SEVEN&i HLDGS. Co.,Ltd.

LEVERAGING GROUP STRENGTHS TO FOSTER INNOVATION

Integrated Report **2016**

Contents

Management Message

In this section, Ryuichi Isaka, who became President in May 2016, and Kunio Takahashi, the Director in charge of finance and accounting, and investor relations, explain the Company's management direction and strategies for increasing corporate value. In addition, four Outside Directors discuss expectations for the Company under the new management team.

Special Features

The first special feature introduces the generation of Group synergies through *Seven Premium* and *omni7*, which are the engines of growth for the Seven & i Group. The second special feature describes the Group's initiatives to record sustained growth by continuing to implement the Group slogan of "Responding to Change."

Review of Operations

The highlights section includes 10 years of financial data as well as data relating to important non-financial indicators. An overview of each segment, as well as basic strategies and focus policies, is provided in the section starting on page 28.

Editorial Policy

From the fiscal year ended February 29, 2016, the Company issues integrated reports that will replace the English-language integrated reports that the Company previously issued. The integrated reports combine non-financial information, such as environmental, social, and governance information, with financial information. They are intended to present information about the Company's approach to value creation in a format that is easier to understand for shareholders, investors, and other stakeholders.

This report was edited with reference to the international integrated reporting framework announced by the International Integrated Reporting Council (IIRC) in December 2013.

Forward-Looking Statements

This integrated report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information.

It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this integrated report will prove to be accurate.

Management Resources and Stakeholders

This section covers the important management resources and stakeholders that are essential in the Group's value creation initiatives and the systems that support differentiation from competitors.

Corporate Governance

This section explains the Company's corporate governance system and the characteristics of the Company's corporate governance, including the Nomination and Compensation Committee, various other committees, Outside Directors and Outside Audit & Supervisory Board Members, and the system for compensating Directors and Audit & Supervisory Board Members.

Financial Section

Inclusion in Socially Responsible Investing (SRI) Indices (As of July 31, 2016)

The Dow Jones Sustainability World Index was launched in 1999 as the first global sustainability benchmark and is offered cooperatively by RobecoSAM and S&P Dow Jones Indices. The family tracks the stock performance of the world's leading companies in terms of economic, environmental, and social criteria.
Seven & i Holdings has been selected as a component stock of the DJSI Asia-Pacific index, which covers the Asia-Pacific region.

Created by the global index provider FTSE Russell, a part of the London Stock Exchange Group, the FTSE4Good indices are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.
The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products. As of December 2015, 176 Japanese listed Japanese companies were selected for inclusion, and Seven & i Holdings is one of them.

MS-SRI (Morning Star Socially Responsible Investing Index) is Japan's first domestic SRI stock price index, created by Morningstar Inc. and comprised of 150 companies listed in Japan, which are selected for superior social responsibility. Seven & i Holdings has also been selected as a component stock of this index.

For details about ESG information, please refer to the CSR page of the Company's website.

CSR page
https://www.7andi.com/en/csr/index.html

We will work to establish a corporate culture that leverages originality and ingenuity while fostering collaboration between the front lines and management. On that basis, we will strive to become a retail business group that continually proposes new value to society.

Ryuichi Isaka
President and
Representative Director

Joined Seven-Eleven Japan Co., Ltd. (SEJ), in 1980. Became Director of SEJ in 2002 and Managing Executive Officer of SEJ in 2006. After working as Director & Managing Executive Officer of the Merchandising & Foods Department, became President and Representative Director of SEJ in 2009. President and Representative Director of Seven & i Holdings from May 2016

My Approach to Management

Over seven years from 2009, I led Seven-Eleven Japan (SEJ) in the convenience store industry, which many people believed to be saturated. Looking back over those seven years, there were gradual changes in people's lifestyles due to such trends as fewer children per family, an aging population, and an increase in the number of working women. On the other hand, there was something of a paradox in that the number of retail stores declined. In response to these changes, SEJ went through a process of repeated deliberations about the social mission and value of convenience stores. This process resulted in the creation of the "close-by, convenient" concept, and everyone at SEJ, including franchisees, began working to create "close-by, convenient stores." In accordance with this concept, we not only reevaluated our product mix but also developed new fixtures and equipment designed for new product categories, and we worked to propose new sales methods. Furthermore, we rigorously implemented the management PDCA cycle, and franchisees, business partners, front-line employees, and management all worked together with a strong sense of unity. As a result, existing store sales were up year on year for 48 consecutive months as of July 2016, and SEJ has achieved record-high operating income for five consecutive years.

A major reason for SEJ's success was the cumulative effect of an independent approach to originality and ingenuity on the front lines combined with innovative initiatives by headquarters based on opinions from the front lines that were leveraged through a bottom-up management process. Of course, IoT and other technical innovations are important, but I believe that if we implement Groupwide initiatives to cultivate seeds of potential innovation from the operating companies, those seeds will develop into major strengths for the Group and we will be able to create new value for society. I will strive to make necessary decisions resolutely and rapidly, and, at the same time, I would like to see the Group transition to a more-open organization with a strong sense of unity to further enhance the cultivation of ideas from the front lines.

Overview of the Fiscal Year Ended February 29, 2016, and Forecasts for the Fiscal Year Ending February 28, 2017

In the fiscal year ended February 29, 2016, revenues from operations were ¥6,045.7 billion, a year-on-year increase of ¥6.7 billion, or 0.1%. Operating income was ¥352.3 billion, up ¥8.9 billion, or 2.6%. Looking at operating income, superstore operations and department store operations faced difficult conditions, but convenience store operations continued to show strong growth in operating income, recording a gain of 9.9%, or ¥27.3 billion. Moreover, due to an increase in the number of installed ATMs, financial services recorded growth in the total number of transactions as well as growth in credit card and electronic money operations. As a result, operating income in financial services rose ¥2.5 billion, or 5.3%. In this way, convenience store operations and financial services were the driving force behind growth in the Group's operating income.

For the fiscal year ending February 28, 2017, we are forecasting increases of ¥91.2 billion, or 1.5%, in revenues from operations and of ¥26.6 billion, or 7.6%, in operating income. We expect continued strong growth in convenience store operations and financial services. In addition, we will strive to achieve our targets by improving profitability in operations that did not achieve the expected results in the fiscal year ended February 29, 2016.

> We will implement Groupwide initiatives to cultivate seeds of potential innovation from the operating companies and develop them into major strengths for the Seven & i Group.

Outlook for the Group's Operating Environment

In Japan, consumer purchasing behavior is continually changing due to the ongoing trends toward fewer children per family and an aging population, a rise in the number of one-person households, and an increase in the number of working women. We expect the changes in the social structure to intensify, including the decrease in the number of retail stores. We also anticipate acceleration in the declining preparation of meals at home and the growing use of e-commerce. Moreover, uncertainty about the future is increasing due to the shift to an underlying trend of yen appreciation, the plan for another increase in the consumption tax in October 2019, and other factors. Customers are taking an increasingly strict approach to product pricing and value.

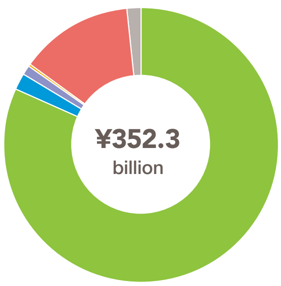
On the other hand, looking at the future business environment, a key point will be addressing the trend toward a focus on the overall "customer experience" rather than "products." Nuts, a typical snack, is one example. Due to the recent health boom, the nutritional value of nuts has been the focus of growing attention, and the number of people eating nuts for breakfast has started to increase. Focusing on this "customer experience," we changed the shelving location of nuts. Previously, nuts had been shelved near delicacies and alcoholic beverages, but after we moved them to a location near cereal and yogurt, their sales increased substantially. If we can accurately track two types of changes — in the social structure and in consumer attitudes and behavior — I believe that the products and services that we can propose will have unlimited potential.

Future Management Issues

The Group is overly dependent on convenience store operations and financial services for the generation of profits. The weak profits of other operations are a major issue for the Group, and consequently I believe that efficient resource allocation, especially investment in growth fields, will be extremely important. In dealing with unprofitable businesses, if the hypotheses and plans are mistaken, then we will correct them. However, if results do not improve even after we accurately implement the PDCA cycle, then we will have no choice but to reallocate our resources. Having said that, our operations are closely linked to the daily lives of consumers, and we cannot ignore the customers who are using our stores or the local communities where our stores

Composition of Operating Income by Segment

(Fiscal year ended February 29, 2016)



Convenience store operations	86.3%
Superstore operations	2.1%
Department store operations	1.1%
Food services	0.3%
Financial services	14.1%
Mail order services	(2.4)%
Others	1.6%
Eliminations/Corporate	(3.0)%

Capital Investment Plan for the Fiscal Year Ending February 28, 2017: Core Operating Companies

— Expanding store openings in growth businesses, activating existing stores —

¥ Billion

	Amount	YoY %	YoY increase/ decrease
Consolidated capital expenditures	**492.7**	124.9%	+98.2
Seven-Eleven Japan	**170.0**	136.5%	+45.4
7-Eleven, Inc.	**190.0**	118.9%	+30.2
Ito-Yokado	**28.6**	83.4%	(5.6)
York-Benimaru	**13.2**	124.0%	+2.5
Sogo & Seibu	**12.5**	98.8%	(0.1)

Moving forward, our growth strategy calls for focusing the Group's strengths to create new value with close ties to local communities.

are located. We cannot simply close stores because they are not profitable. Each store must address different local needs, and accordingly we will not look at operations by business format. Rather, we will reevaluate the value of each individual store from the viewpoint of customers in the local community while implementing ongoing dialogues with a variety of stakeholders.

In the past, SEJ decided its own direction and moved forward on that basis. Now, if businesses whose results are not meeting expectations repeatedly hold in-depth deliberations and determine their own direction in the same way, then I am confident that their organizational strength will improve significantly. If we foster change by earnestly working to meet the needs of local communities, without any preconceived ideas, then I think we will definitely see results.

Leveraging Group Synergies

Internally, I think we should refer to Group synergies as growth strategies, and we should investigate them more deeply rather than simply implementing them on a Groupwide basis. The operating companies each have their own special strengths. Ito-Yokado has many stores located in the daily flow of consumer lifestyles in each community, while Sogo & Seibu has superior customer service and a wide pipeline with excellent suppliers. Moving forward, we will reevaluate these strengths and work to generate synergies. For example, if we step up collaboration in regions where the stores of the Group's operating companies are concentrated, we should be able to provide safer, more secure products at reasonable prices. In the past, synergies were generally considered to involve Groupwide initiatives, such as *Seven Premium*. Moving forward, however, I believe that essential growth strategies will entail leveraging the Group's strengths to create new value with close ties to local communities.

Accelerating the Omni-Channel Strategy

Currently, e-commerce accounts for about 7% of domestic consumption. Accompanying advances in information and communications technologies, consumers are making steadily increasing use of the Internet for shopping. As a result, the Group's Omni-Channel Strategy has an extremely important position. The operating companies are taking the lead in implementing this strategy, and the active roles that all Group employees play is a key theme of these initiatives.

We will continue to enhance areas that need improvement, such as product lineup and usability, and we will leverage the strength of our overwhelming network of stores, at which customers can pick up and pay for their orders as well as make returns. Moreover, about 40% of the users of *omni7*, the Group's integrated portal site, are also making additional, unplanned purchases when they come to our stores to pick up their orders. Moving forward, we will advance the development of products with value that leverage the strengths of each operating company. We will also consider collaboration with other companies, such as those with appealing products that we lack and those with independent strengths in e-commerce.

Sustainability as a Retail Group with Close Ties to Local Communities

As a retail services group with close ties to people's lifestyles and local communities, we strive to realize customer satisfaction by providing customers with value and peace of mind. This approach is the source of the Group's growth, and the social issues that are surfacing and expanding are extremely important issues for the Group. Accordingly, we believe that our duties include working to create new value by helping to resolve social issues faced through our core business activities.

Targeting the next growth stage, in the year ahead we will clarify and share our mission and the course toward the achievement of that mission.

Currently, people are increasingly concerned about global environmental problems, and companies face growing demands and expectations for more-aggressive initiatives to resolve social issues. In 2014, in response to these changes in the times and social demands, we engaged in dialogues and discussions with a variety of stakeholders, and we identified five material issues (Materiality) for the Group to address. Prior to the identification of these issues, as I mentioned, at SEJ we thoroughly considered the social value of the Company and its stores. We originated the new concept of "close-by, convenient," and we made that concept the center of our business activities. Group companies are taking steps to activate local communities, such as concluding comprehensive alliance agreements with municipalities and promoting training for those who provide support to people with dementia. Moreover, we established the Diversity Promotion Project and are stepping up our initiatives to advance the Group's sustainable competitiveness and promote active roles for diverse human resources, including women.

Innovation on the front lines will be the key to what we can accomplish as a group in the years ahead. For example, in the past, deliveries of products to our convenience stores were typically handled during the daytime. However, there were many cases in which a day's supply of products arrived during the daytime, and as a result there was an overflow of products in the small stores, which inconvenienced customers. We took steps to level out deliveries by also making deliveries at night-time, when fewer customers visit stores. As a result, we were able to provide a comfortable shopping environment for customers. We also realized a variety of other benefits, such as the alleviation of traffic congestion near the stores, reductions in greenhouse gas emissions due to the smooth movement of trucks, and cost improvements due to improved truck fuel efficiency. This is a good example of how initiatives to resolve problems at the store level ended up enabling us to provide significant value to society.

In consideration of these types of cases, the entire Group will work together with enhanced motivation to generate new business opportunities, in such areas as products and services, and thereby help to resolve social issues through its core businesses.

*** Five Material Issues (Materiality)**

- Providing Social Infrastructure for an Aging Society and Declining Population
- Providing Safety and Reliability through Products and Stores
- Non-Wasteful Usage of Products, Ingredients and Energy
- Supporting the Active Role of Women, Youth and Seniors across the Group and in Society
- Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

My Vision of the Group's Future

Looking 5-to-10 years ahead, I think that the key words for the Group will be "food" and "global." First, in regard to the key word "food," we are already active in the sale of fresh foods, and that will remain an important business going forward. However, given the aging of society and the increase in the number of working women, there are a growing number of people who do not have time to prepare meals, and there will be an expanding need for the preparation of fresh food. Furthermore, we will take steps to

not only sell prepared products at Group stores but also deliver them directly, such as to hospitals, companies, and schools. By deepening our approach to the category of food, I am confident that we will be able to build a solid position.

In regard to the key word “global,” there are currently about 60,000 7-Eleven stores in 17 countries and regions, and there is still significant room for further growth. In particular, we are focusing on developing countries and the United States, where infrastructure demand is strong. The strength of SEJ’s business model is the robust supply chain, and, by building a similar supply chain overseas, I believe that it will be possible to achieve rapid business expansion.

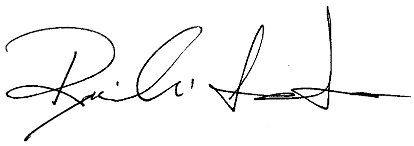
In Closing

To maintain the trust of large numbers of stakeholders, we will work closely with each operating company as “Team Seven & i,” and we will fulfill our disclosure responsibilities. In addition, we will incorporate the diverse opinions of Outside Directors and Outside Audit & Supervisory Board Members and will implement fair and transparent decision-making processes through the Nomination and Compensation Committee and the Management Committee (Portfolio Committee).

The Group’s mission is to continually propose new value to society and to contribute to society’s advancement. I would like to build an organization in which employees in all locations boldly take on challenges with that sense of our mission. It is not an exaggeration to say the year ahead will determine whether or not we can take an important step toward the next stage. Accordingly, we will make the next year a period for clarifying and sharing our future mission and the course toward its realization. We will work with determination to tackle a variety of issues so that the Group can become even stronger, and accordingly I would like to ask for your continued understanding and support of the Seven & i Group.

August 2016

President and Representative Director



Message from the Director in Charge of Finance and Accounting

We will work to increase corporate value based on a medium- to long-term viewpoint.

Kunio Takahashi

Director, Executive Officer, Senior Officer of Financial Accounting and Investor Relations, and Senior Officer of the Financial Planning Department

Joined Seven-Eleven Japan Co., Ltd., in 2003. Executive Officer of the Company from 2005, and Director of the Company from 2011. Serves concurrently as President and Representative Director of Seven & i Asset Management Co., Ltd., and as President and Representative Director of SEVEN & i Financial Center Co., Ltd.

Increasing Corporate Value

The Seven & i Group is aiming for ROE of 10% in the fiscal year ending February 28, 2019. To achieve that goal, I think that we will need to expand Group synergies and raise our capital efficiency while maintaining a sound financial position. We will not utilize own-stock acquisitions or borrowing in pursuit of short-term increases in ROE. In accordance with this approach, we will break down ROE into the components of ROA and financial leverage. ROA will be managed by each operating company, while leverage will be controlled by the holding company. The ROA target is different for each operating company. Each company will determine specific KPIs and work to record improvement while also taking steps to appropriately implement portfolio replacement and asset disposal.

As the holding company, Seven & i Holdings will build a framework for rigorous monitoring on a more-frequent basis, track ROA improvement, and consider restructuring of the business portfolio. We have established the Management Committee (Portfolio Committee), which is led by the president. Prior to meetings of two key committees — the Group Strategy Meeting, in August, and the Budget Action Plan Meeting, in February — the Portfolio Committee formulates medium-term plans, confirms the progress of those plans, and verifies and evaluates the appropriateness of single-year budgets, resource allocation, and capital policy.

If large-scale investment projects go over budget, a meeting of the Portfolio Committee is held to verify the details of the situation. In addition to the four members of the Portfolio Committee, including the president, related departments also conduct a wide range of verification initiatives. The committee also plays an extremely important role in ensuring a common

Goal	Approach	Key indicators
Increase in medium- to long-term corporate value	Realize synergies Increase capital efficiency	Increase in operating income ROE (ROA)
Sustainable growth	Maintain a sound financial structure	Credit ratings Owners' equity ratio Interest-bearing debt ratio

$$\text{ROE} = \frac{\text{Net income}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Owners' equity}}$$

$$= \text{ROA} \times \text{Financial leverage}$$

understanding of the intentions and directions of managers throughout the entire Group.

Cash Flow Management

We will maintain a sound financial position, and on that basis we will continue to invest aggressively in convenience store operations, which have a strong cash-generating capability and the potential for sustained growth. However, our basic approach is to implement investment within the limits of operating cash flow, and, in the event that those limits are exceeded, the holding company will consider the appropriate allocation of management resources for the Group as a whole. The introduction of the cash management system and the utilization of funds within the Group will lead to a streamlined balance sheet, improvement in net interest income/expense, and growth in ROA.

In addition, to achieve both the maintenance of a sound financial position and the strengthening of shareholder return, the holding company will carefully track free cash flow after the payment of dividends. Management is divided among multiple business groups, such as overseas businesses and domestic small retail businesses, and we will implement finely tuned cash flow management while tracking cash flow generation capabilities.

Maintaining a Sound Financial Position

The Seven & i Group encompasses a broad range of businesses and has a large operational scale. Accordingly, we require a wide range of options in formulating our growth strategies. However, if our financial foundation is weak, those options narrow, potentially leading to a situation in which we are not able to implement the necessary strategies. Consequently, it is essential that we maintain a sound financial foundation. To that end, our policy is to maintain a rating of AA as one standard for a sound financial position. We manage based on the owners' equity ratio and the interest-bearing debt ratio.

Of course, it is necessary to be prepared for urgent matters or large-scale investments, and accordingly we have made preparations for these situations by filing shelf registrations for corporate bonds and establishing credit lines. However, if we lack the necessary level of creditworthiness, then these preparations will not be effective. To earn the confidence of ratings agencies and financial institutions, I would like to further enhance our dialogues. It is uncommon for retail companies to obtain ratings from four ratings companies. The reason why we decided to obtain those ratings is the high priority that we place on our relationships with stakeholders. The words "trust" and "sincere" appear in our Group corporate creed, and moving forward we will also emphasize these words in the capital markets.

Future Vision for Finance Planning and Accounting

The work of the Finance and Accounting departments is not simply daily cash management and budget control. It is also necessary for these departments to consider how to structure the business portfolio to raise ROE and to provide opinions about how management will be affected by future changes in accounting standards. They also need to provide opinions from a financial perspective about such matters as results evaluation systems and pension systems. All corporate activities involve funds, and accordingly the people in the Finance and Accounting departments will need to strive to increase corporate value while stepping up their training and collaborating with the operating companies.

Becoming a group that can change consumer lifestyles

Scott Trevor Davis
Outside Director

Professor, Department of Global Business, College of Business, Rikkyo University. Specializes in CSR in corporate management strategy. Outside Director of Ito-Yokado Co., Ltd., from May 2004, and Outside Director of the Company since September 2005

The Seven & i Group has inherited the corporate DNA of two unparalleled innovators, Honorary Chairman Masatoshi Ito and former Chairman and Honorary Advisor Toshifumi Suzuki. These leaders achieved breakthrough innovations by rejecting methods that do not meet the current needs of consumers, even if those methods worked in the past. Under their leadership, the Seven & i Group has repeatedly cycled through a daily process of testing and verifying innovations that are closely linked to the lifestyles of consumers. The cumulative effect of these efforts can be seen in the Group's bold advances, such as the establishment of Seven Bank. Moreover, it is the employees on the front lines who are closest to the viewpoints of consumers, and the Group has asked these employees to think and act like managers. As a result, a culture of innovation has become deeply ingrained throughout the entire Seven & i Group, and I am confident that this will not change under the Group's new management team.

Looking ahead, I have especially high expectations for the Omni-Channel Strategy. In recent years, the Seven & i Group has added new companies in a variety of business formats, and the Groupwide Omni-Channel Strategy will enable Seven & i to fully leverage its strengths in each business. The use of the Group's network in procurement goes without saying, and in sales, if the stores leverage their close ties to local communities to provide distinctive products and offer consumers new choices, then the Group will be able to provide shopping experiences that are centered on value propositions matched to each individual consumer, with a clear differentiation from consumer behavior that is determined simply by price and convenience. Omni-Channel will reform the retail industry and change the lifestyles of consumers. Moreover, the *Seven Premium* concept — *a higher quality private brand* — is itself innovative. For example, by offering a broad range of *sozai* prepared meals in quantities that can be consumed by one person, the Group has made it possible for elderly couples and other small households to enjoy several dishes in one meal. This could also be called a change in their lifestyle.

Finally, in regard to my expectations of the Seven & i Group, I would like to see the Group take steps to further improve the functioning of the governance system with appropriate allocation of all resources, to systematize the governance processes, and to communicate those initiatives externally. I believe that one of the functions of an outside director is to see that milestones have been incorporated into the path toward the achievement of objectives and to confirm the progress that is being made toward those milestones.

A corporate group that works with a sense of mission and draws people closer

Yoshio Tsukio
Outside Director

Professor Emeritus, University of Tokyo. Conducted research for many years in systems engineering and media policy, and worked as Vice-Minister and Special Advisor at the Ministry of Internal Affairs and Communications. Outside Director of the Company since May 2014

The Seven & i Group has successfully implemented the Group slogan of "Responding to Change while Strengthening Fundamentals," but I believe that the Group still needs to clarify its future mission. In other words, what does the Group want to provide to society? Under the new leadership, the Group's overall mission must be earnestly considered and communicated to those outside the Group. This is not a task just for President Isaka. Rather, the mission will take shape from a shared understanding of the thoughts of a wide range of front-line employees. Specifically, what relationship do they want to have with local communities, and what role do they want to fill? As symbolized by SEJ's objective of "close-by, convenient stores," close ties with local communities are a major strength of the Group. In the future, it will likely be increasingly necessary to expand the circle of stakeholders, proactively take responsibility for the natural environment, and work with society in a broad and wide-ranging manner.

One other expectation I have is that I think the Group should strive to appeal to and attract excellent young employees. It is said that national competitiveness in the present age is determined by cultural power as well as economic and military power. This is also true for companies. If a company's cultural power is highly appealing, then the company will be able to attract excellent employees, facilitating sustained gains in its competitiveness. Looking at the circumstances of the Seven & i Group, it does not appear that this has been a strong focus of the Group's efforts to date. For example, the Seven & i Group is rarely listed among the top ranks of companies where job seekers want to work. The popularity of the retail industry is low, and I would like to see this situation change.

I think that my role at the Seven & i Group is to speak from the perspective of a generalist. That is, specialists can tend to be limited to their fields of specialty, which sometimes can make it difficult to reach decisions. In contrast, the role of generalists involves working from a moderately independent position and providing all-around opinions based on diverse sources of information. In addition to offering my opinions at meetings of the Board of Directors, I would also like to take steps to contribute to the promotion of active careers for women and other types of diversity, such as by giving lectures to employees.

Fostering a culture with roots in corporate brand awareness

Kunio Ito
Outside Director

Research Professor, Graduate School of Commerce and Management, Hitotsubashi University. Specializes in accounting and corporate value management theory. In 2014, released a METI project report known as the *Ito Report*. Outside Director of the Company since May 2014

There are several things that I expect from the Seven & i Group. First, I would like to see the new Group leaders become a management team that effectively leverages their individual strengths and experience and works with a focus on increasing corporate value over the medium to long term. As an outside director, I will offer my opinion about policies and initiatives that are not in line with the cost of capital over the medium to long term, and I will work to support the effective functioning of the governance system. Second, I believe that the Group is in a position where it needs to strengthen the functions of the holding company while also bolstering each operating company. In other words, the Group should simultaneously conduct individual reinforcement and overall optimization. Third, when it is necessary, the Group must reject the current state of affairs. The business environment is constantly changing, and there is no guarantee that the methods that worked best in the past will continue to work in the future. The new management leaders will need to determine if there are aspects of current practices that need to be changed. Fourth, the Group needs to develop its managers. The entire executive workforce will need to build a more-established system based on the evaluation and development methods that were previously implemented by Honorary Advisor Suzuki.

I also have especially high expectations for management that significantly values dialogue and engagement. The enhanced awareness that is obtained from dialogue with stakeholders — including customers, convenience store franchisees, part-time workers and other employees, and suppliers — should be leveraged to change the organization. I believe that, in the future, it is the companies that voluntarily practice this type of stakeholder engagement that will survive. The Group should also actively conduct dialogue with shareholders and investors, who also want to increase corporate value. Of course, at a minimum, ROE must exceed the cost of capital, and accordingly, it is important to bolster earnings capacity. However, it is equally important to repeatedly engage in dialogue so that shareholders and investors understand management policies.

One other major expectation that I have is for the establishment of a corporate culture in which employees and the Group work together to raise brand value. When employees work hard and compete against each other, the Group's brand value increases and the values of the employees' personal brands also increase. To become an excellent Group that benefits from this type of cycle, the Seven & i Group should engage in dynamic discussions about how it wants to be viewed by stakeholders and what the standards for conduct should be.

More-dynamic discussions, more-certain decision making

Toshiro Yonemura

Outside Director

Joined the Tokyo Metropolitan Police Department in 1974, with subsequent positions including Superintendent-General, Deputy Chief Cabinet Secretary for Crisis Management, and Special Advisor to the Cabinet. Currently an Executive Board Member of the Tokyo Organising Committee of the Olympic and Paralympic Games. Outside Director of the Company since May 2014

I worked for many years as a police officer, and I believe that, when people lose their capability for self-observation and their sense of ethics, then from that point on they are certain to have serious problems. Moreover, this applies not only to people but also to organizations. I think that outside directors are one means of ensuring that companies do not lose these qualities, and accordingly, one of my responsibilities is to directly express my opinion whenever I have any questions.

Another area in which I would like to utilize my experience to contribute to Seven & i Holdings is in the analysis of information when formulating strategies. Information can be difficult to interpret, and as a result even if the facts are the same, different people have individual ways of looking at those facts, which leads to different viewpoints. Information is not reality. Rather, it is just a reflection of reality. Consequently, it is difficult to grasp the actual circumstances without collecting and analyzing a wide range of information. As with the police, the Seven & i Group places an extremely high importance on the front lines, and I think that one future issue will be the extent to which information flows up from the front lines, is appropriately analyzed, and is reflected in management. In addition, the Group encompasses a wide range of companies and the scale of its operations is ever expanding. In this setting, there is a risk that information will end up in silos and the overall view will be lost.

I agree with the policy of President Isaka of having free and open-minded discussions within the Group. This policy will also serve as a countermeasure to the problems described above. Information sharing may be possible over the Internet, but I believe that, without face-to-face discussions, in the end it can be difficult to truly share information based on a mutual understanding. Also, if a high value is placed on opposing opinions that emerge during the course of discussions, and if the reasons for those opinions are considered, then the decision making will be more certain, even if the same decision is reached.

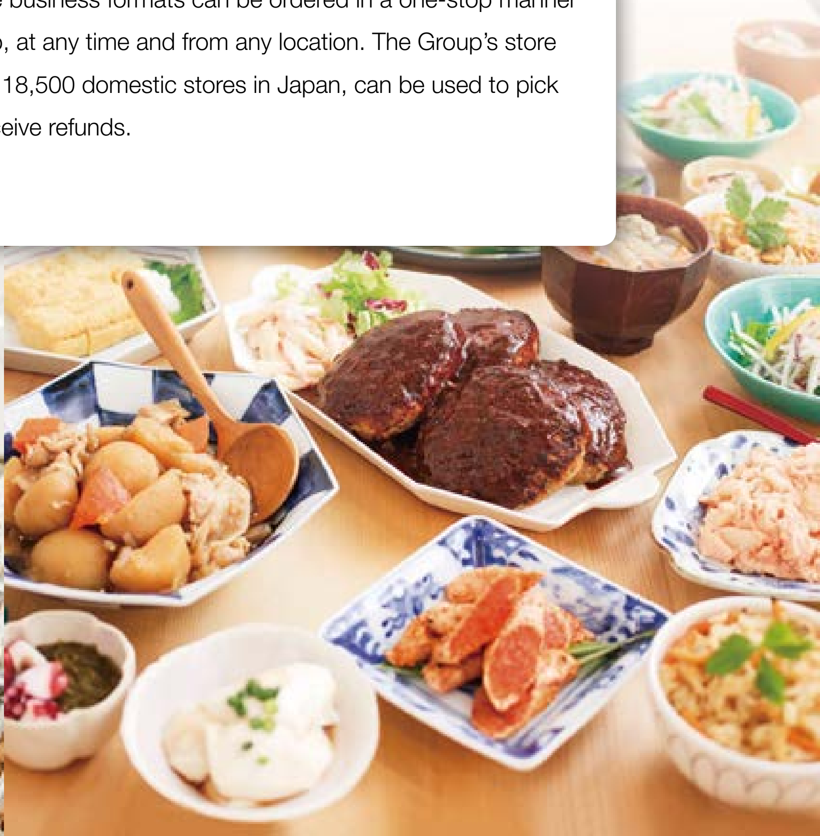
There is a view that the basis of a nation's strength is not just military power or economic power, but also the unity of the people. I believe that is true. For the Seven & i Group to realize further increases in corporate value, a sense of solidarity under the leadership of President Isaka is most important. I am confident that the Group will be able to achieve this solidarity.

Special Feature 1

LEVERAGING GROUP SYNERGIES TO DRIVE GROWTH

Seven-Eleven Japan (SEJ) is driving the growth of the Seven & i Group. The Group's private-brand *Seven Premium* products account for approximately 20% of SEJ's total store sales of more than ¥4,000 billion. Since its launch in 2007, *Seven Premium* has posted notable growth, in part due to the strengthening of categories in which customer needs had not been effectively addressed by convenience stores, such as *sozai* prepared dishes and frozen foods. However, the development of *Seven Premium* would not have been successful without the knowledge of such Group companies as Ito-Yokado, which operates superstores, and York-Benimaru, which operates food supermarkets.

The Omni-Channel Strategy is another initiative that has been positioned as a growth driver for the Group. Under this strategy, products from the Group's diverse business formats can be ordered in a one-stop manner through *omni7*, the integrated portal site for the Group, at any time and from any location. The Group's store network, centered on SEJ's network of approximately 18,500 domestic stores in Japan, can be used to pick up orders, make payment, implement returns, and receive refunds.



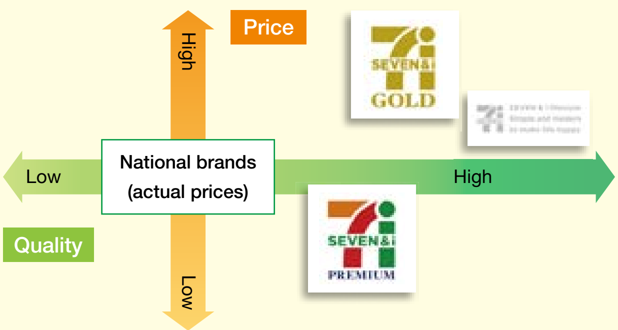
Seven Premium

Private Brand Offering Quality and Value

What makes *Seven Premium* fundamentally different from the private brands of other companies is the brand concept, which focuses on offering quality and value rather than simply pursuing low prices. *Seven Premium* overturned the conventional wisdom that private brands have lower prices, but their quality does not match that of national brands. We tested an entirely new concept, pursuing quality and offering products at the same price in all of the Group's business formats, including convenience stores, supermarkets, and department stores. In Japan, a consumer uses different types of stores, such as convenience stores, supermarkets, and department stores, for different purposes. There is an ongoing deflationary trend in the domestic market, and a growing number of customers are looking for high-quality products that are reasonably priced. In this environment, *Seven Premium* offers customers the convenience of being able to buy high-quality products at the same price in any of the Group's many stores, and that convenience has been well received by large numbers of customers. Moreover, in 2010 we launched *Seven Gold*, the higher rank of *Seven Premium*, which features rigorous attention to materials and production methods and aims for quality equal to or higher than products offered at specialty stores. Sales have grown each year, and we have had hit products, such as *Golden Bread*, which opened up the premium bread market.

In the fiscal year ended February 29, 2016, *Seven Premium* sales surpassed ¥1,000 billion, making it the largest private brand in Japan. Average yearly sales per product are ¥300 million, and there are 175 products with sales of more than ¥1.0 billion a year. Our product strengths, which transcend the retail format and are certainly the equal of any national brand, are the source of this growth.

Positioning of Private Brands

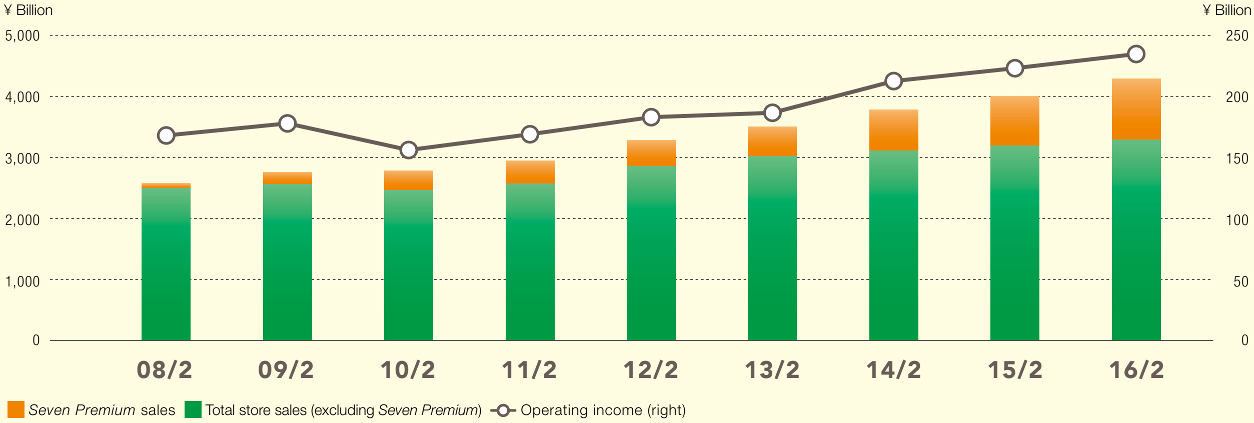


Seven Premium
- Quality same as or better than that of national-brand products
- Reasonable pricing lower than actual prices for national-brand items

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

Seven Lifestyle
- Miscellaneous goods offered under the concept of "Adding Higher Quality to Everyday Lives"
- A lineup paying careful attention to design details and ingredients

Total Store Sales and Operating Income for SEJ, Including *Seven Premium* Sales

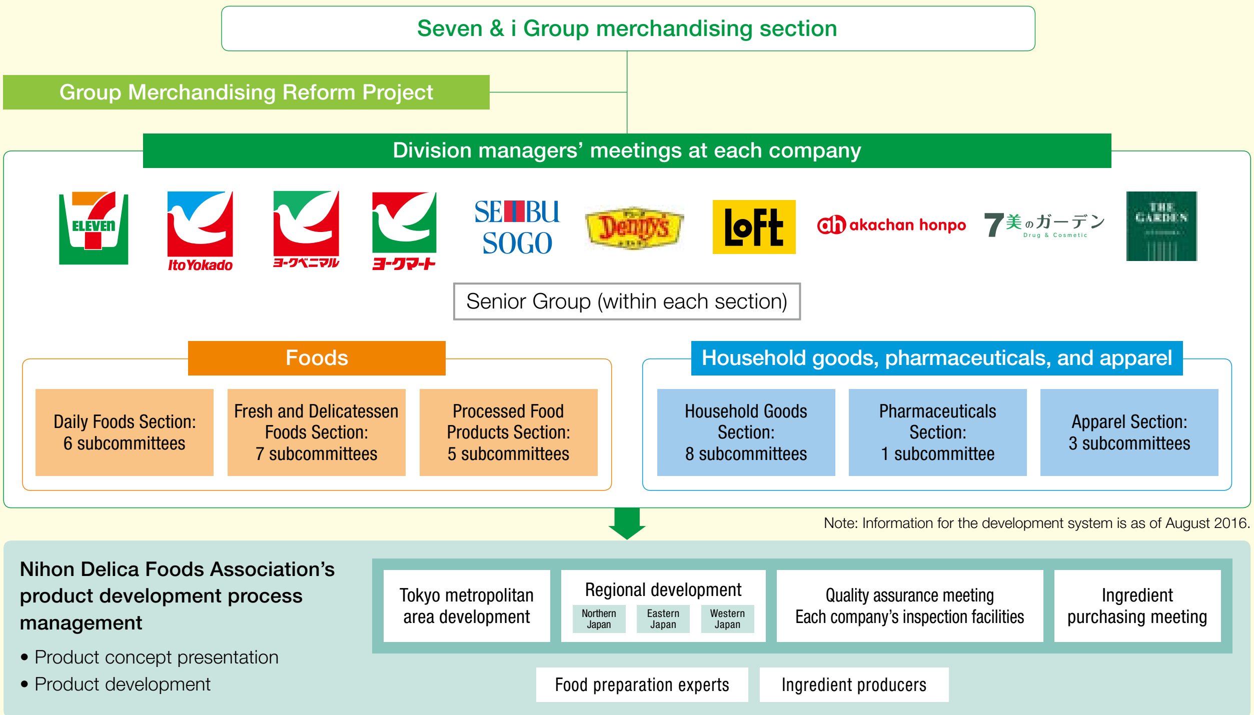


Seven-Eleven's Product Development × Superstore's Product Knowledge

On a base of the original product development techniques cultivated by Seven-Eleven, known as team merchandising, we developed *Seven Premium* by focusing the product development and knowledge of the Group, including Ito-Yokado and York-Benimaru.

To develop the best products for customers in terms of quality and price, under the team merchandising method SEJ employees work as producers. We form teams with the optimal manufacturers and suppliers for each product and raw material, and we advance development while sharing technologies, know-how, and information. We track sales data and proceed through a cycle of repeated hypothesis formation and testing. SEJ continually pursues customer needs, and, through SEJ's marketing capabilities, we fully leverage the specialized technologies of each manufacturer and supplier in their field of strength. In this way, SEJ has created a large number of popular products, centered on daily items, such as boxed lunches and confectionery bread.

Seven Premium Product Development Process

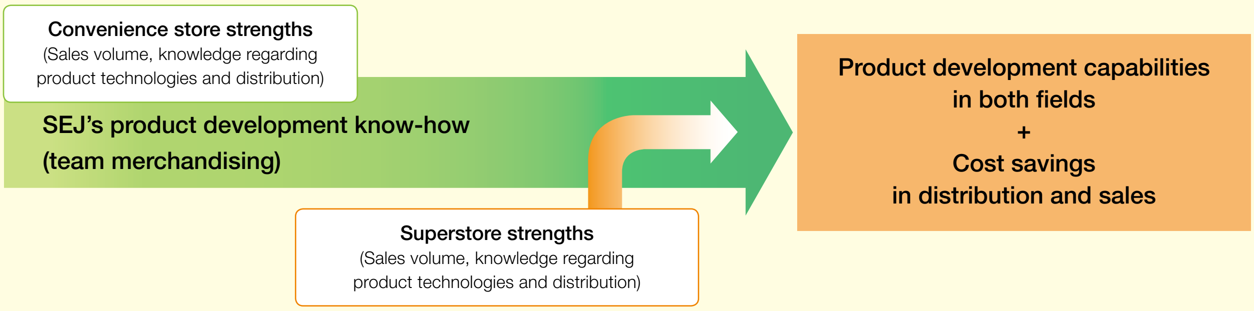


Note: Nihon Delica Foods Association (NDF) was formed in 1979, mainly by manufacturers of rice-based products. NDF currently has approximately 70 member companies, such as manufacturers of rice-based products, sandwiches, delicatessen items, noodles, and Japanese pickles. Members implement product management, quality management, joint procurement, and environmental measures.

However, there were limits to what could be accomplished by SEJ alone in such categories as frozen foods, seasonings, and detergents, including limits on sales volumes and the number of products. Consequently, there were also limits on the development of private-brand products. Accordingly, by bringing in the product development knowledge of Ito-Yokado, York-Benimaru, and York Mart, which sell large volumes of these product lines, we were able to develop high-quality products that are the equal of national-brand products. Through product development that transcends the boundaries of the operating companies, we were able to respond to changes in society, such as increases in the numbers of one-person households and working women and the aging of the population, and create a new consumer trend — purchasing side dishes at close-by convenience stores. As a result, the average sales amount of

Seven Premium frozen foods has grown to nearly five times the level in 2007, when they were launched.

On the other hand, by leveraging SEJ's overwhelming sales volumes and abundant product knowledge, it became possible to develop private-brand carbonated drinks and confectionery products, which contributed to the results of Ito-Yokado and York-Benimaru. Convenience stores and superstores led product development in their respective fields of expertise. In this way, they were able to draw on each other's strengths to create synergies.



Consideration of the Customer's Viewpoint with the Inclusion of Manufacturers' Names

One major feature of *Seven Premium* is the inclusion of the manufacturer's name on the packaging of the product. Private brands typically display only the seller's name, but from the initial launch *Seven Premium* has also included the manufacturer's name so that customers know who made the product and can purchase it with peace of mind. At the same time, manufacturers get their name on *Seven Premium* products, which emphasize quality and pricing. As a result of this approach, the manufacturers do their utmost in development, working with pride and using the latest technologies.

For information about the establishment of cooperative relationships with manufacturers and suppliers, please see page 48.

Continual Product Renewal

The Group believes that customer standards are constantly changing. In other words, even if a product currently satisfies customers, there is a substantial possibility that it will no longer satisfy customers in a year, which means that we must continually change our products. In accordance with that belief, each year we renew about 50% of our existing *Seven Premium* products, even if they are recording favorable sales. We research customer opinions through the "Premium Life Enhancement Committee," a website community that invites customers to participate. Based on those opinions, we strive to achieve ongoing improvement by creating test products and conducting monitoring trials until we are satisfied. Due to these initiatives, *Seven Premium* continues to record growth in sales. For example, new genre alcoholic beverages, which have been on sale since 2009, have been renewed each year. Annual sales volume has increased from 52.0 million units to 76.3 million units, and we have sold a cumulative total of 450 million units.

Dedicated production facilities are a strength of SEJ, and moving forward we will respond to changing customer preferences, such as for more-delicious products, by expanding production at these facilities, including those for *Seven Premium* products. For boxed lunches and other daily items, SEJ's dedication extends not only to ingredients and recipes but also to facilities. At the dedicated production facilities of cooperating manufacturers, we are maintaining quality by having them manufacture only for SEJ. The technical capabilities accumulated at the dedicated production facilities of SEJ will also be applied to *Seven Premium* in the future. In this way, we will advance the development of products that customers will continue to enjoy.

omni7

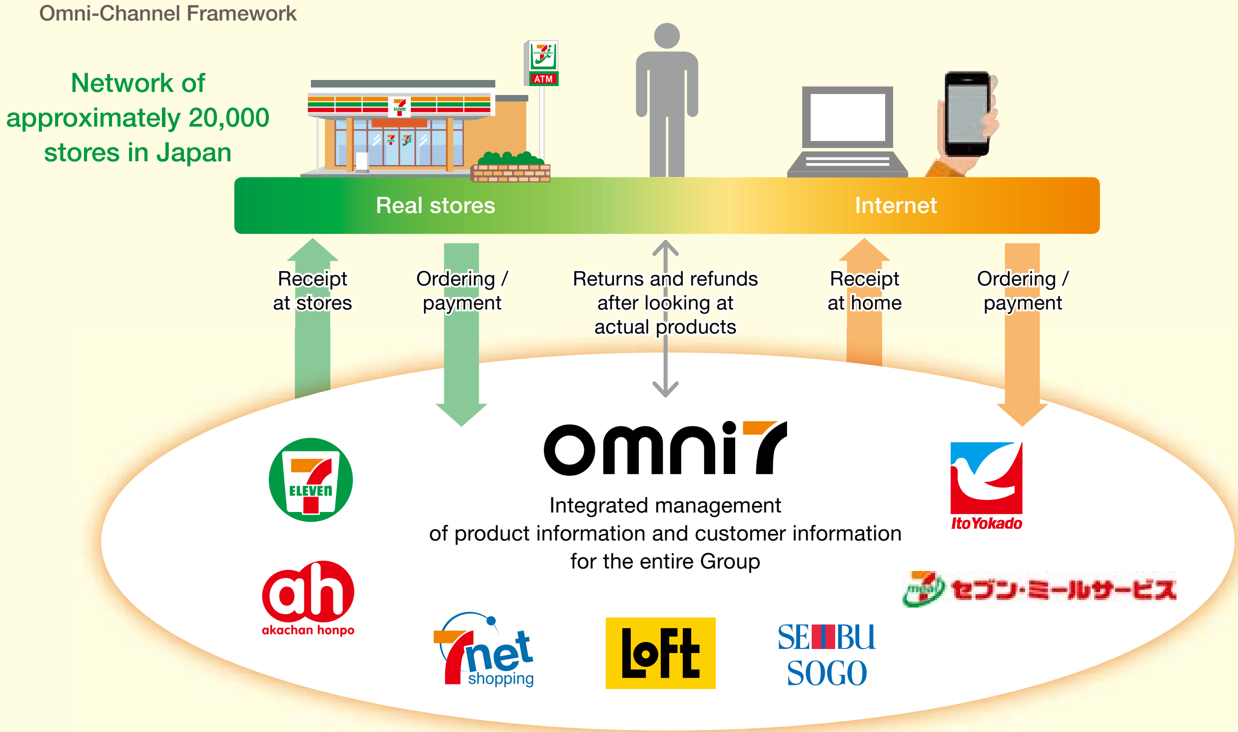
Omni-Channel — Another Growth Driver

While *Seven Premium* leverages Group synergies with a focus on products, the Group's Omni-Channel Strategy leverages Group synergies with a focus on customer behavior and network infrastructure. Omni-Channel refers to a retail format for integrating multiple sales channels, such as real stores and online stores, to enable customers to place orders, and receive products, as well as handle refunds for product returns from all customer contact points. The Group has the advantage of a network of real stores that extends over a wide range of formats, from convenience stores and superstores to food supermarkets, department stores, and specialty stores. By merging real stores and Internet-based services, the Group aims to advance its sales areas, products, and customer service to realize an Omni-Channel retail format for providing services that meet the needs of each individual customer. The grand opening of *omni7*, the Group's integrated portal site, was held in November 2015.

The biggest feature of *omni7* is the Group's overwhelming base of customer contact points in real stores, where the Group has a network of roughly 20,000 stores in Japan, centered on SEJ, and about 22.0 million customer visits per day. Due to such factors as the increase in one-person households, it is difficult for some customers to receive deliveries at home, but these customers can now receive deliveries at convenience stores, and they can easily return products and receive refunds. This convenience can only be offered by the Group, which has one of the largest store networks in Japan. We believe that *omni7* will become a new shopping experience that integrates the Internet and real stores.

For the Group, the Omni-Channel Strategy is not limited to simply capturing growth in the e-commerce market. The ultimate objectives of the strategy are to utilize network infrastructure for the integrated management of product information and customer information across a wide range of business formats and to enhance item-by-item management, which is the essence of Group marketing. With customers as a starting point, the Omni-Channel Strategy combines the convenience of Internet sales and the peace of mind of real stores and integrates a wide range of business infrastructure. The strategy has been positioned as the driver of growth for the Seven & i Group.

Omni-Channel Framework



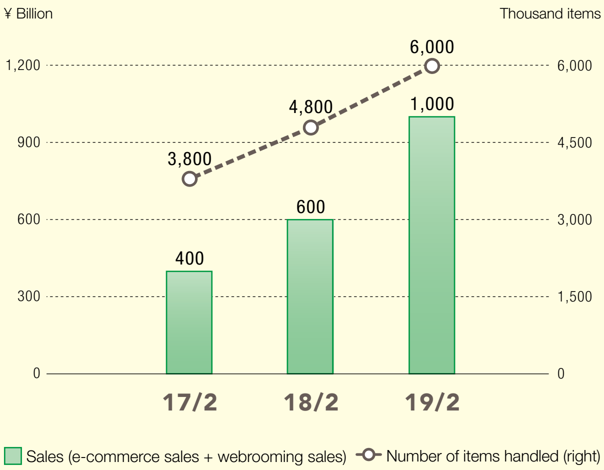
Growth Roadmap

We are aiming to increase *omni7* sales to more than ¥400.0 billion in the fiscal year ending February 28, 2017, and to more than ¥1,000 billion in the fiscal year ending February 28, 2019. These sales targets include both e-commerce sales and webrooming sales. Webrooming refers to the practice of examining product information on the Internet before evaluating and purchasing the product in a real store. This trend will provide significant motivation for customers to visit real stores and should lead to increases in the frequency of customer store visits. In addition, we are also seeing the generation of synergies. Up to this point, data shows that 40% of customers who visited a 7-Eleven store to pick up a product from *omni7* have also purchased another product.

Targeting the future success of *omni7*, the biggest key will be differentiation achieved through appealing original products that cannot be purchased anywhere but from the Group. *omni7* fully showcases the Group's development capabilities and systems, which have been strengthened through the development of *Seven Premium* products. Seven & i Holdings, the holding company, principally handles overall promotion and revenue/expense management for the Omni-Channel Strategy as well as the formulation of system-related plans. We have also established departments responsible for promoting the Omni-Channel Strategy at core operating companies. In these ways, we are promoting close cooperation and advancing the strategy throughout the entire Group. In addition, in the basic functions of product development and distribution, we have established dedicated project teams, with members who are responsible for product development or distribution in Group companies.

To support growth in sales, we plan to expand the number of items handled to 3.8 million by the end of February 2017 and to 6.0 million by the end of February 2019. Currently, we are only handling products from Group companies, but in 2017 and thereafter, we will aim to address customer needs and offer services that are an accepted part of daily life by drawing on the capabilities of external companies that are appealing to customers.

Omni-Channel Strategy: Sales Plan



Wide Range of Products that Reflect the "Close-By, Convenient" Principle

In November 2015, SEJ installed tablet terminals for the ordering of products at about 6,000 stores. As a result, the number of Christmas cakes ordered online in 2015 increased to seven times the previous year's level. Previously, because of the limitations on space in stores, there was not sufficient space for inventories of seasonal event-related items. However, orders can now be placed through *omni7*, including the products of department stores and specialty stores, and as a result we will be able to make a full response to the growing tendency of consumers to focus on the intangible aspects of the purchase experience, rather than focusing just on the product characteristics. In addition, many customers made additional, unplanned purchases of Christmas hors d'oeuvres when purchasing cake, leading to an increase in the average spending per customer. The installation of customer service tablets in all stores was completed in July 2016.

Special Feature 2

ADDRESSING SOCIAL ISSUES THROUGH OUR CORE BUSINESSES

For more than 30 years, the Seven & i Group has followed the Group slogan of "Responding to Change while Strengthening Fundamentals." We have been the first to identify changes in society and in customer needs, and we have continued to create new business opportunities and to record steady growth. One example is how SEJ responded to social changes, such as trends toward a declining birthrate, an aging population, and an increase in the number of working women. SEJ redefined its purpose with the "close-by, convenient" concept and once again recorded substantial growth.

However, society continually undergoes change. In addition, the Group's business fields are expanding and the social issues that need to be addressed are diversifying. Accordingly, in 2014 to respond more proactively to changes in society and to the issues resulting from those changes, we engaged in dialogue with stakeholders and identified five material issues (Materiality) for the Group to address. We believe that resolving these issues is also significant from the viewpoint of creating shared value (CSV), which refers to the generation of value for both society and the Company.

This special feature introduces the five material issues and some of our responses to each of those issues. It also outlines our vision of aiming for sustained growth by working to resolve social issues through our core businesses.

Process of Identifying the Five Material Issues

From a list of 92 social issues, we identified 33 issues that are relevant to the operations of the Group.

▼

We held interviews with our stakeholders, including customers, business partners, shareholders and investors, and employees.

▼

Group management conducted dialogues with stakeholders (experts).

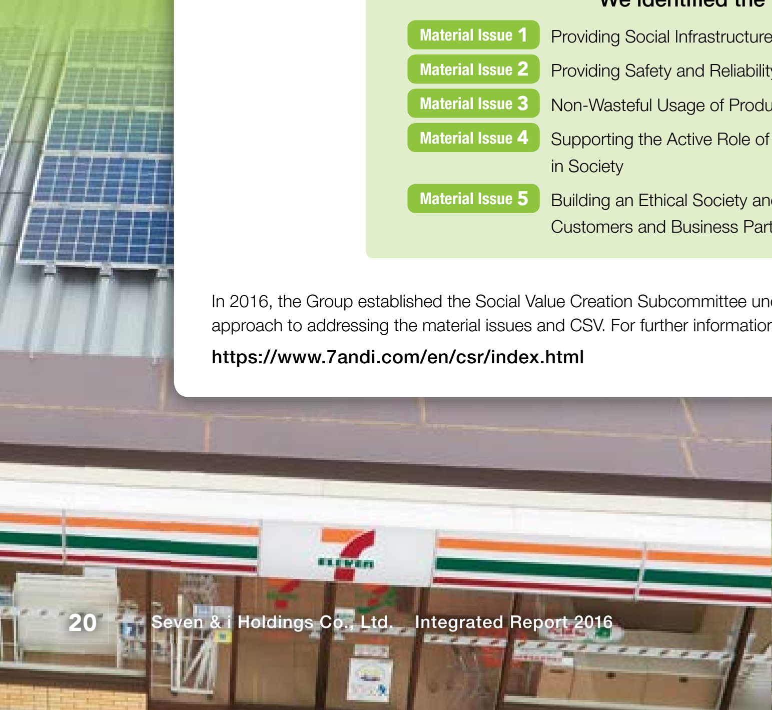
▼

We identified the five material issues.

Material Issue 1	Providing Social Infrastructure for an Aging Society and Declining Population
Material Issue 2	Providing Safety and Reliability through Products and Stores
Material Issue 3	Non-Wasteful Usage of Products, Ingredients and Energy
Material Issue 4	Supporting the Active Role of Women, Youth and Seniors across the Group and in Society
Material Issue 5	Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

In 2016, the Group established the Social Value Creation Subcommittee under the CSR Management Committee. We are taking a more-aggressive approach to addressing the material issues and CSV. For further information, please see the CSR section of the Company's website.

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



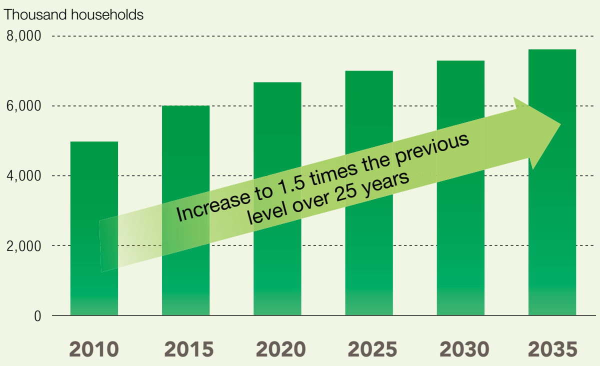
Material Issue 1

Providing Social Infrastructure for an Aging Society and Declining Population

Changes in Society

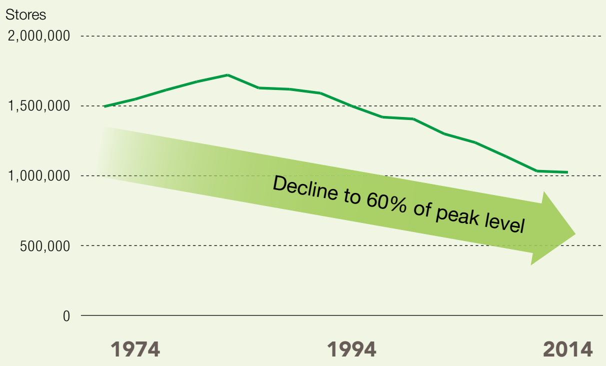
Due to the aging society and a decline in the number of people per household, the number of seniors living alone in Japan is increasing, and by 2035 the number of people 65 and older who are living alone is expected to increase to 1.5 times the level in 2010. Moreover, the number of people who have little time for shopping and housework is also increasing, centered on working women and two-income households. In addition, the number of social infrastructure bases, such as retail shops and facilities for government and bank services, has declined in comparison with 30 years ago.

Number of Seniors Aged 65 and Older Living Alone



Source: Projections for the future number of households in Japan (January 2013), National Institute of Population and Social Security Research

Number of Retail Stores



Source: METI, Census of Commerce (July 2014)

The Seven & i Group's Response

In addition to SEJ's "close-by, convenient" network of stores, the Group is also focusing on the Omni-Channel Strategy, under which products ordered on *omni7* are delivered, and Ito-Yokado's *Net Supermarket*. In addition, we are strengthening product development, such as *sozai* prepared dishes that are appropriate for single-person households, and creating a new market by addressing the needs of customers who have difficulty making time for housework.

Shopping Support

Centered on *omni7*, the Group's integrated portal site, we are advancing the Omni-Channel Strategy, which merges real-store and Internet-based services. For example, we are implementing initiatives to help people who are not familiar with the Internet to shop using e-commerce. To that end, sales staff use tablet devices to place orders when they visit the homes of seniors to ask what they would like to purchase. Under the Omni-Channel Strategy, products from Group department stores and specialty stores are provided through 7-Eleven stores around Japan. This strategy is fostering significant change in products, the ways those products are sold, and the shopping styles of customers.

With Ito-Yokado's *Net Supermarket*, products ordered through a PC or smartphone are delivered during a specified time period. As of the end of May 2016, *Net Supermarket* was available at 147 stores around the country. *Net Supermarket* handles not only food and household goods but also certain pharmaceuticals. We are also providing detailed services, such as discounts on delivery fees for customers who present a maternity notebook. Since the full-scale launch of *Net Supermarket* in the fiscal year ended February 29, 2008, the number of members and sales have recorded steady growth.

Furthermore, SEJ offers *Seven Anshin Delivery*, a mobile sales service that uses light trucks to provide products in regions in which daily shopping is inconvenient. As of the end of May 2016, this service was available at 35 stores in 19 prefectures, and further expansion is under consideration.

Reducing Housework

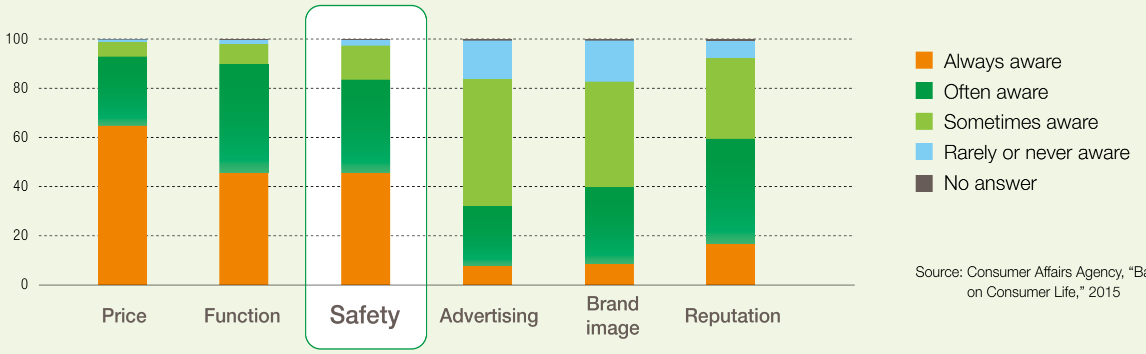
In response to the various needs of customers to reduce housework, we continue to develop individual meal, small volume, and simple products under the *Seven Premium* private brand. In addition, SEJ provides the *Seven-Meal* delivery service, which provides customers with nutritionally balanced meals supervised by a managing dietician. As of the end of May 2016, the number of stores offering *Seven-Meal* delivery service had increased to approximately 14,200. Moreover, in accordance with agreements with certain municipalities, local stores also check on the safety of seniors when delivering their meals. In the future, we will work to further increase points of contact with customers, including services for companies.

Material Issue 2 Providing Safety and Reliability through Products and Stores

Changes in Society

Interest in the safety and security of food and other products is increasing. A survey conducted by the Consumer Affairs Agency found that the percentage of respondents who were aware of “safety” when selecting products had increased to more than 80%, substantially more than the percentages for “advertising” and “brand image.” In particular, many customers are increasingly concerned about the area where food products were produced.

Viewpoint and Extent When Selecting Products and Services



Source: Consumer Affairs Agency, “Basic Survey on Consumer Life,” 2015

The Seven & i Group’s Response

We are responding to the trust shown by stakeholders by taking steps to enable the provision of safe, secure products at all times. To that end, we have established thorough quality management systems and take special steps to secure traceability for food products. In addition, we actively disclose information on these initiatives.

Establishment of Quality Management Systems

In developing *Seven Premium* private-brand products, people in charge of product development and people in charge of quality management regularly meet and work to share issues and problem areas. For food, SEJ has established 140 check items based on the HACCP (Hazard Analysis and Critical Control Point) method,* and food products are certified by the Nihon Delica Foods Association (NDF). In addition, at Seven & i Food Systems, the QC Office that serves as the hygiene management division has acquired the ISO 9001 international standard, and Seven & i Food Systems is working to implement thorough employee education.

* A food hygiene management method under which hazards at the food production and processing stages are analyzed and critical control points for the prevention of hazards are continuously monitored.

Food Traceability

At SEJ, information for all manufacturers, suppliers, and dedicated plants is registered in a database and linked with store point-of-sales data so that it is possible to thoroughly manage product information from the raw materials production site to the store. This method simplifies the confirmation of the presence of additives or allergens in raw materials and products. In addition, this method leads to reductions in waste by controlling excessive production at plants. Ito-Yokado also offers *Foods with Traceability* private-brand products, for which the distribution history is disclosed. Furthermore, various tests are conducted, including agricultural chemical residue tests as well as soil, feed, and water quality tests, and third-party confirmation is obtained before the products are sold. As a result, these products have earned a wide range of high evaluations.

Foods with Traceability

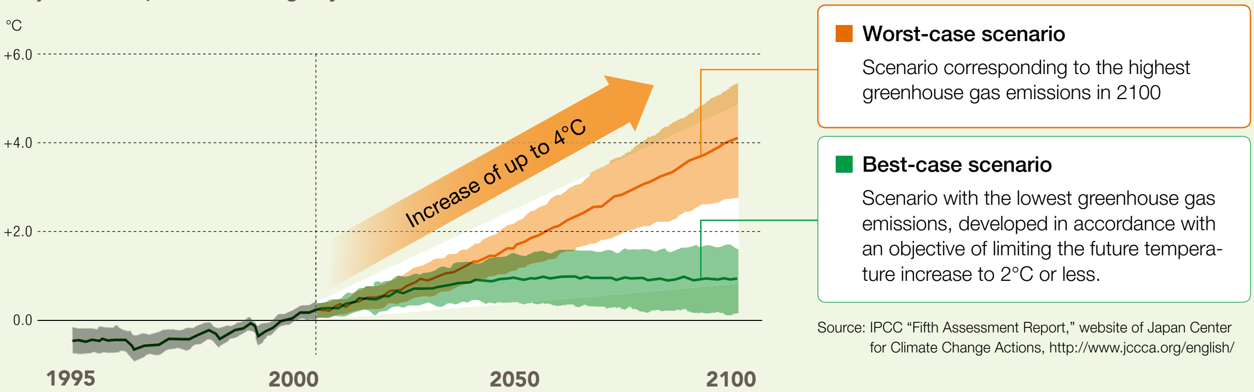
Material Issue 3

Non-Wasteful Usage of Products, Ingredients and Energy

Changes in Society

The risk of climate change is increasing on a global scale. Under the worst-case scenario, the global mean surface temperature is forecast to increase by about 4°C by 2100. Initiatives to control emissions of CO_2, which are considered to be a major cause of warming, have now become a significant issue for companies. Another serious problem is food waste. Of food waste generated by corporate activities in Japan, half-eaten food or food that has passed its expiry date has reached approximately 3.3 million tons. Japan's so-called food loss, which is the total of corporate food waste and household food waste, is equivalent to about two times the global amount of food aid.

Projected Temperature Change by 2100



Source: IPCC "Fifth Assessment Report," website of Japan Center for Climate Change Actions, http://www.jccca.org/english/

The Seven & i Group's Response

Through initiatives to control CO_2 emissions and recycle food and other resources, we are working to utilize energy and resources with no waste and to reduce costs. We are implementing sustainable business activities that are in harmony with the natural environment.

Controlling CO_2 Emissions

The Group has set a reduction target for the CO_2 emissions of the nine Japanese operating companies. In the fiscal year ended February 29, 2012, we estimated the CO_2 emissions of these companies in the fiscal year ending February 28, 2018. The target represents a 10% reduction from this estimate. We are working to reduce CO_2 emissions by introducing the latest energy-saving equipment and renewable energies.

For example, at SEJ, as of the end of February 2016, the conversion to LED lighting had been made for store signage at 15,893 stores, sign poles at 14,746 stores, and interior lighting at 16,848 stores, and solar panels had been installed at 7,571 stores. Moreover, Ito-Yokado has converted to LED lighting at all of its stores. Through these types of initiatives, in the fiscal year ended February 29, 2016, the nine Japanese operating companies achieved CO_2 emissions reductions of 36,000 tons and energy cost savings of ¥1.3 billion.

Promoting Recycling

Ito-Yokado operates recycling-oriented farms (Seven Farms) at 11 locations in Japan, including Tomisato City, Chiba Prefecture. This involves composting vegetable scraps and other food residue generated at stores for use at Seven Farms. The produce that is grown at the farms is then harvested and sold at the stores. This is the first initiative of this type in Japan's retail industry.

In addition, Ito-Yokado, York-Benimaru, and York Mart have led the industry in the implementation of closed-loop recycling of PET bottles. PET bottles inserted into the automatic collection machines at stores are compressed/crushed. As a result, large quantities can be transported to plants, thereby reducing the number of deliveries from stores. Some of the PET bottles are made into new containers or used in *Seven Premium* household products and other products.

Seven Farms

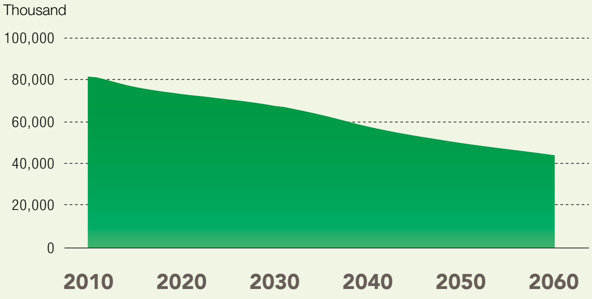
Material Issue 4 Supporting the Active Role of Women, Youth and Seniors across the Group and in Society

Changes in Society

Due to the advancing trends toward fewer children per family and an aging population, the domestic productive-aged population has declined to a serious extent, falling below 80 million people in 2013, with forecasts for a further decline to less than 70 million in 2027. Furthermore, the ratio of women in management among private-sector companies in Japan is relatively low by international standards at 11.3%* (2014). An important issue for companies is their ability to establish workplaces where women can play an active role for many years and to secure excellent human resources.

* Data from Statistics Bureau, Ministry of Internal Affairs and Communications (2015)

Domestic Productive-Aged Population (15 to 64 years old)



Source: 2010 national census, Statistics Bureau, Ministry of Internal Affairs and Communications

The Seven & i Group's Response

From the viewpoint of utilizing diverse human resources, we are working to increase competitiveness by leveraging the view-points of women, who account for a large percentage of customers, in such areas as store initiatives and merchandising. To that end, we established the Diversity Promotion Project and established specific targets. On that basis, we are implementing a variety of initiatives.

▶ **For information about specific initiatives, please refer to the Human Resources and Corporate Culture section on pages 42 and 43.**

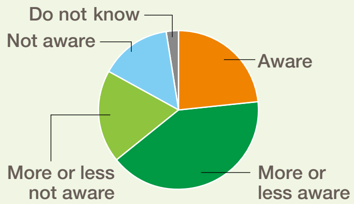
Material Issue 5 Building an Ethical Society and Improving Resource Sustainability Together with Customers and Business Partners

Changes in Society

Consideration for environmental problems and for human rights issues in developing countries is indispensable for securing raw materials in a stable manner. Furthermore, in recent years the importance of addressing ethical consumption and ethical investing has increased. According to Cabinet Office research, about two-thirds of consumers want to select products and services with awareness of social issues. According to other research, the scale of sustainable investment, which reflects consideration for ESG (environment, society, governance), has expanded to 1.6 times the previous level, from $13.3 trillion worldwide in 2012 to $21.4 trillion in 2014.*

* Global Sustainable Investment Review (GSIR) 2014

Do you select products and services with an awareness of social issues?



Source: Public opinion survey regarding the advancement of consumer administration, FY2015, Cabinet Office

The Seven & i Group's Response

We are working to strengthen supply chain management, to roll out ethical products, such as organic and fair trade products, and to develop products that reflect consideration for the environment.

■ Fulfilling Social Responsibilities through the Supply Chain

We ask business partners to understand and strictly follow the Business Partner Action Guidelines, which were formulated in 2007. We continually implement CSR audits related to the status of compliance with the guidelines. If unacceptable items are found, the business partner is required to promptly submit a corrective action plan (CAP) and take action to improve the items.

■ Sustainable Raw Material Procurement

In 2014, we formulated the Basic Policy on Sustainable Procurement, and we have worked to promote this policy. In this way, we are aiming for the realization of a sustainable society. We are taking aggressive steps to effectively utilize resources. For example, some of the packaging materials for *Seven Premium* products use forest thinning materials from the Seven & i Forest Project, which implements forest conservation activities together with Seven-Eleven Japan Memorial Foundation.

Review of Operations

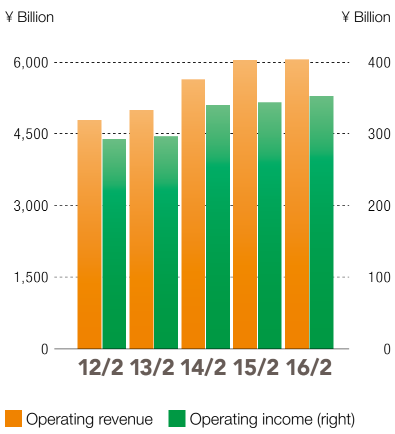
Financial and Non-Financial Highlights

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

	2007	2008	2009	2010
For the fiscal year:				
Revenues from operations	¥5,337,806	¥5,752,392	¥5,649,948	¥5,111,297
Operating income	286,838	281,088	281,865	226,666
Net income	133,419	130,657	92,336	44,875
Capital expenditures[*1]	278,388	217,738	188,943	211,189
Depreciation and amortization[*2]	132,693	143,642	140,529	132,232
Cash flows from operating activities	157,209	465,380	310,007	322,202
Cash flows from investing activities	(235,983)	(237,184)	(139,568)	(115,158)
Cash flows from financing activities	37,241	(130,136)	(169,755)	(156,708)
Free cash flows[*3]	(78,774)	228,195	170,438	207,044
At fiscal year-end:				
Total assets	¥3,809,192	¥3,886,680	¥3,727,060	¥3,673,605
Owners' equity[*4]	1,906,798	1,985,018	1,785,189	1,721,967
Per share data:				
Net income	¥ 142.90	¥ 137.03	¥ 100.54	¥ 49.67
Owners' equity[*4]	1,999.77	2,081.85	1,975.95	1,905.97
Cash dividends	52.00	54.00	56.00	56.00
Financial ratios:				
Owners' equity ratio	50.1%	51.1%	47.9%	46.9%
Debt/equity ratio (times)	0.43	0.39	0.44	0.41
Return on equity (ROE)	7.6%	6.7%	4.9%	2.6%
Return on total assets (ROA)	3.7%	3.4%	2.4%	1.2%
Dividend payout ratio	36.4%	39.4%	55.7%	112.7%

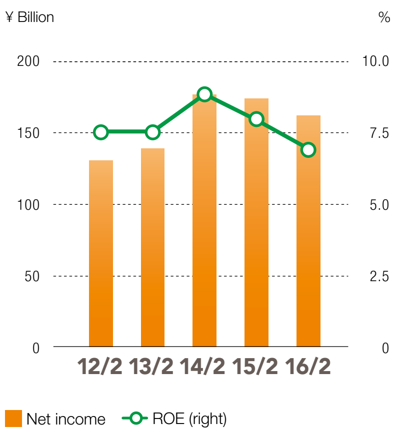
Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥114=U.S.$ 1, the approximate rate of exchange prevailing on February 29, 2016.
2. In the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements from "gross amount" to "net amount."
3. ROE and ROA are calculated based on the average of net assets and total assets at the beginning and end of each fiscal year.

Operating Revenue/Operating Income



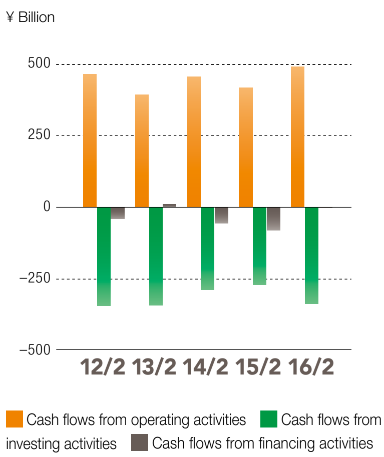
Due to the decline in crude oil prices, 7-Eleven, Inc.'s gasoline sales declined; nonetheless, revenues from operations increased 0.1% year on year. Operating income rose 2.6% year on year, due principally to favorable results in convenience store operations, which offset the results in superstore operations and other businesses.

Net Income/ROE



Net income declined 7.0% year on year, due primarily to higher special losses, centered on restructuring expenses and impairment loss on property and equipment. As a result, ROE declined 1.0 percentage point year on year.

Cash Flows

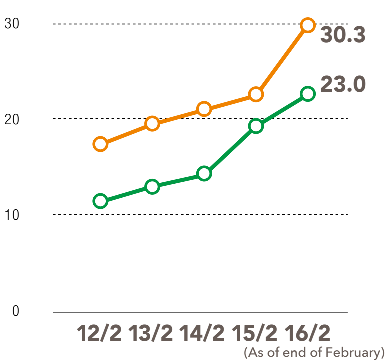


Net cash provided by operating activities increased due in part to a rebound from the previous fiscal year, when Seven Bank recorded expenditures for the redemption of bonds. Net cash used in investing activities increased due in part to the acquisition of property and equipment accompanying the opening of new stores.

2011	2012	2013	2014	2015	Millions of yen 2016	Thousands of U.S. dollars 2016
¥5,119,739	¥4,786,344	¥4,991,642	¥5,631,820	¥6,038,948	**¥6,045,704**	**$53,032,491**
243,346	292,060	295,685	339,659	343,331	**352,320**	**3,090,526**
111,961	129,837	138,064	175,691	172,979	**160,930**	**1,411,666**
338,656	255,426	334,216	336,758	341,075	**399,204**	**3,501,789**
132,421	139,994	155,666	147,379	172,237	**195,511**	**1,715,008**
310,527	462,642	391,406	454,335	416,690	**488,973**	**4,289,236**
(312,081)	(342,805)	(340,922)	(286,686)	(270,235)	**(335,949)**	**(2,946,921)**
(56,258)	(40,561)	10,032	(55,227)	(79,482)	**(2,312)**	**(20,280)**
(1,553)	119,836	50,484	167,648	146,454	**153,023**	**1,342,307**
¥3,732,111	¥3,889,358	¥4,262,397	¥4,811,380	¥5,234,705	**¥5,441,691**	**$47,734,131**
1,702,514	1,765,983	1,891,163	2,095,746	2,299,662	**2,372,274**	**20,809,421**
					Yen	U.S. dollars
¥ 126.21	¥ 146.96	¥ 156.26	¥ 198.84	¥ 195.66	**¥ 182.02**	**$ 1.59**
1,927.09	1,998.84	2,140.45	2,371.92	2,601.23	**2,683.11**	**23.53**
57.00	62.00	64.00	68.00	73.00	**85.00**	**0.74**
45.6%	45.4%	44.4%	43.6%	43.9%	**43.6%**	—
0.43	0.40	0.45	0.45	0.41	**0.43**	—
6.5%	7.5%	7.6%	8.8%	7.9%	**6.9%**	—
3.0%	3.4%	3.4%	3.9%	3.4%	**3.0%**	—
45.2%	42.2%	41.0%	34.2%	37.3%	**46.7%**	—

*1. Capital expenditures include long-term leasehold deposits and advances for store construction.
*2. In the fiscal year ended February 28, 2014, the Company and its domestic consolidated subsidiaries (except for certain operating companies) changed the depreciation method for property and equipment from the declining balance method to the straight-line method.
*3. Free cash flows = Cash flows from operating activities + Cash flows from investing activities
*4. Owners' equity = Net assets - Minority interests in consolidated subsidiaries - Subscription rights to shares

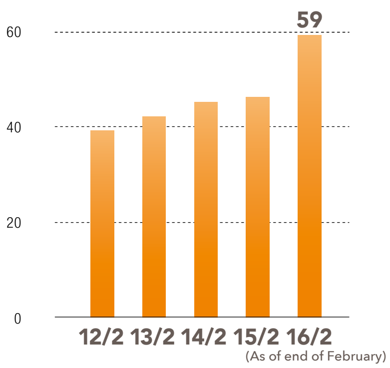
Percentage of Female Managers*5



Team leader or higher
Section manager or higher

We are taking steps to steadily increase the ratio of female managers, such as the rapid implementation of initiatives formulated under the Diversity Promotion Project, the formulation of career plans for female employees involved in childcare, and the holding of seminars for female managers to help them enhance their management capabilities.

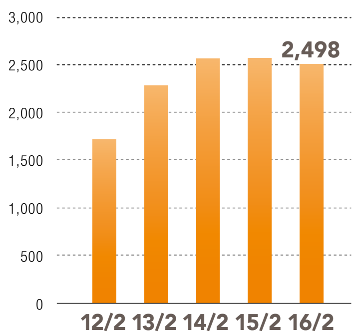
Number of Municipalities with which Comprehensive Alliance Agreements Have Been Concluded



We have concluded comprehensive alliance agreements with municipalities, and we are working to activate local regions. In the fiscal year ended February 29, 2016, we concluded a number of new agreements, such as with Aomori Prefecture, Musashino City in Tokyo Metropolis, Hanamaki City in Iwate Prefecture, Higashiyamato City in Tokyo Metropolis, and Iwaki City in Fukushima Prefecture.

CO_2 Emissions Resulting from Store Operations*6

Thousand t-CO_2



To control the increase in the environmental burden that arises in proportion to increases in store numbers, larger store sizes, and the expansion of product and service lineups, we are aggressively introducing the latest energy-saving facilities, such as LED lighting and solar panels. In these ways, we are working to contribute to the prevention of global warming.

*5. Total for 8 companies: Seven & i Holdings, SEJ, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank
*6. Fiscal year ended February 29, 2012: total for five companies (SEJ, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems)
Fiscal year ended February 28, 2013 to fiscal year ended February 29, 2016: total for nine companies (SEJ, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, York Mart, SHELL GARDEN, THE LOFT, Akachan Honpo). Figures for the fiscal year ended February 29, 2016, are preliminary.

Review of Operations

Convenience Store Operations

Core Operating Companies and Percentage of Ownership

Seven-Eleven Japan Co., Ltd.	100.0%
7-Eleven, Inc.	100.0%
SEVEN-ELEVEN HAWAII, INC.	100.0%
SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD.	100.0%
SEVEN-ELEVEN (BEIJING) CO., LTD.	65.0%
SEVEN-ELEVEN (TIANJIN) CO., LTD.	100.0%
SEVEN-ELEVEN (CHENGDU) CO., LTD.	100.0%

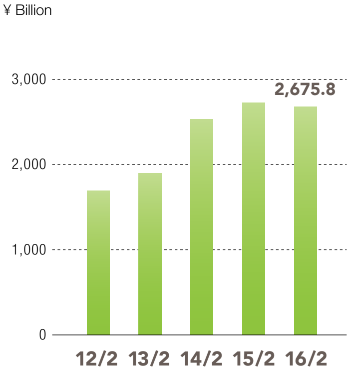
Business Overview

Convenience store operations support people's lifestyles by providing "close-by, convenient" value. In Japan, Seven-Eleven Japan (SEJ) has established a solid position as the largest company in the convenience store market. Overseas, 7-Eleven, Inc. (SEI), develops convenience store operations in the United States and Canada and provides 7-Eleven area franchise rights around the world. In the fiscal year ended February 29, 2016, the convenience store segment's revenues from operations declined 1.9%, to ¥2,675.8 billion, while operating income rose 9.9%, to ¥304.1 billion.

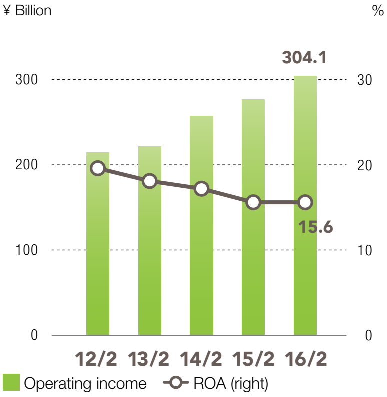
In Japan, trends show a declining birthrate, an aging population, an increasing number of one-person households, an increase in the number of working women, and a decline in the number of small and medium-sized retail stores. Accordingly, the importance of convenience stores, which have small catchment areas, is increasing. In this setting, to link changes in the social environment to growth opportunities, SEJ is following aggressive store-opening policies and strengthening its product development and quality improvement initiatives. As of February 2016, growth in existing store sales had been positive for 43 consecutive months, and in the fiscal year under review total store sales, which include franchised store sales, were up 7.1%, to ¥4,291.0 billion.

In the United States and Canada, SEI is working to develop and market fast foods and private-brand products. In addition, SEI is opening new stores mainly in urban areas with existing store coverage and taking steps to improve profitability through the conversion of directly operated stores to franchises. Despite a decline in sales of gasoline due to lower crude oil prices, SEI's total store sales rose 4.1% year on year, to ¥2,950.4 billion.

Revenues from Operations

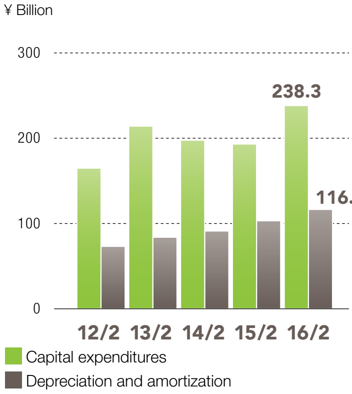


Operating Income/ROA



ROA = Operating income ÷ Average of total assets at beginning and end of period

Capital Expenditures/ Depreciation and Amortization



Seven-Eleven Japan

Implementing thorough measures to realize the "close-by, convenient" concept and responding rapidly to change

Kazuki Furuya
President and Representative Director
Seven-Eleven Japan Co., Ltd.

Generating Overwhelming Strength by Multiplying *Location* × *Products* × *Services*

For the past seven years, I have worked with Ryuichi Isaka, the former president of SEJ, to implement management in accordance with the concept of "close-by and convenient." Moving forward, our basic approach will be to rigorously follow that concept and continue responding to change at an even faster pace.

Currently, competition is intensifying among a wide range of business formats in small catchment areas. To succeed in this setting, it will be necessary to realize superior locations, products, and service. By multiplying those elements, we can enhance the trust of customers; on the other hand, if just a single one of those elements is lacking, customers will not be satisfied. We are pursuing overwhelming differentiation in a variety of areas, such as enhancing the store development system, improving product flavor and quality, developing new products, enhancing customer service, and strengthening product lineups. There are no unexpected moves and clever schemes in retail management. Going forward, I will continue working to resolve these issues.

At the same time, innovation will be indispensable in continued growth. As we did with *SEVEN CAFÉ*, it will be possible to foster new growth in the market by actualizing latent demand through innovation. Furthermore, I think that the *omni7* initiative will become an axis of innovation. *omni7* will enable stores to provide customers with a wide range of products without inventory risk, and accordingly stores will be able to make considerable use of *omni7* in their sales promotion activities, thereby leading to higher sales and profits. In that regard, we need to convince our customers that our products offer an appeal that is not available from other Internet shopping options.

In consideration of this basic approach, I think that our most important task will be to further increase our front-line capabilities. It is these front-line capabilities that have enabled SEJ to display overwhelming superiority. Moving forward, we will support franchised store management through our Operations Field Consultants (OFCs) and eliminate differentials between stores. In this way, we will step up our daily initiatives and continue to enhance our front-line capabilities. I believe that one of my important missions is to create an environment that facilitates the work of the people working on the front lines, such as the franchisees and the OFCs.

Basic Strategies and Focus Policies

In the past, men were SEJ's principal customer group, but, by expanding its product lineups to address changes in society, SEJ is expanding its customer groups to include other consumers, such as senior citizens and women, leading to growth in existing store sales. In addition, due to continued high-quality store openings, SEJ's share of net sales in the domestic convenience store market has increased, reaching 41.7% in the fiscal year ended February 29, 2016. Moving forward, SEJ will work to capture a wide range of demand in all food-related markets, including not only the convenience store market but also restaurants and take-home meals.

In merchandising, in consideration of the major trend away from the preparation of meals at home, SEJ will work to further increase the quality of its basic products, such as rice balls and sandwiches. In addition, we will focus on developing new products in line with latent customer needs and the varying preferences of each region. In regard to our store-opening policies, we will open new stores in existing coverage areas and relocate stores to better sites. We plan to open a record-high 1,800 stores in the fiscal year ending February 28, 2017. Furthermore, by advancing the Omni-Channel Strategy, we will strengthen the *Seven-Meal* meal delivery service and other services and increase convenience for customers.

Merchandising

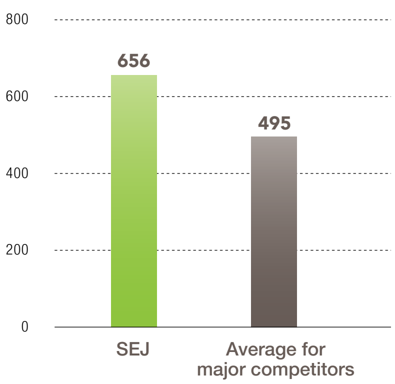
Looking at recent expenditures on food in Japan, the share of restaurants and take-home meals surpassed 50% in 2014, and the scale of the market for take-home meals was estimated to have surpassed ¥10 trillion in the same year. Due to changes in Japanese society, there is a trend away from the preparation of meals at home and toward convenient purchases of meals outside the home. SEJ's product lineup includes categories in which SEJ was the first to respond to this trend, and these categories, which include frozen foods, chilled boxed lunches, and *Seven Premium* private-brand products, have continued to record growth in sales. In addition, *SEVEN CAFÉ*, which was launched in 2013, established the trend of purchasing freshly brewed coffee in convenience stores and created a new market.

In the fiscal year ending February 28, 2017, we will continue working to achieve differentiation by renewing existing products, launching new products, strengthening product lineups, and implementing merchandising that draws on our strengths.

Furthermore, to strengthen its response to local community needs, SEJ divided the Japanese market into nine regional blocks in 2015. Product development and store operations and development are handled seamlessly at the block level. For *Seven Premium*, we are not only working with leading manufacturers, we are also collaborating with manufacturers who have roots in local communities. In these ways, we are achieving product lineups that match the needs of customers in local communities.

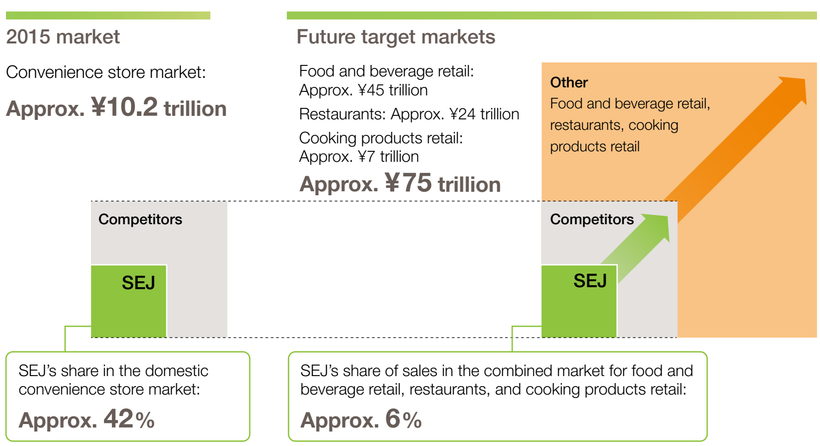
Average Daily Sales per Store

¥ Thousand



Note: Competitors' information is the simple average of three major convenience store chains (Fiscal 2016).

SEJ's Market



Sources: Convenience Store Statistics Investigation Monthly Report (Japan Franchise Association); Current Survey of Commerce (Ministry of Economy, Trade and Industry); Report on the Scale of the Food Service Market (Foodservice Industry Research Institute)

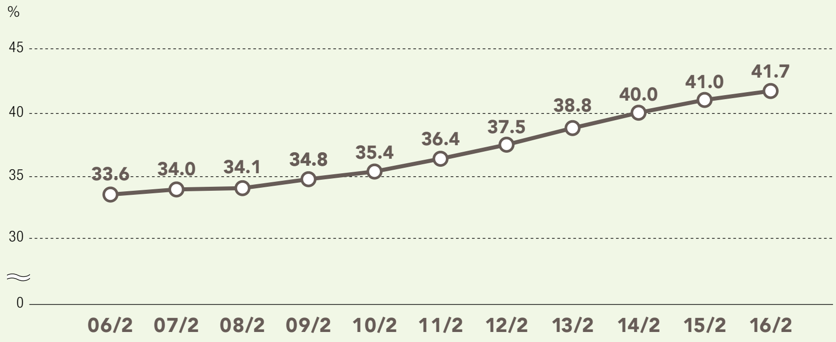
Store-Opening Policies

Since its founding, SEJ has followed the market concentration strategy, under which it expands the store network in a region with adjoining catchment areas for each store. This store-opening method contributes to increases in chain recognition and store visit frequency. It also improves advertising efficiency and distribution efficiency and facilitates the establishment of dedicated production facilities in each region, which play a pivotal role in the strategy. In these ways, the market concentration strategy makes a major contribution to the creation of stores with close ties to local communities. In the fiscal year ended February 29, 2016, we expanded into Kochi, Aomori, and Tottori prefectures, and our store network now covers 46 out of Japan's 47 prefectures.

In the fiscal year ending February 28, 2017, we will open new stores in regions with existing coverage, such as Japan's three major urban areas. In addition, we will aggressively relocate existing stores in line with changes in the surrounding environment. By doing so, we will increase convenience for customers in local communities and strengthen market concentration. In opening new stores, we will focus on the profitability of each store and rigorously assess location conditions, thereby continuing to implement high-quality store openings. In relocating stores, we will work to activate areas by expanding sales floor space and parking lot space and by further increasing product lineups and services.

Through these initiatives, SEJ is planning to open a record-high level of 1,800 stores in the fiscal year ending February 28, 2017, and is forecasting a total of 19,772 stores at the end of the year, an increase of 1,200 stores from the end of the previous fiscal year.

SEJ's Share of Domestic Sales



Source: Convenience Store Statistics Investigation Monthly Report (Japan Franchise Association)

Strengthening Service Operations

In November 2015, the Group commenced full-scale operation of its Omni-Channel Strategy. Products ordered over *omni7*, the Group's integrated portal site, can be picked up at 7-Eleven stores throughout Japan, which can also handle returns and refunds.

In addition, to provide support for purchasing, SEJ is implementing product delivery services, such as *Seven-Meal.* In the fiscal year ending February 28, 2017, we will work to capture demand by gradually expanding the *Seven-Meal* service to include deliveries made to companies and offices.

Addressing the Characteristics of Local Communities
—Example of Product Development in Line with the Preferences of Customers in the Kansai Region

In the Kansai region in western Japan, beef is an established part of the local food culture, to the extent that "meat" is almost considered to be synonymous with "beef." In making curry, pork is also generally used in eastern Japan, while beef is typically used in Kansai. The Kansai region has developed dishes with unique flavors, such as "salty-sweet curry," which is sweet on the first mouthful and becomes spicier as it is eaten.

In consideration of this type of distinctive Kansai preferences, we launched a new stewed beef curry in January 2016. Two types of beef and 12 spices create a changing taste sensation that has generated positive reviews, and in January unit sales were 1.4 times those of the beef curry launched in the previous year.

In addition, we implemented renewals of basic products, such as bread and *sozai* prepared dishes, that were limited to the Kansai region. In cooperation with leading manufacturers, we also introduced national brand products limited to 7-Eleven stores in western Japan. In such ways, we are strengthening our product lineups to reflect the needs of customers in local communities.

Products available only in the Kansai region

Seasoned Nori Roast Salmon

Chilled Curry Udon noodle made with Japanese Beef Broth

7-Eleven, Inc.

Basic Strategies and Focus Policies

Since it became a wholly owned subsidiary of SEJ in 2005, SEI, of the United States and Canada, has recorded continued growth in both merchandise sales and operating income while absorbing SEJ's management methods. As of the end of December 2015, SEI had 8,500 stores. Due to growth in existing store sales and improvement in the merchandise gross profit margin, operating income set a new record high. This growth in profits was made possible by SEI's distinctive merchandising and store-opening policies.

In the United States, convenience stores are principally directly operated and are generally integrated with gas stations. Gross profits on sales of merchandise and gasoline are the source of earnings. With the objective of significantly increasing profitability, SEI is advancing a transition to franchising (shift to royalty revenues). SEI is opening many stores that are centered on merchandise sales and do not have gas stations, mainly in highly profitable urban areas. This store-opening policy plays an indispensable part in SEI's merchandising, as described below.

Joseph Michael DePinto
President and
Representative Director
7-Eleven, Inc.

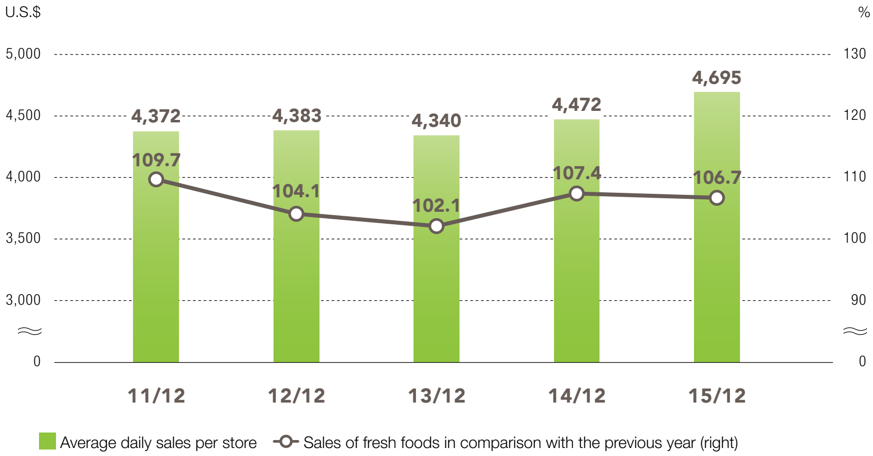
Merchandising

SEI's merchandising involves differentiation through fast foods, such as fresh foods and hot foods, and *7-Select* private-brand products. The foundation for those initiatives is highly precise marketing.

In the U.S. market, which encompasses a diverse range of cultures, there are notable regional aspects to food to a greater extent than in Japan. In addition, consumers have markedly high standards for food quality and for saving time. SEI has carefully analyzed these market characteristics and reflected the resulting knowledge in the development process for fresh foods, including sandwiches, salads, and cut fruits, which had not been sufficiently stocked in the market as a whole. In addition, SEI uses the team merchandising method in product development, working with manufacturers and other suppliers in the same way as in Japan.

In regard to customer purchasing behavior, SEI analyzes best-selling products in each time period and implements detailed responses, such as strengthening sales of hot foods, such as pizza and fried chicken, which are popular items in the

SEI's Average Daily Sales per Store and Sales of Fresh Foods in Comparison with the Previous Year



evening and night-time periods. In the fiscal year ended December 31, 2015, SEI completed the installation of in-store food preparation equipment in nearly all stores. In these ways, SEI is working to provide original, high-quality hot foods.

In addition to these products, SEI will continue to enhance the differentiation of the 7-Eleven brand by further expanding its lineup of *7-Select* private-brand products.

Store Initiatives

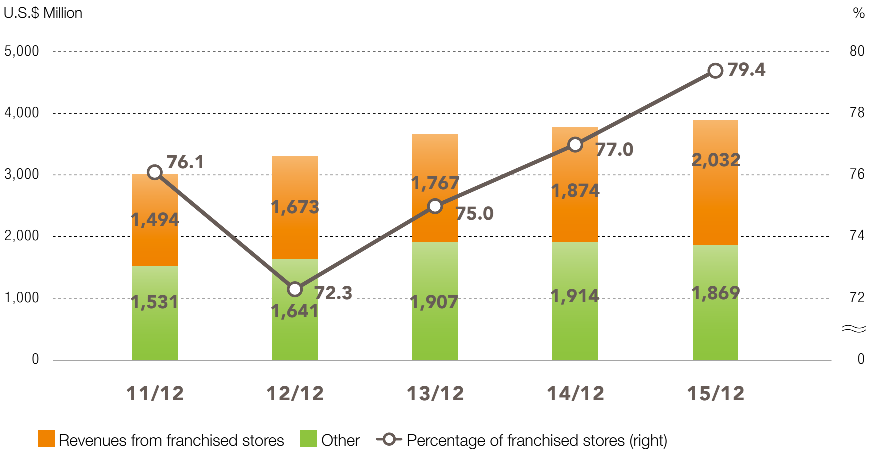
In regard to its store initiatives, while focusing on product lineups from the customer perspective and on customer service, SEI is rigorously implementing item-by-item management to reduce opportunity losses and waste. Specifically, SEI has introduced ordering terminals and IT systems, and the Operations Field Consultants (OFCs) provide daily support. By doing so, SEI is aiming to establish a store operations cycle comprising ordering based on a hypothesis, followed by verification of sales results, and in turn followed by correction of the next order.

SEI's strategy for opening stores calls for working to increase efficiency in distribution and sales by implementing the market concentration strategy in the west coast, mid west, and east coast regions where the population has increased in recent years. In comparison with the suburbs, the urban areas in these regions have substantial demand for fresh foods, centered on office locations, and accordingly SEI is strengthening store openings in these areas.

Of approximately 150,000 convenience stores in the United States, SEI has a share of less than 6% and still has room for growth. To build its store network more rapidly, SEI is using M&A transactions as appropriate. SEI concluded agreements to acquire 181 stores from Tedeschi Food Shops, Inc., in August 2015 and 148 stores from Imperial Oil Ltd. in March 2016. In addition to renovating these stores into 7-Eleven stores, SEI will also enhance the marketing capabilities of these stores through the aforementioned operational reforms. In the fiscal year ending December 31, 2016, 35 store openings are planned, and the forecast is for a total of 8,700 stores at the end of the year, an increase of 200 stores from the end of the previous fiscal year.

Further, the market concentration strategy is directly related to the conversion of stores to franchises. As mentioned, in the United States, convenience stores are generally directly operated, and sales of gasoline from integrated gas stations play a central role. However, the implementation of the market concentration strategy and the conversion of stores to franchises have led to the creation of many franchise stores with business centered on sales of merchandise, and as a result royalty revenues are contributing to increases in profitability. As of the end of December 2015, franchised stores accounted for approximately 80% of all stores. Moving forward, SEI will work to raise this figure and realize a growth scenario under which strengthened product capabilities promote the conversion of stores to franchises, which in turn fosters improved revenue efficiency. SEI will implement more-aggressive initiatives in accordance with this scenario.

Gross Profit from Operations and Percentage of Franchised Stores



Review of Operations

Superstore Operations

Core Operating Companies and Percentage of Ownership

Ito-Yokado Co., Ltd.	100.0%
York-Benimaru Co., Ltd.	100.0%
York Mart Co., Ltd.	100.0%
Akachan Honpo Co., Ltd.	95.0%
Ito-Yokado (China) Investment Co., Ltd.	100.0%
Hua Tang Yokado Commercial Co., Ltd.	75.8%
Chengdu Ito-Yokado Co., Ltd.	75.0%

Business Overview

Superstore operations comprise Ito-Yokado (IY) superstores, York-Benimaru (YB) and York Mart food supermarkets, and specialty stores, such as Akachan Honpo, which handles baby and maternity products.

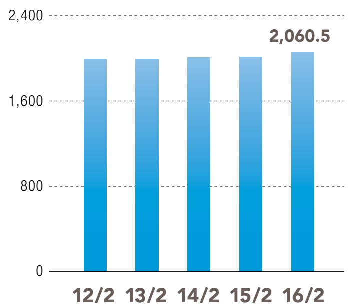
IY is promoting operations centered on each store, with the aim of creating product lineups and sales areas that leverage local community viewpoints and ideas from individual stores. In the fiscal year under review, in line with the plan for business structural reforms announced in October 2015, IY moved forward with store closures, optimized personnel assignments, and implemented other measures. With regard to sales, IY focused on the development and sale of differentiated products that leverage the Group's comprehensive strengths. The rate of growth in sales at existing stores increased year on year, despite a fallback in demand occurring as a response to the rush in demand in the previous fiscal year associated with the consumption tax hike. However, profitability worsened due to apparel inventory and other factors.

York-Benimaru worked to realize "lifestyle proposal-type food supermarkets" by strengthening its sales of fresh foods and expanding its lineup of *sozai* prepared dishes. These initiatives were successful, and the rate of growth in sales at existing stores increased year on year.

As a result of these initiatives, revenues in superstore operations were ¥2,060.5 billion, an increase of 2.4% year on year, while operating income was ¥7.2 billion, down 62.6% year on year.

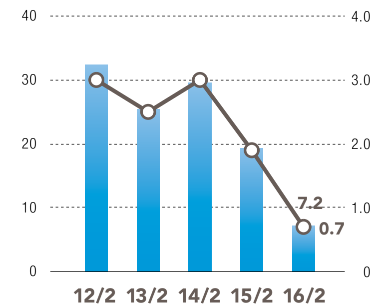
Revenues from Operations

¥ Billion



Operating Income/ROA

¥ Billion %

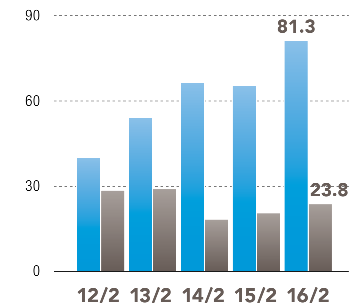


Operating income ROA (right)

ROA = Operating income ÷ Average of total assets at beginning and end of period

Capital Expenditures/ Depreciation and Amortization

¥ Billion



Capital expenditures

Depreciation and amortization

Ito-Yokado

Basic Strategies and Focus Policies

As of the end of February 2016, IY operated 182 stores, centered on the Tokyo metropolitan area. In recent years, food has recorded favorable results, but apparel and household goods have continued to face challenging conditions. In stores, the attraction of tenants to *Ario* mall-type shopping centers and to existing stores is contributing to increasing profitability.

In addition to changes in the retail environment, such as the shortening of the product cycle and the rise of specialty stores, consumer preferences are diversifying in a setting marked by consumption that is maturing. In response to these changes, IY has thoroughly reevaluated its Companywide, uniform merchandising. Currently, IY is advancing business restructuring measures to build a system that provides a detailed response to the needs of customers, such as working to implement store-led operations.

Atsushi Kamei
President and
Representative Director
Ito-Yokado Co., Ltd.

Store Initiatives

In store operations, we are working to attract excellent tenants from inside and outside the Group. In addition, we are remodeling sales areas to enhance delicatessen items that meet needs for easy, ready-to-serve meals and to promote face-to-face sales of fresh food. While advancing individual store management with close ties to local communities, we are thoroughly strengthening food operations, streamlining lineups of apparel and household goods, expanding *Ario* mall-type shopping centers, and pursuing the potential of stores in the Tokyo metropolitan area. We are also strengthening product lineups and sales areas to address the Omni-Channel Strategy and working to thoroughly transform the earnings structure.

Specifically, we are implementing the following reforms. First, we are taking a rigorous approach to individual store management through independent stores with close ties to local communities. This began with *Ario Ageo* in January 2014, and the number of these independently operated stores increased to nine in December 2014. Since May 2015, all stores have been operated in this manner. The first nine stores have already shown results from the reforms, such as improvement in gross profit on food operations.

Second, we will reinforce food operations, which are our strength, and, for apparel and household goods, we will work to reduce directly managed sales floor space, improve the profitability of directly managed sales areas, attract leading tenants from inside and outside the Group, and increase the appeal of stores.

Third, among our regional stores, we will enhance our relationships with capital and operational partners and raise efficiency in sales promotions and distribution. In these ways, IY will aim to realize a high level of customer-drawing power in its food operations and individual store management, based on the optimal tenant mix for the region, and to link changes in society to growth in profits for the entire Company. To those ends, we will implement bold store restructuring initiatives. We had 182 stores in Japan as of the end of February 2016, and we plan to reduce this figure to 142 by the fiscal year ending February 2021. Accordingly, we plan to close 20 stores in the fiscal year ending February 28, 2017.

Merchandising

In merchandising, we will implement the following measures. First, we will optimize inventory levels through rigorous implementation of item-by-item management. We will reinforce purchasing through a cycle of hypothesis and verification, centered on each store rather than headquarters.

Second, to leverage the Omni-Channel Strategy, we will strengthen our lineups of safe, secure products that are available online, thereby complementing real store operations. For example, a region's specialty products have been little known outside the region and available only to local customers, but we will make them widely available over the Internet. In this way, these products will be recognized by a wide range of customers throughout Japan and limitations on shelving space will be eliminated. Moreover, we will strengthen growth in sales of *Net Supermarket*. Initiatives will be centered on the dedicated *Net Supermarket* store opened in Nishi Nippori in the Tokyo metropolitan area. We will also increase the space available for *Net Supermarket* operations at each store and address delivery needs, which will increase in the future.

Third, especially among regional stores, IY will heighten its procurement capabilities by strengthening its relationships with capital and operational partners and will strengthen its lineups of products and its creation of sales areas tailored to regional tastes, centered on food.

Initiatives of the Hokkaido Division

As of the end of February 2016, IY had 11 stores in Hokkaido, including in Sapporo, Hakodate, and the eastern Hokkaido area.

Through a capital agreement, we are working in cooperation with DAIICHI, which operates food supermarkets and has strengths in the region. We have bolstered our lineups of regional products and reduced our costs by sharing product procurement routes. In sales promotion, we have expanded catchment areas and reduced costs through the use of joint fliers. In addition, DAIICHI has introduced *Seven Premium* private-brand products, installed Seven Bank ATMs, and introduced *nanaco* electronic money. In these ways, DAIICHI has increased convenience for its customers, and synergies have been created.

York-Benimaru

As of the end of February 2016, YB operated 205 food supermarkets, principally in southern Tohoku. Aiming to be a "lifestyle proposal-type supermarket company," York-Benimaru (YB) will take steps to implement the following initiatives based on the concept of "making customers' daily meal experiences more exciting, fulfilling, and convenient."

In merchandising, YB will work together with subsidiary Life Foods and strengthen its lineup of *sozai* prepared dishes to respond to demand for ready-to-serve and easy meals. YB will differentiate its in-house products with a focus on security, safety, flavor, and quality, and it will propose foods that are appropriate for various lifestyle scenarios.

In store operations, in accordance with the principle of individual store management, YB will create stores with the participation of all employees and take a rigorous approach to product lineups and sales area development that address regional characteristics. In addition, YB will invigorate existing stores, centered on the further enhancement of food, and take steps to aggressively implement store openings in accordance with the market concentration strategy. In human resources development, YB will take a thorough approach not only to training in the areas of customer service, sales, product knowledge, and management but also to training in intangible factors, such as YB's starting point, philosophy, and ideas. In these ways, we will aim to further enhance customer satisfaction.

Yukio Mafune
President and
Representative Director
York-Benimaru Co., Ltd.

Department Store Operations

Core Operating Companies and Percentage of Ownership

Sogo & Seibu Co., Ltd.	100.0%
THE LOFT CO., LTD.	75.2%
SHELL GARDEN CO., LTD.	100.0%

Business Overview

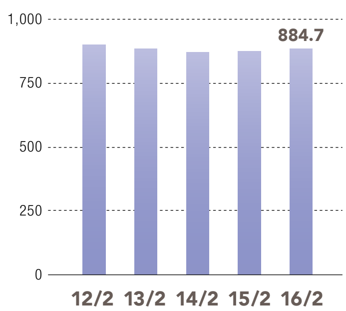
Department store operations include Sogo & Seibu (SS) department stores, THE LOFT miscellaneous goods specialty stores, and SHELL GARDEN, which operates The Garden Jiyugaoka, a high-end food supermarket.

SS is taking steps to clearly differentiate its operations from those of competitors, centered on its products. To that end, SS is expanding self-produced merchandise and self-arranged sales areas, with efforts focused on its flagship store, the SEIBU Ikebukuro store, which is one of Japan's leading stores in terms of sales and customer store visits. By enhancing the *e.depart* online shopping site, which leverages the Group's infrastructure and know-how, we will advance the Omni-Channel Strategy and the integration of real-store and Internet-based services. By doing so, we will move forward with the creation of a new type of department store.

In the fiscal year ended February 29, 2016, there was a fallback in demand in response to the rush in demand in the previous fiscal year associated with the consumption tax hike. Nonetheless, SS's existing store sales growth was about the same as in the previous year. Revenues in department store operations were ¥884.7 billion, an increase of 1.1% year on year, while operating income was ¥3.8 billion, down 45.7% year on year.

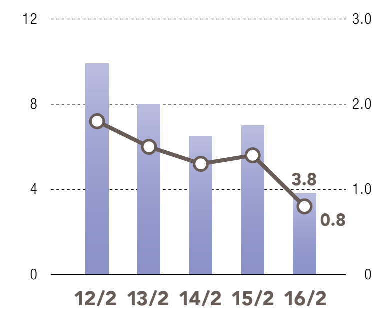
Revenues from Operations

¥ Billion



Operating Income/ROA

¥ Billion %

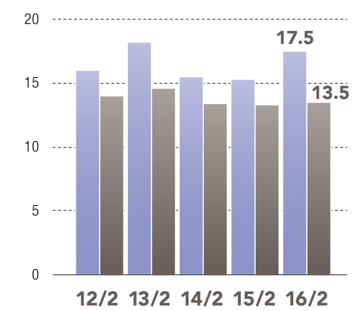


Operating income -O- ROA (right)

ROA = Operating income ÷ Average of total assets at beginning and end of period

Capital Expenditures/ Depreciation and Amortization

¥ Billion



Capital expenditures

Depreciation and amortization

Sogo & Seibu

Store Initiatives

In store initiatives, the following measures are being advanced. First, we will reduce unprofitable stores. Based on the business structural reforms announced in March 2016, we decided to close the SEIBU Asahikawa store and the Sogo Kashiwa store in September 2016. Additionally, in August 2016 we decided to close the SEIBU Yao store and the SEIBU Tsukuba store in February 2017.

Second, at the SEIBU Ikebukuro store, which has one of the highest levels of sales in the country, we will enhance quality, principally by further expanding luxury brands. Also, we will work to optimize directly managed sales floor space at regional stores, and to attract leading tenants and transition toward shopping centers. In these ways, we will invigorate stores and improve profitability.

Moreover, in stores, we consider it important to communicate the value of our products to customers, and accordingly we will continue to enhance the customer service skills and expertise of each individual salesperson. We will also enhance *Kirei Station* (Beauty Station) and other consulting stations. In doing so, we will work to heighten customer satisfaction through the high-quality customer service that is the hallmark of department stores.

Ryu Matsumoto
President and
Representative Director
Sogo & Seibu Co., Ltd.

Merchandising

SS will strengthen its initiatives in retailer-managed merchandising and store-managed sales areas. Retailer-managed merchandising initiatives, including the development of products following the SPA model, will be centered on the *Limited Edition* private brand, which is based on the concept of high-quality daily wear. SS will strive to improve profitability and foster differentiation. In regional stores, we will strengthen product lineups that address regional needs, such as *Limited Edition areamode*.

Moreover, accompanying full-scale operation of the Omni-Channel Strategy, centered on SS's *e.depart* online shopping site, we will take steps to increase convenience for customers by expanding the array of high-quality products that are a strength of department stores.

In addition, we will begin to cultivate new suppliers through an open application system using the Internet. Producers who have ability or superior technologies that have been untapped can enter an application directly and sell their products through *e.depart* or through stores. In such ways, we will take on the challenge of implementing new initiatives.

Limited Edition areamode: A Private Brand Originating in Regional Stores

The *Limited Edition areamode* brand, which originated in regional stores and has a wealth of regional character, was launched in March 2015. With a focus on lifestyles that differ by region, we are moving forward with the development of products that have distinctive regional characteristics. These initiatives, which are implemented through cooperation with local manufacturers, are centered on apparel and sundries.

At stores, the people in charge of private brands, who know a great deal about their local communities, decide how many of each item to order. In various ways, we are working to address the needs of customers, which differ by region, and to activate regional stores with product lineups that leverage local specialty products.

Review of Operations

Food Services

Operating Company and Percentage of Ownership

Seven & i Food Systems Co., Ltd.	100.0%

Tsuneo Okubo
President and
Representative Director
Seven & i Food Systems Co., Ltd.

Business Overview

In food services operations in Japan, Seven & i Food Systems operates the restaurant division, the meal provision service division (meal provision services for company cafeterias, hospitals, and schools), and the fast food division. In the restaurant division, the rate of growth in existing store sales increased year on year due principally to the success of measures to enhance sales of high-value-added menu items and to improve customer service.

Consequently, revenues from operations in food service operations were ¥83.8 billion, an increase of 3.5% year on year, and operating income was ¥0.9 billion, a rise of ¥0.8 billion year on year.

Basic Strategies and Focus Policies

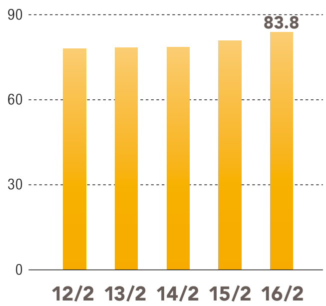
Through a cycle of hypothesis and verification, we will reevaluate operations, including menu item development and sales promotions. In addition, we will leverage the Omni-Channel Strategy and rigorously implement the fundamentals of the food service business, such as hospitality and cleanliness. In these ways, we aim to heighten customer satisfaction.

In merchandising, we will implement product development with an integrated approach to raw materials, preparation, sales promotion, and provision. We will develop high-value-added menu items with a focus on safe, secure ingredients and menu items that meet regional needs, and we will continue to reevaluate existing menu items. Moreover, in cooperation with other Group companies, we will raise efficiency in procurement and distribution. Also, we will thoroughly control costs at the store level and work to improve profitability.

In store initiatives, in addition to a rigorous approach to the fundamentals, we will strengthen labor cost control by raising operational efficiency at stores. Further, we will expand customer contact points through a series of Omni-Channel Strategy initiatives, such as strengthening takeout and home delivery services and expanding online orders. In meal provision service operations, we will advance the establishment of facilities that address customer demand, such as company cafeterias integrated with 7-Eleven stores.

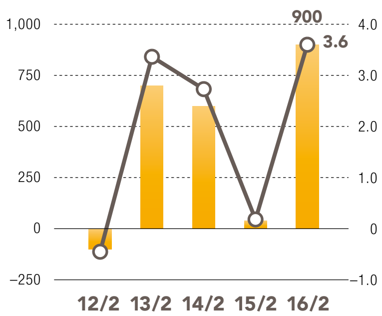
Revenues from Operations

¥ Billion



Operating Income/ROA

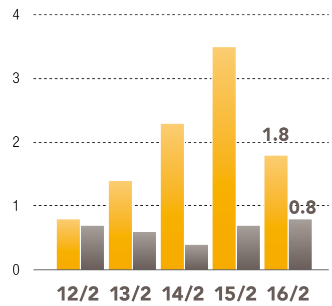
¥ Million %



Operating income ROA (right)
ROA = Operating income ÷ Average of total assets at beginning and end of period

Capital Expenditures/ Depreciation and Amortization

¥ Billion



Capital expenditures
Depreciation and amortization

Review of Operations

Financial Services

Core Operating Companies and Percentage of Ownership

Seven Bank, Ltd.	45.8%
Seven Financial Service Co., Ltd.	100.0%
Seven Card Service Co., Ltd.	95.5%
Seven CS Card Service Co., Ltd.	51.0%
FCTI, Inc.	100.0%

Business Overview

In financial services, we are developing a wide range of services that principally support the retail businesses of the Group. These include Seven Bank ATM operations, credit card operations, electronic money services, insurance operations, and leasing operations.

As of the end of February 2016, the number of installed Seven Bank ATMs had increased to 22,472, up 1,416 year on year, due mainly to the aggressive opening of stores by SEJ. The total number of ATM transactions also increased year on year.

In credit card operations, the transaction volumes of the Seven Card Plus credit card and the CLUB ON CARD SAISON and Millennium CARD SAISON credit cards rose year on year. In electronic money operations, the use of the *nanaco* electronic money service increased. At the end of the fiscal year, the total number of *nanaco* accounts issued was 45.42 million, up 8.25 million year on year, and the number of stores at which *nanaco* was available was approximately 215,300, up about 47,600 stores year on year.

As a result, revenues in financial services operations were ¥192.4 billion, up 8.0% year on year, and operating income was ¥49.6 billion, up 5.3% year on year.

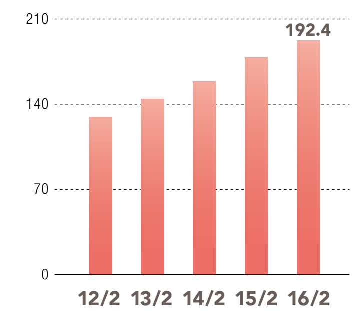
Basic Strategies and Focus Policies

Seven Bank will work to heighten service quality and further expand the scope of the ATM business so that customers can use its services with peace of mind. In addition, Seven Bank will enhance financial services, including the overseas remittance and individual loan businesses, and aim to move beyond the ATM framework and record growth as an innovative financial services company.

In overseas business, from July 2017 plans call for FCTI, Inc., a consolidated subsidiary of Seven Bank, to install and operate ATMs in 7-Eleven stores in the United States. In this way, the ATM operations know-how cultivated in Japan will be utilized in business development initiatives. In card operations, shopping transaction volume is increasing, both inside and outside the Group. We will work to promote further usage of credit cards and *nanaco* electronic money, and the card data will be used as common Group infrastructure for new business development initiatives.

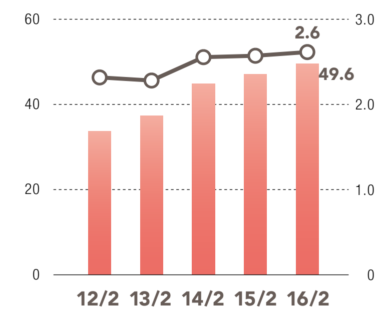
Revenues from Operations

¥ Billion



Operating Income/ROA

¥ Billion %

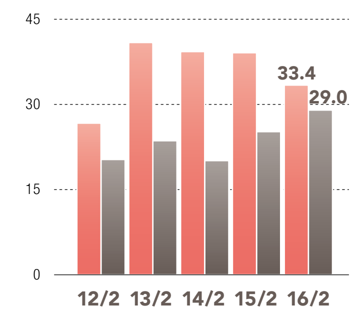


Operating income ROA (right)

ROA = Operating income ÷ Average of total assets at beginning and end of period

Capital Expenditures/ Depreciation and Amortization

¥ Billion



Capital expenditures

Depreciation and amortization

Mail Order Services and Others

Core Operating Companies and Percentage of Ownership

Nissen Holdings Co., Ltd.	50.7%
Nissen Co., Ltd.	100.0%
SHADDY CO., LTD.	100.0%

Seven & i Netmedia Co., Ltd.	100.0%
Seven-Meal Service Co., Ltd.	90.0%
Barneys Japan Co., Ltd.	100.0%

Business Overview

In mail order services, Nissen provides products and services, mainly through online stores and catalogs. In addition, Nissen also operates a wide range of other businesses, including Internet-related services and meal delivery services.

In mail order services, in August 2015 Nissen Holdings announced management streamlining measures aimed at an early return to profitability. Steps were taken to improve profitability by withdrawing from the large furniture business, which was unprofitable, and recruiting for voluntary retirement. Nonetheless, in the fiscal year ended February 29, 2016, the Group's revenues in mail order services operations were ¥158.7 billion, down 14.6% year on year, and an operating loss of ¥8.4 billion was recorded, compared with an operating loss of ¥7.5 billion in the previous year. In others operations, a contribution was made by revenues of Barneys Japan, which became a wholly owned subsidiary of the Company in February 2015, and revenues from operations were ¥61.5 billion, up 14.3% year on year, and operating income was ¥5.5 billion, up 51.5% year on year.

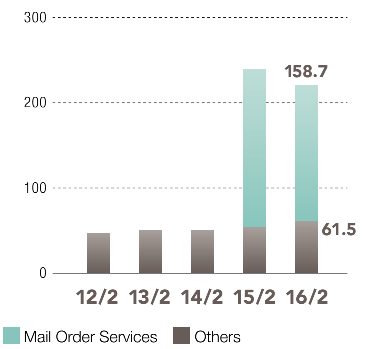
Basic Strategies and Focus Policies

In mail order services operations, we plan to make Nissen Holdings a wholly owned subsidiary, and on that basis Nissen Holdings will implement thorough reforms and rebuild its business.

In others operations, we will work to leverage IT synergies. For example, business development initiatives linked to the Omni-Channel Strategy will be implemented by Seven & i Netmedia in the IT/services field and by Seven-Meal Service in meal delivery services.

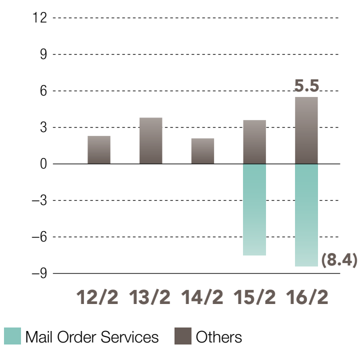
Revenues from Operations

¥ Billion



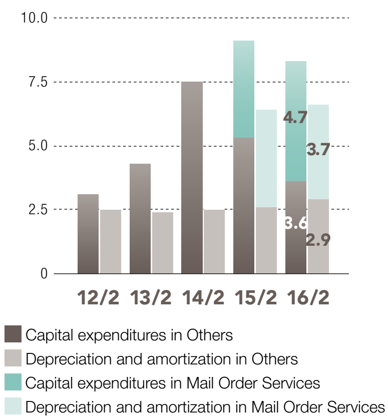
Operating Income

¥ Billion



Capital Expenditures/ Depreciation and Amortization

¥ Billion



Human Resources and Corporate Culture

People are the Seven & i Group's most important management asset. The Group has consistently practiced the Group corporate creed, "We aim to be a sincere company that is trusted," which was established in 1972, and the management principle, "Responding to Change while Strengthening Fundamentals," which was formulated in 1982. Both the creed and the slogan have become deeply ingrained as our corporate culture, and that culture has become the source of our growth. Moreover, in consideration of changes in society, such as the diversification of consumer needs and the shortage of human resources, in recent years the Group has focused on the promotion of diversity.

Ensuring a Common Understanding through Direct Communication

In accordance with the idea that "leadership is enabling employees to do their best," our management leaders are repeatedly communicating and promoting awareness of our basic strategies, such as "hypothesis and verification" and "item-by-item management," as well as the Group corporate creed and the Group slogan. In particular, the value placed on direct communication is one of the Group's notable strengths. For example, for 40 years Seven-Eleven Japan (SEJ) has held the Consultants Meeting once every two weeks at the Tokyo Head Office. This meeting is attended by about 2,500 Operations Field Consultants (OFCs) from around the country. The participants meet face-to-face to share and discuss not only the aforementioned basic strategies but also the latest market trends, examples of successes in each region, and information related to new products, including product features and information about the product launch, such as the background and objectives. As a result, OFCs are able to provide ordering and product lineup advice to franchisees based on a deep understanding of the business, which leads to a high percentage of stores that introduce products recommended by the SEJ Head Office.

Ito-Yokado (IY) has monthly meetings attended by store managers from around the country, which are known as Store Managers' Meetings. Management policies, sales plans, and product information are shared at these meetings. The foundation of these activities is our commitment to the idea that the sales front lines are the point of contact with the customer, and the role of the IY Head Office is to support the front lines. In this way, we have established a framework that facilitates the sharing of basic strategies and makes it easy to implement those strategies in line with each store's local community.

Some may think that with today's advanced communications, it is inefficient to assemble employees from around the country, but we believe that face-to-face communication is the most effective means to share values and an awareness of issues.

Consultants Meeting

Promoting Diversity

In 2012, we established the Seven & i Group Diversity Promotion Project to enhance our competitiveness in the achievement of sustained growth by facilitating the active participation of diverse human resources. Most of our customers are women, and accordingly our initial focus was on the promotion of active roles for women. We established targets to be achieved by the end of February 2016 and implemented a range of initiatives. One of these targets called for the percentage of female managers at the level of section manager or higher to reach 20%. We have achieved that target. Accordingly, we have formulated targets to be achieved by the end of February 2020, and we are now implementing initiatives in cooperation with Group companies.

Specifically, to promote the rapid, wide-ranging roll out of project initiatives in each operating company, the Diversity Promotion Project has been holding quarterly diversity promotion liaison meetings. These meetings are attended by the people responsible for diversity promotion at the operating companies.*1 In addition, we are holding seminars to provide female employees involved in childcare with assistance in career plan formulation as well as seminars for female managers to help them enhance their management capabilities. We are also conducting Diversity Management Seminars and utilizing handbooks to help raise the awareness of managers. Furthermore, we are implementing initiatives to encourage greater participation in the childcare process by men, and from the fiscal year ended February 2016, to eliminate the need for employees to retire to provide family care, we are taking steps to support both work and family care, such as sponsoring family care seminars.

These initiatives have been highly evaluated outside the Group, and in 2015 we received the Prime Minister's Award at the Leading Companies Where Women Shine Awards, established by the Cabinet Office, and the Corporate Activity Award from the Tokyo Stock Exchange. These awards were received due to favorable evaluations of the Group's high ratios of female corporate officers and female managers, the Group's aggressive disclosure of the active roles of women, and the Group's efforts to change the awareness of women and men in management and non-management positions. In addition, in 2015 IY became the first company in the Tokyo metropolitan area to receive the "Platinum Kurumin" Mark*2 certification from the Ministry of Health, Labour and Welfare.

In June 2016, at a forum on rectifying the issue of long work hours, the president of the Company signed a declaration regarding the reform of work hours. Moving forward, we will implement further initiatives to reform working styles.

*1. Total for 12 companies: Seven & i Holdings, SEJ, IY, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank, York Mart, THE LOFT, Seven Bi no Garden, and Seven Financial Service (as of the end of July 2016)

*2. "Kurumin" certification recognizes companies that have met certain standards in such areas as implementing countermeasures to the trend toward fewer children per family and providing support for child rearing. "Platinum Kurumin" is a certification system for companies that have already received "Kurumin" certification from the Ministry of Health, Labour and Welfare and are implementing initiatives at a higher level.

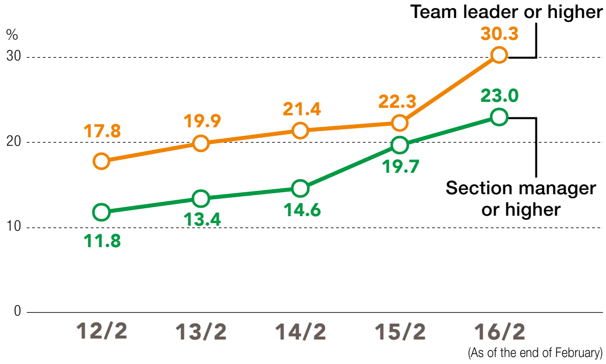
Five Targets to be Attained

By the End of February 2020

- **Raise percentage of female managers: 30%**
- **Encourage male employees to participate in childcare**
- **Eliminate retirements resulting from need to provide family care**
- **Improve employee satisfaction**
- **Improve external evaluation**

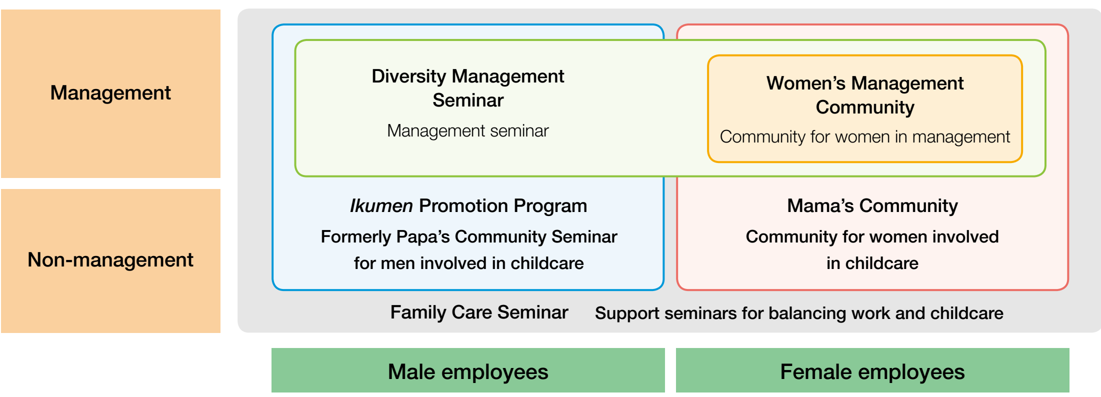
(Revised January 2016)

Trends in the Percentage of Female Managers



Note: Total for 8 companies (Seven & i Holdings, SEJ, IY, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank)

Promoting Active Roles for Women through Seminars and Community Activities



Franchisees

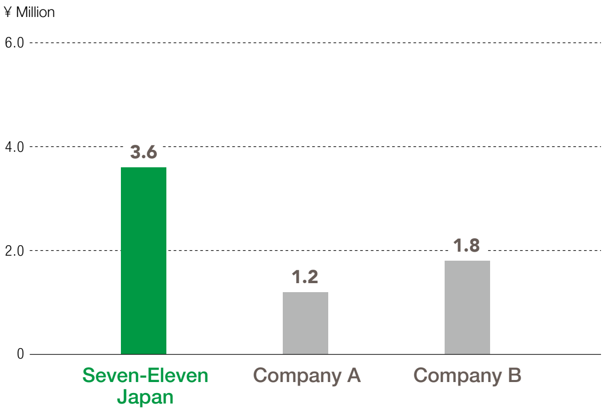
SEJ is the core company of the Group, and since SEJ's founding in 1973, it has advanced the franchise business in accordance with the philosophy of "modernizing and revitalizing small and medium-sized retail stores." Like consumers, franchisees are our valued customers, and at the same time they are also our most important partners in the pursuit of mutual prosperity.

Franchise System and Its Distinctive Features

The relationship between the franchisees and the SEJ Head Office is based on a clear division of roles between the implementation of store management and the provision of support for store management. The two sides work together as equals. This system uses the gross profit allocation method, and accordingly both sides focus on increasing gross profit rather than sales. In addition to providing management advice, the SEJ Head Office covers 80% of utility costs so that customers are always provided with a comfortable sales environment. Moreover, the SEJ Head Office also covers 15% of defective products so that customers can always enjoy an extensive product lineup. In these ways, we are working to achieve mutual prosperity through the provision of helpful support to the franchisees.

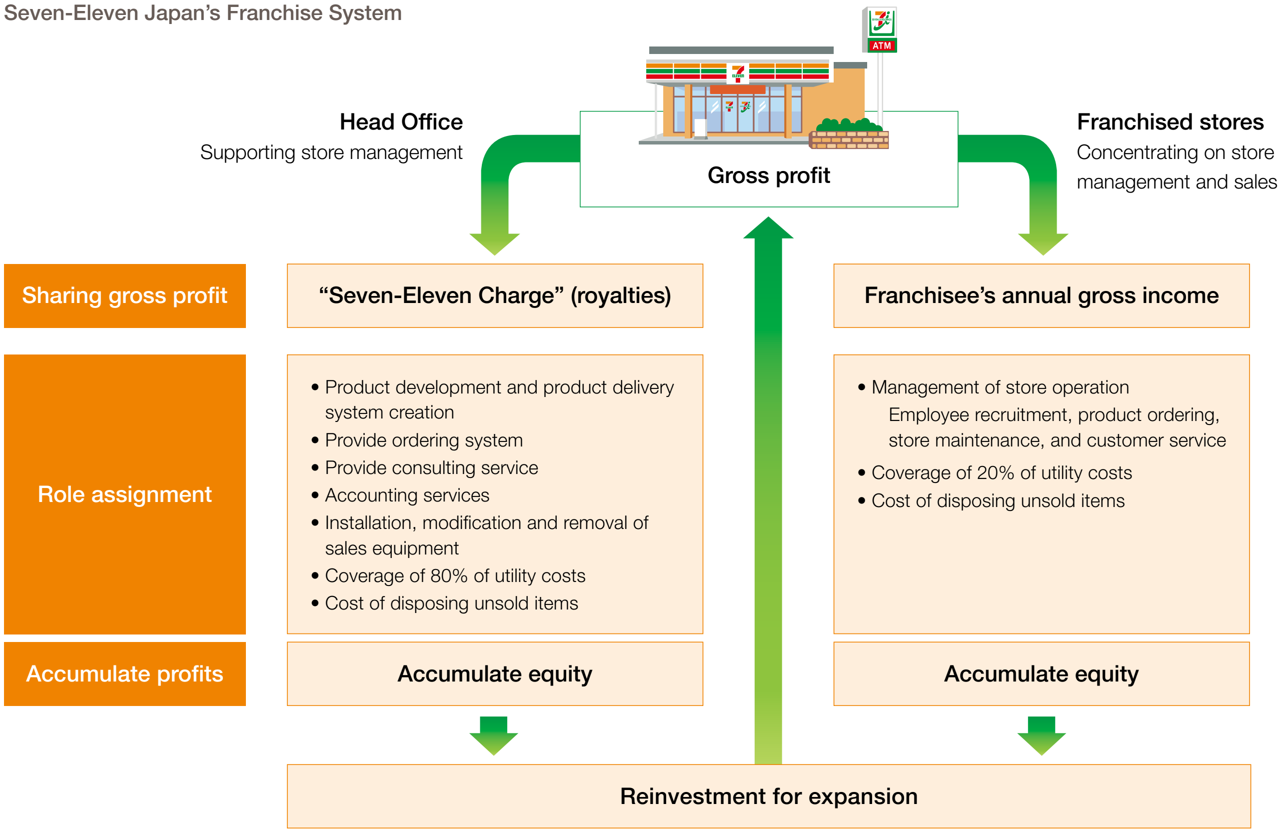
In addition, SEJ has set the level of royalties paid by franchisees ("Seven-Eleven Charge") at a high level, even in comparison with other companies in the industry. The reason is that we are taking steps to increase our competitive strength and creating a cycle of favorable growth in profits for both franchisees and SEJ. For example, our per-store advertising expenses are more than double those of other companies, and we offer aggressive support for franchisees, such as in the development of new products and the introduction of new fixtures.

Domestic Per-Store Advertising Expenses



Note: Figures for Company A and Company B are on a non-consolidated basis.
Source: Financial results materials for each company for fiscal periods ended February 2016

Seven-Eleven Japan's Franchise System



Support in Intangible Areas

SEJ has about 2,500 Operations Field Consultants (OFCs) in Japan. OFCs are each responsible for seven or eight stores, for which they provide store management know-how consulting. OFCs regularly visit the franchise stores in the region they handle, and they provide support for increasing store sales and profits by offering a variety of advice, such as suggestions for improving ordering and shelving through the process of hypothesis and verification. Furthermore, they provide support to enable store management to reflect the needs of customers in the local community. In addition, SEJ has built a framework under which information is carefully communicated to approximately 18,500 stores throughout Japan, and the stores then apply their understanding to management. Such information covers new products and other matters that is shared by the SEJ Head Office as needed, as well as information about management policies and initiatives that is shared by OFCs at meetings at the SEJ Head Office. At the same time, OFCs play the role of mediator in their close communication with the Head Office and the stores, such as informing the Head Office of the concerns and issues of franchisees and formulating countermeasures.

In addition to the support provided by OFCs, we also hold semi-annual product exhibitions at 11 locations around Japan. At these exhibitions, the franchisees receive introductions to new products and services from the people responsible for product development as well as explanations of proposals for creating sales areas. Furthermore, to promote store management closely linked to local communities, we implement study meetings to improve service in each region and explanatory meetings for locally developed products.

Furthermore, since our establishment we have continued to provide awards to superior stores as a means of demonstrating our respect for the franchisee owners who are implementing superior store management. Specifically, the awards recognize the thorough implementation of the four basic principles— friendly service, product lineup, freshness management, and cleanliness — as well as exemplary management for the region, including the implementation of item-by-item management and numerical results. In the fiscal year ended February 2016, 225 franchisees were recognized with awards.

The implementation of this approach and framework, under which individual franchisees take the lead in management and the Head Office provides thorough support, has also become an established practice at 7-Eleven, Inc., in the United States, where it is similarly supporting growth in the franchise business.

Stores and Distribution Infrastructure

The Group's basic strategy is the market concentration strategy, under which Group companies implement concentrated store openings within the same region, without regard to store formats. This market concentration store opening strategy is the key to the Group's competitive strength. It increases customer recognition in our marketing activities, substantially enhances efficiency in distribution, and leads to differentiation through original products.

Additional Value Created by the Market Concentration Strategy

In addition to SEJ, the Group also implements market concentration for IY superstores and *Ario* shopping centers, principally in the Kanto region; York-Benimaru food supermarkets, mainly in the southern Tohoku and northern Kanto regions; and York Mart food supermarkets, principally in the southern Kanto region. The merits of the market concentration strategy include increased recognition among customers in the local community and efficient advertising and sales promotion focused on a specific region.

The most significant value is in the area of distribution. With a high concentration of stores in a region, delivery routes are more efficient and it is possible to reduce the amount delivered to stores at one time and to implement small-lot deliveries. Furthermore, the profitability of capital investment increases due to lower costs that accompany more-efficient distribution and makes it possible for SEJ to benefit from dedicated production facilities operated by manufacturers and suppliers as well as to operate combined distribution centers.

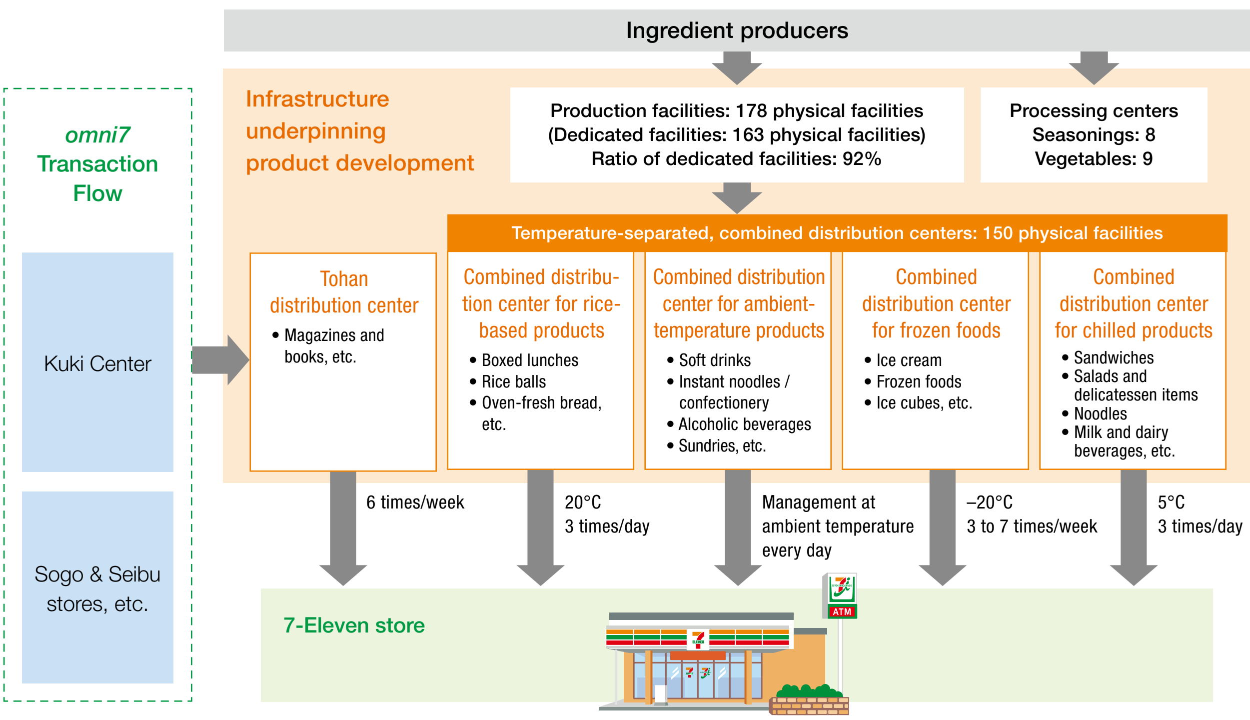
The dedicated production facilities, which work exclusively for SEJ using exclusive SEJ materials and recipes, manufacture such products as boxed lunches, rice balls, and sandwiches. Because the products from each plant are supplied only to SEJ, the manufacturers, suppliers, and SEJ conduct uncompromising product development, with only a moderate, appropriate level of tension. Of 178 facilities in Japan, 92% are dedicated facilities, which is by far the highest ratio in the industry. This leads to differentiation in the areas of product quality and quality control that cannot be duplicated by other companies.

Moreover, combined distribution centers are bases that enable products from different manufacturers and suppliers to be assembled and then delivered to stores on the same truck. These centers have been established in each region, with the optimal temperature separation to preserve freshness. There are temperature-separated facilities for chilled products (5°C), rice-based products (20°C), frozen products (-20°C), and processed foods, alcoholic beverages, and sundries (room temperature). Rigorous quality and sanitation management is implemented at these facilities. Through this framework, we provide customers with high-quality products in a timely manner by delivering such products as boxed lunches and rice balls three times a day. Moreover, this framework also leads to reductions in the number of delivery vehicles and in the distance traveled, thereby controlling greenhouse gas emissions and avoiding traffic congestion on the roads near stores.

omni7 Transaction Flow

Most of the products ordered on *omni7*, the Group's integrated portal site, are shipped from inventory at the Kuki Center, in

Production and Distribution System of Seven-Eleven Japan



Note: The number of production facilities, dedicated facilities, temperature-separated, combined distribution centers, and processing centers is as of the end of February 2016.

Saitama Prefecture, which was built exclusively for use with Internet shopping. When an order is to be picked up by the customer at a 7-Eleven store, it is shipped from the TOHAN CORPORATION's Tohan distribution center, a location base that receives books and magazines from the Kuki Center and ships them to 7-Eleven stores. The order is then delivered to the store together with books and magazines. In this way, we effectively utilize the distribution trucks that make deliveries of books and magazines to each store, so there is no additional delivery cost. Deliveries are made to stores nearly every day. Furthermore, the trucks that are returning from stores to the center have low load factors, and this system uses those trucks to handle returns of products purchased on *omni7*.

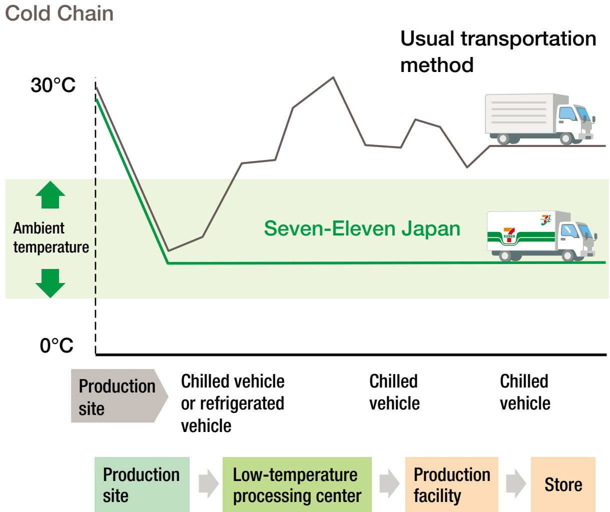
However, there are no inventories of books or magazines at the Kuki Center, and these products are shipped from inventory at a Tohan distribution center. In addition, when there is no inventory at the Kuki Center but a Sogo & Seibu store, for example, does have inventory, the order is shipped from the store that has the product to the Tohan distribution center. In both cases, nearly all of the shipments are handled using existing distribution infrastructure.

Moreover, when an order is to be delivered to the customer's residence, books and magazines from the Tohan distribution center and other products from the Kuki Center or another location are shipped to a base operated by a delivery company, which then delivers the order to the customer.

Freshness Management from Immediately after Harvest

To transport and process fresh vegetables that have just been harvested, SEJ introduced cold chain distribution in 2005. Under this system, vegetables that have just been harvested are put into cold storage on the spot and kept at a consistently managed temperature in their journey in the delivery vehicle, through the sorting center, and from the production facility to the store, where they are displayed for customers in fresh condition.

Cold Chain



Manufacturers / Suppliers

For the Seven & i Group, which operates in the retail industry, the manufacturers and suppliers who develop, manufacture, and distribute the products that are provided to customers are indispensable partners. In particular, in the development and manufacturing of private-brand products, which is the Group's strength, collaborative initiatives are an important management resource that creates differentiation from other companies.

Original Product Development through Team Merchandising

The development of the Group's *Seven Premium* private-brand products and SEJ's original products, such as boxed lunches, rice balls, and sandwiches, is conducted through Team Merchandising. Under this approach, the optimal teams are formed with manufacturers and suppliers for each product and ingredient. The manufacturers and suppliers that are our partners participate in the Nihon Delica Foods Association. The members of this association include approximately 70 ingredient producers — such as manufacturers of rice-based products, bakery products, delicatessen items, noodles, and Japanese pickles — as well as food preparation experts. In addition to conducting product development through Team Merchandising, we also implement joint procurement of ingredients and equipment. In these ways, we are working to maintain uniform quality throughout the country and to reduce costs.

▶ In regard to Team Merchandising, please refer to the explanation in Special Feature 1: Leveraging Group Synergies to Drive Growth on page 16.

Background to Strong Partnerships

Manufacturers and suppliers leverage their own leading-edge technologies to develop *Seven Premium* products. One reason is that the Group and these companies share a commitment to providing the best products to customers, and we have established relationships of trust over many years. There are also several other reasons.

First, the overwhelming customer contact points and sales capabilities of the Group, especially SEJ, are a major factor. SEJ takes a rigorous approach to the implementation of its management policies at each franchisee in Japan. As a result, the stores introduce a high percentage of products recommended by the Head Office, providing a degree of reliability that supports forecasts for a certain level of sales. We benefit from a favorable cycle under which the high level of our sales capabilities fosters cooperation from manufacturers and suppliers, which in turn enhances product development capabilities, resulting in further improvement in our sales capabilities.

The second reason is the sharing of superior marketing capabilities. As seen with *Seven Premium* and *SEVEN CAFÉ*, by rigorously thinking from the customer's viewpoint, the Group has opened up new markets and created a large number of hit products. Moreover, due to our overwhelming number of customer touch points from our 20,000 stores nationwide, our *nanaco* and POS systems enable us to acquire large amounts of sales data. We utilize that data in a process of hypothesis and verification, which always forms the basis for our orders. In conducting product development, manufacturers and suppliers are able to draw on the Group's marketing capabilities, which would be difficult for them to access on their own.

The third point involves costs. Typically, when manufacturers conduct product development using new technologies, they need to implement large amounts of capital investment and advertising if they distribute their own brand through multiple sales channels. However, if they implement joint development with the Group, they can implement manufacturing and store sales at a level of investment that is close to that of trial manufacturing, and they can acquire actual customer feedback in real time. As a result, their initial costs are substantially reduced and they can move ahead with product development. Moreover, at convenience stores there is no concern about discount sales, and accordingly this approach has the merit of making it easier to recover development costs.

▶ The Business Partner Guidelines and the Business Partner Consultation Helpline are described in the CSR section of the Company's website.

Local Communities

Addressing the needs of local communities is an important policy of the Group, and we aim to establish a strong presence so that each of our stores is considered to be essential for the local community. To that end, in addition to providing products and services that meet the preferences of each region, we are advancing initiatives to revitalize local communities in cooperation with governments and taking steps to enhance our social infrastructure function.

Business Development with Close Ties to Local Communities

In January 2015, SEJ's Merchandising Department divided the Japanese market into nine regional blocks. On that basis, we are strengthening our response to local community needs, such as developing flavors that meet regional tastes and using local food ingredients. In addition, IY has expanded the delegation of authority to stores, which understand the characteristics of local communities, and the Head Office has delegated product procurement functions to regions. In these ways, we are advancing a transition to store management with roots in local communities.

Furthermore, we are also aggressively promoting collaboration with local retail businesses. In the food supermarket business, where detailed responses are necessary because differences in regional preferences are especially likely to arise, we are working to increase our regional food procurement capabilities through collaboration with companies with which we have capital and business alliances. These initiatives are centered on Hokkaido and the Kansai and Chugoku regions, where we have few stores. This collaboration is also useful in the development of new products.

▶ For further information about our initiatives to address regional preferences, please see the segment columns in the Review of Operations section on page 28.

Business and Capital Alliances with Regional Retailers

Partner companies	Region of partner companies	Business format of partner companies	Details of alliance
Daiichi × Ito-Yokado	Hokkaido	Food supermarket	Capital and business alliance
Tenmaya / Tenmaya Store × Seven & i Holdings / Ito-Yokado	Chugoku region	Superstore / Food supermarket	Capital and business alliance
Mandai × Seven & i Holdings	Kansai region	Food supermarket	Business alliance

Collaboration with Municipalities

The Group has concluded comprehensive alliance agreements with municipalities and is working to revitalize local regions. We are cooperating in a wide range of fields, such as conducting product development and sales that facilitate local production for local consumption, providing support for seniors by offering safety checks and monitoring services when delivering products, implementing educational activities in nutrition education and health promotion, and participating in regional environmental conservation activities.

In addition, in cooperation with municipalities SEJ is expanding the services that it can provide with its in-store multi-functional copier machines. These services include providing copies of residence certificates, seal registration certificates, and family register certificates. Other Group companies are moving forward with the installation of multi-functional copier machines so that they can provide the same services.

Number of Agreements with Municipalities for Each Operating Company (As of the end of February 2016)

Seven-Eleven Japan	56
Ito-Yokado	19
Sogo & Seibu	6
York-Benimaru	3

Infrastructure Functions in the Event of Disasters

In addition to comprehensive alliance agreements with municipalities, the Group has concluded supply-support agreements to prepare for rapid regional support in the event of disasters. In addition, with certain municipalities we have also concluded agreements for supporting people who cannot return home because they are not able to use public transport or roads after a large-scale earthquake. Under these agreements, to the extent possible, we provide such services as tap water, access to restrooms, local road traffic information, and map information to people who are walking home.

Moreover, we are working to establish fuel storage stations, secure a distribution network, and construct a disaster countermeasure system to make regional information visible in greater detail so that we can continue to operate stores even during disasters and continue to provide products and services that are essential for daily living. Currently, for example, we are advancing the construction of 7VIEW (Seven Visual Information Emergency Web). 7VIEW will facilitate the provision, sharing, and joint use of disaster information through cooperation not only within the Group but also with suppliers and others. In this way, we will establish a system that will be able to take into account accurate assessments of the status of areas in which our stores are located, share information from municipalities and other sources, and disseminate information to local residents through our stores.

Corporate Governance

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance and maximize the enterprise value of the Seven & i Group. In taking steps to achieve this goal, the Company pursues Group synergies and implements the appropriate allocation of management resources.

On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

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

Organization (As of July 16, 2016)

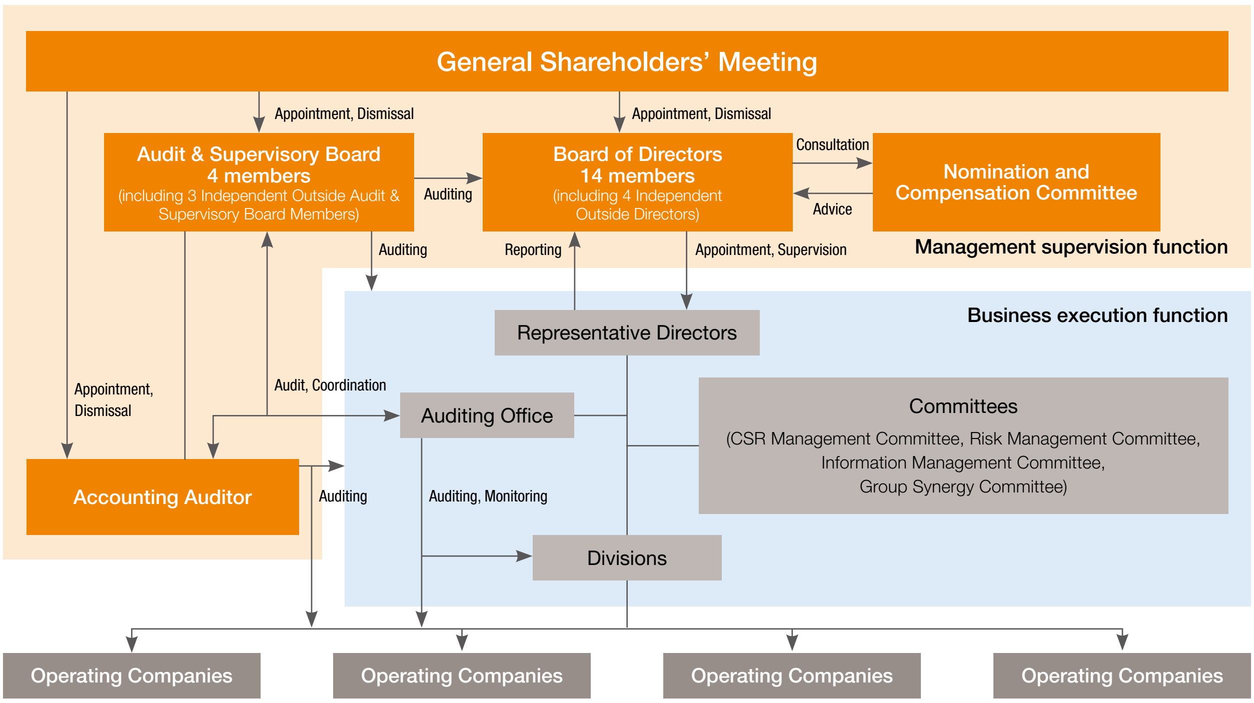
The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 14 members, of whom 4 are Outside Directors. Through the use of multiple Outside Directors who maintain their independence and have advanced management knowledge and experience, the Company protects the interests of general shareholders and enhances the quality of decision making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of Directors has been set at one year.

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

The Audit & Supervisory Board comprises four members, including three Outside Audit & Supervisory Board Members who maintain their independence and have specialized knowledge in such areas as legal affairs and financial accounting.

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

Corporate Governance System (As of July 16, 2016)



Strengthening Corporate Governance

All of the Company's Outside Directors and Outside Audit & Supervisory Board Members are independent from the Company. Independent Directors and Independent Audit & Supervisory Board Members are defined as Outside Directors and Outside Audit & Supervisory Board Members who have no potential conflicts of interest with general shareholders of the Company. In the event that an Outside Director or an Outside Audit & Supervisory Board Member is likely to be significantly controlled by the management of the Company or is likely to significantly control the management of the Company, that Outside Director or Outside Audit & Supervisory Board Member is considered to have a potential conflict of interest with general shareholders of the Company and is considered to lack independence. In accordance with this fundamental approach, the Company uses the independence criteria established by the financial instrument exchange as the independence criteria for the Company's Outside Directors and Outside Audit & Supervisory Board Members.

These Outside Directors and Outside Audit & Supervisory Board Members hold periodic meetings, as necessary, with the Board of Directors, Representative Directors, and individual Directors to exchange opinions regarding such matters as the Group's management and corporate governance. In addition, the Company assigns employees to assist the Outside Directors and the Outside Audit & Supervisory Board Members. The Company has established a support system that facilitates smooth information exchange and close interaction with the other Directors and the other Audit & Supervisory Board Members.

Moreover, in March 2016, to enhance the supervisory functions of the Board of Directors and further substantiate corporate governance functions, the Company established the Nomination and Compensation Committee as an advisory committee to the Board of Directors. The main items for deliberation by the Nomination and Compensation Committee and the composition of the committee are as follows.

Nomination and Compensation Committee

Main Items for Deliberation

- Basic policies and standards for the nomination of candidates for officers of the Company and candidates for Representative Directors of the core operating companies
- Details of appointment proposals for candidates for officers of the Company and candidates for Representative Directors of the core operating companies
- Basic policies and standards for compensation, etc., for officers of the Company and the core operating companies
- Details of compensation, etc., for officers of the Company (excluding Audit & Supervisory Board Members) and Representative Directors of the core operating companies

Composition

Chair: Kunio Ito (Independent Outside Director)
Members: Ryuichi Isaka, Katsuhiro Goto (two internal Directors), Kunio Ito, Toshiro Yonemura (two Independent Outside Directors)
Observers: Masao Eguchi (internal Audit & Supervisory Board Member), Tsuguoki Fujinuma (Outside Audit & Supervisory Board Member)

Notes: 1. The chair and committee members are selected by the Board of Directors, and the observers are decided through discussion among Audit & Supervisory Board Members.
2. Decisions of the committee are made by a majority of members in attendance, and in the event of a tie the decision is made by the chair.

Furthermore, to strengthen corporate governance from an organizational perspective, the Company has established the CSR Management Committee, the Risk Management Committee, the Information Management Committee, and the Group Synergy Committee under the Representative Directors. An outline of each committee is provided below. Each committee works with the operating companies to determine and disseminate the Group's policies.

Role of Each Committee

CSR Management Committee

The CSR Management Committee endeavors to maintain compliance with the "Seven & i Holdings Corporate Action Guidelines," works to contribute to resolving social issues through business activities, and aims for society and the Group to achieve sustainable growth. To achieve these objectives, the "Corporate Ethics and Culture Subcommittee," the "Consumer Affairs and Fair Business Practices Subcommittee," the "Environment Subcommittee," and the "Social Value Creation Subcommittee" have been established under the CSR Management Committee. Each subcommittee prioritizes main issues to be addressed from the standpoint of the Group's business characteristics and then develops and implements measures to resolve the issues.

Risk Management Committee

The Risk Management Committee regards all phenomena that threaten the continuation of the Group's businesses and hinder sustainable growth as risks, and it works to strengthen comprehensive and integrated risk management.

Information Management Committee

The Information Management Committee works to control issues related to information management.

Group Synergy Committee

The Group Synergy Committee is composed of subcommittees that consider themes shared throughout the Group. For example, by sharing the know-how cultivated by each operating company in such areas as product development and promotion, the committee creates safe, reliable, and useful products and services of high quality, such as the private-brand *Seven Premium* products. The committee is working to reduce costs by making use of the Group's economies of scale in collaborative purchasing of goods, materials, equipment, and other items.

Statements at Meetings of the Board of Directors and the Audit & Supervisory Board in the Fiscal Year Ended February 29, 2016

The Outside Directors gave advice and made proposals to ensure the validity and appropriateness of the Board's decision making, primarily by expressing their opinions. Mr. Scott Trevor Davis expressed opinions mainly from the perspective of management and administration and corporate social responsibility (CSR), Mr. Yoshio Tsukio mainly from the perspective of media policy, Mr. Kunio Ito mainly from the perspective of accounting and management theory, and Mr. Toshiro Yonemura mainly from the perspective of crisis management.

The Outside Audit & Supervisory Board Members asked questions and expressed their opinions as appropriate. Ms. Yoko Suzuki expressed opinions mainly from a legal perspective, Mr. Tsuguoki Fujinuma mainly from a specialized finance and accounting perspective, and Ms. Kazuko Rudy mainly from a marketing theory perspective.

Attendance at Meetings of the Board of Directors and the Audit & Supervisory Board

Outside Directors

Name	Principal occupation outside the Company	Status of important concurrent positions	Attendance at meetings of Board of Directors
Scott Trevor Davis	Academic	• Professor of the Department of Global Business, College of Business, Rikkyo University • Outside Director of Bridgestone Corporation • Outside Director of Sompo Japan Nipponkoa Holdings, Inc.	14 of 14 meetings
Yoshio Tsukio	Academic	• Representative Director, Tsukio Research Institute	12 of 14 meetings
Kunio Ito	Academic	• Research Professor, Graduate School of Commerce and Management, Hitotsubashi University • Outside Director of Akebono Brake Industry Co., Ltd. • Outside Director of Sumitomo Chemical Company, Limited • Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. • Outside Director of Toray Industries, Inc.	12 of 14 meetings
Toshiro Yonemura	Outside Director	• Outside Director of UNIZO Holdings Company, Limited	13 of 14 meetings

Outside Audit & Supervisory Board Members

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors	Attendance at meetings of Audit & Supervisory Board
Yoko Suzuki	Lawyer	14 of 14 meetings	22 of 22 meetings
Tsuguoki Fujinuma	Certified Public Accountant	13 of 14 meetings	20 of 22 meetings
Kazuko Rudy	Academic	14 of 14 meetings	20 of 22 meetings

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

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

Compensation of Directors and Audit & Supervisory Board Members

The compensation of Directors and Audit & Supervisory Board Members is decided within the following compensation framework limits determined by the General Shareholders' Meeting.

• Directors: Not more than ¥1.0 billion per year (not including amounts paid as salaries for employees to Directors who serve concurrently as employees)
Maximum issue value for stock options for stock-linked compensation share subscription rights for Directors awarded under these compensation framework limits: ¥200 million per year

• Audit & Supervisory Board Members: Not more than ¥100 million per year

Compensation of Directors

• System for compensation of directors
The basic components of compensation for Directors are fixed monthly compensation and results-linked compensation (bonuses or stock options for stock-linked compensation). The compensation system is based on the position of each Director.
The compensation of the Outside Directors, who are independent from business execution, consists only of fixed monthly compensation. Outside Directors are not paid results-linked compensation (bonuses or stock options for stock-linked compensation).

• Method of determining compensation of directors
Through deliberations by the Nomination and Compensation Committee, the compensation of Directors is determined in accordance with the evaluation of each Director's function and degree of contribution as well as the Group's results.

Compensation of Audit & Supervisory Board Members

- System for Compensation of Audit & Supervisory Board Members
  With an emphasis on further strengthening the independence of Audit & Supervisory Board Members from management, the compensation of Audit & Supervisory Board Members consists only of fixed monthly compensation. Audit & Supervisory Board Members are not paid results-linked compensation (bonuses or stock options for stock-linked compensation).
- Method of Determining Compensation of Audit & Supervisory Board Members
  The compensation of Audit & Supervisory Board Members is determined through discussions by the Audit & Supervisory Board.

Amounts of Compensation, etc., of Directors and Audit & Supervisory Board Members (As of February 29, 2016)

Classification of Directors / Audit & Supervisory Board Members	Number of eligible Directors / Audit & Supervisory Board Members	Total amount of compensation (¥ Million)	Total amount of compensation, etc., by type (¥ Million)		
			Fixed compensation	Results-linked compensation	
				Bonus	Stock options for stock-linked compensation
Directors (excluding Outside Directors)	12	417	204	63	149
Outside Directors	4	46	46	—	—
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	34	34	—	—
Outside Audit & Supervisory Board Members	3	33	33	—	—

Notes: 1. The above includes one Director and one Audit & Supervisory Board Member who resigned having completed their terms of office at the conclusion of the 10th Annual Shareholders' Meeting held on May 28, 2015.
2. The aggregate amounts of compensation, etc., of Directors shown above do not include amounts paid as salaries for employees to Directors who serve concurrently as employees.
3. Stock options for stock-linked compensation were issued to eight Directors (excluding Outside Directors).

Reinforcing Internal Control Systems

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

The Board of Directors responded to the enforcement of the Companies Act of Japan in May 2006 by passing a resolution concerning the Company's "Basic Policy on Internal Control Systems." The Board of Directors continually monitors the establishment of various rules as well as the status of risk management.

In February 2009, as one facet of initiatives implemented in response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Law, the Company formulated the "Rules for Establishing Internal Control Concerning Financial Reporting" and the "Rules for Evaluating Internal Control Concerning Financial Reporting." In accordance with these rules, in March 2009 the Company established the position of internal control evaluation director in the Auditing Office. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

In addition to this type of system enhancement, the Company has prepared an *Internal Control Handbook*. The Company is working to ensure that all of the Group's employees understand the objectives and importance of internal control.

Moreover, following revisions to the Companies Act and the Ordinance for Enforcement of the Companies Act in May 2015, the Company established systems for ensuring appropriate operations within the corporate group formed by the Company and its subsidiaries and enhanced and clarified the regulations relating to systems for supporting audits and so forth.

Compliance

Each of the Group's core operating companies has established a Corporate Ethics Committee and is working to ensure that all employees have knowledge of the "Seven & i Holdings Corporate Action Guidelines" and rigorously comply with laws and regulations. The "Seven & i Holdings Corporate Action Guidelines" were revised in September 2011 in line with changes in the Group's fields of business and operating environment. In addition, each operating company formulated "Principles for Action Guidelines and specified standards for the actions of employees". Moreover, the personnel responsible for the operating companies' Corporate Ethics Committees participate in the Seven & i Holdings Corporate Ethics and Culture Subcommittee. In this way, the Company is working to foster shared objectives and a common understanding throughout the Group and to share measures that have proven effective. Further, the operating companies' Corporate Ethics Committees analyze and verify the details of consultations from the help lines for company employees and from the Groupwide Help Line, a consultation help desk that is operated by a third-party organization for all employees of domestic consolidated subsidiaries. Through these committees, we are taking steps to improve the workplace environment, such as working to limit and prevent actions that violate the "Seven & i Holdings Corporate Action Guidelines" and to resolve any problems.

Board of Directors, Audit & Supervisory Board Members, and Executive Officers (As of July 16, 2016)

Page 54 Back row, from left: Masao Eguchi, Kazuko Rudy, Tsuguoki Fujinuma, Kunio Ito, Scott Trevor Davis, Zenko Ohtaka
Front row, from left: Kazuki Furuya, Akihiko Shimizu, Junro Ito, Ryuichi Isaka

Ryuichi Isaka
President and Representative Director

Katsuhiro Goto
Vice President and Representative Director

Junro Ito
Director and Executive Officer

Kunio Takahashi
Director and Executive Officer

Akihiko Shimizu
Director and Executive Officer

Yasuhiro Suzuki
Director and Executive Officer

Kazuki Furuya
Director

Takashi Anzai
Director

Zenko Ohtaka
Director

Joseph Michael DePinto
Director

Page 55 Back row, from left: Joseph Michael DePinto, Yoshio Tsukio, Toshiro Yonemura, Yoko Suzuki
Front row, from left: Katsuhiro Goto, Kunio Takahashi, Yasuhiro Suzuki, Takashi Anzai

Scott Trevor Davis
Outside Director

Yoshio Tsukio
Outside Director

Kunio Ito
Outside Director

Toshiro Yonemura
Outside Director

Masao Eguchi
Full-time Audit & Supervisory Board Member

Yoko Suzuki
Outside Audit & Supervisory Board Member

Tsuguoki Fujinuma
Outside Audit & Supervisory Board Member

Kazuko Rudy
Outside Audit & Supervisory Board Member

Consolidated Financial Summary

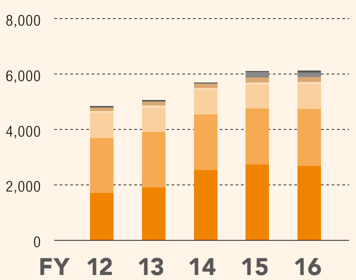
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 29, 2016, February 28, 2015 and February 28, 2014

	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**

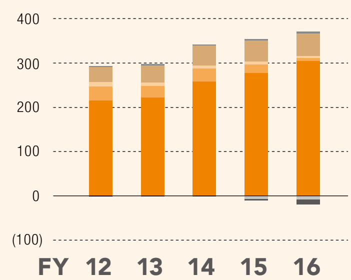
	Yen			U.S. dollars (Note A)
	2016	2015	2014	2016
Per share data:				
Net income (basic)	**¥182.02**	¥195.66	¥198.84	**$1.59**
Net income (diluted)	**181.84**	195.48	198.69	**1.59**
Cash dividends	**85.00**	73.00	68.00	**0.74**
Financial ratios:				
Operating income ratio (Note D)	**5.8%**	5.7%	6.0%	**5.8%**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

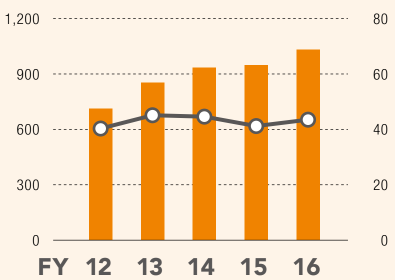
Revenues from Operations by Business Segment
¥ Billion



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.

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(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.)	**¥26,090**	**$228,859**
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 4 stores Tokyo Met. 3 stores Others 16 stores		
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.)	¥14,694
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 6 stores Tokyo Met. 5 stores Others 22 stores	
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**

Financial Section

(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.

Financial Section

	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)**

Financial Section

(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).

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**

Financial Section

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

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.

Fiscal year ended February 29, 2016	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
						Millions of yen
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**

Fiscal year ended February 28, 2015	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
						Millions of yen
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

Fiscal year ended February 29, 2016	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
						Thousands of U.S. dollars (Note 3)
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.

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

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Financial Section

Stock Information and Rating Information

As of February 29, 2016

Head Office

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

Date of Establishment

September 1, 2005

Number of Employees

53,993 (Consolidated)
545 (Non-consolidated)

Paid-in Capital

¥50,000 million

Number of Shares of Common Stock

Issued: 886,441,983 shares

Number of Shareholders

82,406

Stock Listing

Tokyo Stock Exchange, First Section

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation Corporate Agency

Annual Shareholders' Meeting

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

Auditor

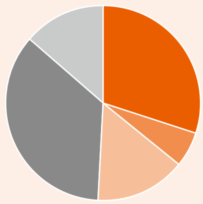
KPMG AZSA LLC

Principal Shareholders

	Number of shares held (Thousand shares)	Percentage of shares held (%)
Ito-Kogyo Co., Ltd.	68,901	7.8
Japan Trustee Services Bank, Ltd. (Trust account)	45,305	5.1
The Master Trust Bank of Japan, Ltd. (Trust account)	41,978	4.7
JP Morgan Chase Bank 380055	23,199	2.6
Nippon Life Insurance Company	17,664	2.0
Masatoshi Ito	16,799	1.9
MITSUI & CO., LTD.	16,222	1.8
Nomura Securities Co., Ltd.	13,785	1.6
State Street Bank and Trust Company	12,267	1.4
The Bank of New York Mellon SA/NV 10	11,466	1.3

Classification of Shareholders by Percentage of Shares Held

Financial Institutions	30.2%
Securities Companies	5.9%
Other Domestic Corporations	14.9%
Foreign Corporations	35.5%
Individuals and Others	13.6%

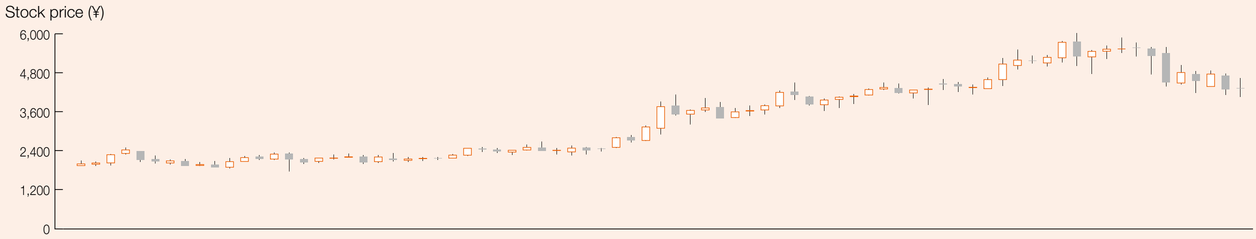


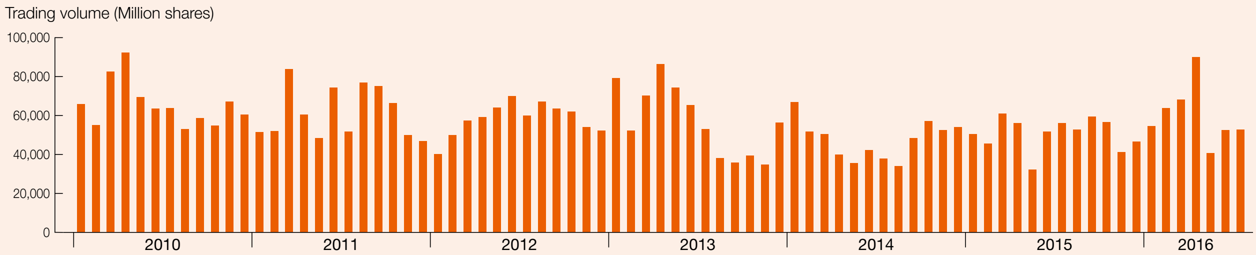
Ratings As of June 30, 2016

		S&P	Moody's	R&I	JCR
Seven & i Holdings	Long-term	AA−	A1	AA	AA+
Seven-Eleven Japan	Long-term	AA−			AA+
	Short-term*	A-1+	P-1		
7-Eleven, Inc.	Long-term	AA−	Baa1		
Seven Bank	Long-term	A+		AA	

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

Stock Price/Trading Volume Chart (Tokyo Stock Exchange)





http://www.7andi.com/en

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