Consolidated Financial Summary

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014

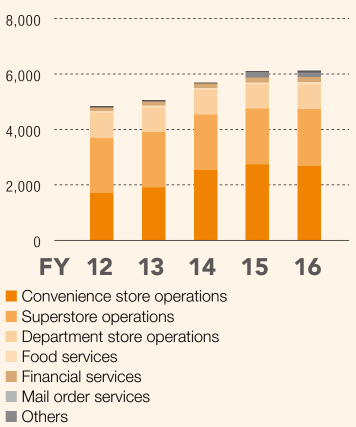
	Millions of yen			Thousands of U.S. dollars (Note A)
	2016	2015	2014	2016
For the fiscal year:				
Revenues from operations	**¥6,045,704**	¥6,038,948	¥5,631,820	**$53,032,491**
Operating income	**352,320**	343,331	339,659	**3,090,526**
Income before income taxes and minority interests	**303,775**	310,195	311,230	**2,664,692**
Net income	**160,930**	172,979	175,691	**1,411,666**
Capital expenditures (Note B)	**399,204**	341,075	336,758	**3,501,789**
Depreciation and amortization (Note C)	**195,511**	172,237	147,379	**1,715,008**
At fiscal year-end:				
Total assets	**¥5,441,691**	¥5,234,705	¥4,811,380	**$47,734,131**
Cash and cash equivalents	**1,147,086**	1,000,762	921,432	**10,062,157**
Total current assets	**2,249,966**	2,133,185	1,899,556	**19,736,543**
Total current liabilities	**1,880,903**	1,826,791	1,628,167	**16,499,149**
Long-term debt	**789,642**	719,066	731,844	**6,926,684**
Total net assets	**2,505,182**	2,430,917	2,221,557	**21,975,280**

	Yen			U.S. dollars (Note A)
	2016	2015	2014	2016
Per share data:				
Net income (basic)	**¥182.02**	¥195.66	¥198.84	**$1.59**
Net income (diluted)	**181.84**	195.48	198.69	**1.59**
Cash dividends	**85.00**	73.00	68.00	**0.74**
Financial ratios:				
Operating income ratio (Note D)	**5.8%**	5.7%	6.0%	**5.8%**
Net income ratio (Note D)	**2.7%**	2.9%	3.1%	**2.7%**
ROE	**6.9%**	7.9%	8.8%	**6.9%**
ROA	**3.0%**	3.4%	3.9%	**3.0%**

Notes: (a) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥114=U.S.$1, the approximate rate of exchange prevailing on February 29, 2016.
(b) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(c) Depreciation and amortization are included in cost of sales as well as selling, general and administrative expenses.
(d) Revenues from operations are used as the denominator for the operating income ratio and the net income ratio.

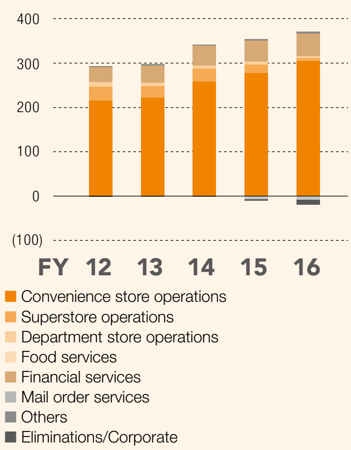
Revenues from Operations by Business Segment

¥ Billion



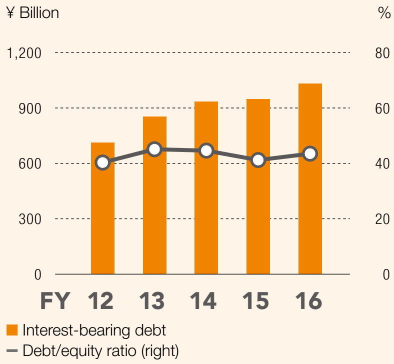
Operating Income (Loss) by Business Segment

¥ Billion



Interest-Bearing Debt Debt/Equity Ratio

¥ Billion



ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 29, 2016, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥6,045.7 billion, an increase of ¥6.7 billion, or 0.1%, year on year. Operating income increased ¥8.9 billion, or 2.6%, to ¥352.3 billion.

Convenience Store Operations

Seven-Eleven Japan (SEJ) aggressively expanded its network with the opening of 1,651 stores. These openings included the expansion of regional coverage into Kochi Prefecture in March 2015, Aomori Prefecture in June, and Tottori Prefecture in October. As a result, the number of domestic stores reached 18,572 at the end of the fiscal year under review, an increase of 1,081 stores from the end of the previous fiscal year.

On the product front, SEJ worked to further improve the quality of basic products, such as rice balls and sandwiches, and to reinforce the development of products that match the preferences of regional customers. The nationwide rollout of *SEVEN CAFÉ Donut*, which began in October 2014, was completed in September 2015. SEJ also implemented a complete renewal in January 2016 to further improve product quality. As a result of these initiatives, the rate of growth in existing store sales increased year on year. Total store sales in Japan, which comprise directly operated and franchised store sales, rose 7.1% year on year, to ¥4,291.0 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 7.9%, to ¥1,115.6 billion, and sales of fast food products, which include boxed lunches, rice balls, and other rice-based products as well as noodles and *sozai* prepared foods, increased 7.8%, to ¥1,278.7 billion. Sales of daily food items, which include bread, pastries, and milk, were up 12.0%, to ¥579.2 billion. Sales of nonfood products, which include cigarettes and sundries, increased 3.7%, to ¥1,317.3 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly operated stores, were up 7.8%, to ¥793.6 billion, while operating income increased 5.2%, to ¥235.0 billion.

Overseas, 7-Eleven, Inc. (SEI), had 8,500 stores in North America as of December 31, 2015. SEI continued to focus on the development and sale of fresh food and *7-Select* private-brand products, and as a result, on a U.S. dollar basis, the rate of growth in merchandise sales at existing stores in the United States increased substantially from the previous fiscal year. SEI's gasoline sales declined, due mainly to a drop in gasoline retail prices resulting from lower oil prices. However, merchandise sales were strong, and SEI's total store sales, which comprise merchandise sales and gasoline sales at directly operated stores and franchised stores, rose 4.1%, to ¥2,950.4 billion. In China, the Group had 187 stores in Beijing, 70 stores in Tianjin, and 60 stores in Chengdu, Sichuan Province, as of December 31, 2015.

PLAN FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2017

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/ decrease
Revenues from operations	¥6,137.0 billion	1.5%	¥91.3 billion
Operating income	¥379.0 billion	7.6%	¥26.7 billion
Net income	¥172.0 billion	6.9%	¥11.1 billion

Note: Exchange rates used for income statements: fiscal year ended February 29, 2016: U.S.$1=¥121.10 (actual); assumption for fiscal year ending February 28, 2017: U.S.$1=¥115.00 (yen appreciation of ¥6.10)

CONSOLIDATED OPERATING INCOME FORECASTS BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/ decrease
Consolidated operating income	¥379.0 billion	7.6%	¥26.7 billion
Convenience store operations	¥315.4 billion	3.7%	¥11.3 billion
Superstore operations	¥25.3 billion	249.7%	¥18.1 billion
Department store operations	¥8.2 billion	114.0%	¥4.4 billion
Food services	¥2.1 billion	129.0%	¥1.2 billion
Financial services	¥51.4 billion	3.4%	¥1.8 billion
Mail order services	¥(10.5) billion	–	¥(2.1) billion
Others	¥4.6 billion	(17.3)%	¥(0.9) billion
Eliminations/corporate	¥(17.5) billion	–	¥(7.0) billion

Note: Eliminations/corporate in operating income mainly reflects the Company's operating expenses relating to the Omni-Channel Strategy.

As a result, revenues from operations in convenience store operations were ¥2,675.8 billion, down 1.9% year on year, while operating income was ¥304.1 billion, up 9.9%.

Superstore Operations

Revenues from operations in superstore operations were rose 2.4%, to ¥2,060.5 billion, while operating income was down 62.6%, ¥7.2 billion.

Ito-Yokado (IY) had 182 stores at the end of the fiscal year under review, an increase of 1 store year on year. In store operations, IY attracted excellent tenants from inside and outside the Group and remodeled sales areas in order to enhance delicatessen items and promote face-to-face sales of fresh food. Especially among its regional stores, IY strengthened its relationships with capital and operational partners and expanded its lineup of products tailored to regional tastes, centered on food. As a result of these initiatives, the rate of growth in existing store sales increased from the previous fiscal year, as growth from April onward made up for the year-on-year decline in demand in March, which was attributable to the previous year's rush in demand prior to a hike in the consumption tax. Nonetheless, IY's profitability was adversely affected by measures to reduce inventory, centered on apparel.

Aiming to be a "lifestyle proposal-type food supermarket company," York-Benimaru strengthened its sales of fresh food and worked to address demand for ready-to-serve, convenient meals by expanding its lineup of *sozai* prepared foods through its subsidiary Life Foods.

As a result of these initiatives, the rate of growth in existing store sales increased year on year.

Department Store Operations

Revenues from operations in department store operations increased 1.1%, to ¥884.7 billion, while operating income was down 45.7%, to ¥3.8 billion.

Sogo & Seibu strengthened its initiatives for retailer-managed merchandising, centered on the *Limited Edition* brand, and for store-managed sales areas. At the same time, Sogo & Seibu reinforced the high-quality customer service that is the hallmark of department stores and worked to enhance the total advisory service functions that are provided by specialist sales staff, such as fashion consultants. As a result of these initiatives, the rate of growth in existing store sales increased, despite the year-on-year decline in demand that resulted from the previous year's rush in demand prior to a hike in the consumption tax.

Food Services

Revenues from operations in food services were up 3.5%, to ¥83.8 billion, and operating income increased ¥0.8 billion, to ¥0.9 billion.

The restaurant division of Seven & i Food Systems achieved a year-on-year increase in the rate of growth in sales at existing restaurants. This gain was principally due to strengthened sales of high-value-added menu items and improvements in customer service capabilities.

Financial Services

In financial services, revenues from operations increased 8.0%, to ¥192.4 billion, and operating income rose 5.3%, to ¥49.6 billion.

Seven Bank increased the number of installed ATMs by 1,449, to 22,388 ATMs at the end of the fiscal year. The daily average number of transactions per ATM during the fiscal year was 99.2 transactions, down 2.0 transactions year on year. This decline was primarily attributable to the effect of implementing transaction fees for customers of certain affiliated banks. However, the total number of transactions increased year on year due to the increase in the number of installed ATMs. In addition, the two card operating companies recorded favorable results in the credit card and electronic money businesses.

Mail Order Services

Revenues from operations in mail order services were down 14.6%, to ¥158.7 billion, and an operating loss of ¥8.4 billion was incurred.

In August 2015, Nissen Holdings announced management streamlining measures aimed at an early return to profitability. Nissen Holdings worked to improve profitability and took steps to realize Group synergies.

Others

In others operations, revenues from operations were ¥61.5 billion, an increase of 14.3% from the previous fiscal year. Operating income was ¥5.5 billion, an increase of 51.5%. In February 2015, Barneys Japan Co., Ltd., became a wholly owned subsidiary of the Company, and from the fiscal year under review Barneys Japan is included in the Others segment.

Eliminations/Corporate

Under eliminations/corporate for the fiscal year ended February 29, 2016, the Company recorded an operating loss of ¥10.5 billion. Groupwide expenses associated with the Omni-Channel Strategy being pursued by the Group, such as sales promotion expenses and software-related depreciation and amortization expenses, are included in Eliminations/Corporate.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥48.5 billion, compared with net other expenses of ¥33.1 billion in the previous fiscal year.

This change was mainly due to the recording of restructuring expenses and an increase in impairment loss on property and equipment.

Consequently, income before income taxes and minority interests decreased ¥6.4 billion year on year, to ¥303.7 billion.

Net Income

Income taxes increased ¥7.4 billion year on year, to ¥135.0 billion. After the application of tax effect accounting, the effective tax rate was 44.5%.

As a result, net income declined ¥12.0 billion year on year, to ¥160.9 billion. Net income per share was ¥182.02, down ¥13.64 per share from ¥195.66 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets on February 29, 2016, stood at ¥5,441.6 billion, up ¥206.9 billion from the end of the previous fiscal year.

In current assets, cash and cash equivalents rose ¥146.3 billion. In addition, notes and accounts receivable, financial services increased ¥15.6 billion, and notes and accounts receivable, trade rose ¥13.7 billion, while ATM-related temporary payments decreased ¥74.9 billion. As a result, total current assets were ¥2,249.9 billion, up ¥116.7 billion from the end of the previous fiscal year.

Property and equipment increased ¥95.4 billion, mainly due to new store openings and existing store remodeling at SEJ and IY. Intangible assets were up ¥38.6 billion, mainly due to an increase in systems compatible with Omni-Channel initiatives. Furthermore, investments and other assets decreased ¥43.7 billion, due primarily to the redemption of Japanese government bonds by Seven Bank. As a result, non-current assets were up ¥90.2 billion from the end of the previous fiscal year, to ¥3,191.7 billion.

Total liabilities increased ¥132.7 billion, to ¥2,936.5 billion.

In current liabilities, deposits received in banking business associated with Seven Bank were up ¥42.9 billion. In addition, current portion of long-term loans increased ¥31.3 billion, while current portion of bonds at the Company declined ¥19.9 billion. As a result, total current liabilities rose ¥54.1 billion, to ¥1,880.9 billion.

In non-current liabilities, bond issuances by the Company totaled ¥120.0 billion (¥40.0 billion transferred to the current portion of bonds), and long-term loans declined ¥6.6 billion. Consequently, non-current liabilities rose ¥78.6 billion, to ¥1,055.6 billion.

Total net assets were up ¥74.2 billion, to ¥2,505.1 billion.

In retained earnings, net income of ¥160.9 billion was recorded, while cash dividend payments were ¥66.3 billion. As a result retained earnings increased ¥95.6 billion.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, decreased ¥9.4 billion.

As a result of the above, owners' equity per share was up ¥81.88 per share from a year earlier, to ¥2,683.11 per share, and the owners' equity ratio was 43.6%, compared with 43.9% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥1,147.0 billion, up ¥146.3 billion from a year earlier. Cash was used to open new stores and remodel existing stores, mainly by SEJ, but cash flow was provided by businesses with a high capacity for the generation of revenues from operations, centered on convenience store operations.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥488.9 billion, up ¥72.2 billion from the previous fiscal year. This primarily reflected an increase of ¥23.2 billion in depreciation and amortization, a decrease of ¥20.7 billion in income taxes paid, and a net increase of ¥20.0 billion in call money in banking business associated with Seven Bank.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥335.9 billion, an increase of ¥65.7 billion from the previous fiscal year. This mainly reflected an increase of ¥47.5 billion in payment for acquisition of business and an increase of ¥28.1 billion in acquisition of property and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥2.3 billion, a decrease of ¥77.1 billion from the previous fiscal year.

This primarily reflected ¥119.6 billion in proceeds from issuance of bonds at the Company, ¥60.0 billion in payment for redemption of bonds at the Company, and a decline of ¥26.6 billion in repayment of long-term debts.

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 submission date of securities 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 behavior 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 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 the Group's 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, the Group's business performance and financial condition could be affected. Further, the Group is striving to provide customers with newly value-added and high-quality products and services through the aggressive introduction of *Seven Premium* private-brand products and original products developed by respective Group companies. Therefore, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Product Development upon Due Consideration of Regional Characteristics

In order to respond to customers' diversified preferences, the Group has departed from the chain-store operations in which it pursued efficiency to the utmost extent, and it is enhancing capabilities to develop and assort products upon due consideration of regional characteristics. However, if the support from customers fell below its expectations, its business performance and financial condition may be affected.

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, the Group's business performance and financial condition may be affected.

M&As, Alliances, and Strategic Investments

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

Credit Management

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

Impairment of Fixed Assets

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

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 the grand opening of *omni7*, which centers on a new integrated portal site, in November 2015 while 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 leads to difficulty in securing appropriate staff and/or the loss of existing staff, the Group's business performance and financial condition may be affected.

From now on, Ryuichi Isaka, the newly appointed president of Seven & i Holdings, and the Group's top management will strengthen cooperation with each other coherently, and implement the Group's business strategies. However, the Group may not attain its objectives completely because of certain factors. If such is the case, 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 fluctuations, however, unexpected changes in business environment such as drastic fluctuation of the fuel price may affect the Group's business performance and financial condition.

As of April 30, 2016, Seven-Eleven has grown into a global chain with more than 59,000 stores in 17 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 striving to implement a business structural reform. On the one hand, the Group is advancing the store-first policy under which an individual store plays a leading role to assort products that can meet regional market needs and continuously promoting merchandising innovation and communication with customers through enhancing customer service levels and sales techniques. On the other hand, the Group is embarking on closing underperforming stores. For the part of food supermarkets, the Group endeavors to establish the new model of lifestyle-proposal supermarkets through promoting differentiation strategies 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 implement a structural reform in order to create a new type of department store. On the one hand, the Group is promoting the development of private-brand products in accordance with the Omni-Channel Strategy through strengthening functions of the merchandise division and advancing the reform of regional stores in response to characteristics of respective regions. On the other hand, the Group is embarking on the closure of underperforming stores. 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, the Group, which operates restaurants, meal provision services, and fast food services, is implementing a growth strategy by strengthening the development of products in response to changes in customer segments based on shifts in demographics, lifestyles, and customer needs and by 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 the Group's 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 Plus/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 the Group's 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 services, the Group, which faces such negative changes in its business environment as a deterioration of product competitiveness, lowered catalog sales efficiency due to evolving Internet businesses, rising shipping costs, and others, is striving to implement structural reform and improve profitability through primarily enhancing product competitiveness and the efficiency of sales promotion, as well as realizing 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, the Group's 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 the Group's 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 serious 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 the Group's 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 effect 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 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2016	2015	2016
Current assets:			
Cash and cash equivalents (Note 4)	¥ 1,147,086	¥ 1,000,762	$ 10,062,157
Notes and accounts receivable:			
Trade (Note 4)	354,554	340,792	3,110,122
Financial services	86,877	71,198	762,078
Franchisees and other	136,416	122,175	1,196,631
Allowance for doubtful accounts (Note 4)	(5,404)	(5,361)	(47,403)
	572,443	528,805	5,021,429
Inventories	212,187	212,168	1,861,289
ATM-related temporary payments	91,725	166,686	804,605
Deferred income taxes (Note 10)	38,866	41,499	340,929
Prepaid expenses and other current assets (Note 4)	187,656	183,262	1,646,105
Total current assets	2,249,966	2,133,185	19,736,543
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,767,902	3,587,129	33,051,771
Less: Accumulated depreciation	(1,795,547)	(1,710,187)	(15,750,412)
	1,972,355	1,876,941	17,301,359
Intangible assets:			
Goodwill	313,667	297,233	2,751,464
Software and other (Notes 8 and 13)	232,003	209,770	2,035,114
	545,670	507,004	4,786,578
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	141,371	168,738	1,240,096
Long-term loans receivable	15,795	16,361	138,552
Long-term leasehold deposits (Notes 4 and 18)	395,979	401,206	3,473,500
Net defined benefit asset (Note 11)	26,059	40,889	228,587
Deferred income taxes (Note 10)	27,636	28,382	242,421
Other	71,201	66,980	624,570
Allowance for doubtful accounts (Note 4)	(4,345)	(4,984)	(38,114)
	673,697	717,574	5,909,622
Total assets	¥ 5,441,691	¥ 5,234,705	$ 47,734,131

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

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 3) 2016
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 130,782	¥ 130,780	$ 1,147,210
Current portion of long-term debt (Notes 4, 12 and 18)	159,862	146,509	1,402,298
Notes and accounts payable:			
Trade (Notes 4 and 6)	251,403	261,746	2,205,289
Trade for franchised stores (Notes 4 and 19)	162,179	150,758	1,422,622
Other	191,577	176,920	1,680,500
	605,159	589,425	5,308,412
Accrued expenses	108,696	104,284	953,473
Income taxes payable	44,744	42,979	392,491
Deposits received	157,530	149,610	1,381,842
ATM-related temporary advances	48,366	66,977	424,263
Deposits received in banking business (Note 4)	518,127	475,209	4,544,973
Allowance for bonuses to employees	13,432	12,893	117,824
Allowance for sales promotion expenses	21,530	20,408	188,859
Allowance for loss on future collection of gift certificates	2,063	2,532	18,096
Provision for sales returns	142	188	1,245
Other (Notes 4,10 and 14)	70,463	84,993	618,096
Total current liabilities	1,880,903	1,826,791	16,499,149
Long-term debt (Notes 4, 6, 12 and 18)	789,642	719,066	6,926,684
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,010	2,060	17,631
Net defined benefit liability (Note 11)	8,564	8,669	75,122
Deferred income taxes (Note 10)	64,859	63,536	568,938
Deposits received from tenants and franchised stores (Notes 4 and 18)	56,574	56,779	496,263
Asset retirement obligations (Note 14)	72,034	67,068	631,877
Other liabilities (Note 18)	61,918	59,817	543,140
Total liabilities	2,936,508	2,803,788	25,758,842
Commitments and contingent liabilities (Note 18)			
Net assets (Note 16)**:**			
Shareholders' equity:			
Ordinary shares, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2016 and 2015	50,000	50,000	438,596
Capital surplus	527,474	527,470	4,626,964
Retained earnings	1,717,771	1,622,090	15,068,166
Treasury stock, at cost, 2,290,888 shares in 2016 and 2,375,681 shares in 2015	(5,688)	(5,883)	(49,894)
	2,289,557	2,193,677	20,083,833
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	20,655	21,571	181,184
Unrealized gains on hedging derivatives, net of taxes	33	557	289
Foreign currency translation adjustments	70,927	80,342	622,166
Remeasurements of defined benefit plans	(8,900)	3,512	(78,070)
Total accumulated other comprehensive income (loss)	82,716	105,985	725,578
Subscription rights to shares (Note 17)	2,995	2,427	26,271
Minority interests in consolidated subsidiaries	129,912	128,827	1,139,578
Total net assets	2,505,182	2,430,917	21,975,280
Total liabilities and net assets	¥5,441,691	¥5,234,705	$47,734,131

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Revenues from operations:			
Net sales	**¥4,892,133**	¥4,996,619	**$42,913,447**
Operating revenues (Note 20)	**1,153,571**	1,042,329	**10,119,043**
	6,045,704	6,038,948	**53,032,491**
Costs and expenses:			
Cost of sales	**3,803,968**	3,926,210	**33,368,140**
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	**1,889,415**	1,769,405	**16,573,815**
	5,693,383	5,695,616	**49,941,956**
Operating income	**352,320**	343,331	**3,090,526**
Other income (expenses):			
Interest and dividend income	**6,360**	6,865	**55,789**
Interest expenses and interest on bonds	**(9,559)**	(9,353)	**(83,850)**
Equity in earnings (losses) of affiliates	**1,958**	(362)	**17,175**
Foreign currency exchange losses	**(922)**	(267)	**(8,087)**
Impairment loss on property and equipment (Note 8)	**(22,691)**	(15,220)	**(199,043)**
Gain on sales of property and equipment (Note 20)	**2,171**	2,702	**19,043**
Loss on disposals of property and equipment (Note 20)	**(11,557)**	(13,349)	**(101,377)**
Compensation income for expropriation	**2,849**	686	**24,991**
Gain on step acquisitions of shares of a subsidiary	**–**	763	**–**
Special expenses related to consumption tax rate change	**–**	(2,028)	**–**
Restructuring expenses (Notes 8, 20 and 21)	**(10,695)**	–	**(93,815)**
Other, net (Note 5)	**(6,457)**	(3,573)	**(56,640)**
	(48,544)	(33,136)	**(425,824)**
Income before income taxes and minority interests	**303,775**	310,195	**2,664,692**
Income taxes (Note 10)**:**			
Current	**124,031**	123,421	**1,087,991**
Deferred	**11,062**	4,222	**97,035**
	135,093	127,643	**1,185,026**
Income before minority interests	**168,681**	182,551	**1,479,657**
Minority interests in net income of consolidated subsidiaries	**7,751**	9,572	**67,991**
Net income	**¥ 160,930**	¥ 172,979	**$ 1,411,666**

	Yen		U.S. dollars (Note 3)
	2016	2015	**2016**
Per share information:			
Net income (Basic)	**¥182.02**	¥195.66	**$1.59**
Net income (Diluted)	**181.84**	195.48	**1.59**
Cash dividends	**85.00**	73.00	**0.74**

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 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Income before minority interests	¥168,681	¥182,551	$1,479,657
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities, net of taxes	(974)	11,020	(8,543)
Unrealized gains (losses) on hedging derivatives, net of taxes	(1,029)	1,132	(9,026)
Foreign currency translation adjustments	(9,701)	77,684	(85,096)
Remeasurements of defined benefit plans	(12,318)	–	(108,052)
Share of other comprehensive income (loss) of entities accounted for using equity method	(54)	192	(473)
Total other comprehensive income (loss)	(24,077)	90,030	(211,201)
Comprehensive income	¥144,603	¥272,582	$1,268,447
Comprehensive income attributable to:			
Owners of the parent	¥137,661	¥261,001	$1,207,552
Minority interests	6,942	11,581	60,894

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

Financial Section

Consolidated Statements of Changes In Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2016 and February 28, 2015

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	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
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
Net income			172,979								172,979
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			751								751
Cash dividends			(63,194)								(63,194)
Purchase of treasury stock				(27)							(27)
Disposal of treasury stock		620		1,253							1,873
Other				(0)							(0)
Net changes of items other than shareholders' equity					10,899	564	76,557	3,512	482	4,960	96,978
Net increase (decrease) for the year	–	620	110,535	1,226	10,899	564	76,557	3,512	482	4,960	209,359
Balance at February 28, 2015	¥50,000	¥527,470	¥1,622,090	¥(5,883)	¥21,571	¥ 557	¥80,342	¥ 3,512	¥2,427	¥128,827	¥2,430,917
Cumulative effects of changes in accounting policies			**21**								**21**
Restated balance	**¥50,000**	**¥527,470**	**¥1,622,111**	**¥(5,883)**	**¥21,571**	**¥ 557**	**¥80,342**	**¥ 3,512**	**¥2,427**	**¥128,827**	**¥2,430,938**
Net income			**160,930**								**160,930**
Cash dividends			**(66,309)**								**(66,309)**
Purchase of treasury stock				**(28)**							**(28)**
Disposal of treasury stock		**4**		**224**							**228**
Other			**1,039**	**(0)**							**1,038**
Net changes of items other than shareholders' equity					**(916)**	**(523)**	**(9,414)**	**(12,413)**	**567**	**1,085**	**(21,615)**
Net increase (decrease) for the year	**–**	**4**	**95,659**	**195**	**(916)**	**(523)**	**(9,414)**	**(12,413)**	**567**	**1,085**	**74,243**
Balance at February 29, 2016	**¥50,000**	**¥527,474**	**¥1,717,771**	**¥(5,688)**	**¥20,655**	**¥ 33**	**¥70,927**	**¥ (8,900)**	**¥2,995**	**¥129,912**	**¥2,505,182**

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	Remeasurements of defined benefit plans	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2015	$438,596	$4,626,929	$14,228,859	$(51,605)	$189,219	$ 4,885	$704,754	$ 30,807	$21,289	$1,130,061	$21,323,833
Cumulative effects of changes in accounting policies			**184**								**184**
Restated balance	**$438,596**	**$4,626,929**	**$14,229,043**	**$(51,605)**	**$189,219**	**$ 4,885**	**$704,754**	**$ 30,807**	**$21,289**	**$1,130,061**	**$21,324,017**
Net income			**1,411,666**								**1,411,666**
Cash dividends			**(581,657)**								**(581,657)**
Purchase of treasury stock				**(245)**							**(245)**
Disposal of treasury stock		**35**		**1,964**							**2,000**
Other			**9,114**	**(0)**							**9,105**
Net changes of items other than shareholders' equity					**(8,035)**	**(4,587)**	**(82,578)**	**(108,885)**	**4,973**	**9,517**	**(189,605)**
Net increase (decrease) for the year	**–**	**35**	**839,114**	**1,710**	**(8,035)**	**(4,587)**	**(82,578)**	**(108,885)**	**4,973**	**9,517**	**651,254**
Balance at February 29, 2016	**$438,596**	**$4,626,964**	**$15,068,166**	**$(49,894)**	**$181,184**	**$ 289**	**$622,166**	**$ (78,070)**	**$26,271**	**$1,139,578**	**$21,975,280**

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 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 303,775	¥ 310,195	$ 2,664,692
Depreciation and amortization	195,511	172,237	1,715,008
Impairment loss on property and equipment	28,800	15,220	252,631
Amortization of goodwill	23,110	18,894	202,719
Increase (decrease) in allowance for bonuses to employees	540	(2,030)	4,736
Decrease (increase) in net defined benefit asset	(3,685)	(1,664)	(32,324)
Interest and dividend income	(6,360)	(6,865)	(55,789)
Interest expenses and interest on bonds	9,559	9,353	83,850
Equity in losses (earnings) of affiliates	(1,958)	362	(17,175)
Gain on sales of property and equipment	(2,171)	(2,702)	(19,043)
Loss on disposals of property and equipment	12,068	13,349	105,859
Decrease (increase) in notes and accounts receivable, trade	(13,765)	(9,186)	(120,745)
Decrease (increase) in notes and accounts receivable, financial services	(15,678)	(4,968)	(137,526)
Decrease (increase) in inventories	(141)	(806)	(1,236)
Increase (decrease) in notes and accounts payable, trade and trade for franchised stores	5,556	19,181	48,736
Increase (decrease) in deposits received	7,433	33,451	65,201
Net increase (decrease) in loans in banking business	(1,000)	(9,000)	(8,771)
Net increase (decrease) in bonds in banking business	–	(5,000)	–
Net increase (decrease) in deposits received in banking business	42,918	72,146	376,473
Net increase (decrease) in call money in banking business	–	(20,000)	–
Net change in ATM-related temporary accounts	56,349	(39,428)	494,289
Other	(20,686)	5,651	(181,456)
Subtotal	620,176	568,393	5,440,140
Interest and dividends received	4,018	4,067	35,245
Interest paid	(9,552)	(9,369)	(83,789)
Income taxes paid	(125,668)	(146,400)	(1,102,350)
Net cash provided by operating activities	488,973	416,690	4,289,236
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(304,501)	(276,351)	(2,671,061)
Proceeds from sales of property and equipment	31,986	12,747	280,578
Acquisition of intangible assets	(42,937)	(30,551)	(376,640)
Payment for purchase of investments in securities	(23,710)	(23,602)	(207,982)
Proceeds from sales of investments in securities	50,815	54,334	445,745
Payment for purchase of investments in subsidiaries	(56)	(444)	(491)
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	–	(6,373)	–
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	–	377	–
Payment for long-term leasehold deposits	(32,219)	(25,789)	(282,622)
Refund of long-term leasehold deposits	35,613	35,163	312,394
Proceeds from deposits from tenants	2,966	4,571	26,017
Refund of deposits from tenants	(2,637)	(2,346)	(23,131)
Payment for acquisition of business (Note 9)	(48,479)	(909)	(425,254)
Payment for time deposits	(13,478)	(28,379)	(118,228)
Proceeds from withdrawal of time deposits	13,188	20,398	115,684
Other	(2,498)	(3,079)	(21,912)
Net cash used in investing activities	(335,949)	(270,235)	(2,946,921)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(20)	13,122	(175)
Proceeds from long-term debts	96,550	88,650	846,929
Repayment of long-term debts	(70,903)	(97,538)	(621,956)
Proceeds from commercial paper	6,114	13,011	53,631
Payment for redemption of commercial paper	(6,114)	(13,011)	(53,631)
Proceeds from issuance of bonds	119,679	–	1,049,815
Payment for redemption of bonds	(60,000)	–	(526,315)
Dividends paid	(66,289)	(63,150)	(581,482)
Capital contribution from minority interests	–	26	–
Dividends paid for minority interests	(5,792)	(5,627)	(50,807)
Other	(15,536)	(14,966)	(136,280)
Net cash used in financing activities	(2,312)	(79,482)	(20,280)
Effect of exchange rate changes on cash and cash equivalents	(3,880)	12,422	(34,035)
Net increase (decrease) in cash and cash equivalents	146,830	79,395	1,287,982
Cash and cash equivalents at beginning of year	1,000,762	921,432	8,778,614
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	(506)	(65)	(4,438)
Cash and cash equivalents at end of year	¥1,147,086	¥1,000,762	$10,062,157

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 120 subsidiaries as of February 29, 2016 (118 subsidiaries as of February 28, 2015) which 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., Seven Bank, Ltd., and Nissen Holdings Co. Ltd.

Seven entities have been newly consolidated for the fiscal year ended February 29, 2016. Following the acquisition of the shares of TFS Newco, LLC by 7-Eleven, Inc., a wholly owned subsidiary of the Company, six entities including TFS Newco, LLC have been included in the scope of consolidation. In addition, FCTI Canada, Inc. was newly established.

On the other hand, five entities were excluded from the scope of consolidation for the fiscal year ended February 29, 2016 following the dissolution of Mail & e Business Logistics Service Co., Ltd. and Mary Ann Co., Ltd.; and the liquidation of Japan Product Distribution System Services Co., Ltd., Seven & i Restaurant Management (Beijing) Co., Ltd., and WV ABC, Inc.

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 29, 2016 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.

All material intercompany transactions and account balances have been eliminated.

As of February 29, 2016, 26 affiliates (24 affiliates as of February 28, 2015), 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 two in connection with the establishment of Seven Farm Niigatashi Co., Ltd. and Trinity River Terminals, LLC.

When an affiliate has a deficit net worth, the Company's share of such deficit is reduced from its loan receivable from that affiliate. For the affiliates that have a balance sheet date other than February 29, 2016, 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. Some subsidiaries are included using the moving-average method.

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

(3) Securities

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

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 using the straight-line method.

(6) Intangible assets (excluding lease assets)

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

Internal use software is amortized using the straight-line method over an estimated useful life, generally 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 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) Accounting method for retirement benefits

(a) Allocation method of estimated total retirement benefits

Benefit formula basis

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

Actuarial differences are amortized on a straight-line basis over the period of 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.

Past service cost is amortized on a straight-line basis over the periods of 5 years or 10 years, which are shorter than the average remaining years of service of the eligible employees.

(11) Hedge accounting

Forward foreign exchange contracts are utilized as hedging instruments and the related hedged items are foreign currency-denominated monetary liabilities. 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 foreign currency rates and 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. The forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria. 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 is assessed quarterly except for those that meet specific hedging criteria.

(12) Per share information

Net assets (excluding minority interests in consolidated subsidiaries and subscription rights to shares) per share as of February 29, 2016 and February 28, 2015 are ¥2,683.11 ($23.53) and ¥2,601.23, respectively. Net income per share for the fiscal years ended February 29, 2016 and February 28, 2015 is ¥182.02 ($1.59) and ¥195.66, respectively. Diluted net income per share for the fiscal years ended February 29, 2016 and February 28, 2015 is ¥181.84 ($1.59) and ¥195.48, 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 29, 2016 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Net income	**¥160,930**	¥172,979	**$1,411,666**
Less components not pertaining to common shareholders	**–**	–	**–**
Net income pertaining to common shareholders	**¥160,930**	¥172,979	**$1,411,666**
Weighted-average number of shares of common stock outstanding (shares)	**884,132,485**	884,064,278	**884,132,485**

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

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

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

(Application of Accounting Standard for Retirement Benefits)
The Company has applied the main clause of Article 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012; hereinafter the "Standard") and the main clause of the Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance") from the fiscal year ended February 29, 2016. Under the new policy, the method of attributing expected benefit to periods was changed from point basis and straight-line basis to benefit formula basis. The method of determining the discount rate was also changed from that using the discount rate based on the average remaining periods of service to that using the single weighted average rate of discount reflecting the expected retirement payment period and the amount of expected retirement payment in each period.

In accordance with the transitional treatment provided for in Article 37 of the Standard, the amount of financial impact resulting from the change in the calculation method of retirement benefit obligations and service costs was added to, or deducted from, retained earnings as of March 1, 2015.

As a result of this change, defined benefit asset and retained earnings decreased by ¥3 million ($26 thousand) each as of March 1, 2015. The impact on operating income and income before income taxes and minority interests for the year ended February 29, 2016, however, is immaterial.

(19) New accounting pronouncements

(Accounting Standard for Business Combinations, etc.)

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Overview

The Accounting Standards and relevant guidance were revised mainly with a focus on (i) the treatment of changes to a parent company's ownership of a subsidiary if control is maintained in the acquisition of additional shares of the subsidiary, (ii) the treatment of acquisition-related costs, (iii) the presentation of net income and change from minority interests to non-controlling interests, and (iv) the provisional application of accounting treatment.

(2) Effective date

The revised Accounting Standards and relevant guidance are scheduled to be applied from the beginning of the fiscal year ending February 28, 2017. The provisional application of accounting treatment is scheduled to be applied to business combinations carried out on or after the beginning of the fiscal year ending February 28, 2017.

(3) Effects of application of the Accounting Standards and relevant guidance

The effects of the application are under assessment at the time of preparing these Consolidated Financial Statements.

(Implementation Guidance on Recoverability of Deferred Tax Assets)
Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, December 28, 2015)

(1) Overview

The accounting treatment on recoverability of deferred tax assets still basically follows the framework of the Auditing Treatment Regarding Judgment of the Recoverability of Deferred Tax Assets outlined in the JICPA Audit Committee Statement No. 66, i.e. a framework for estimating deferred tax assets by classifying entities into five categories and calculating the amount according to those categories, but it has made the following necessary revisions on treatment.

(i) Accounting treatments of entities not satisfying any of the category criteria from (Category 1) to (Category 5).
(ii) Category criteria of (Category 2) and (Category 3).
(iii) Accounting treatments of unscheduled deductible temporary differences for entities in (Category 2).
(iv) Accounting treatments for reasonably estimated period for taxable income before adjusting temporary differences for entities in (Category 3).
(v) Accounting treatments for entities satisfying the category criteria of (Category 4) and also falling in (Category 2) or (Category 3).

(2) Effective date

The above revisions are scheduled to be applied from the beginning of the fiscal year ending February 28, 2017.

(3) Effects of application of the guidance

The effects of the application are under assessment at the time of preparing the accompanying Consolidated Financial Statements.

(20) Reclassification

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

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥114=US$1, the approximate rate of exchange prevailing as of February 29, 2016. 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 instruments such as deposits at banks. The Companies mainly raise funds through bank loans and bond issuance.

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 rate 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 forward foreign exchange contracts that cover a portion of the settlement amount. With regard to the forward foreign exchange 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 is 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," 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 29, 2016 and February 28, 2015 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 (refer to Note 2 below).

	Millions of yen		
	2016		
	Book value	Fair value	Difference
Cash and cash equivalents	**¥1,147,086**	**¥1,147,086**	**¥ –**
Notes and accounts receivable, trade	**354,554**	**–**	**–**
Allowance for doubtful accounts[a]	**(3,013)**	**–**	**–**
	351,540	**355,048**	**3,507**
Marketable securities and investments in securities	**98,483**	**98,176**	**(306)**
Long-term leasehold deposits[b]	**291,394**	**–**	**–**
Allowance for doubtful accounts[c]	**(677)**	**–**	**–**
	290,716	**310,832**	**20,115**
Total assets	**¥1,887,826**	**¥1,911,143**	**¥23,316**
Notes and accounts payable, trade[d]	**¥ 413,582**	**¥ 413,582**	**¥ –**
Deposits received in banking business	**518,127**	**518,830**	**703**
Bonds[e]	**439,994**	**451,491**	**11,497**
Long-term loans[f]	**462,193**	**464,960**	**2,767**
Deposits received from tenants and franchised stores[g]	**26,896**	**26,504**	**(392)**
Total liabilities	**¥1,860,794**	**¥1,875,370**	**¥14,575**
Derivative instruments[h]	**¥ 656**	**¥ 656**	**¥ –**

	Millions of yen		
	2015		
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,000,762	¥1,000,762	¥ –
Notes and accounts receivable, trade	340,792	–	–
Allowance for doubtful accounts[a]	(2,716)	–	–
	338,076	341,636	3,560
Marketable securities and investments in securities	127,576	127,914	338
Long-term leasehold deposits[b]	297,863	–	–
Allowance for doubtful accounts[c]	(777)	–	–
	297,086	298,441	1,354
Total assets	¥1,763,501	¥1,768,755	¥ 5,253
Notes and accounts payable, trade[d]	¥ 412,504	¥ 412,504	¥ –
Deposits received in banking business	475,209	475,644	435
Bonds[e]	379,991	388,531	8,539
Long-term loans[f]	437,480	441,198	3,717
Deposits received from tenants and franchised stores[g]	26,423	25,228	(1,194)
Total liabilities	¥1,731,609	¥1,743,107	¥11,498
Derivative instruments[h]	¥ 2,825	¥ 2,825	¥ –

	Thousands of U.S. dollars (Note 3)		
			2016
	Book value	Fair value	Difference
Cash and cash equivalents	$10,062,157	$10,062,157	$ –
Notes and accounts receivable, trade	3,110,122	–	–
Allowance for doubtful accounts[a]	(26,429)	–	–
	3,083,684	3,114,456	30,763
Marketable securities and investments in securities	863,885	861,192	(2,684)
Long-term leasehold deposits[b]	2,556,087	–	–
Allowance for doubtful accounts[c]	(5,938)	–	–
	2,550,140	2,726,596	176,447
Total assets	$16,559,877	$16,764,412	$204,526
Notes and accounts payable, trade[d]	$ 3,627,912	$ 3,627,912	$ –
Deposits received in banking business	4,544,973	4,551,140	6,166
Bonds[e]	3,859,596	3,960,447	100,850
Long-term loans[f]	4,054,324	4,078,596	24,271
Deposits received from tenants and franchised stores[g]	235,929	232,491	(3,438)
Total liabilities	$16,322,754	$16,450,614	$127,850
Derivative instruments[h]	$ 5,754	$ 5,754	$ –

Notes:
(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 deposits 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)
	2016	2015	**2016**
			Book value
Investments in securities[a]:			
Unlisted securities	**¥ 13,453**	¥ 12,448	**$ 118,008**
Shares of affiliates	**27,369**	27,010	**240,078**
Other	**2,065**	1,703	**18,114**
Long-term leasehold deposits[b]	**115,820**	116,833	**1,015,964**
Deposits received from tenants and franchised stores[b]	**32,618**	33,471	**286,122**

Notes:
(a) These are not included in Assets (3) Marketable securities and investments in securities 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 Assets (4) Long-term leasehold deposits and Liabilities (5) Deposits received from tenants and franchised stores 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			
	2016			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**¥1,147,086**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable, trade	**341,715**	**11,632**	**1,072**	**132**
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	**–**	**–**	**–**	**–**
Available-for-sale securities with maturities				
Governmental and municipal bonds	**–**	**–**	**–**	**–**
Bonds	**18,500**	**22,800**	**10**	**–**
Other	**–**	**–**	**–**	**–**
Long-term leasehold deposits	**26,425**	**88,083**	**77,730**	**99,155**
Total	**¥1,533,726**	**¥122,516**	**¥78,813**	**¥99,288**

	Millions of yen			
	2015			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,000,762	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	328,140	11,485	1,043	121
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	30,500	–	–	–
Bonds	18,501	18,500	10	–
Other	–	35	–	–
Long-term leasehold deposits	25,139	92,168	81,088	99,468
Total	¥1,403,043	¥122,189	¥82,142	¥99,590

	Thousands of U.S. dollars (Note 3)			
	2016			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**$10,062,157**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable, trade	**2,997,500**	**102,035**	**9,403**	**1,157**
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	**–**	**–**	**–**	**–**
Available-for-sale securities with maturities				
Governmental and municipal bonds	**–**	**–**	**–**	**–**
Bonds	**162,280**	**200,000**	**87**	**–**
Other	**–**	**–**	**–**	**–**
Long-term leasehold deposits	**231,798**	**772,657**	**681,842**	**869,780**
Total	**$13,453,736**	**$1,074,701**	**$691,342**	**$870,947**

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

	Millions of yen			
	2016			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	**¥411,967**	**¥106,159**	**¥–**	**¥–**

	Millions of yen			
	2015			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥376,763	¥98,445	¥–	¥–

	Thousands of U.S. dollars (Note 3)			
	2016			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	**$3,613,745**	**$931,219**	**$–**	**$–**

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

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

	Millions of yen					
	2016					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	**¥ 40,000**	**¥ 50,000**	**¥ 74,994**	**¥ 50,000**	**¥ 80,000**	**¥145,000**
Long-term loans	**101,329**	**137,126**	**67,524**	**82,055**	**21,903**	**52,254**
Total	**¥141,329**	**¥187,126**	**¥142,519**	**¥132,055**	**¥101,903**	**¥197,254**

	Millions of yen					
	2015					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥ 59,999	¥ 40,000	¥ 50,000	¥44,992	¥ 50,000	¥135,000
Long-term loans	70,013	87,192	130,950	39,848	71,840	37,635
Total	¥130,012	¥127,192	¥180,950	¥84,840	¥121,840	¥172,635

	Thousands of U.S. dollars (Note 3)					
	2016					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	**$ 350,877**	**$ 438,596**	**$ 657,842**	**$ 438,596**	**$701,754**	**$1,271,929**
Long-term loans	**888,850**	**1,202,859**	**592,315**	**719,780**	**192,131**	**458,368**
Total	**$1,239,728**	**$1,641,456**	**$1,250,166**	**$1,158,377**	**$893,885**	**$1,730,298**

5. SECURITIES INFORMATION

(1) The following tables summarize the book value and acquisition cost of available-for-sale securities whose fair value was available as of February 29, 2016 and February 28, 2015 (excluding non-marketable securities of ¥13,453 million ($118,008 thousand) and ¥12,448 million as of February 29, 2016 and February 28, 2015, respectively) :

	Millions of yen		
	2016		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥48,694	¥20,442	¥28,251
Debt securities			
Corporate bonds	41,335	41,305	29
Subtotal	90,030	61,748	28,281
Securities with book value not exceeding acquisition cost:			
Equity securities	1,066	1,464	(398)
Debt securities			
Corporate bonds	10	10	(0)
Subtotal	1,076	1,474	(398)
Total	¥91,106	¥63,223	¥27,882

	Millions of yen		
	2015		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 52,213	¥22,071	¥30,142
Debt securities			
Governmental and municipal bonds, etc.	67,521	67,500	21
Corporate bonds	10	10	0
Others	35	32	3
Subtotal	119,781	89,614	30,167
Securities with book value not exceeding acquisition cost:			
Equity securities	813	1,060	(246)
Debt securities			
Corporate bonds	1	1	–
Subtotal	814	1,061	(246)
Total	¥120,595	¥90,675	¥29,920

	Thousands of U.S. dollars (Note 3)		
	2016		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	**$427,140**	**$179,315**	**$247,815**
Debt securities			
Corporate bonds	**362,587**	**362,324**	**254**
Subtotal	**789,736**	**541,649**	**248,078**
Securities with book value not exceeding acquisition cost:			
Equity securities	**9,350**	**12,842**	**(3,491)**
Debt securities			
Corporate bonds	**87**	**87**	**(0)**
Subtotal	**9,438**	**12,929**	**(3,491)**
Total	**$799,175**	**$554,587**	**$244,578**

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Sales amounts	**¥1,407**	¥2,187	**$12,342**
Gain on sales of available-for-sale securities	**162**	278	**1,421**
Loss on sales of available-for-sale securities	**2**	5	**17**

(3) Impairment loss on securities
There were no securities on which impairment losses were recognized for the fiscal year ended February 28, 2015. For the fiscal year ended February 29, 2016, an impairment loss of ¥166 million ($1,456 thousand) was recognized 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.

(4) Investments in affiliates included in investments in securities in the accompanying Consolidated Balance Sheets as of February 29, 2016 and February 28, 2015 were ¥34,746 million ($304,789 thousand) and ¥33,991 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 29, 2016 and February 28, 2015 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments

Currency-related transactions

	Millions of yen			
	2016			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**¥4,598**	**¥–**	**¥(257)**	**¥(257)**
Buy euro	**365**	**–**	**(19)**	**(19)**
Buy Chinese yuan	**148**	**–**	**(8)**	**(8)**
Buy Hong Kong dollar	**126**	**–**	**(7)**	**(7)**
Sell Indonesian rupiah	**267**	**–**	**(23)**	**(23)**

	Millions of yen			
	2015			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥4,598	¥–	¥211	¥211
Buy euro	365	–	(19)	(19)
Buy Chinese yuan	148	–	(2)	(2)
Buy Hong Kong dollar	126	–	(1)	(1)
Buy Great Britain pound	267	–	0	0

	Thousands of U.S. dollars (Note 3)			
	2016			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**$40,333**	**$–**	**$(2,254)**	**$(2,254)**
Buy euro	**3,201**	**–**	**(166)**	**(166)**
Buy Chinese yuan	**1,298**	**–**	**(70)**	**(70)**
Buy Hong Kong dollar	**1,105**	**–**	**(61)**	**(61)**
Sell Indonesian rupiah	**2,342**	**–**	**(201)**	**(201)**

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		
	2016		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting:			
Buy U.S. dollar	**¥11,380**	**¥–**	**¥973**[(a)]
Forward exchange contracts, accounted for by designation method:			
Buy U.S. dollar	**¥ 328**	**¥–**	**¥ –**[(b)]

	Millions of yen		
	2015		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting:			
Buy U.S. dollar	¥17,695	¥–	¥2,637[(a)]
Forward exchange contracts, accounted for by designation method:			
Buy U.S. dollar	¥ 386	¥–	¥ –[(b)]

	Thousands of U.S. dollars (Note 3)		
	2016		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting:			
Buy U.S. dollar	**$99,824**	**$–**	**$8,535**[(a)]
Forward exchange contracts, accounted for by designation method:			
Buy U.S. dollar	**$ 2,877**	**$–**	**$ –**[(b)]

Notes:

(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 2016		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]:			
Receive float / Pay fixed	**¥13,762**	**¥10,550**	**¥–**[a]

	Millions of yen 2015		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]:			
Receive float / Pay fixed	¥15,615	¥13,762	¥–[a]

	Thousands of U.S. dollars (Note 3) 2016		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]:			
Receive float / Pay fixed	**$120,719**	**$92,543**	**$–**[a]

Notes:
(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 (11), "Hedge accounting."

7. PROPERTY AND EQUIPMENT

Property and equipment at February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Buildings and structures	**¥ 2,116,464**	¥ 2,027,417	**$ 18,565,473**
Furniture, fixtures and other	**862,547**	794,789	**7,566,201**
	2,979,012	2,822,206	**26,131,684**
Less: Accumulated depreciation	**(1,795,547)**	(1,710,187)	**(15,750,412)**
	1,183,464	1,112,018	**10,381,263**
Land	**746,729**	725,553	**6,550,254**
Construction in progress	**42,161**	39,369	**369,833**
Total	**¥ 1,972,355**	¥ 1,876,941	**$ 17,301,359**

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 29, 2016 and February 28, 2015, the Companies recognized ¥28,800 million ($252,631 thousand) and ¥15,220 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 29, 2016:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 79 stores Osaka Pref. 57 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 4 stores Tokyo Met. 3 stores Others 16 stores	**¥26,090**	**$228,859**
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 3 stores Kanagawa Pref. 3 stores Others 5 stores		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 32 stores		
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Fukushima Pref., Nagano Pref. & others	**2,710**	**23,771**
Total			**¥28,800**	**$252,631**

Note: In the Consolidated Statements of Income, restructuring expenses include impairment loss for Stores and Other facilities, etc. in the amount of ¥3,792 million ($33,263 thousand) and ¥2,315 million ($20,307 thousand), respectively.

Fiscal year ended February 28, 2015:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 71 stores Aichi Pref. 38 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 6 stores Tokyo Met. 5 stores Others 22 stores	¥14,694
Stores (Department stores)	Land and buildings, etc.	Saitama Pref. 1 store Tokyo Met. 1 store Others 3 stores	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 12 stores	
Other facilities, etc.	Land and buildings, etc.	Tokyo Met. & others	525
Total			¥15,220

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 29, 2016 and February 28, 2015 is as follows:

Fiscal year ended February 29, 2016:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	**¥17,248**	**¥2,190**	**¥19,438**
Land	**4,706**	**200**	**4,907**
Software	**123**	**55**	**178**
Other	**4,011**	**263**	**4,275**
Total	**¥26,090**	**¥2,710**	**¥28,800**

Note: In the Consolidated Statements of Income, restructuring expenses include impairment loss for Buildings and structures, Land, Software, and Other in the amount of ¥4,950 million ($43,421 thousand), ¥643 million ($5,640 thousand), ¥41 million ($359 thousand), and ¥473 million ($4,149 thousand), respectively.

Fiscal year ended February 28, 2015:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥10,228	¥397	¥10,626
Land	1,973	86	2,060
Software	0	26	27
Other	2,492	14	2,506
Total	¥14,694	¥525	¥15,220

Fiscal year ended February 29, 2016:

			Thousands of U.S. dollars (Note 3)
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	**$151,298**	**$19,210**	**$170,508**
Land	**41,280**	**1,754**	**43,043**
Software	**1,078**	**482**	**1,561**
Other	**35,184**	**2,307**	**37,500**
Total	**$228,859**	**$23,771**	**$252,631**

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 3.0%–6.0% discount rates in 2016 and 2.9%–6.0% in 2015 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, 2015:

Barneys Japan Co., Ltd

	Millions of yen
	2015
Current assets	¥ 6,597
Non-current assets	8,518
Goodwill	6,579
Current liabilities	(5,313)
Non-current liabilities	(3,371)
Gain on step acquisitions of shares of a subsidiary	(763)
Investment in an affiliate accounted for using the equity method until the acquisition of control	(5,733)
Acquisition cost	6,512
Cash and cash equivalents	(139)
Payment for acquisition of shares	¥ 6,373

(2) Assets, liabilities, sales amount and proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation are as follows:

Fiscal year ended February 28, 2015:

APIX INTERNATIONAL CO., LTD.

	Millions of yen
	2015
Current assets	¥ 744
Non-current assets	40
Current liabilities	(545)
Non-current liabilities	(37)
Minority interests in consolidated subsidiaries	75
Profit from sales of stocks	116
Sales amount of shares	394
Cash and cash equivalents	(16)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	¥ 377

(3) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	**¥13,384**	¥5,239	**$117,403**
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	**5,745**	6,633	**50,394**

(4) Acquisition of business

During the fiscal year ended February 29, 2016, payments for acquired businesses made by 7-Eleven, Inc. consist of the following:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2016	2016
Inventories	¥ 1,189	$ 10,429
Goodwill	39,838	349,456
Other intangible assets	7,785	68,289
Other	(333)	(2,921)
Subtotal	48,479	425,254
Property and equipment	29,203	256,166
Total	¥77,683	$681,429

The property and equipment set out above at an amount of ¥29,203 million ($256,166 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 29, 2016.

The figures in the table above include the acquisition of subsidiaries.

During the fiscal year ended February 28, 2015, payments for acquired businesses made by 7-Eleven, Inc. consist of the following:

	Millions of yen
	2015
Inventories	¥ 24
Goodwill	668
Other	216
Subtotal	909
Property and equipment	617
Total	¥1,526

The property and equipment set out above at an amount of ¥617 million are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2015.

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 35.6% for the fiscal year ended February 29, 2016 and 38.0% for the fiscal year ended February 28, 2015.

(1) The significant components of deferred tax assets and liabilities as of February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	**2015**	**2016**
Deferred tax assets:			
Allowance for bonuses to employees	**¥ 4,477**	¥ 4,574	**$ 39,271**
Allowance for sales promotion expenses	**6,839**	6,999	**59,991**
Accrued payroll	**9,005**	8,714	**78,991**
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	**647**	731	**5,675**
Allowance for accrued pension and severance costs	**1,562**	1,597	**13,701**
Allowance for loss on future collection of gift certificates	**690**	928	**6,052**
Depreciation and amortization	**13,763**	15,623	**120,728**
Tax loss carried forward	**34,319**	32,945	**301,043**
Valuation loss on available-for-sale securities	**880**	1,029	**7,719**
Allowance for doubtful accounts	**2,168**	2,465	**19,017**
Unrealized loss on property and equipment	**11,908**	13,447	**104,456**
Impairment loss on property and equipment valuation and loss on land	**42,050**	41,542	**368,859**
Accrued enterprise taxes and business office taxes	**5,357**	5,264	**46,991**
Accrued expenses	**16,619**	16,539	**145,780**
Asset retirement obligations	**18,572**	18,304	**162,912**
Rights of trademark	**3,942**	5,419	**34,578**
Other	**22,723**	23,005	**199,324**
Subtotal	**195,531**	199,134	**1,715,184**
Less: Valuation allowance	**(81,083)**	(74,767)	**(711,254)**
Total	**114,448**	124,366	**1,003,929**
Deferred tax liabilities:			
Unrealized gains on property and equipment	**(57,709)**	(58,236)	**(506,219)**
Royalties, etc.	**(23,227)**	(19,820)	**(203,745)**
Reserve for advanced depreciation of property and equipment	**(833)**	(934)	**(7,307)**
Unrealized gains on available-for-sale securities	**(7,372)**	(8,465)	**(64,666)**
Net defined benefit asset	**(8,363)**	(14,475)	**(73,359)**
Unrealized intercompany profit	**(4,759)**	(5,346)	**(41,745)**
Removal cost related to asset retirement obligations	**(6,715)**	(6,771)	**(58,903)**
Other	**(4,308)**	(5,075)	**(37,789)**
Total	**(113,289)**	(119,126)	**(993,763)**
Net deferred tax assets[a]	**¥ 1,158**	¥ 5,240	**$ 10,157**

Note:
(a) Net deferred tax assets are included in the assets and liabilities shown as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Current assets–Deferred income taxes	¥ 38,866	¥ 41,499	$ 340,929
Other assets–Deferred income taxes	27,636	28,382	242,421
Current liabilities–Other	(484)	(1,105)	(4,245)
Non-current liabilities–Deferred income taxes	(64,859)	(63,536)	(568,938)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 29, 2016 and February 28, 2015 is as follows:

	2016	2015
Statutory tax rate	35.6%	38.0%
Adjustments:		
Equity in earnings of affiliates	(0.2)	0.0
Amortization of goodwill	2.7	2.3
Non-deductible items, such as entertainment expenses	0.3	0.2
Decrease in valuation allowance	4.6	0.4
Inhabitant taxes per capita	0.5	0.5
Decrease in deferred tax assets at the fiscal year-end due to changes in tax rate	1.6	0.7
Other	(0.6)	(1.0)
Effective tax rate	44.5%	41.1%

(3) Effect of change in rates of income taxes

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. With this amendment, the rates of income taxes, etc. were changed effective from the fiscal year beginning on or after April 1, 2015.

In conjunction with this, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from the previous rate of 35.6% to 33.1% for temporary differences expected to be reversed in the fiscal year beginning on March 1, 2016, and the rate will be 32.3% for temporary differences expected to be reversed in the fiscal year beginning on or after March 1, 2017.

As a result of these changes, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by ¥4,485 million ($39,342 thousand). Income taxes–deferred, unrealized gains (losses) on available-for-sale securities and unrealized gains (losses) on hedging derivatives increased by ¥4,784 million ($41,964 thousand), ¥539 million ($4,728 thousand), and ¥17 million ($149 thousand), respectively, while remeasurements of defined benefit plans decreased by ¥258 million ($2,263 thousand).

(4) Note on change in rates of income taxes subsequent to the date of the Consolidated Balance Sheets

On March 31, 2016, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted and the corporate tax rate will change from the fiscal years beginning on or after April 1, 2016.

In accordance with this revision, for temporary differences expected to be reversed in the fiscal years beginning on March 1, 2017 and 2018, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 32.3% to 30.9%. In addition, for temporary differences expected to be reversed in fiscal years beginning on or after March 1, 2019, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed to 30.6%.

The impact of this change 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.

Certain consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Defined benefit plans, including a plan applying a simplified method

(a) Change in retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Balance at beginning of year	**¥245,016**	¥224,779	**$2,149,263**
Cumulative effects of changes in accounting policies	**3**	–	**26**
Restated balance reflecting changes in accounting policies	**¥245,019**	¥224,779	**$2,149,289**
Service cost	**11,206**	10,110	**98,298**
Interest cost	**2,645**	3,540	**23,201**
Actuarial differences	**1,303**	16,152	**11,429**
Benefits paid	**(10,109)**	(10,288)	**(88,675)**
Past service cost arising during year	**(301)**	–	**(2,640)**
Other	**3**	722	**26**
Balance at end of year	**¥249,767**	¥245,016	**$2,190,938**

(b) Change in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Balance at beginning of year	**¥277,237**	¥244,665	**$2,431,903**
Expected return on plan assets	**6,907**	6,096	**60,587**
Actuarial differences	**(18,572)**	25,348	**(162,912)**
Employer contribution	**11,387**	11,028	**99,885**
Benefits paid	**(9,697)**	(9,902)	**(85,061)**
Balance at end of year	**¥267,262**	¥277,237	**$2,344,403**

(c) Reconciliation from retirement benefit obligations and plan assets to liabilities and assets for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Funded retirement benefit obligations	**¥ 241,202**	¥ 236,347	**$ 2,115,807**
Plan assets	**(267,262)**	(277,237)	**(2,344,403)**
	(26,059)	(40,889)	**(228,587)**
Unfunded retirement benefit obligations	**8,564**	8,669	**75,122**
	¥ (17,495)	¥ (32,220)	**$ (153,464)**
Net defined benefit liability	**¥ 8,564**	¥ 8,669	**$ 75,122**
Net defined benefit asset	**(26,059)**	(40,889)	**(228,587)**
	¥ (17,495)	¥ (32,220)	**$ (153,464)**

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Service cost	¥11,206	¥10,110	$ 98,298
Interest cost	2,645	3,540	23,201
Expected return on plan assets	(6,907)	(6,096)	(60,587)
Amortization of actuarial differences	1,660	2,428	14,561
Amortization of past service cost	4	66	35
Additional retirement benefits	123	160	1,078
Total retirement benefit costs	¥ 8,733	¥10,209	$ 76,605

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Past service cost	¥ 306	¥–	$ 2,684
Actuarial differences	(18,217)	–	(159,798)
Total	¥(17,910)	¥–	$(157,105)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Unrecognized past service cost	¥ (302)	¥ 1	$ (2,649)
Unrecognized actuarial differences	12,972	(5,244)	113,789
Total	¥12,669	¥(5,243)	$111,131

(g) Plan assets

1. Asset allocation for the plans

	2016	2015
Bonds	49%	48%
Equity	36%	40%
Other	15%	12%
Total	100%	100%

2. Method for setting long-term expected rate of return

To set the expected rate of return on plan assets, the Company takes into account the current and expected allocation of plan assets and the expected present and future long-term rate of return on the diverse range of assets that make up plan assets.

(h) Actuarial assumptions

	2016	2015
Discount rate	mainly 1.0%	mainly 1.0%
Discount rate (consolidated subsidiaries in the U.S.)	4.6%	4.2%
Long-term expected rate of return on plan assets	mainly 2.5%	mainly 2.5%
Expected rate of salary increase	mainly 2.9%	mainly 2.9%

(3) Defined contribution plans

Contribution made to the defined contribution plans by some of the Company's domestic consolidated subsidiaries and consolidated subsidiaries in the U.S. amounted to ¥3,138 million ($27,526 thousand) and ¥3,189 million for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.

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)
	2016	2015	**2016**
Outstanding balance at fiscal year-end:			
Short-term bank loans[a]	**¥130,782**	¥130,780	**$1,147,210**
Weighted-average interest rate at year-end:			
Short-term bank loans	**0.31%**	0.30%	**0.31%**

Note:
(a) The total amounts of short-term loans with collateral as of February 29, 2016 and February 28, 2015 were ¥1,900 million ($16,666 thousand) and ¥2,200 million, respectively (Note 18).

Long-term debt as of February 29, 2016 and February 28, 2015 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2015 to 2030 with interest rates ranging from 0.1% to 7.0%[b]	**¥ 462,193**	¥ 437,480	**$ 4,054,324**
Lease obligations	**47,317**	48,103	**415,061**
Seven & i Holdings Co., Ltd.:			
1.68% unsecured straight bonds, due June 19, 2015	**–**	29,999	**–**
1.94% unsecured straight bonds, due June 20, 2018	**29,994**	29,992	**263,105**
0.541% unsecured straight bonds, due June 19, 2015	**–**	30,000	**–**
0.852% unsecured straight bonds, due June 20, 2017	**20,000**	20,000	**175,438**
1.399% unsecured straight bonds, due June 19, 2020	**60,000**	60,000	**526,315**
0.258% unsecured straight bonds, due June 20, 2016	**40,000**	40,000	**350,877**
0.383% unsecured straight bonds, due June 20, 2019	**40,000**	40,000	**350,877**
0.671% unsecured straight bonds, due March 20, 2023	**20,000**	20,000	**175,438**
0.150% unsecured straight bonds, due June 20, 2018	**30,000**	–	**263,157**
0.514% unsecured straight bonds, due June 20, 2022	**60,000**	–	**526,315**
0.781% unsecured straight bonds, due June 20, 2025	**30,000**	–	**263,157**
Seven Bank, Ltd.:			
0.398% unsecured straight bonds, due June 20, 2017	**30,000**	30,000	**263,157**
0.613% unsecured straight bonds, due June 20, 2019	**10,000**	10,000	**87,719**
0.243% unsecured straight bonds, due March 20, 2018	**15,000**	15,000	**131,578**
0.46% unsecured straight bonds, due March 19, 2020	**20,000**	20,000	**175,438**
0.803% unsecured straight bonds, due March 20, 2023	**20,000**	20,000	**175,438**
0.536% unsecured straight bonds, due December 20, 2024	**15,000**	15,000	**131,578**
	949,505	865,575	**8,328,991**
Current portion of long-term debt	**(159,862)**	(146,509)	**(1,402,298)**
	¥ 789,642	¥ 719,066	**$ 6,926,684**

Note:
(b) The total amounts of long-term debt with collateral as of February 29, 2016 and February 28, 2015 were ¥11,206 million ($96,719 thousand) and ¥13,103 million, respectively (Note 18).

Financial Section

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

Fiscal year ending February 28 or 29	Millions of yen	Thousands of U.S. dollars (Note 3)
2017	¥159,862	$1,402,298
2018	192,591	1,689,394
2019	147,158	1,290,859
2020	135,918	1,192,263
2021	105,027	921,289
Thereafter	208,946	1,832,859
	¥949,505	$8,328,991

13. LEASES

Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 29, 2016 and February 28, 2015 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Due within one year	¥ 89,371	¥ 86,164	$ 783,956
Due after one year	492,666	497,549	4,321,631
Total	¥582,037	¥583,714	$5,105,587

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Due within one year	¥1,957	¥2,246	$17,166
Due after one year	4,121	4,775	36,149
Total	¥6,078	¥7,021	$53,315

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 29, 2016 and February 28, 2015:

(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 1 and 50 years and use a discount rate between 0.01% and 8.3%.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 29, 2016 and February 28, 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Balance at beginning of year	**¥68,183**	¥61,166	**$598,096**
Increase due to acquisition of property and equipment	**7,625**	5,437	**66,885**
Adjustment due to passage of time	**1,324**	1,288	**11,614**
Decrease due to settlement of asset retirement obligations	**(1,037)**	(1,546)	**(9,096)**
Increase due to new consolidation	**–**	271	**–**
Others	**(955)**	1,566	**(8,377)**
Balance at end of year	**¥75,140**	¥68,183	**$659,122**

15. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) including reclassification adjustments and tax (expense) or benefits for the fiscal years ended February 29, 2016 and February 28, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Unrealized gains (losses) on available-for-sale securities, net of taxes:			
Increase (decrease) during the fiscal year	¥ (1,992)	¥15,917	$ (17,473)
Reclassification adjustments	(122)	(399)	(1,070)
Amount before tax	(2,114)	15,518	(18,543)
Tax (expense) or benefit	1,140	(4,497)	10,000
Subtotal	(974)	11,020	(8,543)
Unrealized gains (losses) on hedging derivatives, net of taxes:			
Increase (decrease) during the fiscal year	(1,664)	1,769	(14,596)
Reclassification adjustments	–	–	–
Amount before tax	(1,664)	1,769	(14,596)
Tax (expense) or benefit	634	(636)	5,561
Subtotal	(1,029)	1,132	(9,026)
Foreign currency translation adjustments:			
Increase (decrease) during the fiscal year	(9,701)	77,684	(85,096)
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the fiscal year	(19,345)	–	(169,692)
Reclassification adjustments	1,434	–	12,578
Amount before tax	(17,910)	–	(157,105)
Tax (expense) or benefit	5,592	–	49,052
Subtotal	(12,318)	–	(108,052)
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Increase (decrease) during the fiscal year	(54)	192	(473)
Total other comprehensive income (loss)	¥(24,077)	¥90,030	$(211,201)

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 26, 2016, the shareholders approved cash dividends amounting to ¥41,114 million ($360,649 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 29, 2016 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 under selling, general and administrative expenses on the Consolidated Statements of Income for the fiscal years ended February 29, 2016 and February 28, 2015 amounted to ¥795 million ($6,973 thousand) and ¥581 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 ordinary shares	95,800 ordinary 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 ordinary shares	129,700 ordinary 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 ordinary shares	114,400 ordinary 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 ordinary shares	128,000 ordinary 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 ordinary shares	126,100 ordinary 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 ordinary shares	110,500 ordinary 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

	Thirteenth grant	Fourteenth grant
Title and number of grantees	7 directors of the Company	113 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	24,000 ordinary shares	102,800 ordinary shares
Grant date	August 6, 2014	August 6, 2014
Exercise condition	[(b)]	[(b)]
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2015 to August 6, 2034	From February 28, 2015 to August 6, 2044

	Fifteenth grant	Sixteenth grant
Title and number of grantees	8 directors of the Company	114 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[(a)]	28,100 ordinary shares	101,800 ordinary shares
Grant date	August 5, 2015	August 5, 2015
Exercise condition	[(b)]	[(b)]
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2016 to August 5, 2035	From February 29, 2016 to August 5, 2045

Notes:
(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 29, 2016.
The number of stock options is translated into the number of shares.

Fiscal year ended February 29, 2016:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	12,900	51,200	19,800	77,000
Vested	–	–	–	–
Exercised	–	8,800	1,500	12,300
Forfeited	–	–	–	–
Outstanding	12,900	42,400	18,300	64,700

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	17,500	70,000	25,900	98,600
Vested	–	–	–	–
Exercised	1,400	11,300	1,600	12,800
Forfeited	–	–	–	–
Outstanding	16,100	58,700	24,300	85,800

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	27,000	104,500	24,900	104,500
Vested	–	–	–	–
Exercised	1,600	12,800	1,500	11,700
Forfeited	–	–	–	–
Outstanding	25,400	91,700	23,400	92,800

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	28,100	101,800
Forfeited	–	–	–	800
Vested	–	–	28,100	101,000
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	24,000	102,800	–	–
Vested	–	–	28,100	101,000
Exercised	1,400	11,500	–	–
Forfeited	–	–	–	–
Outstanding	22,600	91,300	28,100	101,000

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	¥5,124 ($44) per subscription to share	¥5,117 ($44) per subscription to share	¥5,143 ($45) per subscription to share
Fair value at the grant date[(a)]	¥307,000 ($2,692) per subscription to share	¥311,300 ($2,730) per subscription to share	¥204,500 ($1,793) per subscription to share	¥211,100 ($1,851) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	¥5,117 ($44) per subscription to share	¥5,156 ($45) per subscription to share	¥5,117 ($44) per subscription to share	¥5,139 ($45) per subscription to share
Fair value at the grant date[(a)]	¥185,000 ($1,622) per subscription to share	¥168,900 ($1,481) per subscription to share	¥188,900 ($1,657) per subscription to share	¥185,300 ($1,625) per subscription to share

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	¥5,117 ($44) per subscription to share	¥5,139 ($45) per subscription to share	¥5,117 ($44) per subscription to share	¥5,104 ($44) per subscription to share
Fair value at the grant date[(a)]	¥216,400 ($1,898) per subscription to share	¥206,400 ($1,810) per subscription to share	¥345,700 ($3,032) per subscription to share	¥330,600 ($2,900) per subscription to share

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	¥5,117 ($44) per subscription to share	¥5,116 ($44) per subscription to share	–	–
Fair value at the grant date[(a)]	¥388,500 ($3,407) per subscription to share	¥383,700 ($3,365) per subscription to share	¥533,000 ($4,675) per subscription to share	¥545,500 ($4,785) per subscription to share

Note:
(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 ordinary 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 Fifteenth grant of subscription rights to shares and Sixteenth grant of subscription rights to shares during the fiscal year ended February 29, 2016 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Fifteenth grant	Sixteenth grant
Expected volatility of the underlying stock price[a]	29.35%	23.20%
Remaining expected life of the option[b]	8.29 years	6.41 years
Expected dividends on the stock[c]	¥73 ($0.64) per share	¥73 ($0.64) per share
Risk-free interest rate during the expected option term[d]	0.269%	0.122%

Notes:
(a) The Fifteenth grant is calculated based on the actual stock prices during the eight years and four months from April 25, 2007 to August 5, 2015.
The Sixteenth grant is calculated based on the actual stock prices during the six years and five months from March 10, 2009 to August 5, 2015.
(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 29, 2016.
(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 ordinary shares	21,000 ordinary 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 ordinary shares	38,000 ordinary 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 ordinary shares	51,000 ordinary 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 ordinary shares	118,000 ordinary 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 ordinary shares	77,000 ordinary 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 ordinary shares	43,000 ordinary 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

	Seventh grant-1	Seventh grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	8 executive officers of Seven Bank, Ltd.
Number of stock options[a]	193,000 ordinary shares	44,000 ordinary shares
Grant date	August 4, 2014	August 4, 2014
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 5, 2014 to August 4, 2044	From August 5, 2014 to August 4, 2044

	Eighth grant-1	Eighth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	9 executive officers of Seven Bank, Ltd.
Number of stock options[a]	138,000 ordinary shares	39,000 ordinary shares
Grant date	August 10, 2015	August 10, 2015
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 11, 2015 to August 10, 2045	From August 11, 2015 to August 10, 2045

Notes:
(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 an 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 29, 2016.
The number of stock options is translated into the number of shares.

Fiscal year ended February 29, 2016:
Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	157,000	7,000	171,000	16,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	157,000	7,000	171,000	16,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	423,000	13,000	440,000	90,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	423,000	13,000	440,000	90,000

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	363,000	67,000	216,000	34,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	363,000	67,000	216,000	34,000

	Seventh grant-1	Seventh grant-2	Eighth grant-1	Eighth grant-2
Before vested:				
As of February 28, 2015	–	–	–	–
Granted	–	–	138,000	39,000
Forfeited	–	–	–	–
Vested	–	–	138,000	39,000
Outstanding	–	–	–	–
After vested:				
As of February 28, 2015	193,000	44,000	–	–
Vested	–	–	138,000	39,000
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	193,000	44,000	138,000	39,000

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥236,480 ($2,074) per subscription to share	¥236,480 ($2,074) per subscription to share	¥221,862 ($1,946) per subscription to share	¥221,862 ($1,946) per subscription to share

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥139,824 ($1,226) per subscription to share	¥139,824 ($1,226) per subscription to share	¥127,950 ($1,122) per subscription to share	¥127,950 ($1,122) per subscription to share

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥175,000 ($1,535) per subscription to share	¥175,000 ($1,535) per subscription to share	¥312,000 ($2,736) per subscription to share	¥312,000 ($2,736) per subscription to share

	Seventh grant-1	Seventh grant-2	Eighth grant-1	Eighth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥370,000 ($3,245) per subscription to share	¥370,000 ($3,245) per subscription to share	¥537,000 ($4,710) per subscription to share	¥537,000 ($4,710) per subscription to share

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

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

The valuation method used for valuating fair value of Eighth grant-1 of subscription rights to shares and Eighth grant-2 of subscription rights to shares during the fiscal year ended February 29, 2016 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Eighth grant-1	Eighth grant-2
Expected volatility of the underlying stock price[(a)]	28.903%	28.903%
Remaining expected life of the option[(b)]	6.76 years	6.76 years
Expected dividends on the stock[(c)]	¥8.0 ($0.07) per share	¥8.0 ($0.07) per share
Risk-free interest rate during the expected option term[(d)]	0.174%	0.174%

Notes:

(a) The Eighth grant-1 and The Eighth grant-2 are calculated based on the actual stock prices during the six years and nine months from November 6, 2008 to August 10, 2015.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2015 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, 2016.

(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 29, 2016

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥155 million ($1,359 thousand).

As of February 28, 2015

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥221 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 29, 2016 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Buildings and structures	**¥ 893**	¥ 2,867	**$ 7,833**
Land	**2,070**	7,395	**18,157**
Investments in securities	**30,622**	63,019	**268,614**
Long-term leasehold deposits	**4,856**	5,005	**42,596**
Total	**¥38,442**	¥78,288	**$337,210**

Debts for the pledged assets above as of February 29, 2016 are as follows: short-term loans, ¥1,900 million ($16,666 thousand); long-term loans (including current portion), ¥11,206 million ($98,298 thousand); and long-term deposits received from tenants and franchised stores, ¥54 million ($473 thousand).

Debts for the pledged assets above as of February 28, 2015 are as follows: short-term loans, ¥2,200 million; long-term loans (including current portion), ¥13,103 million; long-term accounts payable, ¥442 million; and long-term deposits received from tenants and franchised stores, ¥34 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 29, 2016 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Buildings	**¥ 391**	¥ 412	**$ 3,429**
Land	**1,368**	1,368	**12,000**
Total	**¥1,759**	¥1,780	**$15,429**

Debts of affiliates for the pledged assets above as of February 29, 2016 and February 28, 2015 are ¥3,043 million ($26,692 thousand) and ¥3,151 million, respectively.

C. Other

As of February 29, 2016
The amounts of assets pledged as collateral for fund transfer and real estate business are ¥4,501 million ($39,482 thousand) and ¥55 million ($482 thousand), respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million ($11,710 thousand). In addition, ¥308 million ($2,701 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2015
The amount of assets pledged as collateral for fund transfer and real estate business are ¥4,502 million and ¥55 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥447 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 29, 2016 and February 28, 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	**2016**
Credit availability of cash loan business	**¥890,170**	¥934,876	**$7,808,508**
Outstanding balance	**(40,211)**	(35,685)	**(352,728)**
Unused credit balance	**¥849,958**	¥899,190	**$7,455,771**

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

(4) Others

Government Bonds held by Seven Bank, Ltd.
Seven Bank, Ltd., one of the Company's consolidated subsidiaries, holds government bonds to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These government bonds are recorded in "Investments in securities" in the Consolidated Balance Sheets due to its nature of restriction though they have redemption at maturity less than one year.

19. NOTES AND ACCOUNTS PAYABLE, TRADE FOR FRANCHISED STORES

The balance of notes and accounts payable, trade for franchised stores represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. These two companies centralize all purchasing procedures for merchandise purchased by an individual franchised store and make collective payments to all vendors on behalf of the franchisees.

20. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

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

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Franchise commission from franchised store	**¥ 680,413**	¥ 628,867	**$ 5,968,535**
Net sales of franchised stores	**4,182,231**	3,905,369	**36,686,236**

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Franchise commission from franchised store	**¥ 246,123**	¥ 198,282	**$ 2,158,973**
Net sales of franchised stores	**1,401,665**	1,118,497	**12,295,307**

(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)
	2016	2015	2016
Buildings and structures	**¥ 937**	¥1,507	**$ 8,219**
Land	**1,174**	974	**10,298**
Others	**60**	220	**526**
Total	**¥2,171**	¥2,702	**$19,043**

(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)
	2016	2015	2016
Buildings and structures	**¥ 5,151**	¥ 4,840	**$ 45,184**
Furniture, fixtures and equipment	**2,683**	6,028	**23,535**
Others	**4,232**	2,480	**37,122**
Total	**¥12,068**	¥13,349	**$105,859**

Note: In the Consolidated Statements of Income for the year ended February 29, 2016, restructuring expenses include loss on disposals of Buildings and structures, Furniture, fixtures and equipment, and Others in the amounts of ¥18 million ($157 thousand), ¥7 million ($61 thousand), and ¥484 million ($4,245 thousand), respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Advertising and decoration expenses	¥176,335	¥165,645	$1,546,798
Salaries and wages	461,658	438,849	4,049,631
Provision for allowance for bonuses to employees	13,366	12,680	117,245
Legal welfare expenses	62,580	57,515	548,947
Land and building rent	342,128	318,485	3,001,122
Depreciation and amortization	186,538	164,020	1,636,298
Utility expenses	125,062	126,726	1,097,035
Store maintenance and repair expenses	73,230	67,671	642,368

21. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the year ended February 29, 2016 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2016	2015	2016
Impairment loss	¥ 6,108	¥–	$53,578
Store closing losses	1,584	–	13,894
Loss on inventory disposal on business closure	1,527	–	13,394
Loss on disposal of property and equipment	510	–	4,473
Others	964	–	8,456
Total	¥10,695	¥–	$93,815

22. RELATED PARTIES TRANSACTIONS

Fiscal year ended February 29, 2016
No items required to report.

Fiscal year ended February 28, 2015

Transactions between the Company and related parties
(a) Unconsolidated subsidiaries and affiliates
No items required to report.
(b) A Director of the Company and primary institutional shareholders

Attribution	Name	Address	Capital and investments	Business or title	Voting interest (held)	Business relationship	Detail of transaction	Transaction amount	Account	Year-end balance
Close relative of a Director	Yasuhiro Suzuki	–	–	A Director of the Company's subsidiary	Directly 0.0%	–	Exchange of shares	¥238 million	–	–

Notes:
1. The purpose of this exchange of shares between the Company and the close relative of a Director is to make Seven & i Net Media Co., Ltd. a wholly owned subsidiary, and the Company issued ordinary shares by ratio of exchange calculated by the third party organizations.
The transaction price is determined based on the market price.
2. Yasuhiro Suzuki is a son of Toshifumi Suzuki, Chairman and Chief Executive Officer of the Company.

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. “Mail order services” operate mail order which mainly consists of Nissen Holdings Co., Ltd., and selling and wholesale of gift. “Others” operate IT business and other services.

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

The accounting treatment of each reportable segment is in line with the “Notes 1. Basis of Presentation of Consolidated Financial Statements.”

Segment income (loss) and segment liabilities as reported in this section are based on operating income and interest-bearing debt, respectively.

Intersegment revenues and transfers are calculated at prevailing market prices.

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

Fiscal year ended February 29, 2016

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	¥2,674,779	¥2,051,542	¥881,817	¥83,019	¥ 156,581	¥157,191	¥ 40,772	¥6,045,704	¥ –	¥6,045,704
Intersegment	1,111	8,973	2,899	819	35,906	1,540	20,809	72,061	(72,061)	–
Total revenues	2,675,890	2,060,516	884,716	83,839	192,487	158,732	61,582	6,117,765	(72,061)	6,045,704
Segment income (loss)	¥ 304,110	¥ 7,234	¥ 3,832	¥ 917	¥ 49,697	¥ (8,451)	¥ 5,559	¥ 362,898	¥ (10,578)	¥ 352,320
Segment assets	¥1,982,681	¥1,047,824	¥485,700	¥25,200	¥1,929,839	¥ 81,941	¥186,078	¥5,739,265	¥(297,574)	¥5,441,691
Segment liabilities (interest-bearing debt)	¥ 132,671	¥ 12,927	¥176,716	¥ –	¥ 346,763	¥ 28,048	¥ 5,850	¥ 702,975	¥ 329,994	¥1,032,970
Other items:										
Depreciation	¥ 116,514	¥ 23,800	¥ 13,569	¥828	¥ 29,071	¥ 3,730	¥ 2,958	¥ 190,474	¥ 5,036	¥ 195,511
Amortization of goodwill	¥ 10,677	¥ 3,140	¥ 5,288	¥ –	¥ 1,695	¥ 184	¥ 2,124	¥ 23,110	¥ –	¥ 23,110
Investment in associates accounted for using the equity method	¥ 13,471	¥ 4,420	¥ 584	¥ –	¥ –	¥ 3,374	¥ 12,895	¥ 34,746	¥ –	¥ 34,746
Impairment loss	¥ 9,369	¥ 12,273	¥ 3,972	¥ 636	¥ 28	¥ 2,358	¥ 161	¥ 28,800	¥ –	¥ 28,800
Net increase in property and equipment, and intangible assets	¥ 219,793	¥ 70,259	¥ 15,446	¥ 1,749	¥ 26,544	¥ 4,725	¥ 3,676	¥ 342,195	¥ 18,057	¥ 360,252

Financial Section

Fiscal year ended February 28, 2015

	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	¥2,727,130	¥2,003,785	¥872,650	¥80,209	¥ 146,593	¥185,525	¥ 23,053	¥6,038,948	¥ –	¥6,038,948
Intersegment	650	8,390	2,376	770	31,628	277	30,844	74,937	(74,937)	–
Total revenues	2,727,780	2,012,176	875,027	80,980	178,221	185,802	53,897	6,113,886	(74,937)	6,038,948
Segment income (loss)	¥ 276,745	¥ 19,340	¥ 7,059	¥ 44	¥ 47,182	¥ (7,521)	¥ 3,669	¥ 346,520	¥ (3,188)	¥ 343,331
Segment assets	¥1,927,221	¥1,040,068	¥495,961	¥26,307	¥1,871,705	¥105,717	¥207,073	¥5,674,056	¥(439,351)	¥5,234,705
Segment liabilities (interest-bearing debt)	¥ 132,632	¥ 16,131	¥174,395	¥ –	¥ 326,132	¥ 24,158	¥ 4,810	¥ 678,260	¥ 269,991	¥ 948,252
Other items:										
Depreciation	¥ 103,247	¥ 20,696	¥ 13,399	¥ 709	¥ 25,233	¥ 3,842	¥ 2,689	¥ 169,818	¥ 2,419	¥ 172,237
Amortization of goodwill	¥8,709	¥ 3,140	¥ 5,282	¥ –	¥ 1,560	¥ 9	¥ 192	¥ 18,894	¥ –	¥ 18,894
Investment in associates accounted for using the equity method	¥ 14,134	¥ 4,128	¥ 560	¥ –	¥ –	¥ 2,978	¥ 12,189	¥ 33,991	¥ –	¥ 33,991
Impairment loss	¥ 5,739	¥ 7,111	¥ 1,763	¥ 471	¥ –	¥ 90	¥ 44	¥ 15,220	¥ –	¥ 15,220
Net increase in property and equipment, and intangible assets	¥ 172,219	¥ 62,051	¥ 13,504	¥ 3,304	¥ 30,919	¥ 3,566	¥ 5,381	¥ 290,947	¥ 15,106	¥ 306,054

Fiscal year ended February 29, 2016

	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	$23,462,973	$17,995,982	$7,735,236	$728,236	$ 1,373,517	$1,378,868	$ 357,649	$53,032,491	$ –	$53,032,491
Intersegment	9,745	78,710	25,429	7,184	314,964	13,508	182,535	632,114	(632,114)	–
Total revenues	23,472,719	18,074,701	7,760,666	735,429	1,688,482	1,392,385	540,192	53,664,605	(632,114)	53,032,491
Segment income (loss)	$ 2,667,631	$ 63,456	$ 33,614	$ 8,043	$ 435,938	$ (74,131)	$ 48,763	$ 3,183,315	$ (92,789)	$ 3,090,526
Segment assets	$17,391,938	$ 9,191,438	$4,260,526	$221,052	$16,928,412	$ 718,780	$1,632,263	$50,344,429	$(2,610,298)	$47,734,131
Segment liabilities (interest-bearing debt)	$ 1,163,780	$ 113,394	$1,550,140	$ –	$ 3,041,780	$ 246,035	$ 51,315	$ 6,166,447	$ 2,894,684	$ 9,061,140
Other items:										
Depreciation	$ 1,022,052	$ 208,771	$ 119,026	$ 7,263	$ 255,008	$ 32,719	$ 25,947	$ 1,670,824	$ 44,175	$ 1,715,008
Amortization of goodwill	$ 93,657	$ 27,543	$ 46,385	$ –	$ 14,868	$ 1,614	$ 18,631	$ 202,719	$ –	$ 202,719
Investment in associates accounted for using the equity method	$ 118,166	$ 38,771	$ 5,122	$ –	$ –	$ 29,596	$ 113,114	$ 304,789	$ –	$ 304,789
Impairment loss	$ 82,184	$ 107,657	$ 34,842	$ 5,578	$ 245	$ 20,684	$ 1,412	$ 252,631	$ –	$ 252,631
Net increase in property and equipment, and intangible assets	$ 1,928,008	$ 616,307	$ 135,491	$ 15,342	$ 232,842	$ 41,447	$ 32,245	$ 3,001,710	$ 158,394	$ 3,160,105

Notes:

1. The adjustments of ¥(10,578) million ($(92,789) thousand) and ¥(3,188) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.
2. The adjustments of ¥(297,574) million ($(2,610,298) thousand) and ¥(439,351) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 29, 2016 and February 28, 2015, respectively.
3. The adjustments of ¥329,994 million ($2,894,684 thousand) and ¥269,991 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 29, 2016 and February 28, 2015, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment income (loss) is reconciled with the operating income in the Consolidated Statements of Income.
5. ¥6,108 million ($53,578 thousand) out of "Impairment loss" in the table above is included in "Restructuring expenses" in the Consolidated Statements of Income for the year ended February 29, 2016.

(Reference)

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

						Millions of yen
Fiscal year ended February 29, 2016	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	**¥4,055,345**	**¥1,855,096**	**¥135,262**	**¥6,045,704**	**¥ –**	**¥6,045,704**
Intersegment	**927**	**208**	**795**	**1,931**	**(1,931)**	**–**
Total revenues	**¥4,056,272**	**¥1,855,305**	**¥136,058**	**¥6,047,636**	**¥(1,931)**	**¥6,045,704**
Operating income	**¥ 288,068**	**¥ 65,148**	**¥ (842)**	**¥ 352,373**	**¥ (53)**	**¥ 352,320**

						Millions of yen
Fiscal year ended February 28, 2015	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,940,339	¥1,968,681	¥129,927	¥6,038,948	¥ –	¥6,038,948
Intersegment	998	172	1,130	2,301	(2,301)	–
Total revenues	¥3,941,337	¥1,968,854	¥131,058	¥6,041,250	¥(2,301)	¥6,038,948
Operating income	¥ 295,666	¥ 49,825	¥ (2,161)	¥ 343,329	¥ 1	¥ 343,331

						Thousands of U.S. dollars (Note 3)
Fiscal year ended February 29, 2016	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	**$35,573,201**	**$16,272,771**	**$1,186,508**	**$53,032,491**	**$ –**	**$53,032,491**
Intersegment	**8,131**	**1,824**	**6,973**	**16,938**	**(16,938)**	**–**
Total revenues	**$35,581,333**	**$16,274,605**	**$1,193,491**	**$53,049,438**	**$(16,938)**	**$53,032,491**
Operating income	**$ 2,526,912**	**$ 571,473**	**$ (7,385)**	**$ 3,090,991**	**$ (464)**	**$ 3,090,526**

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

Related Information

Fiscal Years ended February 29, 2016 and February 28, 2015

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 29, 2016

Japan	North America	Others	Total (Millions of yen)
¥4,055,345	**¥1,855,096**	**¥135,262**	**¥6,045,704**

Fiscal year ended February 28, 2015

Japan	North America	Others	Total (Millions of yen)
¥3,940,339	¥1,968,681	¥129,927	¥6,038,948

Fiscal year ended February 29, 2016

Japan	North America	Others	Total (Thousands of U.S. dollars (Note 3))
$35,573,201	**$16,272,771**	**$1,186,508**	**$53,032,491**

(2) Property and equipment

Fiscal year ended February 29, 2016

Japan	North America	Others	Total (Millions of yen)
¥1,439,662	**¥530,220**	**¥2,471**	**¥1,972,355**

Fiscal year ended February 28, 2015

Japan	North America	Others	Total (Millions of yen)
¥1,387,023	¥486,955	¥2,963	¥1,876,941

Fiscal year ended February 29, 2016

Japan	North America	Others	Total (Thousands of U.S. dollars (Note 3))
$12,628,614	**$4,651,052**	**$21,675**	**$17,301,359**

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

Fiscal year ended February 29, 2016

Millions of yen

	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	¥ 10,677	¥ 3,140	¥ 5,288	¥ –	¥ 1,695	¥184	¥2,124	¥ 23,110	¥–	¥ 23,110
Balance at the end of year	205,036	33,137	53,814	–	15,589	32	6,250	313,860	–	313,860
Negative Goodwill:										
Amortization	–	28	–	4	–	2	–	34	–	34
Balance at the end of year	–	163	–	29	–	–	–	193	–	193

Fiscal year ended February 28, 2015

Millions of yen

	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	¥ 8,709	¥ 3,140	¥ 5,282	¥ –	¥ 1,560	¥ 9	¥ 192	¥ 18,894	¥–	¥ 18,894
Balance at the end of year	176,238	36,277	59,101	–	17,275	186	8,374	297,454	–	297,454
Negative Goodwill:										
Amortization	–	23	–	4	–	40	–	68	–	68
Balance at the end of year	–	187	–	33	–	–	–	220	–	220

Fiscal year ended February 29, 2016

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	Eliminations/ Corporate	Consolidated total
Goodwill:										
Amortization	$ 93,657	$ 27,543	$ 46,385	$ –	$ 14,868	$1,614	$18,631	$ 202,719	$–	$ 202,719
Balance at the end of year	1,798,561	290,675	472,052	–	136,745	280	54,824	2,753,157	–	2,753,157
Negative Goodwill:										
Amortization	–	245	–	35	–	17	–	298	–	298
Balance at the end of year	–	1,429	–	254	–	–	–	1,692	–	1,692

6. Information regarding gain on negative goodwill by reportable segment

None

24. SUBSEQUENT EVENTS

Subsequent to February 29, 2016, the Company's Board of Directors declared a year-end cash dividend of ¥41,114 million ($360,649 thousand) to be payable on May 27, 2016 to shareholders on record as of February 29, 2016.

The dividend declared was approved by the shareholders at the meeting held on May 26, 2016.

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 29, 2016 and February 28, 2015, 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 29, 2016 and February 28, 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 29, 2016 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, 2016
Tokyo, Japan