in the sundries field)

Progress among Key Group Companies and Outlook for Fiscal Year Ending February 2015

Ever since its founding, the Seven & i Group has embraced the basic policy of sharing strategies while keeping brands independent. In other words, while sharing Group strategies to generate and deliver new value, each Group company continues to offer consumers the value it has cultivated under its own brand.

● Convenience Store Operations

Looking at our convenience store operations, SEJ seized on changes in the social climate as opportunities for growth. These included an aging population, an increase in the number of working women, households with fewer members, and a decline in the number of small and medium-sized retail stores. SEJ expanded the 7-Eleven chain by prioritizing high-density, concentrated store openings under its market concentration strategy. At the same time, SEJ drove the evolution of its stores into "close-by, convenient stores" by developing high-quality original products and extending its lineup of the daily essentials to meet consumers' expectations. Moreover, SEJ is looking beyond the conventional definition of the convenience store market and is now targeting all food-related markets including food and beverage retail, restaurants, and take-home meals. This combined target market has total sales of approximately ¥74 trillion, and since SEJ's current share is only about 5%, there are still ample opportunities for growth. We have positioned SEJ as the core driver of Group growth, and will continue to actively invest in the company. In the fiscal year ending February 2015, SEJ plans to open a record-high 1,600 stores.

In North America, 7-Eleven, Inc. (SEI) has been differentiating itself by reinforcing its range of private-brand products such as *7-Select* and fresh food offerings, and improving its store operations. These initiatives are starting to bear fruit, in terms of boosting SEI's profitability. In store openings, SEI employs the market concentration strategy, just like SEJ in Japan, to ensure effective merchandising and efficient infrastructure usage. In the future, SEI will organize the stores it has acquired and convert them into franchised stores, with the aim of further increasing its profitability.

● Superstore Operations

In superstore operations, there were signs of profitability improvements, such as an improved gross profit margin, supported mainly by progress on business structure reforms and enhanced private-brand products.

Apparel merchandising reforms at IY have begun to show results. We have boosted customer service to increase the value appeal of our stores, in addition to driving growth in sales of private-brand products. IY has enhanced its store cost structure by optimizing directly-managed sales areas and attracting more tenants. Going forward, we will continue to actively implement reforms. Measures will include developing new business formats such as GRAND TREE MUSASHIKOSUGI, where the Group's Sogo & Seibu, THE LOFT, and Akachan Honpo stores will provide new store concepts, layouts, and services. Another initiative will be to reenergize the Kansai area by setting up the West Japan Business Dept.

● Department Store Operations

In department store operations, we are expanding our retailer-managed merchandising and store-managed sales areas in order to differentiate our offerings and make our department stores more attractive. Sharing raw materials and using the same business partners among Group companies has generated synergies. As we continue to build on our framework for store development, we are targeting ¥100 billion in sales of apparel developed by our retailer-managed merchandising system for the fiscal year ending February 2015. Furthermore, we will enhance high-quality customer service, total consulting functions and other amenities unique to department stores.

Based on the foregoing, we are forecasting consolidated revenues from operations of ¥6,130.0 billion and consolidated operating income of ¥356.0 billion in the fiscal year ending February 2015, both of which will be record-highs for a fourth consecutive year.

Financial Policy and Shareholder Returns

Targeting a 10% ROE Over the Medium Term

We see consolidated operating income and consolidated ROE as crucial performance benchmarks for achieving our management goal of maximizing the Group's corporate value. Accordingly, we aim to achieve a 10% ROE over the medium term.

Our basic investment policy is to actively invest in growing businesses and to execute investments targeting earnings growth over the medium and long terms. As part of the former, we will invest intensively in convenience store operations, the core driver of Group earnings. As for the latter, we will consider M&As as an option to acquire businesses that we do not have in the Group, in addition to investing in infrastructure needed to realize the Omni-Channel Strategy, such as the development of logistics and delivery systems.

Basic Policy on Shareholder Returns

Our basic policy is to reflect earnings growth in our return of profits to shareholders. We aim to maintain a base consolidated payout ratio of at least 35%, and to improve it further in the future in accordance with profit growth. For this, we plan to increase cash dividends per share for the fiscal year ending February 2015 by ¥2, to ¥70. This follows a rise of ¥4 per share in the previous term, to ¥68. We seek to maximize returns to shareholders through further earnings improvements going forward.

Conclusion

We consider our business to be highly social in its nature, as it ties in closely to consumer sentiment. Therefore, we realize that we can only grow when society does and that we have to address changes in the social climate and help to solve social issues. We believe that social changes generate new demand, and that our ongoing efforts to address those changes and seize on demand will increase our corporate value over the medium and long terms. We will continue to see social changes as opportunities and work to maximize synergies by promoting further collaboration between Group companies. At the same time, we will achieve growth by executing strategies to make each company the leader in its respective format as we continue in our mission to create new value.

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

June 2014

Noritoshi Murata
President and Chief Operating Officer

AT A GLANCE

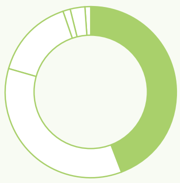
CONVENIENCE STORE OPERATIONS

More information on pp. 18–25, 45

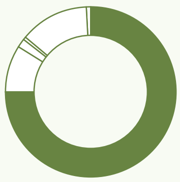
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
44.4%
¥2,529.6 billion

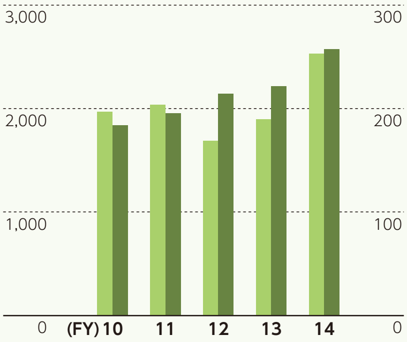


Operating income
75.4%
¥257.5 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

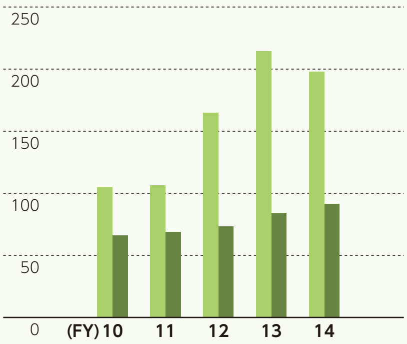
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

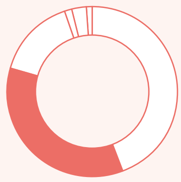
SUPERSTORE OPERATIONS

More information on pp. 26–28, 46

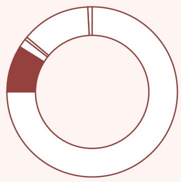
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
35.3%
¥2,009.4 billion

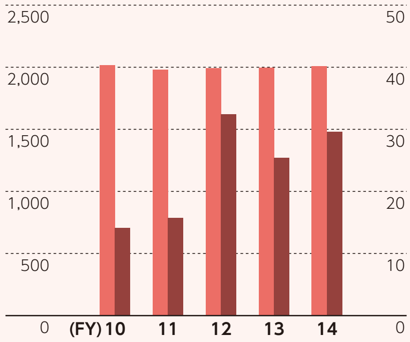


Operating income
8.7%
¥29.6 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

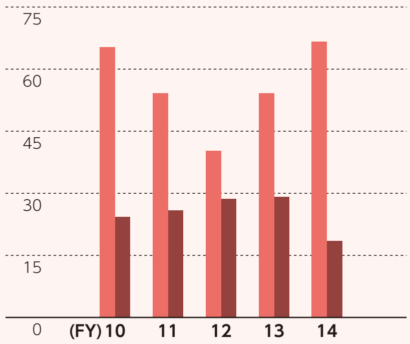
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

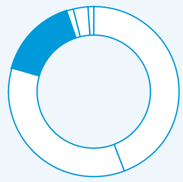
DEPARTMENT STORE OPERATIONS

More information on pp. 29–30, 46

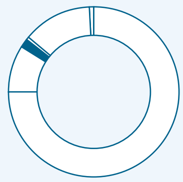
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
15.3%
¥871.1 billion

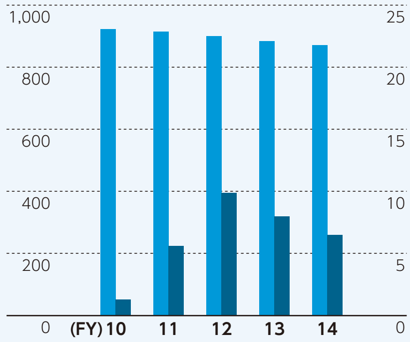


Operating income
1.9%
¥6.5 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

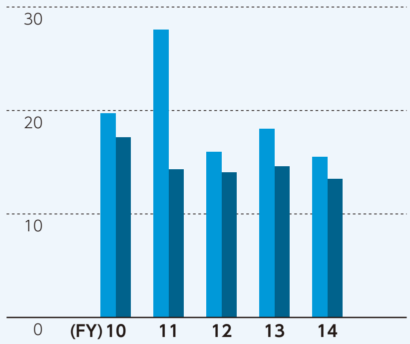
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

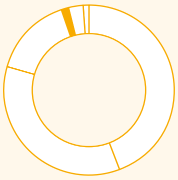
FOOD SERVICES

More information on pp. 31, 46

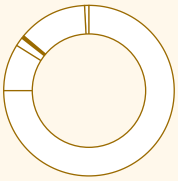
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
1.4%
¥78.5 billion

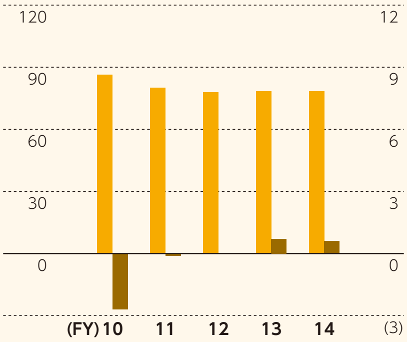


Operating income
0.2%
¥0.6 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

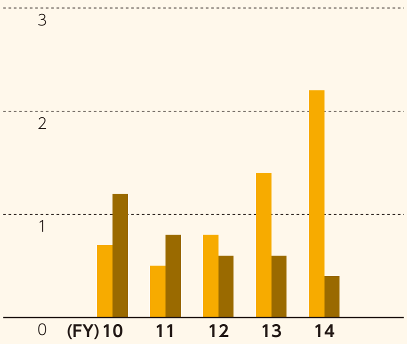
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

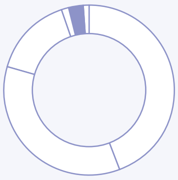
FINANCIAL SERVICES

More information on pp. 32, 46

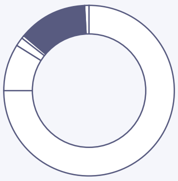
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
2.8%
¥158.8 billion

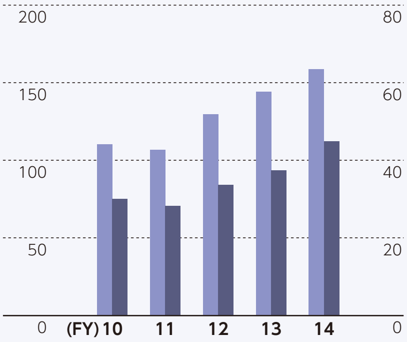


Operating income
13.2%
¥44.9 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

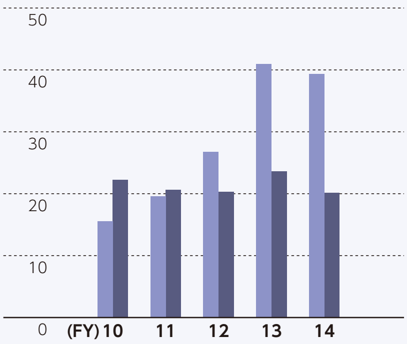
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



Capital expenditures
Depreciation and amortization

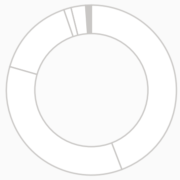
OTHERS

More information on pp. 33, 46

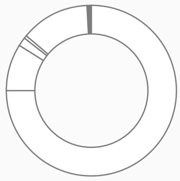
CONTRIBUTION TO RESULTS

For the fiscal year ended February 28, 2014

Revenues from operations
0.9%
¥50.4 billion

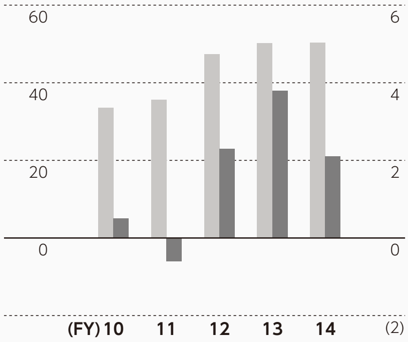


Operating income
0.6%
¥2.1 billion



REVENUES FROM OPERATIONS / OPERATING INCOME

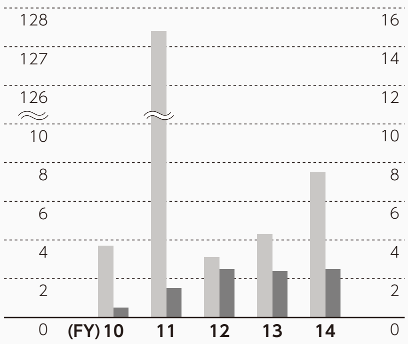
¥ Billion



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

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

¥ Billion



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

CONVENIENCE STORE OPERATIONS

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

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,529.6 billion +33.2%	¥257.5 billion +16.1%	¥197.7 billion (7.7)%

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the convenience store segment's revenues from operations were ¥2,529.6 billion, up 33.2%, and operating income was ¥257.5 billion, an increase of 16.1%. Capital expenditures totaled ¥197.7 billion, down 7.7%, and depreciation and amortization was up 8.7%, to ¥91.2 billion.

This segment's revenues from operations rose on the strength of sales gains at Seven-Eleven Japan (SEJ), as well as from growth in merchandise sales and gasoline sales at 7-Eleven, Inc. (SEI), and the impact of the yen's depreciation, among other factors.

Due to the success of SEJ measures targeting the evolution of "close-by, convenient stores," there was a record increase in the number of stores—1,579 new stores on an overall basis and 1,247 in net increase. Existing stores sales rose 2.3%, for a 19th consecutive month of growth since August 2012, boosted by brisk sales of original products and daily products such as *Seven Premium*. The gross profit margin also improved 0.7 of a percentage point, mainly because of a revision of purchasing conditions due to strengthening of the basic product lineup. As a result, operating income reached a new record for a third consecutive year.

Original daily products at SEJ

At SEI, the number of stores rose to 8,292, for a net increase of 174 stores, including 349 new franchise stores. SEI saw the pace of growth in revenues from operations at existing stores in the U.S. increase by 1.0 percentage point driven by steady sales of fresh food, private-brand products, beverages, and other core products. Operating income set a new record for a second consecutive year, buoyed by an increase in gross profit on merchandise and gasoline, and the impact of the yen's depreciation, among other factors.

Moreover, in China the Group has taken steps to enhance its earnings base, including SEVEN-ELEVEN (BEIJING) achieving a profit for the full-year in its Beijing operations.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥2,770.0 billion, up 9.5%, and operating income of ¥270.0 billion, an increase of 4.8%. Moreover, with respect to the exchange rate for income calculation, the yen is projected to fall ¥4.27 against the U.S. dollar to ¥102.00. The resulting foreign exchange effects are projected to increase reported segment revenues from operations by about ¥83.0 billion and segment operating income by about ¥2.0 billion. Capital expenditures are forecast at ¥238.0 billion, up 20.4%, and depreciation and amortization at ¥105.0 billion, an increase of 15.1%. Capital expenditures are planned for aggressive store openings in Japan as well as investments in existing stores to enhance their sales capabilities.

Domestic Operations

In Japan, the social landscape continues to change with the continued fall in the birthrate, combined with an aging population, an increase in the number of working women, households with fewer members, and a decline in the number of small and medium-sized retail stores. In this new environment, convenience stores with their small catchment areas are playing an increasingly important role. SEJ has been approaching these changes as opportunities for growth, and since 2009 has been promoting store openings with the goal of creating stores that are "close-by, convenient stores." On the product front, we have worked to enhance our lineup of everyday meal-type products by further increasing the quality of our original products and developing products under the Group's private brands, *Seven Premium* and *Seven Gold.* In addition, we have developed *Seven Premium* products in areas where national brands have previously been dominant, such as processed foods and snacks, and some daily essentials. This has produced a wider ranging merchandise lineup at easily affordable prices, which has in turn enabled us to successfully capture customers among the senior customers who had previously not visited our stores, and among women, who are very discerning about price and quality.

As a result, growth in merchandise sales at existing stores remained positive for a fourth consecutive year, while recent sales have continued to expand.

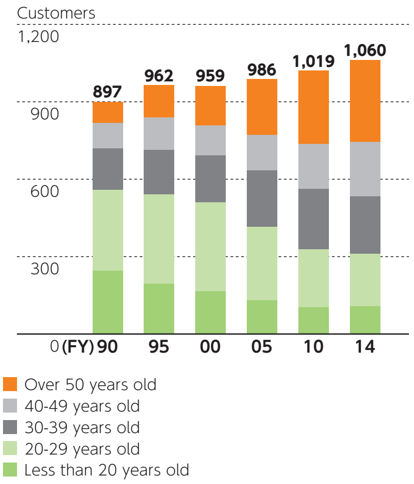
In store openings, SEJ has seen an increase in viable locations for opening stores due to the increase in the customer base, and has been able to step up the pace of store openings between the years ended February 29, 2012 and February 28, 2014, opening 1,201, 1,354, and 1,579 stores in each respective fiscal year. For the fiscal year ending February 28, 2015, SEJ plans to set yet another record with 1,600 new store openings. This will bring the total to 17,519 stores, a net increase of 1,400 stores from February 28, 2014.

Through these two growth drivers of expansion in sales at existing stores and increases in store openings, SEJ's share of net sales in the convenience store market has grown by 1 percentage point each year for the past four years. We broke through 40% in the fiscal year ended February 28, 2014, and in the medium-term we will now aim to achieve a share of 50%.

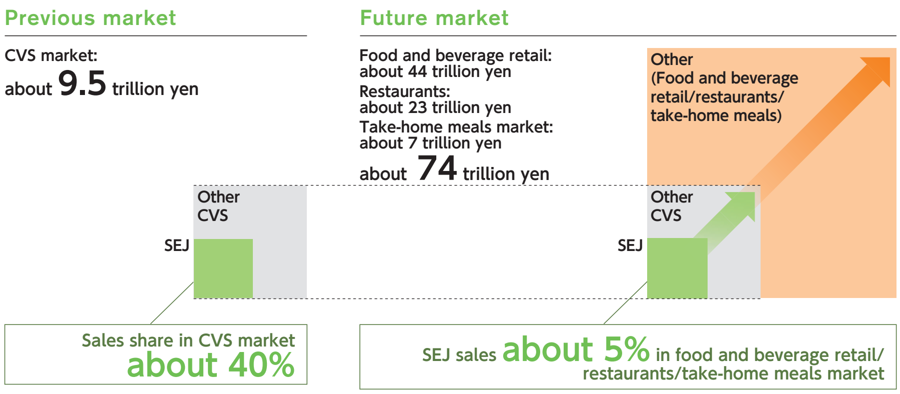
Moreover, SEJ is looking beyond the conventional definition of the convenience store market and is now targeting all food-related markets including food and beverage retail, restaurants, and take-home meals. This combined target market has total sales of approximately ¥74 trillion, and since SEJ's current share is only about 5%, there are still ample opportunities for growth. SEJ will continue to develop products and services in response to the various changes in the market, while taking a highly precise approach to store openings.

Diagram A

AVERAGE DAILY NUMBER OF CUSTOMER VISITS PER STORE BY AGE GROUP



VIEW OF SEJ'S MARKET



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

STORE OPENING

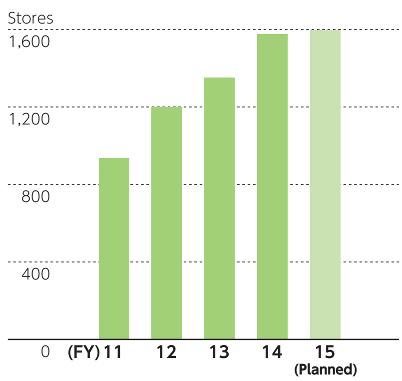


Diagram A

GROWTH STRATEGY FOR SEJ:
FURTHER ENRICH "CLOSE-BY, CONVENIENT STORES" TO MEET CUSTOMERS' NEEDS

Merchandising	**Strengthen the development of Seven-Eleven original products and bolster product development under the Group's private brands, *Seven Premium* and *Seven Gold*** • Increase chilled cases to realize expanded product lineups **Further increase sales of *SEVEN CAFÉ* and bolster related sales of pastries, etc.** • Expand stores with two café machines to 9,000 stores by the summer of 2014 **Promote product development in line with regional characteristics** • Launch the WEST JAPAN PROJECT, and strengthen store management and development, mainly focused on product development
Store-opening Policies	**Step up store openings in Japan's three main urban centers (Tokyo metropolitan area, Chukyo area, Kansai area)** **Open up new areas (Shikoku)** • Opened new stores in Tokushima and Kagawa prefectures in 2013. Opened new stores in Ehime Prefecture in March 2014 **Expansion into special locations (train stations, business locations, universities, etc.)** • Start opening stores in train stations in JR West Japan through a business alliance with JR West Group
Strengthen service operations	**Shopping support** • Enhance product delivery services, mainly focusing on *Seven-Meal* **Measures to promote change to omni-channel format** • Strengthen the product placement system at individual stores • Strengthen product lineups and the level of customer service

SEVEN-ELEVEN JAPAN

Further enrich "close-by, convenient stores"

Merchandising

SEJ is working to provide meal solutions to answer the inconvenience that customers experience around meals by responding to changes in the social environment such as described above. Specifically, SEJ is enhancing the lineup of daily food products under the Group's private brands, *Seven Premium* and *Seven Gold*, with a focus on original Seven-Eleven products. Among these daily food products, sales of chilled products have been climbing each year. Following on from the introduction of island-type chilled cases in the fiscal year ended February 29, 2012, we installed more chilled cases in the fiscal year ended February 28, 2013, and we have plans to add another chilled case in each store in the fiscal year ending February 28, 2015, as we actively propose new menus and carry out sales area reforms. In addition, we will work to further expand on brisk sales of *SEVEN CAFÉ*, aiming to increase the number of stores with two *SEVEN CAFÉ* machines to 9,000 by the summer of 2014. At the same time, we will bolster our product lineups of pastries, which have a high rate of related-product purchases with *SEVEN CAFÉ*. We also believe we have created a new market with *Golden Bread*, which we launched under the *Seven Gold* brand in April 2013, since the sales seem to have been in addition to those of our existing breads for the most part, rather than replacing them.

Moreover, we will actively renew our existing products in addition to developing high quality new products in order to achieve unrivalled differentiation.

At the same time, to meet the needs of customers at an individual-store level, we will change our product lineups and sales area compositions to emphasize regional characteristics. Moreover, in the

SEVEN CAFÉ

In January 2013, we launched sales of high-quality self-service drip coffee as *SEVEN CAFÉ*, and completed rolling it out in all stores by September 2013. With high quality and regular sizes priced at only ¥100, including tax, the service was a runaway hit, with cumulative sales topping 450 million cups between January 2013 and February 28, 2014. *SEVEN CAFÉ* received the "Most Excellent Award, Nikkei Award" at the Nikkei Newspaper 2013 Nikkei Superior Product and Service Awards, winning high praise for establishing a new consumer trend of buying coffee at convenience stores.

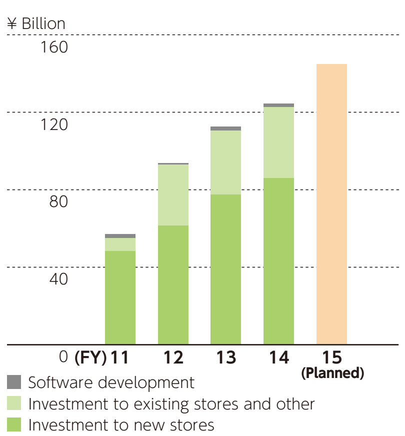
fiscal year ending February 28, 2015, we will establish the WEST JAPAN PROJECT to strengthen our sales system in west Japan, and take measures spanning store operations and store development, mainly focused on product development.

Store-opening Policies

SEJ's basic policy for opening stores is to implement its market concentration strategy of developing a high concentration of multiple stores, while maintaining a focus on individual store profitability. We believe that the aforementioned social environmental changes and consumer needs to complete all of their errands in an area close to home have created scope for further store openings even in existing areas. We are promoting store openings under our market concentration strategy, particularly in Japan's three main urban areas of Tokyo, Chukyo, and Kansai, which harbor large potential markets. Furthermore, we will respond flexibly to relocation needs in our existing stores through scrap & build in line with the particular environment of each individual store.

In new areas, meanwhile, we opened stores in Tokushima and Kagawa prefectures in 2013, and expanded into Ehime Prefecture in March 2014. As a result, as of March 2014, SEJ has stores in 43 of Japan's 47 prefectures. SEJ is also proceeding to open stores in special locations such as railway stations, business sites, and universities, and in March 2014 we entered a business alliance with West Japan Railway Company and its wholly-owned subsidiary, West Japan Railway Daily Service Net Company, which operates kiosk stores and railway station convenience stores at JR-West railway stations. Under the agreement, SEJ will refurbish about 500 existing railway station stores and open new stores over the next five years. With this initiative, SEJ is planning to open a record 1,600 stores in the fiscal year ending February 28, 2015.

CAPITAL EXPENDITURES



Strengthen Service Operations

Step up initiatives to promote omni-channel format

In light of the aforementioned changes in the social environment, SEJ will strengthen its product delivery services, mainly focusing on Seven-Meal*, as a means of supporting customers' shopping activities. With this service, we will strive to take orders and make deliveries in line with customers' lifestyles, following the key sales strategy of "listening to customers," including asking them about their ideal services.

Moreover, from the second half of the fiscal year ended February 28, 2014, the Group has been promoting initiatives under its Omni-Channel Strategy for approaching customers by seamlessly integrating real stores with the Internet. The keystone of the strategy is SEJ's more than 16,000-strong network of stores, which serve as collection points for products, as well as taking care of preparations for deliveries and receiving orders in stores, among other functions. The omni-channel format will enable SEJ's stores to expand their lines of products and services to include items that could not be handled previously. The number of items handled at 7-Eleven stores has the potential to grow from the current roughly 2,800 items to approximately 3 million.

SEJ conducted a trial with Sogo & Seibu, in which customers could collect confectionery from famous manufacturers at 7-Eleven stores in the Hiroshima district after ordering it on the Seven Net Shopping website, *e. depart*. One of the characteristics of this initiative was that customers could receive department store-quality products at 7-Eleven stores with service equivalent to a department store. The trial drew interest from many customers, providing a good start that strongly suggested a positive response to further development of the scheme. By further enhancing services such as these, we aim not only to increase the number of visitors to our stores, but also to improve our product lineups and customer service levels.

* *Seven-Meal* is an original SEJ service for delivering merchandise such as daily boxed lunches and delicatessen food sets, each produced under the direction of a nutritionist. Delivery is free for orders of at least ¥500 (including tax), and costs ¥123 per delivery for smaller orders not costing that amount.

Activities in Hiroshima

INNOVATION AT SEVEN-ELEVEN JAPAN—
HISTORY AND STRENGTHS

SEJ celebrated its 40th founding anniversary in November 2013, and the 40th anniversary of its first store in May 2014. With an unchanging founding philosophy of "bringing innovation and dynamism to small and medium retail stores," SEJ has developed its own unique franchise system. SEJ has continued to innovate since then, while responding to changes in the retail environment and customers' needs. Here we look at SEJ's 40-year journey, and at the strengths of its business model.

A HISTORY OF INNOVATION

1974, May	**First store opened** (Toyosu, Koto-ku, Tokyo) Contributed to innovation of small and medium-sized retail stores, such as steadfastly developing from the first store to a franchise. Also, focused on Japanese-style operations, such as launching sales of Japanese lunch boxes from the first year.
1976, Sept.	Started combined distribution together with small-lot deliveries. Delivery truck visits reduced from **70** per day initially, to only **9** per day at present.
1979, Oct.	Formed Nihon Delica Foods Association (NDF), mainly with vendors of rice-based products. More information on p. 24
1982, Oct.	**POS** (point-of-sale information management) system launched.
1987, Oct.	Start of payment collection operations for Tokyo Electric Power Company, Incorporated. The payment collection service has expanded now to handle ¥**4** trillion.
2001, May	Started installation of **IY Bank** (currently Seven Bank) ATMs in stores. Total current number of transactions per year: **736** million
2007, Apr.	Started roll-out of original electronic money service, ***nanaco***. The number of *nanaco* cards issued is currently **28.39** million.
2007, Aug.	SEJ started handling the Group's ***Seven Premium*** private-brand products.
2013, Jan.	Launched ***SEVEN CAFÉ***.

SEJ will continue to pursue innovation in response to structural changes in society and customers' needs.

SEJ'S STRENGTHS

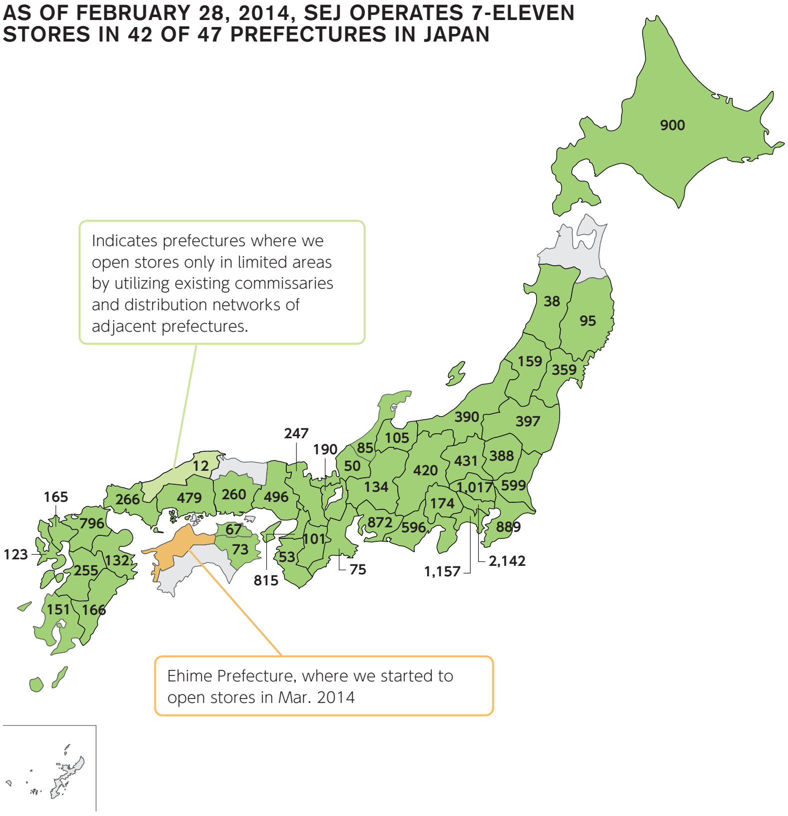
1 Market concentration strategy

High-density concentrated store openings

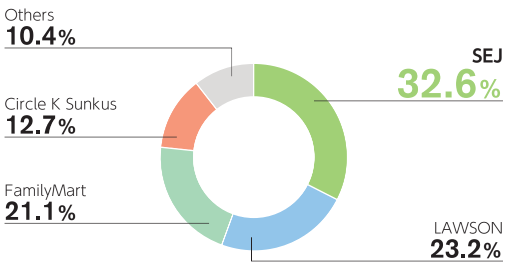
SEJ has adopted a market concentration strategy, which not only helps to increase recognition, but also enables it to take advantage of high-density store concentration, such as establishing dedicated factories and a combined distribution system, to develop its merchandising strategies. Moreover, to ensure that each store can increase its profitability, SEJ continues to emphasize high quality store openings by surveying new store locations under rigorous standards and other means. Furthermore, having a large number of stores in a high-density situation offers SEJ advantages in developing regionally exclusive products as part of creating stores with a strong regional character.

MARKET CONCENTRATION STRATEGY BY STORE FORMAT

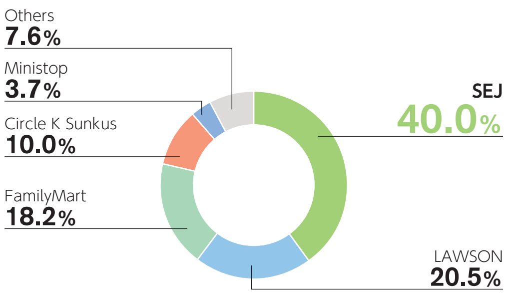
AS OF FEBRUARY 28, 2014, SEJ OPERATES 7-ELEVEN STORES IN 42 OF 47 PREFECTURES IN JAPAN



SHARE BY STORE NUMBERS



SHARE BY TOTAL STORE SALES



2 Infrastructure system for providing original products

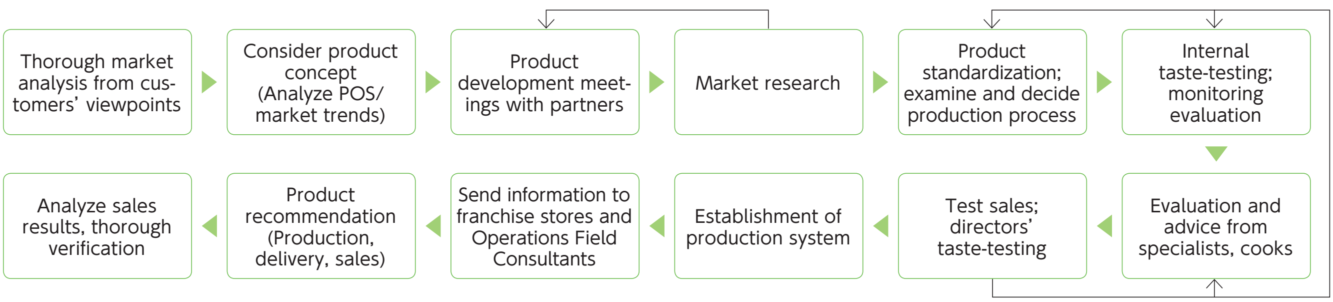
Developmental framework by team merchandising

Team merchandising refers to a scheme for teaming up with companies that have optimal technologies for gathering market information and creating ideal products to satisfy customers' needs. In team merchandising, all companies participate in every meeting during each stage of development to ensure that the process is transparent. This builds relationships of trust and establishes an environment where we can focus on creating products.

SEJ's mainstay original products are developed jointly with NDF*. An important point is that the manufacturing plants and distribution centers for original products are all exclusive to SEJ. This enables SEJ to distinguish its original products in terms of product development, hygiene management, and quality control. In addition to original products, the Group's *Seven Premium* private-brand products are also developed using this merchandising process.

* Nihon Delica Foods Association (NDF) was formed in 1979 mainly by vendors of rice-based products. NDF currently has 80 member companies that engage in the vendor businesses of rice-based products, sandwiches, delicatessen items, noodles, and Japanese pickles. Members jointly develop products, manage quality, procure ingredients, and implement environmental measures.

DEVELOPMENT PROCESS FOR ORIGINAL PRODUCTS

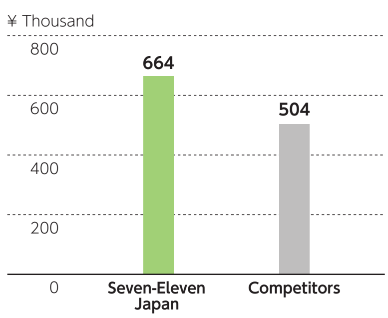


3 Head office support capabilities

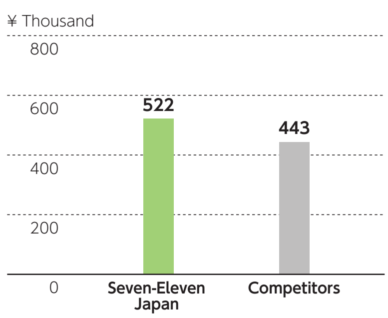
Seven-Eleven Head Office develops high quality stores by providing investments in existing stores for sales equipment and other items and supporting promotions, as well as providing detailed store management consultation to individual stores through Operations Field Consultants (OFCs). Each OFC works with around seven or eight franchised stores and OFCs from around the country meet together at the bi-weekly field counselors meeting at the Head Office to exchange information directly on management policy, important product information, and successful case examples from every region. The OFC then communicate the information from the field counselors meetings directly with franchisees to ensure that they understand the management philosophies, and to improve their operating capabilities.

In addition to SEJ's strength of market concentration with an emphasis on quality, the Company also provides differentiated products and Head Office support. Together, these factors produce a clear difference, with average daily sales per store at 7-Eleven stores higher than other chain stores by ¥120,000 to ¥210,000.

AVERAGE DAILY SALES PER STORE



AVERAGE DAILY SALES PER STORE OF NEW STORES



Overseas Convenience Stores

Overseas, 7-Eleven, Inc. (SEI) will expand its revenue and profit generating base further by working on the product front to strengthen development of fresh foods, which have high consumption rates and gross margins, and *7-Select* private-brand products. Meanwhile, in store openings, we will further increase our market concentration in existing store areas in order to pursue efficiencies in logistics and other areas, while promoting further conversion to franchised stores to increase profitability. Meanwhile, in China we will continue to strengthen our revenue and profit generating base in existing stores. Diagram A

Diagram A

GROWTH STRATEGY FOR SEI: INCREASE CUSTOMER SATISFACTION BY STRENGTHENING FRESH FOOD

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

7-ELEVEN, INC.

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

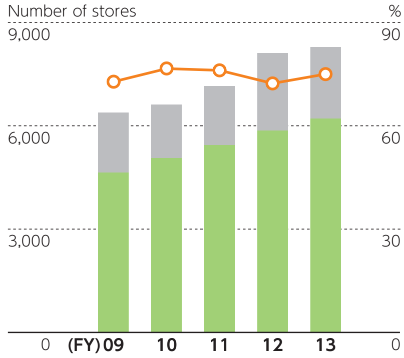
Merchandising

SEI will concentrate on strengthening its development of differentiated products to meet demand for between-meal snacks, including fresh foods such as sandwiches, salads, and cut fruit, as well as hot food and snacks. We will also work to develop and sell local foods tailored to regional tastes. Moreover, our key *7-Select* private-brand products enjoy solid customer support for being more reasonably priced than national-brand products of the same or better quality, and sales of these offerings are increasing steadily.

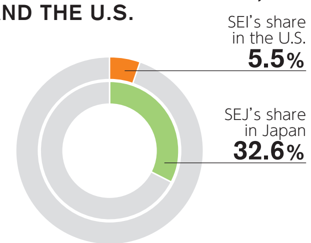
Store Initiatives

Of the approximately 150,000 convenience stores in the U.S., SEI holds a market share of just 5.5%, so there is still tremendous potential for growth. In store openings, SEI targets the densely populated east coast areas of New York, Boston, and Washington DC, as well as areas such as Chicago, Florida, Texas, and California. At the same time, SEI will pursue profitability through more efficient distribution and sales promotion efforts that leverage the company's market concentration strategy. Moreover, in line with key measures to strengthen its fresh food lines, SEI will focus more on opening stores in urban areas where fresh food demand is high in comparison with the suburbs. SEI will also endeavor to improve sales at the stores it has acquired over the past two years by remodeling them, and also by deploying a product policy and IT system, and enhancing store operator training. In addition, SEI will maximize its profitability by converting stores into franchised stores. In the fiscal year ending December 31, 2014, SEI plans to open 450 stores.

TRENDS IN STORE TYPE

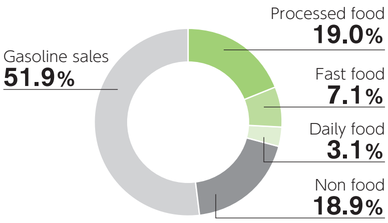


SHARE BY NUMBER OF STORES, JAPAN AND THE U.S.



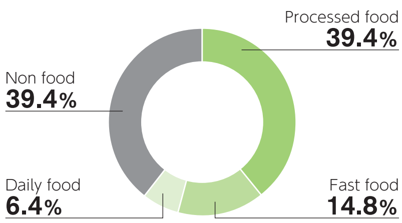
Source: U.S. CVS Association news, Japan Chain Store Association

TOTAL STORE SALES BY PRODUCT CATEGORY



(Fiscal year ended Dec. 2013)

MERCHANDISE SALES BY PRODUCT CATEGORY



(Fiscal year ended Dec. 2013)

SUPERSTORE OPERATIONS

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

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,009.4 billion +0.7%	¥29.6 billion +16.4%	¥66.6 billion +22.9%

Overview of the Fiscal Year ended February 28, 2014

In the year ended February 28, 2014, the superstore segment's revenues from operations were ¥2,009.4 billion, up 0.7%, while operating income was ¥29.6 billion, up 16.4%. Capital expenditures totaled ¥66.6 billion, up 22.9%, and depreciation and amortization declined 36.6% to ¥18.4 billion.

At Ito-Yokado (IY), existing store sales declined 4.6%, partly due to the effects of weather and a revision of sales promotion methods. However, operating income improved on the back of a 0.3 percentage point improvement in the gross profit margin, which was attributable to growth in sales of private-brand products and a reduction in losses due to markdown.

At the York-Benimaru (YB) food supermarkets, we worked to realize "lifestyle proposal-type food supermarkets" by strengthening fresh foods and delicatessen items, and promoted development of differentiated products such as *Seven Premium* brand items. As a result of improved sales and reduced expenses at existing stores, YB achieved increases in both revenue and profits.

Life Foods is a wholly owned subsidiary which produces and sells delicatessen items in YB stores. The combined operating income ratio of both YB and Life Foods was 4.4%, maintaining a high level of earnings.

In July 2013, in line with its current strategy of strengthening the operational foundations of the food retail operations in the Hokkaido area, IY entered a business and capital alliance with DAIICHI CO., LTD., which operates food supermarkets with close community ties centered on the city of Obihiro. Furthermore, in December 2013, IY formed a capital alliance with Tenmaya Store Co., Ltd., which runs superstores and food supermarkets in Okayama and Hiroshima prefectures. As a result of these alliances, both alliance partners have become equity-method affiliates of Seven & i Holdings.

In Chinese operations, both revenues and profits increased. The main factors in the increase were the absence of the impact from major renovation work in the previous year on the Second Ring Road in Chengdu in front of the stores of Chengdu Ito-Yokado, which operates in Sichuan Province, and the effect of the yen's depreciation. On the other hand, Hua Tang Yokado Commercial, which operates in Beijing, saw profits decline after recording negative revenues and other factors.

Business Strategies for the Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥2,050.0 billion, up 2.0%, and operating income of ¥32.8 billion, up 10.6%. Capital expenditures are forecast at ¥73.0 billion, up 9.5%, and depreciation and amortization at ¥20.5 billion, an increase of 11.0%. The increase in capital expenditures includes investment related to GRAND TREE MUSASHIKOSUGI, a large-scale shopping center that IY plans to open in the fiscal year ending February 28, 2015, and up-front investments relating to new stores scheduled to be opened from the fiscal year ending February 29, 2016 onward.

Superstore Operations

IY will work to further improve its revenue and profit generating base. Measures will include enhancing sales capabilities by strengthening development of private-brand products and face-to-face sales service for customers. IY will also focus on store structure reforms targeting improvements in sales area efficiency. Diagram A

Diagram A

BUSINESS STRATEGIES FOR GROWTH AT IY: TRANSFORMING INTO A NEW SUPERSTORE FORMAT

Strengthen merchandising and customer service capabilities	**Apparel:** Promote merchandising reforms • Nurture four core private brand products (*good day*, *GALLORIA*, *KENT*, and functional underwear) **Food:** Expand differentiated products • Strengthen development of *Seven Premium*, "Fresh foods with traceability" and meal solutions (ready-to-serve and easy meal products) **Strengthening value communication through customer service** • Enhance customer service levels and sales techniques by improving the ability of part-time staff
Store initiatives	**Push ahead with structural store reforms** • Rightsize directly-managed sales areas and expand tenant sales areas with a main focus on apparel • Increase customer-drawing power through the use of specialty stores from inside and outside the Group **Invigorate regional stores** • Aim to invigorate the Kansai area, and establish the West Japan Business Dept. • Invigorate the Tohoku region through collaboration with YB **Store initiatives** • In store openings, focus on mall-type shopping centers and small urban-style supermarkets

ITO-YOKADO

We will strengthen our profit structure by continuing reforms to create a new superstore format.

Merchandising

IY will aim to increase customer loyalty by working to develop products embodying new value and high quality customer service. In apparel, our merchandising reforms have seen a recovery in profits due to growth in our four lines of private-brand products—*good day*, *GALLORIA*, *Kent*, and functional underwear. We will now work to further strengthen our development of differentiated brands and improve gross profit margins by actively appointing external human resources, including top designers, and to develop new business partners. Furthermore, we will increase the number of customer service staff, mainly part-time staff, and strengthen products embodying new value and high quality customer service.

In food, we will further advance product development in pursuit of tastiness and quality. Examples include the Group's *Seven Premium* private-brand products and IY's original "Fresh food with traceability," "*Tsukuru monogatari*," with their exacting requirements for materials, manufacture methods, and workmanship. Moreover, as the number of households where both adults are working increases, we will strengthen our response to demand for prepared food in the form of meal solutions (ready-to-serve and easy meals), as a way of attracting more customers to our stores.

GALLORIA private-brand apparel at IY

Store Initiatives

By rightsizing directly-managed sales floor space for apparel, we have started to see efficiency improvements. However, we will continue working to raise the profitability of stores as a whole, in combination with the use of specialty stores from inside and outside the Group.

In our initiatives for regional stores, we need to create product lineups and sales areas to suit regional characteristics rather than offering a standard nationwide selection of products and services as we have done up until now. From the fiscal year ending February 28, 2015, we established the West Japan Business Dept. and we are working to create stores that are specifically tailored to regions west of the Kinki area. Furthermore, we will deepen our collaboration on product procurement and delivery with the Group's York-Benimaru stores which operate in the Tohoku region of northeast Japan and the northern Kanto region in pursuit of product lineups that meet customers' needs and greater efficiency.

In store openings, we will focus on mall-type shopping centers (SC) and urban-style small supermarkets (*Shokuhinkan*). We started opening *Ario* mall-type SC in 2005 and expanded

Ario shopping center

them to 17 *Ario* at the end of February 2014. *Ario* has steadily grown into an earnings driver with our accumulated management know-how and other expertise. Total SC sales have grown to account for approximately 20% of IY's net sales. In the fiscal year ending February 28, 2015, in addition to *Shokuhinkan* stores, we plan to open GRAND TREE MUSASHIKOSUGI, a large-scale retail facility where IY and Group stores such as Sogo & Seibu, THE LOFT, and Akachan Honpo will offer new concepts, layouts, services, and more.

In other areas, IY stores have been operating the *Net Supermarket* service since 2001. The service has grown to include 1.67 million members as of the end of February 2014, with sales in the fiscal year ended February 28, 2014 reaching ¥45.0 billion. Furthermore, from February 2014 on the Groupwide Internet shopping website *Seven Net Shopping* we rolled out a service where customers can receive products ordered online from all stores, free of delivery and handling charges. This has strengthened our initiatives to promote change to an omni-channel format.

Food Supermarket Operations

YB will continue to strengthen its lineup of products that meet regional needs, particularly fresh foods, while taking steps to invigorate existing stores and achieve a high market concentration. Diagram B

Diagram B

YB'S GROWTH STRATEGY: ENDEAVOR TO BRING RETAIL CLOSER TO CUSTOMERS

Merchandising	**Propose products matched to customers' needs** • Shift from limited-time large-scale sales promotions to an everyday fair price system • Strengthen private brand and regionally developed products that offer value • Achieve unrivaled differentiation by strengthening fresh foods
Store operations	**Increase productivity with a thorough focus on the basics** • Entrench organization for enforcing the basics and implementing item-by-item management
Store-opening strategy	**Increase area share by deepening market concentration strategy** • Aggressively expand store network in areas where YB already has a presence

YORK-BENIMARU

YB will aim to increase customer loyalty and endeavor to bring retail closer to customers.

Guided by the policy of "endeavor to bring retail closer to customers," YB has been working to build customer loyalty through four initiatives: merchandising reform, operation reform, human resource development, and taking up new challenges.

On the product front we will increase our competitiveness by boosting the compositional ratio of differentiated products offering high value. At the same time, we have won customers' support by shifting from a sales approach based on limited-time large-scale sales promotions to an everyday fair price system where customers can make purchases at reasonable prices whenever they come to our stores. Furthermore, in addition to our sales approach of making lifestyle proposals centered on fresh foods, we will leverage the strength of Life Foods, a wholly owned subsidiary of YB that produces and sells delicatessen items in YB stores, to enhance our proposals for delicatessen menus to suit various lifestyles. For example, we will expand our product lineup from a family-centered lineup to include offerings catering to one- and two-person households. From March 2013, we started operations at a new plant built specifically for delicatessen products with the goal of enhancing the delicatessen product lineup as part of our ongoing effort to develop and sell products catering to increasingly diverse needs.

In store operations, we will take steps to achieve low-cost operations by creating organizations and systems to firmly establish item-by-item management and by promoting our market concentration strategy. Moreover, while we are revising our store-opening plan in light of increasing construction costs and other factors, we will continue to drive our market concentration strategy even further in existing store areas in order to capture the top sales share in each area. In addition, we have maintained the operating income ratio in the 4% range for four consecutive years, when calculated by simple addition of the operating ratio of Life Foods. Looking ahead, we will continue to drive further improvements in profitability.

In human resource development, we will conduct employee education focused on mental attitude, based on our founding philosophy, item-by-item management, customer service and sales techniques, and management. Our education program is ultimately aimed at increasing customer loyalty and satisfaction.

In line with this, we will continue to prepare a Groupwide environment for shifting to an omni-channel format.

China Operations

In China, we will expand the revenue and profit generating base of existing stores, while preparing our organization for future business expansion. In store operations, Chengdu Ito-Yokado opened its sixth store, the Wenjiang store, in January 2014.

DEPARTMENT STORE OPERATIONS

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

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥871.1 billion (1.5)%	¥6.5 billion (17.9)%	¥15.5 billion (14.6)%

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the department store segment's revenues from operations were ¥871.1 billion, down 1.5%, and operating income was ¥6.5 billion, down 17.9%. Capital expenditures totaled ¥15.5 billion, down 14.6%, and depreciation and amortization decreased 8.2%, to ¥13.4 billion.

The decline in revenues from operations was mainly due to the closure of SEIBU Numazu and Sogo Kure in the previous fiscal year. However, sales at existing stores rose 1.2% year on year, driven by strong sales of luxury brands, art and jewelry. On the other hand, operating income declined, mainly because of tough competition at THE LOFT, although Sogo & Seibu achieved higher earnings.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥886.0 billion, up 1.7%, and operating income of ¥8.2 billion, up 24.4%. Capital expenditures are forecast at ¥16.2 billion, up 3.9%, and depreciation and amortization at ¥13.5 billion, up 0.3%. The projected capital expenditures include investments for remodeling the key store Sogo Chiba and for revitalizing existing stores.

At Sogo & Seibu, we will continue our effort to break free from the homogenization of the department store sector, strengthening our initiatives for store-managed sales areas and retailer-managed merchandising. At the same time, we will offer high-quality customer service that is the hallmark of department stores while enhancing our total service functions with specialist sales staff such as fashion attendants.

We will also strengthen our initiatives to merge Internet store services with real store services with a system that enables customers living in areas without department stores to pick up department store products such as cosmetics and famous brand confectioneries from a 7-Eleven store after ordering it online. Diagram A

Merchandising

We will continue to break free from the homogenization trend by enhancing retailer-managed merchandising, such as the launch of our *Limited Edition* private-brand products in autumn of 2009. Going a step further, we will bolster our development of products under the SPA (specialty store retailer of private label apparel) model, where we handle all stages of planning, production, and sales in-house, as well as stepping up our procurement of overseas products. Through these measures we aim to grow sales from retailer-managed merchandising, mainly of apparel, from ¥73.0 billion in the fiscal year ended February 28, 2014 to ¥100.0 billion in the fiscal year ending February 28, 2015.

Diagram A

BUSINESS STRATEGIES FOR GROWTH: INITIATIVES TO BREAK FREE FROM THE HOMOGENIZATION OF THE DEPARTMENT STORE SECTOR

Merchandising	**Strengthen product lineups** • Expand retailer-managed merchandising and store-managed sales areas →Development of products following the SPA model, joint development with leading manufacturers, and procurement of overseas products • Bolster product procurement based on attribute analysis →Use the Group's original product information system to quickly identify trends in best-selling items, and improve ordering precision
Store operations	**Strengthen customer service capabilities** • Increase staff with specialist knowledge to realize high-quality customer service →Fashion attendant, fitting advisors, shoe-fitters, etc. • Strengthen total advice functions from the standpoint of customers →Expand consulting stations such as the *Kirei Station* (Beauty Station), *Karada Station* (Health Station), and Expectant Mothers Station
Store initiatives	**Reinvigorate key stores, which generate 70% of sales** • Extend successful examples of the remodeling of SEIBU Ikebukuro, which continues to perform strongly four years after its 2009 autumn remodeling →Following the successful remodeling of the Yokohama and Omiya stores, the Chiba store was reopened in April 2014 to create a further successful example

SOGO & SEIBU

Measures to Achieve Sales of ¥100.0 Billion from Retailer-Managed Merchandising

For the fiscal year ending February 28, 2015, we will extend our lineup of 12 *Limited Edition* brands by adding new brands such as *Limited Edition avec mode* for couples in their fifties and over.

In product development, we will continue our efforts in SPA-style product development while utilizing Group synergies to enable shared purchasing and other measures to reduce product costs and maximize earnings.

Store-wide Rollout of the First Original Attribute Analysis System for Department Stores to Increase Product Procurement Precision

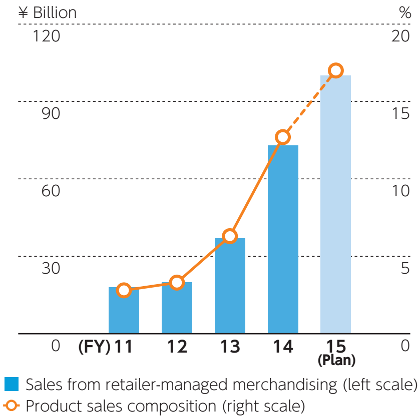
In 2012, we began using a product information system at all our stores. The system enabled us to swiftly analyze trends in best-selling products at all stores by inputting detailed product attributes such as material, design, and size for each product of all different brands. By quickly identifying trends in best-selling products, we use hypothesis and verification to reach the stage of negotiating orders with suppliers ahead of our competition. Moreover, by carefully presenting lineups of the products that customers want when they want them, we will also increase customer satisfaction on the product front.

Store Operations

High-Quality Customer Service to Address Customer Concerns

At Sogo & Seibu, we consider it important to communicate the value of our products to customers. We therefore strive to develop the customer service skills and expertise of each member of the sales team. We are also taking steps to increase the number of sales staff with specialized knowledge in each product area, such as fashion attendants who address all manner of customer concerns.

SALES FROM RETAILER-MANAGED MERCHANDISING



Limited Edition
Private-brand apparel at Sogo & Seibu

Kirei Station (Beauty Station)

In another initiative, we are rolling out a variety of consulting stations to help customers to clear up their uncertainties. These include the *Kirei Station* (Beauty Station), which uses special equipment to analyze customers' skin and offer recommendations for skin care methods and suitable cosmetic brands from among multiple brands, the *Karada Station* (Health Station), which offers advice to customers seeking to increase their fitness and health, and the Expectant Mothers Station, which offers advice for expecting and new mothers. In these ways, Sogo & Seibu is distinguishing itself even further on the service front, with the goal of raising customer satisfaction to new levels.

FOOD SERVICES

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan.

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥78.5 billion +0.3%	¥0.6 billion (16.3)%	¥2.2 billion +61.8%

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the food services segment's revenues from operations were ¥78.5 billion, up 0.3%, and operating income was ¥0.6 billion, down 16.3%. Capital expenditures totaled ¥2.2 billion, up 61.8%, and depreciation and amortization declined 31.5%, to ¥0.4 billion.

Revenues from operations grew at Seven & i Food Systems, supported by growth in sales at existing restaurants, despite a decline in the number of restaurants in line with the closure of unprofitable operations. Operating income declined due to incurring one-off expenses.

In the core restaurant division, the merchandise gross profit margin improved 0.4% of a percentage point. In addition, the rate of growth in sales at existing restaurants increased by 1.6%, the result of efforts to strengthen high-value-added menus and enhance customer service. In the meal provision service division, we were entrusted with the cafeteria operations for the Group's SEIBU and Sogo department stores, and we increased openings of facilities in companies outside the Group. As a result, the division recorded higher revenues.

Meal provision service

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥81.5 billion, up 3.7%, and operating income of ¥1.3 billion, an increase of 115.2%. Capital expenditures are forecast at ¥2.8 billion, up 23.0%, and depreciation and amortization at ¥0.5 billion, an increase of 14.1%.

In the restaurant division, we will continue not only to provide delicious food, but also to reinforce our focus on the fundamentals—customer service and cleanliness. In this way, we will strive to offer products and services that satisfy customers. In products, we will step up the development of high-value-added menu items with a focus on ingredients and volume, particularly for the dinner-time hours. We will also work to improve the gross profit margin through Group-wide joint raw material procurement, recipe innovations, and work process improvements at restaurants. In facilities, we will strive to revitalize existing restaurants by remodeling older ones and revamping kitchen facilities. We will also propose a new café-style type of Denny's restaurant. Through such initiatives as these, we will strive to create restaurants that meet the needs of customers.

An item from the Denny's menu

In the meal provision service division, we will continue to increase openings of facilities in companies outside the Group.

FINANCIAL SERVICES

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

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥158.8 billion +10.0%	¥44.9 billion +20.0%	¥39.3 billion (4.0)%

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the financial services segment's revenues from operations were ¥158.8 billion, up 10.0%, and operating income was ¥44.9 billion, up 20.0%. Capital expenditures totaled ¥39.3 billion, down 4.0%, and depreciation and amortization was down 14.7%, to ¥20.1 billion.

Seven Bank recorded increases in revenues and profits, mainly due to growth in the total number of transactions and an improvement in the number of non-bank transactions. Transaction numbers grew atop an increase in the number of installed ATMs (up 1,472 since the previous fiscal year-end) in line with growth in the number of 7-Eleven stores.

In credit card operations, transaction volume expanded as membership for the Seven Card credit card issued by Seven Card Service grew to 3.5 million, up 130,000, while membership for the CLUB ON/Millennium CARD SAISON credit cards issued by Seven CS Card Service increased to 3.28 million, up 70,000. In electronic money operations, the number of *nanaco* cards issued increased as a result of Seven Card Service's efforts to proactively capture new members. As a result, the total number of *nanaco* accounts grew to 28.39 million, up 6.94 million, and the number of stores at which *nanaco* could be used increased to 142,900, up by 21,900 stores.

Diagram A

BUSINESS STRATEGIES FOR GROWTH

ATM operations	• Increase ATM installation centered on 7-Eleven stores • Expand international money transfer services • Increase personal loan customers
Card operations	• Gain new members and encourage greater card usage • Increase the number of active members by enhancing convenience • Encourage customers to make greater use of other Seven & i Group company stores through *nanaco*

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥177.0 billion, up 11.4%, and operating income of ¥47.5 billion, an increase of 5.8%. Capital expenditures are forecast at ¥46.0 billion, up 17.0%, and depreciation and amortization at ¥26.7 billion, an increase of 32.2%. Capital expenditures are earmarked mainly for increasing the number of installed ATMs, along with investments accompanying the installation of third-generation ATMs to replace older models.

Seven Bank will work to strengthen existing operations through continued increases in installed ATMs, and the cultivation of new customers. In card operations, we will work to promote usage of credit cards and the *nanaco* electronic money service. At the same time, we will put card data to good use in marketing activities as a kind of shared Group infrastructure. Diagram A

OTHERS

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

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥50.4 billion +0.6%	¥2.1 billion (44.3)%	¥7.5 billion +74.7%

Overview of the Fiscal Year Ended February 28, 2014

In the fiscal year ended February 28, 2014, the others segment's revenues from operations were ¥50.4 billion, up 0.6%, and operating income was ¥2.1 billion, a decrease of 44.3%. Capital expenditures were ¥7.5 billion, an increase of 74.7% from the previous fiscal year. Depreciation and amortization increased 1.6% to ¥2.5 billion.

In IT/services, we conducted an absorption-type merger effective March 1, 2014 with Seven & i Net Media as the surviving company and Seven Net Shopping as the dissolving company. This initiative is aimed at clearly identifying the company that will play a pivotal role in promoting the Seven & i Group's Omni-Channel Strategy and vigorously pressing ahead with this strategy.

Furthermore, in December 2013, Seven & i Holdings entered a capital and business alliance with BALS CORPORATION, a highly fashionable specialty interior goods and sundries retailer, known for brands such as "Francfranc," and acquired its shares in January 2014. In addition, in January 2014 the Company acquired the shares of Barneys Japan Co., Ltd., a specialty store comprising the original BARNEYS NEW YORK brand and other global designer brands. As a result of these share acquisitions, both companies have become equity-method affiliates of the Company.

Business Strategies for the Fiscal Year Ending February 28, 2015

For the fiscal year ending February 28, 2015, the segment is forecasting revenues from operations of ¥57.1 billion, up 13.1%, and operating income of ¥3.7 billion, an increase of 70.8%. Capital expenditures are forecast to be ¥6.0 billion, down 20.7%, and depreciation and amortization at ¥3.0 billion, an increase of 18.9%.

In IT/services, we will collaborate with each Group company on the Omni-Channel Strategy, while realizing synergies on the IT front.

Moreover, we will enhance the appeal of the Group by incorporating expertise from BALS and Barneys Japan, our capital and business alliance partners from the previous fiscal year.

CORE OPERATING COMPANIES IN THE OTHERS SEGMENT

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

Seven & i Net Media
Seven & i Net Media sells products and services via the Internet and oversees management of the Group's IT/services business.

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

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

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

CORPORATE GOVERNANCE

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

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

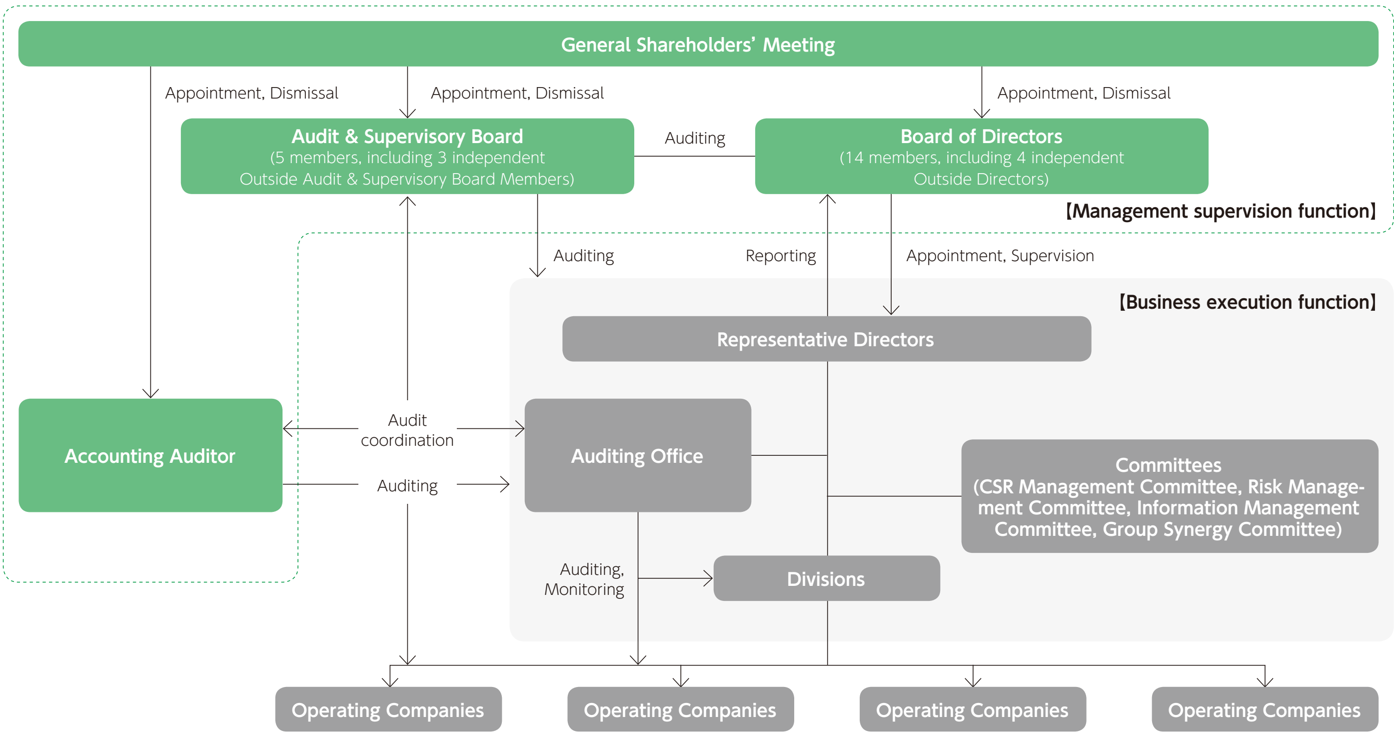
Organization

The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 14 members, of whom four are outside directors. Through the use of multiple outside directors who maintain their independence and have advanced management knowledge and experience, the Company protects the interests of general shareholders and enhances the quality of decision making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of directors has been set at one year.

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

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

CORPORATE GOVERNANCE SYSTEM (As of May 22, 2014)



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

Strengthening Corporate Governance

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

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

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

Reinforcing Internal Control Systems

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

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

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

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

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

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

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

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

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

Compliance

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

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

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

Outside Directors

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

Outside Audit & Supervisory Board Members

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors	Attendance at meetings of Audit & Supervisory Board
Yoko Suzuki	Lawyer	13 of 13 meetings	20 of 20 meetings
Megumi Suto	Academic	12 of 13 meetings	16 of 20 meetings
Tsuguoki Fujinuma	Certified Public Accountant	13 of 13 meetings	19 of 20 meetings

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

Classification of directors/ audit & supervisory board members	Number of eligible directors/ audit & supervisory board members	Total amount of compensation (¥ Million)	Total amount of compensation, etc., by type (¥ Million)		
			Fixed compensation	Results-linked compensation	
				Bonus	Stock options for stock-linked compensation
Directors (excluding outside directors)	14	295	155	53	86
Outside directors	3	32	32	—	—
Audit & supervisory board members (excluding outside audit & supervisory board members)	2	34	34	—	—
Outside audit & supervisory board members	3	29	29	—	—

(Notes)
1. Audit & supervisory board members (excluding outside audit & supervisory board members) include one member retired upon the conclusion of the 8th Annual Shareholders' Meeting, held on May 23, 2013.
2. The aggregate amounts of compensation, etc., of directors shown above do not include amounts paid as salaries for employees to directors who serve concurrently as employees.
3. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to directors shall not exceed ¥1 billion (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to corporate auditors shall not exceed ¥100 million.
4. Stock options for stock-linked compensation were issued to seven directors (excluding outside directors).

BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND EXECUTIVE OFFICERS

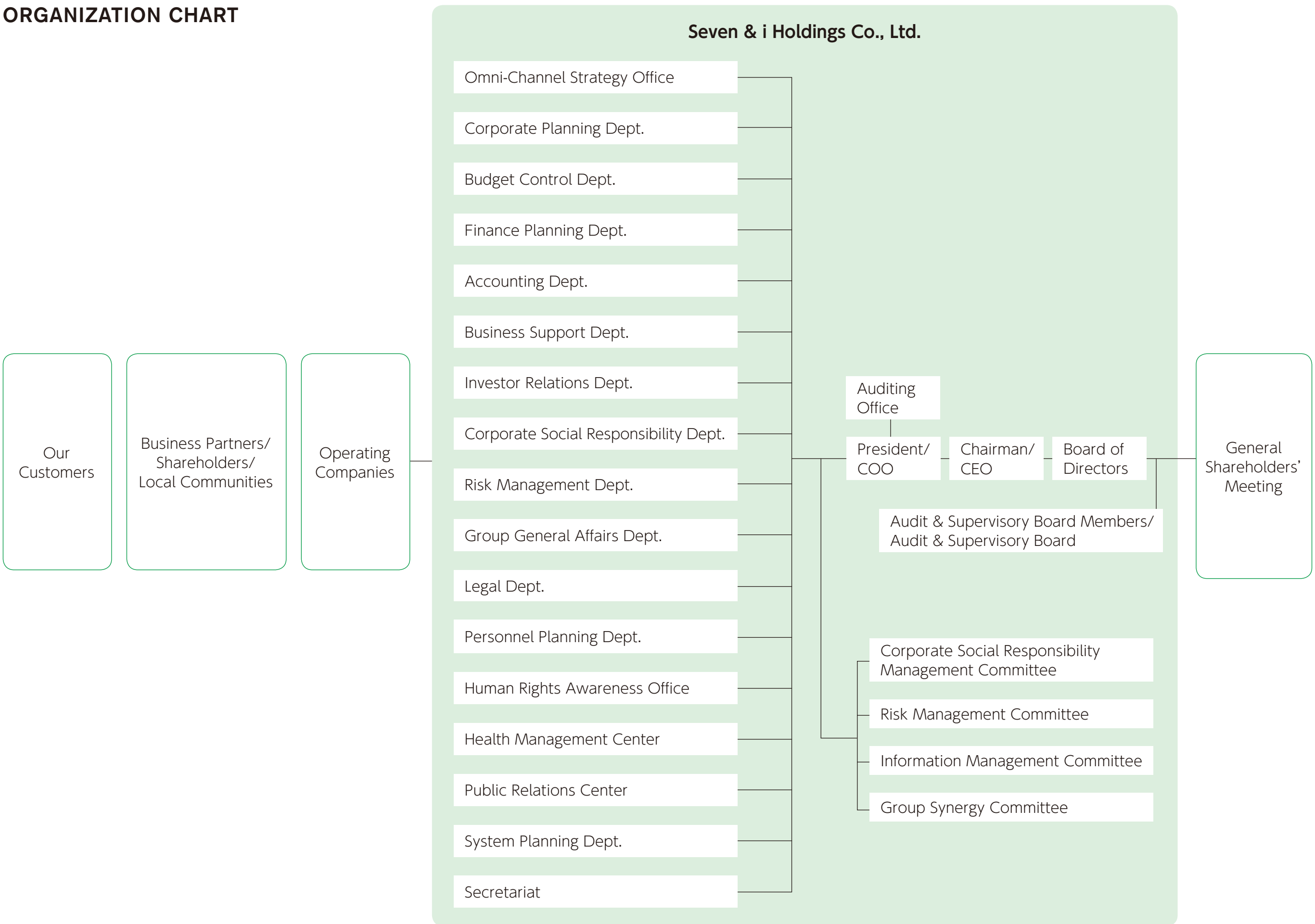
As of May 22, 2014

Board of Directors		Area of Responsibility and Important Concurrent Positions
Representative Director and Chairman	Toshifumi Suzuki	Chief Executive Officer (CEO) Representative Director and Chairman and Chief Executive Officer (CEO) of Seven-Eleven Japan Co., Ltd. Representative Director and Chairman and Chief Executive Officer (CEO) of Ito-Yokado Co., Ltd. Representative Director and Chairman of 7-Eleven, Inc. Representative Director and Chairman of SEVEN-ELEVEN HAWAII, INC.
Representative Director and President	Noritoshi Murata	Chief Operating Officer (COO)
	Katsuhiro Goto	Chief Administrative Officer (CAO) Managing Executive Officer Director of Ito-Yokado Co., Ltd. Director of Sogo & Seibu Co., Ltd.
	Tsuyoshi Kobayashi	Executive Officer Senior Officer of the Corporate Planning Department Head of the Omni-Channel Strategy Office
	Junro Ito	Executive Officer Senior Officer of the Corporate Social Responsibility Department
	Kunio Takahashi	Chief Financial Officer (CFO) Executive Officer Senior Officer of the Finance Planning Department Representative Director and President of Seven & i Asset Management Co., Ltd. Representative Director and President of SEVEN & i Financial Center Co., Ltd.
	Akihiko Shimizu	Executive Officer Senior Officer of the Accounting Department
	Ryuichi Isaka	Representative Director and President and Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
	Takashi Anzai	Representative Director and Chairman of Seven Bank, Ltd.
	Zenko Ohtaka	Representative Director and President and Chief Operating Officer (COO) of York-Benimaru Co., Ltd.
Outside Director	Scott Trevor Davis	Professor of the Department of Global Business, College of Business, Rikkyo University
Outside Director	Yoshio Tsukio	Representative Director, Tsukio Research Institute
Outside Director	Kunio Ito	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Outside Director	Toshiro Yonemura	

Audit & Supervisory Board Members		Area of Responsibility and Important Concurrent Positions
Standing Audit & Supervisory Board Member	Hideo Nomura	Audit & Supervisory Board Member of Ito-Yokado Co., Ltd. Audit & Supervisory Board Member of York-Benimaru Co., Ltd. Audit & Supervisory Board Member of York Mart Co., Ltd.
Standing Audit & Supervisory Board Member	Tadao Hayakawa	
Outside Audit & Supervisory Board Member	Yoko Suzuki	Attorney at Law Outside Audit & Supervisory Board Member of Ito-Yokado Co., Ltd.
Outside Audit & Supervisory Board Member	Tsuguoki Fujinuma	Certified Public Accountant
Outside Audit & Supervisory Board Member	Kazuko Rudy	Representative Director, WITAN ACTEN LLC MBA course Professor, Ritsumeikan University Graduate School

Executive Officers		Area of Responsibility
Chief Executive Officer (CEO)	Toshifumi Suzuki	
Chief Operating Officer (COO)	Noritoshi Murata	
Chief Administrative Officer (CAO) Managing Executive Officer	Katsuhiro Goto	
	Tsuyoshi Kobayashi	
	Junro Ito	
Chief Financial Officer (CFO)	Kunio Takahashi	
	Akihiko Shimizu	
Managing Executive Officer	Ryu Matsumoto	Representative Director and President of Sogo & Seibu Co., Ltd.
Managing Executive Officer	Kazuhisa Toi	Representative Director and President of Ito-Yokado Co., Ltd.
Managing Executive Officer	Tsuneo Okubo	Representative Director and President of Seven & i Food Systems Co., Ltd.
	Yoshihiro Tanaka	
	Masataka Tosaya	
	Akira Miyakawa	
	Kazuyo Sohda	
	Katsutane Aihara	
	Seiichiro Sato	
	Shinobu Matsumoto	
	Hisataka Noguchi	
	Kimiyoshi Yamaguchi	
	Yasuhiro Suzuki	

ORGANIZATION CHART



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Seven & i Holdings has set out CSR Challenges Facing the Seven & i Group for ensuring the sustainability of society and its businesses, and is tackling these challenges as a Group. We selected the challenges referring to ISO 26000, Global Reporting Initiatives (GRI) guidelines, and survey questionnaires sent by CSR evaluating organizations. We also considered the Group's business characteristics, initiatives it could take toward solving social issues, and incorporated dialogues with external CSR experts.

Seven & i Holdings has been selected as a constituent of the Dow Jones Sustainability World Index, a well-known socially responsible investment (SRI) index, for four consecutive years.

More information on p. 1

For details, please refer to our website.

http://www.7andi.com/en/csr/index.html

CSR Challenges Facing the Seven & i Group

Providing Safe, Reliable Products and Services

Seven & i Holdings places the greatest importance on safety and reliability in all stages, from product planning to retail. At our stores, product quality is comprehensively checked, and we sell private-brand items that place value on the location and method of production as well as on the traceability of food products.

Creating Fulfilling Workplaces

Seven & i Holdings has approximately 150,000 employees working in Japan and abroad. It is vital for the Group that we improve the capabilities of store employees, especially those who are in contact with customers. We are working to support individual employees, including part-timers, to develop their abilities and careers.

More information on p. 40

Strengthening Corporate Governance and CSR Management

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

Coexisting with Local Communities

Seven & i Holdings store network covers some 54,000 stores worldwide, serving around 55 million customers per day.* Making use of the characteristics of stores, which bring together many people, and a variety of ways we can utilize the Group's store network, distribution and information systems, we hope to make our stores useful in diverse ways by becoming part of the infrastructure of peoples' daily lives.

* Including area licensees

More information on p. 41

Reducing Environmental Impact

In order to fulfill our mission of offering society safe and reliable products and convenience, we have continued aggressively opening new stores and developing products and services. However, the increasing number of stores, products and services has been accompanied by an increase in electricity consumption and waste volume. While suppressing the expansion of the environmental impact to the greatest extent possible, we will also undertake activities to help resolve environmental issues.

More information on p. 42

Creating Fulfilling Workplaces

Measures to Foster More Capable Employees

In March 2012, the Group established a training center in Yokohama City, Kanagawa Prefecture. The center is complete with a conference room, a training room with shelves modelled on a sales floor, a cash register training room, a skills training room for employees working with fresh foods (delicatessen items, fresh fish, sushi, fresh meat, fruit and vegetables). The skills room is designed to enable employees to acquire skills easily, with a large monitor for showing close-ups of the area where the trainer's hands are working, and equipment for transmitting images to stores.

The Seven & i Group has a large number of operating companies, and we are also working to actively utilize the educational expertise strengths of each company in other companies, too. For example, Ito-Yokado (IY) has appointed employees as operators for 7-Eleven stores to enable them to acquire expertise in the business operations of Seven-Eleven Japan (SEJ), and also has sales staff from Sogo & Seibu instruct on how to improve customer service.

Promoting Active Participation by Women

Women account for many of the customers who shop at Seven & i Holdings stores, and most employees, including part-timers, are women. It is therefore important to be attractive for our female customers by realizing working environments where female employees can achieve their full potential, and to incorporate the perspectives of female employees in store creation, product development, and operations.

In Japan, we launched the Diversity Promotion Project in June 2012, and have been working to promote the active participation of female employees. For example, at some operating companies such as IY and Sogo & Seibu, female employees take central roles in store operation, enabling us to create products and store layouts that appeal to the senses of female customers. Numerous points for improvement suggested in the process are now being implemented at our other stores.

Moreover, we also seek to incorporate female perspectives in management, and have been promoting the appointment of women in management positions. As part of this initiative, we have held discussion events to provide opportunities for female managers to build a network, and to identify any problems that women face as managers. We also have held lectures by invited experts to support career promotion for women. In step with these efforts, the ratio of female managers has been increasing, and we aim to achieve a ratio of 30% by February 29, 2016.

These initiatives of having female employees play a central role in store operation, holding cross-group discussion events, and actively appointing women to management positions, have won recognition from the Working Women's Empowerment Forum, from which Seven & i Holdings received the Empowerment Award in February 2014.

Target ratio of female managers for end of FY2016:

30%

End of FY2012: 17.8%, End of FY2013: 21.4%

* Totals for the following companies: Seven & i Holdings, Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Seven Bank, and Akachan Honpo.

Creating Even More Fulfilling Workplaces

In January 2013, we conducted an anonymous employee opinion survey about workplace quality and compliance awareness among approximately 26,000 employees at 27 operating companies. This survey was the first of its kind, and we plan to conduct them every second year, with the next scheduled for 2015. We will promote initiatives to realize workplaces that are easy to work in and that enable anyone to demonstrate their abilities in full. We aim to improve on the results of the survey by the next time it is held.

Coexisting with Local Communities

Supporting Daily Shopping for Those in Need

The number of retail stores has decreased in many areas, along with shrinking public transportation networks in Japan. Increasing numbers of people also feel worried about driving as they age. For these reasons, the number of people who have difficulties with daily shopping has increased, mainly among the elderly, and this has become a social issue.

Responding to these social trends, the Seven & i Group companies have been working to create new services for supporting daily shopping for those in need by leveraging the store networks and logistics and information systems they have built up over the years. For example, IY offers the *Net Supermarket* service, where customers can use their PC or mobile phone to order products, which are then delivered to their homes within their chosen time frame.

SALES FROM *NET SUPERMARKET* AND CHANGE IN MEMBERSHIP

Net Sales (left scale)

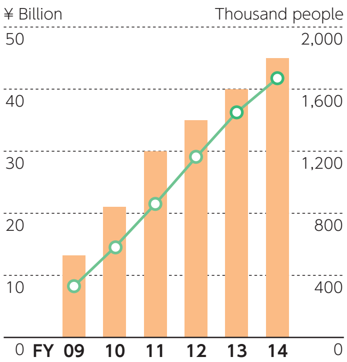
¥45.0 billion

(Fiscal year ended Feb. 28, 2014)

Number of Members (right scale)

1,670 thousand people

(as of Feb. 28, 2014)



Collaborating with Business Partners

In March 2011, the Tohoku region of Japan was devastated by the Great East Japan Earthquake. Seven & i Holdings has been leveraging its strengths as a retailer to assist the recovery of this region by procuring goods there to support local business activity.

We have been implementing the Tohoku Kakehashi Project in our stores since November 2011, in collaboration with prefectural governments in the Tohoku area, local Tohoku-based companies, and leading food manufacturers. The project aims to keep the public's awareness of the disaster-stricken areas fresh by holding major campaigns two to three times each year to support the recovery of the agricultural and fishing industries in Tohoku. Seven & i Holdings will continue to serve as a bridge between consumers and producers by using its procurement and sales operations to bring goods from Tohoku to customers throughout Japan.

THE TOHOKU KAKEHASHI PROJECT

Sponsors/Participating companies:

219

Number of Products Launched in the Project:

Approx. 1,500 items

* As of the 8th fair in the Tohoku Kakehashi Project, held in March 2014. When the first fair was held, there were 22 sponsors or participating companies and about 200 items launched.

Responding to Disaster Risk

Timely delivery of goods is essential to store operations. In the wake of the Great East Japan Earthquake, however, damage to fuel depots such as oil refineries and deterioration of the transport network caused serious fuel shortages not only in the areas most effected by the disaster, but in Tokyo also.

Seven & i Holdings decided to construct a fuel storage station to be used for product delivery vehicles as part of its large-scale disaster countermeasures on site at IY's distribution center in Saitama Prefecture in the spring of 2014. The fuel storage station stores 400 kiloliters of fuel at all times, to be used for delivering emergency supplies in the event of a disaster. This is sufficient to ensure faster and more reliable delivery of emergency supplies and other products to evacuation centers in disaster-affected areas, as well as Group company stores in Tokyo, Saitama, and Chiba prefectures for up to 10 days. By continuing to operate our stores, customers will be able to continue shopping even after a disaster. The fuel storage station was the first of its kind for the Japanese retail industry.

Fuel Storage Station: Above-ground section

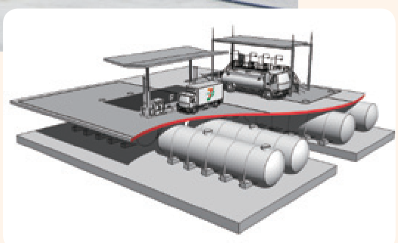


Image of the fuel stockpile base

Reducing Environmental Impact

Energy Conservation Measures Taken at Stores

About 90% of CO_2 emitted by Seven & i Holdings is attributable to the use of energy for in-store lighting, store signboards, and air conditioning, which are all indispensable for the operation of its stores. Seven & i Holdings has been introducing energy-saving equipment at the time of opening new stores and refurbishing existing stores, thereby preventing its environmental impact from increasing in proportion to increases in the number and size of stores, and to reduce electricity service charges.

As part of measures to reduce CO_2 in store construction, SEJ is increasing its use of prefabricated store construction, which greatly reduces the use of steel frames. SEJ is also opening stores constructed of wood in some areas. Wood construction has advantages over steel frames in that it creates fewer CO_2 emissions from materials procurement through to construction, and less industrial waste when the store is demolished.

FY2018 CO_2 emission reduction target:

10%

compared to "business-as-usual" (BAU)

* According to a projection for emissions in the fiscal year ending February 28, 2018, based on actual emissions for the fiscal year ended February 29, 2012, for the following nine Group companies in Japan: Seven-Eleven Japan, Ito-Yokado, York-Benimaru, Seven & i Food Systems, York-Mart, Akachan Honpo, THE LOFT, and SHELL GARDEN.

Use of Food Waste and Sustainable Food Procurement

IY turns the food residues from its stores into compost and cultivates crops using the compost at its dedicated "Seven Farms." The harvested crops are sold mainly at neighboring IY stores. Since IY purchased the entire yield, even if it is of non-standard shape, it can achieve stable procurement that is unaffected by market trends. There are 10 Seven Farms (approximately 70 hectares in total) across Japan as of February 28, 2014, and IY plans to increase the number of farms going forward.

Vegetables harvested at a Seven Farm

This initiative was awarded the Ministry of Agriculture, Forestry and Fisheries Award by the Japan Food Industry Association and the Organization of Food-marketing Structure Improvement in the Environmental Division of the 35th Food Industry Best Company Award.

Climate Change Countermeasures and Biodiversity

In addition to environmental activities conducted at stores, we are also taking steps in Japan and abroad to curb CO_2 emissions from deforestation and forest degradation, foster CO_2 absorption by forests, and secure habitats for diverse forms of life.

In Indonesia, we implemented the "REDD+" project at Meru Betiri National Park (about 58,000 hectares) for four years from 2010. The project helps to conserve biodiversity and mitigate climate change, while also contributing to improving the lives of local people.

In Japan, we have been implementing a project to foster forest improvement in conjunction with the Seven-Eleven Japan Memorial Foundation since June 2012. The project conducts forest improvement activities at 10 locations throughout Japan, with employees and SEJ franchised stores volunteering regularly to take part. In the project area of Nagano Prefecture, the Group is striving to make use of the wooden material derived from thinning the forests, for example in benches at stores, storefront charity collection boxes at 7-Eleven stores, and business cards. Through this project we aim to encourage use of domestic timber to create healthy forests.

IY is selling a series of rice cultivated in consideration of environmental conservation and in harmony with nature. The cultivation not only uses less pesticide and chemical fertilizer, but also aims to conserve biodiversity by using rice fields that can serve as wildlife habitats. IY donates part of the sales of this product to a government organization engaged in improving the environment of the rice production areas. This initiative has been well received as a scheme that enables customers to support these efforts as well.

Rice cultivated in consideration of environmental conservation and in harmony with nature

FINANCIAL SECTION

CONTENTS

44 CONSOLIDATED FINANCIAL SUMMARY
45 MANAGEMENT'S DISCUSSION AND ANALYSIS
48 RISK FACTORS
52 CONSOLIDATED BALANCE SHEETS
54 CONSOLIDATED STATEMENTS OF INCOME
55 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
56 CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
57 CONSOLIDATED STATEMENTS OF CASH FLOWS
58 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
91 INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL SUMMARY

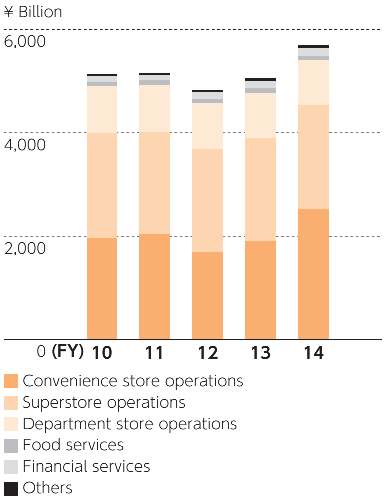
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2014, February 28, 2013 and February 29, 2012

	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**

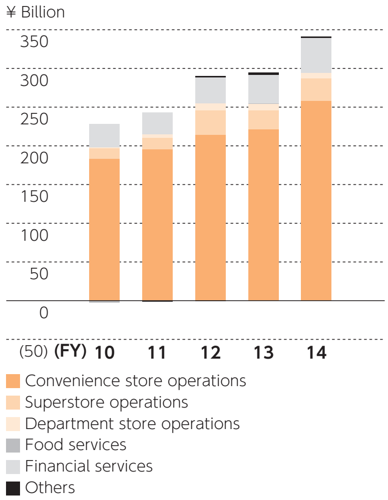
	Yen			U.S. dollars (Note A)
	2014	2013	2012 (Note B)	**2014**
Per share data:				
Net income (basic)	**¥198.84**	¥156.26	¥146.96	**$1.94**
Net income (diluted)	**198.69**	156.15	146.88	**1.94**
Cash dividends	**68.00**	64.00	62.00	**0.66**
Financial ratios:				
Operating income ratio (Note E)	**6.0%**	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.

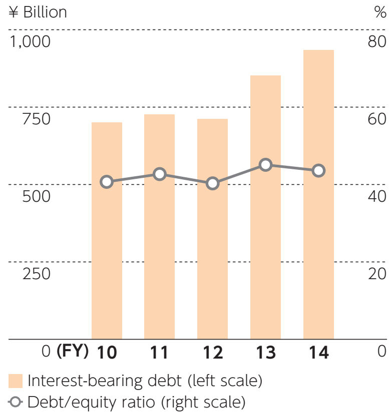
REVENUES FROM OPERATIONS BY BUSINESS SEGMENT



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

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2014**	2013	**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.

LIABILITIES AND NET ASSETS	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 3) 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

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

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

	Within one year	After one year within five years	After five years within ten years	After ten years
	Thousands of U.S. dollars (Note 3)			
	2014			
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

	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
	Millions of yen					
	2014					
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

	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
	Millions of yen					
	2013					
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

	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
	Thousands of U.S. dollars (Note 3)					
	2014					
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

	Book value	Acquisition cost	Net unrealized gains (losses)
	Thousands of U.S. dollars (Note 3)		
	2014		
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

	Contract amount			
	Millions of yen			
	2014			
	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:

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

Fiscal year ended February 28, 2013:

<table>
<tr><th>Description</th><th>Classification</th><th>Location</th><th>Millions of yen</th></tr>
<tr><td>Stores (Convenience stores)</td><td>Land and buildings, etc.</td><td>Tokyo Met. 46 stores
Hokkaido Pref. 32 stores
Others (including U.S.)</td><td rowspan="4">¥17,463</td></tr>
<tr><td>Stores (Superstores)</td><td>Land and buildings, etc.</td><td>Ibaraki Pref. 5 stores
Chiba Pref. 3 stores
Others 12 stores</td></tr>
<tr><td>Stores (Department stores)</td><td>Land and buildings, etc.</td><td>Saitama Pref. 2 stores
Tokushima Pref. 2 stores
Others 3 stores</td></tr>
<tr><td>Stores (Food services)</td><td>Land and buildings, etc.</td><td>Tokyo Met. & others 37 stores</td></tr>
<tr><td>Other facilities, etc.</td><td>Land and buildings, etc.</td><td>Fukushima Pref.
U.S. & others</td><td>866</td></tr>
<tr><td>Total</td><td></td><td></td><td>¥18,330</td></tr>
</table>

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 2014	Thousands of U.S. dollars (Note 3) 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 2014	Thousands of U.S. dollars (Note 3) 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 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 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 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 3) 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

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

Fiscal year ended February 28, 2014

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

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

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

Fiscal year ended February 28, 2013

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

Fiscal year ended February 28, 2014

Japan	North America	Others	Total
			Thousands of U.S. dollars (Note 3)
$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.

INDEPENDENT AUDITOR'S REPORT

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

INVESTOR INFORMATION

As of February 28, 2014

Head Office

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

Date of Establishment

September 1, 2005

Number of Employees

55,364 (Consolidated)
428 (Non-consolidated)

Paid-in Capital

¥50,000 million

Number of Common Stock

Issued: 886,441,983 shares

Number of Shareholders

88,917

Stock Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

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

Annual Shareholders' Meeting

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

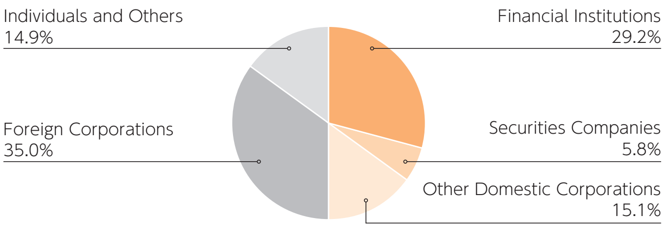
Auditors

KPMG AZSA LLC

PRINCIPAL SHAREHOLDERS

	Investment by each major shareholder in the Company: Number of shares held (Thousand shares)	Percentage of shares held
Ito-Kogyo Co., Ltd.	68,901	7.8%
Japan Trustee Services Bank, Ltd. (Trust account)	40,800	4.6%
The Master Trust Bank of Japan, Ltd. (Trust account)	38,510	4.3%
Nippon Life Insurance Company	19,664	2.2%
Masatoshi Ito	16,801	1.9%
MITSUI & CO., LTD.	16,222	1.8%
The Dai-ichi Life Insurance Company, Limited	13,777	1.6%
State Street Bank and Trust Company 505225	12,292	1.4%
Mitsui Sumitomo Insurance Company, Limited	12,251	1.4%
Nomura Securities Co., Ltd.	11,731	1.3%

CLASSIFICATION OF SHAREHOLDERS BY NUMBER OF SHARES HELD



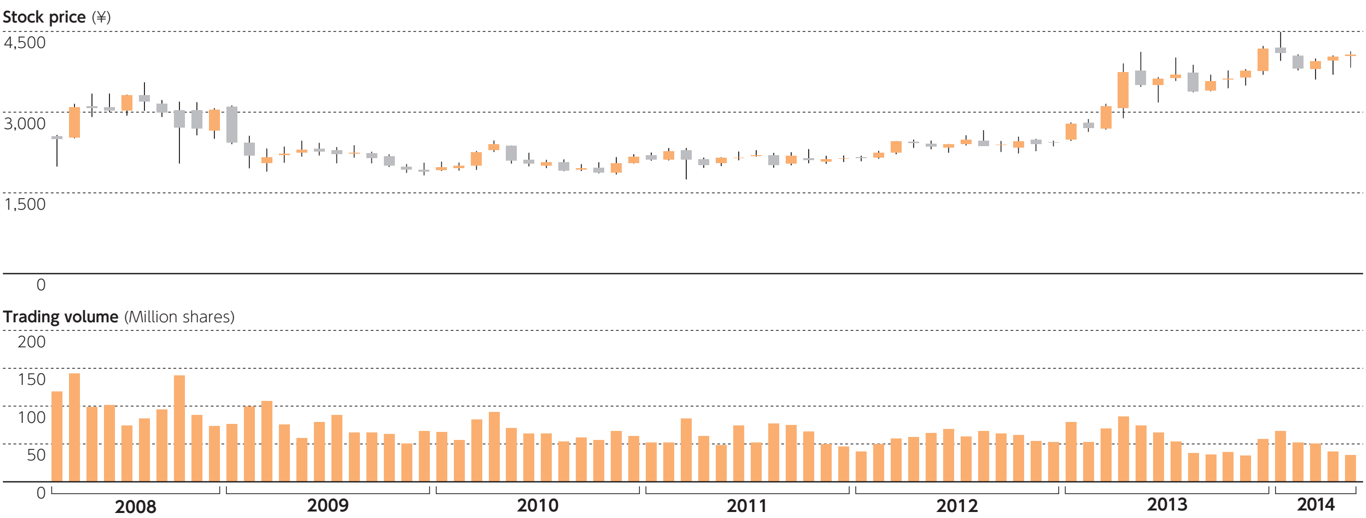
BOND RATINGS

(As of May 31, 2014)

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

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

STOCK PRICE CHART (MONTHLY)



SEVEN&i HOLDINGS SEVEN&i HLDGS.

MIX
Paper from responsible sources
FSC™ C004803
FSC
www.fsc.org

This annual report is printed on Forest Stewardship Council™ (FSC)-certified paper made of wood from responsibly managed forests.

VEGETABLE OIL INK

This annual report uses vegetable oil inks that include few volatile organic compounds.

Waterless Printing. Naturally.

This annual report was printed using waterless printing, which releases no harmful materials.

001-1407-2500
Printed in Japan