Financial and Non-Financial Highlights

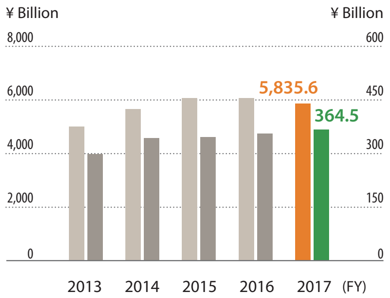
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28 or 29

	2008	2009	2010	2011
For the fiscal year:				
Revenues from operations	¥5,752,392	¥5,649,948	¥5,111,297	¥5,119,739
Operating income	281,088	281,865	226,666	243,346
Profit attributable to owners of parent	130,657	92,336	44,875	111,961
Capital expenditures*1	217,738	188,943	211,189	338,656
Depreciation and amortization*2	143,642	140,529	132,232	132,421
Cash flows from operating activities	465,380	310,007	322,202	310,527
Cash flows from investing activities	(237,184)	(139,568)	(115,158)	(312,081)
Cash flows from financing activities	(130,136)	(169,755)	(156,708)	(56,258)
Free cash flows*3	228,195	170,438	207,044	(1,553)
At fiscal year-end:				
Total assets	¥3,886,680	¥3,727,060	¥3,673,605	¥3,732,111
Owners' equity*4	1,985,018	1,785,189	1,721,967	1,702,514
Per share data:				
Earnings per share	¥ 137.03	¥ 100.54	¥ 49.67	¥ 126.21
Owners' equity*4	2,081.85	1,975.95	1,905.97	1,927.09
Cash dividends	54.00	56.00	56.00	57.00
Financial ratios:				
Owners' equity ratio	51.1%	47.9%	46.9%	45.6%
Debt/equity ratio (times)	0.39	0.44	0.41	0.43
Return on equity (ROE)	6.7%	4.9%	2.6%	6.5%
Return on total assets (ROA)	3.4%	2.4%	1.2%	3.0%
Dividend payout ratio	39.4%	55.7%	112.7%	45.2%

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥113=U.S.$ 1, the approximate rate of exchange prevailing on February 28, 2017.
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 owners' equity and total assets at the beginning and end of each fiscal year.

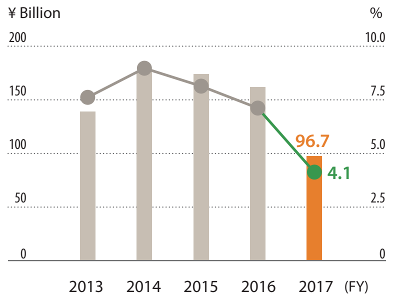
Revenues from Operations/Operating Income

Revenues from operations　Operating income



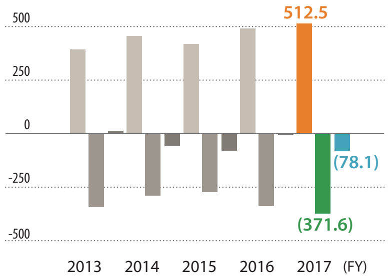
Profit Attributable to Owners of Parent/ROE

Profit attributable to owners of parent　ROE



Cash Flows

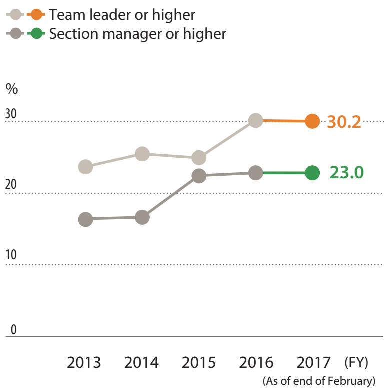
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities



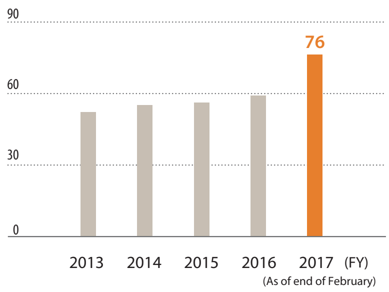
					Millions of yen	Thousands of U.S. dollars
2012	2013	2014	2015	2016	2017	2017
¥4,786,344	¥4,991,642	¥5,631,820	¥6,038,948	¥6,045,704	¥5,835,689	$51,643,265
292,060	295,685	339,659	343,331	352,320	364,573	3,226,309
129,837	138,064	175,691	172,979	160,930	96,750	856,194
255,426	334,216	336,758	341,075	399,204	384,119	3,399,283
139,994	155,666	147,379	172,237	195,511	207,483	1,836,132
462,642	391,406	454,335	416,690	488,973	512,523	4,535,601
(342,805)	(340,922)	(286,686)	(270,235)	(335,949)	(371,602)	(3,288,513)
(40,561)	10,032	(55,227)	(79,482)	(2,312)	(78,190)	(691,946)
119,836	50,484	167,648	146,454	153,023	140,921	1,247,088
¥3,889,358	¥4,262,397	¥4,811,380	¥5,234,705	¥5,441,691	¥5,508,888	$48,751,221
1,765,983	1,891,163	2,095,746	2,299,662	2,372,274	2,336,057	20,673,070
					yen	U.S. dollars
¥ 146.96	¥ 156.26	¥ 198.84	¥ 195.66	¥ 182.02	¥ 109.42	$ 0.96
1,998.84	2,140.45	2,371.92	2,601.23	2,683.11	2,641.40	23.37
62.00	64.00	68.00	73.00	85.00	90.00	0.79
45.4%	44.4%	43.6%	43.9%	43.6%	42.4%	
0.40	0.45	0.45	0.41	0.43	0.45	
7.5%	7.6%	8.8%	7.9%	6.9%	4.1%	
3.4%	3.4%	3.9%	3.4%	3.0%	1.8%	
42.2%	41.0%	34.2%	37.3%	46.7%	82.3%	

*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 - Non-controlling interests - Subscription rights to shares

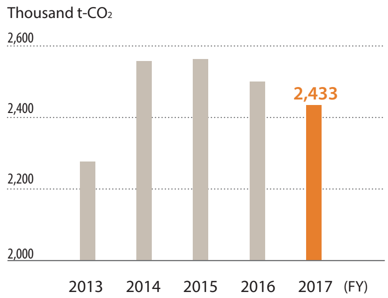
Percentage of Female Managers*5



Number of Municipalities with which Comprehensive Alliance Agreements Have Been Concluded



CO_2 Emissions Resulting from Store Operations*6



*5. Total for eight companies: Seven & i Holdings, Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Akachan Honpo, Seven Bank
*6. Total for nine companies (Seven-Eleven Japan, 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 28, 2017, are preliminary.

Consolidated Financial Summary

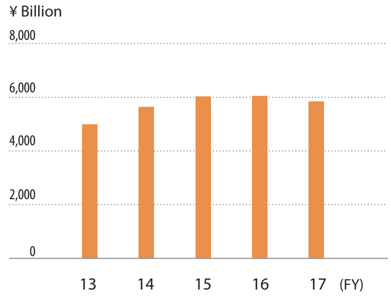
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2017, February 29, 2016 and February 28, 2015

	Millions of yen			Thousands of U.S. dollars (Note A)
	2017	2016	2015	2017
For the fiscal year:				
Revenues from operations	¥5,835,689	¥6,045,704	¥6,038,948	$51,643,265
Operating income (loss)	364,573	352,320	343,331	3,226,309
Profit before income taxes	217,569	303,775	310,195	1,925,389
Profit attributable to owners of parent	96,750	160,930	172,979	856,194
Capital expenditures (Note B)	384,119	399,204	341,075	3,399,283
Depreciation and amortization (Note C)	207,483	195,511	172,237	1,836,132
At fiscal year-end:				
Total assets	¥5,508,888	¥5,441,691	¥5,234,705	$48,751,221
Cash and cash equivalents	1,209,497	1,147,086	1,000,762	10,703,513
Total current assets	2,274,403	2,249,966	2,133,185	20,127,460
Total current liabilities	1,947,618	1,880,903	1,826,791	17,235,557
Long-term debt	812,176	789,642	719,066	7,187,398
Total net assets	2,475,806	2,505,182	2,430,917	21,909,787

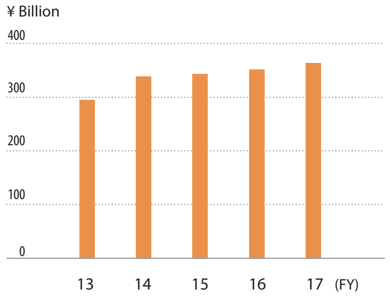
	Yen			U.S. dollars (Note A)
	2017	2016	2015	2017
Per share data:				
Earnings per share (basic)	¥109.42	¥182.02	¥195.66	$0.96
Earnings per share (diluted)	109.31	181.84	195.48	0.96
Cash dividends	90.00	85.00	73.00	0.79
Financial ratios:				
Operating income ratio (Note D)	6.2%	5.8%	5.7%	6.2%
Ratio of profit (loss) attributable to owners of parent (to net sales) (Note D)	1.7%	2.7%	2.9%	1.7%
ROE	4.1%	6.9%	7.9%	4.1%
ROA	1.8%	3.0%	3.4%	1.8%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥113=U.S.$1, the approximate rate of exchange prevailing on February 28, 2017.
(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 ratio of profit (loss) attributable to owners of parent (to net sales).

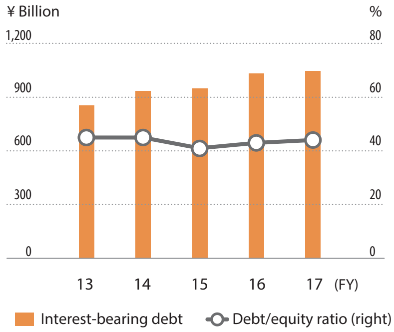
Revenues from Operations



Operating Income



Interest-Bearing Debt
Debt/Equity Ratio



ANALYSIS OF RESULTS OF OPERATIONS

Revenues From Operations and Operating Income

In the fiscal year ended February 28, 2017, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥5,835.6 billion, a decrease of ¥210.0 billion, or 3.5%, year on year. Operating income increased ¥12.2 billion, or 3.5%, to ¥364.5 billion.

Convenience Store Operations

Seven-Eleven Japan (SEJ) had 19,422 domestic stores at the end of the fiscal year under review, an increase of 850 stores from the end of the previous fiscal year. As for store operations, SEJ aggressively relocated stores in an effort to improve quality, as well as strictly reviewed its standards for new store openings. On the product front, owing to efforts to actively renew basic offerings such as sandwiches and fryer products, with a view to further improving quality, sales remained strong. As a result of these initiatives, the rate of growth in existing store sales has increased for 55 consecutive months since August 2012. Total store sales, which comprise directly operated and franchised store sales, rose 5.2% year on year, to ¥4,515.6 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 6.0%, to ¥1,183.0 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 5.6%, to ¥1,350.1 billion. Sales of daily food items, which include bread, pastries and milk, were up 6.0%, to ¥614.1 billion. Sales of nonfood products, which include cigarettes and sundries, increased 3.9%, to ¥1,368.2 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly operated stores, were up 5.1%, to ¥833.7 billion, while operating income increased 3.6%, to ¥243.4 billion.

7-Eleven, Inc. (SEI) of North America had 8,707 stores as of December 31, 2016, an increase of 207 stores from the end of the previous fiscal year. As for store operations, SEI proceeded with opening stores in urban areas, while closing some existing stores and acquired stores with a focus on profitability. SEI also made step acquisition of stores from Imperial Oil Limited of Canada from September 2016, in addition to acquiring stores of CST Brands, Inc. of the United States in July 2016. On the product front, SEI continued to focus on the development and sale of fast food products and *7-Select* private-brand products, and sales of soft drinks and alcoholic beverages grew. As a result, on a U.S. dollar basis, the rate of growth in merchandise sales at existing stores in the United States increased from the previous fiscal year. However, due to the effects of foreign exchange rate fluctuations, total store sales, which comprise merchandise sales and gasoline sales at directly operated stores and franchised stores, fell 7.3% year on year, to ¥2,735.1 billion.

In China, the Group had 219 stores in Beijing, 82 stores in Tianjin and 67 stores in Chengdu, as of December 31, 2016.

As a result, revenues from operations in convenience store operations were ¥2,550.6 billion, down 4.7% year on year, while operating income was ¥313.1 billion, up 3.0%.

Superstore Operations

Revenues from operations in superstore operations were down 1.7%, to ¥2,025.5 billion, while operating income was up 216.6%, to ¥22.9 billion.

PLAN FOR FISCAL 2018

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/decrease
Revenues from operations	¥ 6,100.0 billion	4.5 %	¥ 264.3 billion
Operating income	¥ 386.5 billion	6.0 %	¥ 21.9 billion
Profit attributable to owners of parent	¥ 177.0 billion	82.9 %	¥ 80.2 billion

CONSOLIDATED OPERATING INCOME FORECASTS BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/decrease
Consolidated operating income	¥ 386.5 billion	6.0 %	¥ 21.9 billion
Domestic convenience store operations	¥ 245.0 billion	0.5 %	¥ 1.1 billion
Overseas convenience store operations	¥ 77.0 billion	14.2 %	¥ 9.5 billion
Superstore operations	¥ 25.2 billion	24.6 %	¥ 4.9 billion
Department store operations	¥ 5.2 billion	81.4 %	¥ 2.3 billion
Financial services	¥ 51.5 billion	2.7 %	¥ 1.3 billion
Specialty store operations	¥ (1.7) billion	–	¥ 9.5 billion
Others	¥ 3.6 billion	(10.1) %	¥ (0.4) billion
Eliminations/corporate	¥ (19.3) billion	–	¥ (6.6) billion

The domestic superstore Ito-Yokado (IY) had 171 stores at the end of the fiscal year under review, a decrease of 11 stores from the end of the previous fiscal year. In store operations, IY opened a total of four stores, comprising three *Shokuhinkan* and SEVEN PARK *Ario* Kashiwa. IY reviewed the configuration of the sales areas through tenant mix and implemented business structural reforms, including the closure of 15 stores. On the product front, IY enhanced a lineup of products tailored to individual stores and regional characteristics, and strengthened the sale of differentiated products, such as *Seven Premium*. Although the rate of growth in existing store sales for the fiscal year under review decreased from the previous fiscal year, profitability improved substantially due mainly to the suppression of sales promotion expenses, improvement in the gross profit margin and inventory adjustment of apparel.

With respect to domestic food supermarkets, as of the end of the fiscal year under review, York-Benimaru operated 213 stores, centered on the southern Tohoku region, an increase of eight stores from the end of the previous fiscal year, and York Mart operated 78 stores, centered on the Tokyo metropolitan area, an increase of two stores. York-Benimaru made efforts to differentiate its products with a focus on safety, reliability, taste and quality by stepping up its sales of fresh food while strengthening its lineup of *sozai* prepared dishes to respond to demand for ready-to-serve and convenient meals through its subsidiary Life Foods. As a result of these initiatives, the rate of growth in existing store sales for the fiscal year under review increased year on year.

Akachan Honpo, which sells baby and maternity products, operated 106 stores at the end of the fiscal year under review, an increase of three stores from the end of the previous fiscal year.

As for superstores in China, the Group had six stores in Chengdu and two stores in Beijing as of December 31, 2016.

Department Store Operations

Revenues from operations in department store operations decreased 3.7%, to ¥852.1 billion, and operating income was down 4.2%, to ¥3.6 billion.

Sogo & Seibu operated 19 stores at the end of the fiscal year under review, a decrease of four stores from the end of the previous fiscal year. In sales initiatives, 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 beauty advisors. Despite these initiatives, the rate of growth in existing store sales for the fiscal year under review decreased year on year due to lackluster sales mainly of apparel. In store operations, based on the business structural reforms, Sogo & Seibu closed four stores, namely, the Sogo Kashiwa store, the SEIBU Asahikawa store, the SEIBU Yao store and the SEIBU Tsukuba store, by February 28, 2017, and implemented a voluntary early retirement program to optimize personnel in October 2016.

THE LOFT, which operates miscellaneous goods specialty stores, had 109 stores at the end of the fiscal year under review, an increase of seven stores from the end of the previous fiscal year.

Food Services

Revenues from operations in food services were ¥82.5 billion, a decrease of 1.5% year on year, and operating income was ¥0.5 billion, a decrease of 43.8% year on year.

Seven & i Food Systems operated 815 restaurants at the end of the fiscal year under review, a decrease of 36 restaurants from the end of the previous fiscal year, including 386 restaurants in the restaurant division, a decrease of three restaurants. Although the restaurant division saw a recovery in sales per customer during the fiscal year under review, the rate of growth in sales at existing restaurants decreased from the previous fiscal year due to sluggish growth in the number of customers.

Financial Services

In financial services, revenues from operations were ¥201.9 billion, up 4.9% year on year, and operating income was ¥50.1 billion, up 0.9% year on year.

As of the end of the fiscal year under review, the number of installed Seven Bank ATMs increased to 23,353, up 965 from the end of the previous fiscal year, due primarily to aggressive opening of stores by SEJ. In addition, the daily average number of transactions per ATM during the fiscal year under review was 95.6 transactions, down 3.6 transactions year on year. This decline was primarily attributable to the implementation of transaction fees for customers of certain affiliated banks and a shift in consumer sentiment following the introduction of "Quantitative and Qualitative Monetary Easing (QQE) with a Negative Interest Rate" by the Bank of Japan. However, the total number of transactions increased year on year, reflecting the increase in the number of installed ATMs.

With regard to card operating companies, although the transaction volumes of the Seven CS Card Service declined due mainly to the closure of certain Sogo & Seibu stores, Seven Card Service recorded favorable results in both the credit card and electronic money businesses, with an increase in the transaction volumes, among other things.

Mail Order Services

Revenues from operations in mail order services were down 12.3%, to ¥139.2 billion, and an operating loss of ¥15.0 billion was incurred, representing an expansion of ¥6.6 billion in loss from the previous fiscal year.

The Company made Nissen Holdings a wholly owned subsidiary through an exchange of shares of Seven & i Net Media, the Company's wholly owned subsidiary, on November 1, 2016 in promoting structural reforms. Nissen Holdings changed the fiscal year-end start for the fiscal year under review from December 20 to the end of February, and the fiscal period under review therefore consisted of 14 months.

Others

In others operations, revenues from operations were ¥57.4 billion, a decrease of 6.8% from the previous fiscal year. Operating income was ¥4.6 billion, a decrease of 16.7%.

Eliminations/Corporate

Under the Omni-Channel Strategy being pursued by the Group, Groupwide expenses, such as system-related operating and maintenance expenses and software-related depreciation and amortization expenses, are included in Eliminations/Corporate. The operating loss for this segment increased ¥4.8 billion from the previous fiscal year, to ¥15.3 billion.

Profit before Income Taxes

In other income (expenses), net other expenses were ¥147.0 billion, compared with net other expenses of ¥48.5 billion in the previous fiscal year. This change was mainly due to the recording of restructuring expenses and increases in impairment loss on property and equipment and amortization of goodwill. Consequently, profit before income taxes decreased ¥86.2 billion year on year, to ¥217.5 billion.

Profit Attributable to Owners of Parent

Income taxes decreased ¥28.3 billion year on year, to ¥106.7 billion. After the application of tax effect accounting, the effective tax rate was 49.1%. As a result, profit attributable to owners of parent declined ¥64.1 billion year on year, to ¥96.7 billion. Earnings per share was ¥109.42, down ¥72.6 per share from ¥182.02 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities and Net Assets

Total assets on February 28, 2017 stood at ¥5,508.8 billion, up ¥67.1 billion from the end of the previous fiscal year. In current assets, cash and cash equivalents rose ¥62.4 billion, while securities decreased ¥80.0 billion and merchandise and finished goods decreased ¥19.3 billion. As a result, total current assets were ¥2,274.4 billion, up ¥24.4 billion from the end of the previous fiscal year. Property and equipment increased ¥35.4 billion, mainly due to new store openings and existing store remodeling at SEJ and IY. Intangible assets were down ¥49.7 billion, primarily due to a decrease in goodwill resulting from the application of "Accounting Standard for Business Combinations," etc. Furthermore, investments and other assets increased ¥57.0 billion, due primarily to the acquisition of Japanese government bonds by Seven Bank. As a result, non-current assets were up ¥42.7 billion from the end of the previous fiscal year, to ¥3,234.4 billion.

Total liabilities increased ¥96.5 billion, to ¥3,033.0 billion. In current liabilities, accrued expenses increased ¥23.1 billion, deposits received were up ¥31.2 billion and deposits received in banking business associated with Seven Bank increased ¥20.6 billion, while current portion of long-term debt decreased ¥37.0 billion. As a result, total current liabilities rose ¥66.7 billion, to ¥1,947.6 billion. In non-current liabilities, bonds decreased ¥49.9 billion due to transfer of current portion, and long-term debt increased ¥72.9 billion. Consequently, non-current liabilities rose ¥29.8 billion, to ¥1,085.4 billion.

Total net assets were down ¥29.3 billion, to ¥2,475.8 billion. Capital surplus was down ¥118.3 billion, mainly due to a decrease of ¥116.4 billion reflecting retroactive adjustment following the application of "Accounting Standard for Business Combinations," etc. Retained earnings increased ¥75.2 billion, primarily due to an increase of ¥59.2 billion reflecting retroactive adjustment following the application of "Accounting Standard for Business Combinations," etc., an increase of ¥96.7 billion owing to the recording of profit attributable to owners of parent and a decrease of ¥80.8 billion due to cash dividend payments. Foreign currency translation adjustments, principally the translation of the financial statements of SEI, decreased ¥14.5 billion. As a result of the above, owners' equity per share was down ¥41.71 per share from a year earlier, to ¥2,641.40 per share, and the owners' equity ratio was 42.4%, compared with 43.6% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥1,209.4 billion, up ¥62.4 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 ¥512.5 billion, up ¥23.5 billion from the previous fiscal year. This mainly reflected a decrease of ¥86.2 billion in profit before income taxes, an increase of ¥30.9 billion in impairment loss on property and equipment, an increase of ¥32.3 billion in amortization of goodwill, an increase of ¥20.2 billion in decrease (increase) in notes and accounts receivable, trade and an increase of ¥23.6 billion in increase (decrease) in deposits received.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥371.6 billion, an increase of ¥35.6 billion from the previous fiscal year. This mainly reflected an increase of ¥34.3 billion in proceeds from sales of property and equipment, an increase of ¥31.2 billion in payment for purchase of investments in securities and a decrease of ¥32.0 billion in proceeds from sales of investments in securities.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥78.1 billion, an increase of ¥75.8 billion from the previous fiscal year. This primarily reflected an increase of ¥42.9 billion in proceeds from long-term debts and a decrease of ¥119.6 billion in proceeds from issuance of bonds at the Company.

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 *(Yuho)*.

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 Labeling

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 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.

The 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 *omni7*, the Group's integrated portal site, 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.

Ryuichi Isaka, the president of Seven & i Holdings, and the Group's top management are strengthening cooperation with each other coherently, and implementing 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 was 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 February 28, 2017, Seven-Eleven has grown into a global chain with more than 61,000 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.

Risk Factors

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 structural reform to create a new type of department store. On the one hand, the Group is advancing the reform of stores to realize a desirable store structure and 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 provides financial services, including banking, credit card and electronic money 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, creditworthiness 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 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2017	2016	2017
Current assets:			
Cash and cash equivalents (Note 4)	¥ 1,209,497	¥ 1,147,086	$ 10,703,513
Notes and accounts receivable:			
Trade (Note 4)	347,838	354,554	3,078,212
Financial services	91,052	86,877	805,769
Franchisees and other	149,451	136,416	1,322,575
Allowance for doubtful accounts (Note 4)	(4,983)	(5,404)	(44,097)
	583,359	572,443	5,162,469
Inventories	192,463	212,187	1,703,212
ATM-related temporary payments	98,710	91,725	873,539
Deferred income taxes (Note 10)	30,239	38,866	267,601
Prepaid expenses and other current assets (Note 4)	160,131	187,656	1,417,088
Total current assets	2,274,403	2,249,966	20,127,460
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,869,243	3,767,902	34,241,088
Less: Accumulated depreciation	(1,861,414)	(1,795,547)	(16,472,690)
	2,007,829	1,972,355	17,768,398
Intangible assets:			
Goodwill	270,055	313,667	2,389,867
Software and other (Notes 8 and 13)	225,880	232,003	1,998,938
	495,935	545,670	4,388,805
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	188,162	141,371	1,665,150
Long-term loans receivable	15,315	15,795	135,530
Long-term leasehold deposits (Notes 4 and 18)	396,707	395,979	3,510,681
Net defined benefit asset (Note 11)	44,628	26,059	394,938
Deferred income taxes (Note 10)	25,261	27,636	223,548
Other	64,454	71,201	570,389
Allowance for doubtful accounts (Note 4)	(3,808)	(4,345)	(33,699)
	730,720	673,697	6,466,548
Total assets	¥ 5,508,888	¥ 5,441,691	$ 48,751,221

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

LIABILITIES AND NET ASSETS	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 3) 2017
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 150,376	¥ 130,782	$ 1,330,761
Current portion of long-term debt (Notes 4, 12 and 18)	130,758	159,862	1,157,150
Notes and accounts payable:			
Trade (Notes 4 and 6)	247,515	251,403	2,190,398
Trade for franchised stores (Notes 4 and 19)	167,833	162,179	1,485,247
Other	177,326	191,577	1,569,256
	592,675	605,159	5,244,911
Accrued expenses	131,871	108,696	1,167,000
Income taxes payable	34,462	44,744	304,973
Deposits received	188,798	157,530	1,670,778
ATM-related temporary advances	46,072	48,366	407,716
Deposits received in banking business (Note 4)	538,815	518,127	4,768,274
Allowance for bonuses to employees	14,159	13,432	125,300
Allowance for sales promotion expenses	21,409	21,530	189,460
Allowance for loss on future collection of gift certificates	1,807	2,063	15,991
Provision for sales returns	77	142	681
Call money	20,000	–	176,991
Other (Notes 4,10 and 14)	76,333	70,463	675,513
Total current liabilities	1,947,618	1,880,903	17,235,557
Long-term debt (Notes 4, 6, 12 and 18)	812,176	789,642	7,187,398
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	939	2,010	8,309
Net defined benefit liability (Note 11)	9,163	8,564	81,088
Deferred income taxes (Note 10)	49,080	64,859	434,336
Deposits received from tenants and franchised stores (Notes 4 and 18)	55,327	56,574	489,619
Asset retirement obligations (Note 14)	77,640	72,034	687,079
Other liabilities (Note 18)	81,136	61,918	718,017
Total liabilities	3,033,082	2,936,508	26,841,433
Commitments and contingent liabilities (Note 18)			
Net assets (Note 16)**:**			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 886,441,983 shares in 2017 and 2016	50,000	50,000	442,477
Capital surplus	409,095	527,474	3,620,309
Retained earnings	1,793,035	1,717,771	15,867,566
Treasury stock, at cost, 2,039,799 shares in 2017 and 2,290,888 shares in 2016	(5,074)	(5,688)	(44,902)
	2,247,056	2,289,557	19,885,451
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	28,467	20,655	251,920
Unrealized gains on hedging derivatives, net of taxes	23	33	203
Foreign currency translation adjustments	56,391	70,927	499,035
Remeasurements of defined benefit plan	4,117	(8,900)	36,433
Total accumulated other comprehensive income (loss)	89,000	82,716	787,610
Subscription rights to shares (Note 17)	2,594	2,995	22,955
Non-controlling interests	137,154	129,912	1,213,752
Total net assets	2,475,806	2,505,182	21,909,787
Total liabilities and net assets	¥5,508,888	¥5,441,691	$ 48,751,221

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Revenues from operations:			
Net sales	¥ 4,646,370	¥ 4,892,133	$ 41,118,318
Operating revenues (Note 20)	1,189,318	1,153,571	10,524,938
	5,835,689	6,045,704	51,643,265
Costs and expenses:			
Cost of sales	3,602,038	3,803,968	31,876,442
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,869,077	1,889,415	16,540,504
	5,471,116	5,693,383	48,416,955
Operating income	364,573	352,320	3,226,309
Other income (expenses):			
Interest and dividend income	6,446	6,360	57,044
Interest expenses and interest on bonds	(8,759)	(9,559)	(77,513)
Equity in earnings of affiliates	2,062	1,958	18,247
Impairment loss on property and equipment (Note 8)	(49,108)	(22,691)	(434,584)
Gain on sales of property and equipment (Note 20)	3,487	2,171	30,858
Loss on disposals of property and equipment (Note 20)	(18,369)	(11,557)	(162,557)
Compensation income for expropriation	9	2,849	79
Restructuring expenses (Notes 8, 20 and 21)	(25,637)	(10,695)	(226,876)
Amortization of goodwill (Note 22)	(39,300)	(1,878)	(347,787)
Other, net (Note 5)	(17,833)	(5,501)	(157,814)
	(147,003)	(48,544)	(1,300,911)
Profit before income taxes	217,569	303,775	1,925,389
Income taxes (Note 10)**:**			
Current	117,686	124,031	1,041,469
Deferred	(10,939)	11,062	(96,805)
	106,747	135,093	944,663
Profit	110,822	168,681	980,725
Profit attributable to non-controlling interests	14,072	7,751	124,530
Profit attributable to owners of parent	¥ 96,750	¥ 160,930	$ 856,194

	Yen		U.S. dollars (Note 3)
	2017	2016	2017
Per share information:			
Earnings per share (Basic)	¥ 109.42	¥ 182.02	$ 0.96
Earnings per share (Diluted)	109.31	181.84	0.96
Cash dividends	90.00	85.00	0.79

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

Consolidated Statements of Comprehensive Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Profit	¥110,822	¥168,681	$ 980,725
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities, net of taxes	7,738	(974)	68,477
Unrealized gains (losses) on hedging derivatives, net of taxes	(563)	(1,029)	(4,982)
Foreign currency translation adjustments	(14,915)	(9,701)	(131,991)
Remeasurements of defined benefit plans	13,118	(12,318)	116,088
Share of other comprehensive income (loss) of entities accounted for using equity method	(25)	(54)	(221)
Total other comprehensive income (loss)	5,352	(24,077)	47,362
Comprehensive income	¥116,175	¥144,603	$ 1,028,097
Comprehensive income attributable to:			
Owners of parent	¥103,034	¥137,661	$ 911,805
Non-controlling interests	13,140	6,942	116,283

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 28, 2017 and February 29, 2016

Millions of yen

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	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	Remeasure-ments of defined benefit plan	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 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
Profit attributable to owners of parent			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 March 1, 2016	¥ 50,000	¥ 527,474	¥ 1,717,771	¥ (5,688)	¥ 20,655	¥ 33	¥ 70,927	¥ (8,900)	¥ 2,995	¥ 129,912	¥ 2,505,182
Cumulative effects of changes in accounting policies		(116,446)	59,221				5,900				(51,324)
Restated balance	¥ 50,000	¥ 411,028	¥ 1,776,993	¥ (5,688)	¥ 20,655	¥ 33	¥ 76,827	¥ (8,900)	¥ 2,995	¥ 129,912	¥ 2,453,857
Profit attributable to owners of parent			96,750								96,750
Cash dividends			(80,890)								(80,890)
Purchase of treasury stock				(2,276)							(2,276)
Disposal of treasury stock		132		857							989
Change in the Company's ownership interest of the subsidiary in connection with the transactions with non-controlling shareholders		(2,033)		2,033							–
Other		(31)	182	(0)							150
Net changes of items other than shareholders' equity					7,812	(10)	(20,436)	13,018	(400)	7,241	7,224
Net increase (decrease) for the year		(1,933)	16,042	614	7,812	(10)	(20,436)	13,018	(400)	7,241	21,948
Balance at February 28, 2017	¥ 50,000	¥ 409,095	¥ 1,793,035	¥ (5,074)	¥ 28,467	¥ 23	¥ 56,391	¥ 4,117	¥ 2,594	¥ 137,154	¥ 2,475,806

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				Accumulated other comprehensive income (loss)						
	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	Remeasure-ments of defined benefit plan	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2016	$ 442,477	$ 4,667,911	$ 15,201,513	$ (50,336)	$ 182,787	$ 292	$ 627,672	$ (78,761)	$ 26,504	$ 1,149,663	$ 22,169,752
Cumulative effects of changes in accounting policies		(1,030,495)	524,079				52,212				(454,194)
Restated balance	$ 442,477	$ 3,637,415	$ 15,725,601	$ (50,336)	$ 182,787	$ 292	$ 679,884	$ (78,761)	$ 26,504	$ 1,149,663	$ 21,715,548
Profit attributable to owners of parent			856,194								856,194
Cash dividends			(715,840)								(715,840)
Purchase of treasury stock				(20,141)							(20,141)
Disposal of treasury stock		1,168		7,584							8,752
Change in the Company's ownership interest of the subsidiary in connection with the transactions with non-controlling shareholders		(17,991)		17,991							–
Other		(274)	1,610	(0)							1,327
Net changes of items other than shareholders' equity					69,132	(88)	(180,849)	115,203	(3,539)	64,079	63,929
Net increase (decrease) for the year		(17,106)	141,964	5,433	69,132	(88)	(180,849)	115,203	(3,539)	64,079	194,230
Balance at February 28, 2017	$ 442,477	$ 3,620,309	$ 15,867,566	$ (44,902)	$ 251,920	$ 203	$ 499,035	$ 36,433	$ 22,955	$ 1,213,752	$ 21,909,787

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

Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Cash flows from operating activities:			
Profit before income taxes	¥ 217,569	¥ 303,775	$ 1,925,389
Depreciation and amortization	207,483	195,511	1,836,132
Impairment loss on property and equipment	59,719	28,800	528,486
Amortization of goodwill	55,458	23,110	490,778
Increase (decrease) in allowance for bonuses to employees	728	540	6,442
Decrease (increase) in net defined benefit asset	554	(3,685)	4,902
Interest and dividend income	(6,446)	(6,360)	(57,044)
Interest expenses and interest on bonds	8,759	9,559	77,513
Equity in losses (earnings) of affiliates	(2,062)	(1,958)	(18,247)
Gain on sales of property and equipment	(3,487)	(2,171)	(30,858)
Loss on disposals of property and equipment	18,516	12,068	163,858
Decrease (increase) in notes and accounts receivable, trade	6,525	(13,765)	57,743
Decrease (increase) in notes and accounts receivable, financial services	(4,175)	(15,678)	(36,946)
Decrease (increase) in inventories	18,438	(141)	163,168
Increase (decrease) in notes and accounts payable, trade and trade for franchised stores	3,632	5,556	32,141
Increase (decrease) in deposits received	31,094	7,433	275,168
Net increase (decrease) in loans in banking business	(5,000)	(1,000)	(44,247)
Net increase (decrease) in deposits received in banking business	20,688	42,918	183,079
Net decrease (increase) in call loans in banking business	10,000	–	88,495
Net increase (decrease) in call money in banking business	20,000	–	176,991
Net change in ATM-related temporary accounts	(9,276)	56,349	(82,088)
Other	8,171	(20,686)	72,309
Subtotal	656,892	620,176	5,813,203
Interest and dividends received	3,712	4,018	32,849
Interest paid	(7,452)	(9,552)	(65,946)
Income taxes paid	(140,629)	(125,668)	(1,244,504)
Net cash provided by operating activities	512,523	488,973	4,535,601
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(321,089)	(304,501)	(2,841,495)
Proceeds from sales of property and equipment	66,359	31,986	587,247
Acquisition of intangible assets	(27,347)	(42,937)	(242,008)
Payment for purchase of investments in securities	(55,010)	(23,710)	(486,814)
Proceeds from sales of investments in securities	18,806	50,815	166,424
Payment for purchase of investments in subsidiaries	–	(56)	–
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	326	–	2,884
Payment for long-term leasehold deposits	(29,116)	(32,219)	(257,663)
Refund of long-term leasehold deposits	33,352	35,613	295,150
Proceeds from deposits from tenants	3,542	2,966	31,345
Refund of deposits from tenants	(3,269)	(2,637)	(28,929)
Payment for acquisition of business (Note 9)	(71,471)	(48,479)	(632,486)
Payment for time deposits	(10,850)	(13,478)	(96,017)
Proceeds from withdrawal of time deposits	28,233	13,188	249,849
Other	(4,067)	(2,498)	(35,991)
Net cash used in investing activities	(371,602)	(335,949)	(3,288,513)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	19,341	(20)	171,159
Proceeds from long-term debts	139,451	96,550	1,234,079
Repayment of long-term debts	(98,739)	(70,903)	(873,796)
Proceeds from commercial paper	75,161	6,114	665,141
Payment for redemption of commercial paper	(75,161)	(6,114)	(665,141)
Proceeds from issuance of bonds	–	119,679	–
Payment for redemption of bonds	(40,000)	(60,000)	(353,982)
Capital contribution from non-controlling interests	0	–	0
Dividends paid	(80,834)	(66,289)	(715,345)
Dividends paid to non-controlling interests	(6,142)	(5,792)	(54,353)
Purchase of treasury stock	(2,276)	(28)	(20,141)
Other	(8,991)	(15,507)	(79,566)
Net cash used in financing activities	(78,190)	(2,312)	(691,946)
Effect of exchange rate changes on cash and cash equivalents	(154)	(3,880)	(1,362)
Net increase (decrease) in cash and cash equivalents	62,576	146,830	553,769
Cash and cash equivalents at beginning of year	1,147,086	1,000,762	10,151,203
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	(164)	(506)	(1,451)
Cash and cash equivalents at end of year	¥ 1,209,497	¥ 1,147,086	$ 10,703,513

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

Financial Section

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 Act 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 Act 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 Act 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 149 consolidated subsidiaries as of February 28, 2017 (120 as of February 29, 2016) 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.

35 entities have been newly consolidated for the fiscal year ended February 28, 2017 by among others establishing a new company by a subsidiary of 7-Eleven, Inc.

On the other hand, six entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2017 following the liquidation of Seven Farm Tsukuba Co., Ltd. and four subsidiaries of Nissen Holdings Co. Ltd.; and the sale of a subsidiary of Nissen Holdings Co. Ltd.

The fiscal year-end of some consolidated subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from the closing date to February 28, 2017 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.

During the consolidated fiscal year ended February 28, 2017, 11 consolidated subsidiaries in Mail order services changed the dates of their fiscal year-ends from December 20 or 31 to the end of February. Accordingly, their accounting period in the fiscal year ended February 28, 2017 is from December 21, 2015 or January 1, 2016 through February 28, 2017.

All material intercompany transactions and account balances have been eliminated.

26 affiliates as of February 28, 2017 (26 affiliates as of February 29, 2016), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

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 28, 2017, 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 consolidated 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 prior to March 1, 2011 are mainly amortized over a period of 20 years on a straight-line basis, or charged to income when incurred, if they are immaterial. Negative goodwill arising from consolidated subsidiaries that occurred on or 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.

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

Deferred tax accounting is applied.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for income tax purposes.

(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 result of sales 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 consolidated 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 prior service costs

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.

Prior service costs are amortized on a straight-line basis over the period 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 claims and 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, 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 for the method. 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 non-controlling interests and subscription rights to shares) per share as of February 28, 2017 and February 29, 2016 are ¥2,641.40 ($23.37) and ¥2,683.11, respectively. Earnings per share for the fiscal years ended February 28, 2017 and February 29, 2016 are ¥109.42 ($0.96) and ¥182.02, respectively. Diluted earnings per share for the fiscal years ended February 28, 2017 and February 29, 2016 are ¥109.31 ($0.96) and ¥181.84, respectively.

Earnings per share of common stock are computed based on the weighted-average number of shares of common stock outstanding and diluted earnings per share are 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 earnings per share for the fiscal years ended February 28, 2017 and February 29, 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Profit attributable to owners of parent	¥96,750	¥160,930	$856,194
Less components not pertaining to common shareholders	–	–	–
Profit pertaining to common shareholders	96,750	160,930	856,194
Weighted-average number of shares of common stock outstanding (shares)	884,214,252	884,132,485	884,214,252

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 "Non-controlling interests" and "Foreign currency translation adjustments."

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

(Application of Accounting Standard for Business Combinations and other accounting standards)

From the beginning of the consolidated fiscal year ended February 28, 2017, the Company and its domestic consolidated subsidiaries have applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, revised on September 13, 2013; hereinafter, "the business combinations accounting standard"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on September 13, 2013; hereinafter, "the consolidated financial statements accounting standard"), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, revised on September 13, 2013; hereinafter, "the business divestitures accounting standard"). As a result, the Company has switched to a method with respect to the posting to capital surplus of differences arising from changes in equity in a subsidiary by the parent company in cases in which control continues, and the posting of acquisition-related costs as expenses for the consolidated fiscal year in which they are incurred. For business combinations occurring after the beginning of the current consolidated fiscal year, the Company has switched to a method in which revisions to the distribution of the cost of the acquisition due to the finalization of provisional accounting treatment are reflected in the consolidated financial statements applicable to the consolidated fiscal year in which the date of the business combination falls. Additionally, the Company has made changes in the presentation of net income, etc. and the change of the presentation from minority interests to non-controlling interests. Financial statements for the previous fiscal year have been reconfigured to reflect these changes in presentation. In the consolidated statements of cash flows for current consolidated fiscal year, cash flows from the purchase or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from financing activities, and cash flows relating to the acquisition-related costs of shares of subsidiaries with change in scope of consolidation and cash flows relating to the costs incurred in acquisitions or sales of shares of subsidiaries without change in scope of consolidation are presented in cash flows from operating activities.

Regarding application of the three accounting standards mentioned above, pursuant to pass-through handling procedures stipulated in Article 58-2(3) of the business combinations accounting standard, Article 44-5(3) of the consolidated financial statements accounting standard, and Article 57-4(3) of the business divestitures accounting standard, the cumulative monetary effect at the beginning of the consolidated fiscal year ended February 28, 2017 arising from the retroactive application of the new accounting policies to all past periods are added or subtracted from capital surplus and retained earnings.

As a result of this change, goodwill and capital surplus at the beginning of the consolidated fiscal year ended February 28, 2017 decreased by ¥51,324 million ($454,194 thousand) and ¥116,446 million ($1,030,495 thousand), respectively, while foreign currency translation adjustments and retained earnings increased by ¥5,900 million ($52,212 thousand) and ¥59,221 million ($524,079 thousand), respectively. Additionally, operating income increased by ¥4,149 million ($36,716 thousand) and profit before income taxes increased by ¥17,037 million ($150,769 thousand) for the consolidated fiscal year ended February 28, 2017.

Net assets per share decreased by ¥38.77 ($0.34). Earnings per share and diluted earnings per share increased by ¥19.27 ($0.17) and ¥19.25 ($0.17), respectively.

(19) Accounting standards issued but not yet applied

(Implementation Guidance on Recoverability of Deferred Tax Assets)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016; hereinafter the "Implementation Guidance")

(a) Overview

In the course of the relocation of the accounting related parts of the Audit Committee Report No.66, the Auditing Treatment on Determining the Recoverability of Deferred Assets ("Auditing Treatment"), issued by Japanese Institute of Certified Public Accountants ("JICPA") as well as other practical guidelines related to accounting for deferred taxes, from the JICPA to the ASBJ, the "Implementation Guidance" basically continues to apply the framework used in the Auditing Treatment. According to the Implementation Guidance, deferred tax assets to be recognized are estimated based on five types of entities.

The Implementation Guidance defines the guidelines for applying the "Accounting Standards for Tax Effect Accounting," issued by Business Accounting Council, by revising the following treatments of the Auditing Treatment:

(i) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
(ii) Criteria for types 2 and 3;
(iii) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
(iv) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
(v) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(b) Effective date

The above revisions are scheduled to be applied from the beginning of the fiscal year ending February 28, 2018.

(c) Effects of application of the guidance

There will be no effect from the application of the above revisions.

(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 ¥113=US$1, the approximate rate of exchange prevailing as of February 28, 2017. 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 rates of interest-bearing debt as well as to optimize cash flows for future interest payments. The Companies do not hold or issue derivative instruments for trading or speculative purposes.

(2) Details of financial instruments, associated risk, and risk management systems

The Companies' risk management policy is incorporated in the "Fundamental Risk Management Policy," which designated the divisions that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.

Notes and accounts receivable, trade are exposed to individual customer's credit risk. The Companies regularly monitor due dates and outstanding balances, as well as customer creditworthiness, to identify any concerns and mitigate losses associated with their collectability.

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

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

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations.

In order to mitigate the risk, the Companies enter into forward exchange contracts that cover a portion of the settlement amount. With regards to the forward 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 are set out in Note 2, "Summary of Significant Accounting Policies."

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

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

(3) Supplementary information on fair values

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

Fair values of financial instruments

Book values and fair values of the financial instruments on the Consolidated Balance Sheets as of February 28, 2017 and February 29, 2016 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

			2017
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,209,497	¥1,209,497	¥ –
Notes and accounts receivable, trade	347,838		
Allowance for doubtful accounts[a]	(2,993)		
	344,845	348,385	3,539
Investments in securities	145,458	148,292	2,833
Long-term leasehold deposits[b]	302,134		
Allowance for doubtful accounts[c]	(443)		
	301,691	316,473	14,781
Total assets	¥2,001,493	¥2,022,648	¥21,155
Notes and accounts payable, trade[d]	¥ 415,349	¥ 415,349	¥ –
Deposits received in banking business	538,815	539,337	522
Bonds[e]	399,996	408,000	8,003
Long-term loans[f]	498,116	495,895	(2,220)
Deposits received from tenants and franchised stores[g]	28,453	28,037	(415)
Total liabilities	¥1,880,731	¥1,886,620	¥ 5,889
Derivative instruments[h]	¥ 164	¥ 164	¥ –

Millions of yen

			2017
	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	¥ –

Thousands of U.S. dollars (Note 3)

	2017		
	Book value	Fair value	Difference
Cash and cash equivalents	$10,703,513	$10,703,513	$ –
Notes and accounts receivable, trade	3,078,212		
Allowance for doubtful accounts[a]	(26,486)		
	3,051,725	3,083,053	31,318
Investments in securities	1,287,238	1,312,318	25,070
Long-term leasehold deposits[b]	2,673,752		
Allowance for doubtful accounts[c]	(3,920)		
	2,669,831	2,800,646	130,805
Total assets	$17,712,327	$17,899,539	$187,212
Notes and accounts payable, trade[d]	$ 3,675,654	$ 3,675,654	$ –
Deposits received in banking business	4,768,274	4,772,893	4,619
Bonds[e]	3,539,787	3,610,619	70,823
Long-term loans[f]	4,408,106	4,388,451	(19,646)
Deposits received from tenants and franchised stores[g]	251,796	248,115	(3,672)
Total liabilities	$16,643,637	$16,695,752	$ 52,115
Derivative instruments[h]	$ 1,451	$ 1,451	$ –

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

(3) Bonds

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

(4) Long-term loans

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

(5) Deposits received from tenants and franchised stores

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

Derivative instruments

Refer to Note 6, "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
			Book value
Investments in securities[a]:			
Unlisted securities	¥ 13,496	¥ 13,453	$119,433
Shares of affiliates	27,362	27,369	242,141
Other	1,844	2,065	16,318
Long-term leasehold deposits[b]	108,605	115,820	961,106
Deposits received from tenants and franchised stores[b]	29,822	32,618	263,911

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			
	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥1,209,497	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	334,623			171
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,700	21,820	–	–
Bonds	25,200	23,040	–	–
Other	–	–	–	–
Long-term leasehold deposits	28,371	88,351	76,854	108,557
Total	¥1,604,392	¥145,105	¥78,004	¥108,728

	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

Thousands of U.S. dollars (Note 3)

	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$10,703,513	$ –	$ –	$ –
Notes and accounts receivable, trade	2,961,265	105,247	10,176	1,513
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	59,292	193,097	–	–
Bonds	223,008	203,893	–	–
Other	–	–	–	–
Long-term leasehold deposits	251,070	781,867	680,123	960,681
Total	$14,198,159	$1,284,115	$690,300	$962,194

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

Millions of yen

	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥433,497	¥105,318	¥ –	¥ –

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	¥ –	¥ –

Thousands of U.S. dollars (Note 3)

	2017			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$3,836,256	$932,017	$ –	$ –

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

	2017					
	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	¥ 50,000	¥ 74,996	¥ 50,000	¥ 80,000	¥ –	¥145,000
Long-term loans	64,301	72,496	85,875	28,665	114,135	132,641
Total	¥114,301	¥147,493	¥135,875	¥108,665	¥114,135	¥277,641

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

Thousands of U.S. dollars (Note 3)

	2017					
	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	$ 442,477	$ 663,681	$ 442,477	$707,964	$ –	$1,283,185
Long-term loans	569,035	641,557	759,955	253,672	1,010,044	1,173,814
Total	$1,011,513	$1,305,247	$1,202,433	$961,637	$1,010,044	$2,457,000

5 SECURITIES INFORMATION

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2017 and February 29, 2016 (excluding non-marketable securities of ¥13,496 million ($119,433 thousand) and ¥13,453 million as of February 28, 2017 and February 29, 2016, respectively):

Millions of yen

	2017		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 58,996	¥20,786	¥38,209
Debt securities			
Governmental and municipal bonds, etc.	27,537	27,523	13
Corporate bonds	38,196	38,180	15
Subtotal	124,730	86,491	38,239
Securities with book value not exceeding acquisition cost:			
Equity securities	1,020	1,154	(134)
Debt securities			
Governmental and municipal bonds, etc.	1,505	1,505	(0)
Corporate bonds	10,276	10,280	(3)
Subtotal	12,802	12,940	(138)
Total	¥137,533	¥99,431	¥38,101

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

	Thousands of U.S. dollars (Note 3)		
	2017		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 522,088	$183,946	$338,132
Debt securities			
Governmental and municipal bonds, etc.	243,690	243,566	115
Corporate bonds	338,017	337,876	132
Subtotal	1,103,805	765,407	338,398
Securities with book value not exceeding acquisition cost:			
Equity securities	9,026	10,212	(1,185)
Debt securities			
Governmental and municipal bonds, etc.	13,318	13,318	(0)
Corporate bonds	90,938	90,973	(26)
Subtotal	113,292	114,513	(1,221)
Total	$1,217,106	$879,920	$337,176

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2017 and February 29, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Sales amounts	¥193	¥1,407	$1,707
Gain on sales of available-for-sale securities	57	162	504
Loss on sales of available-for-sale securities	(11)	2	(97)

(3) Impairment loss on securities

For the fiscal years ended February 28, 2017 and February 29, 2016, the Companies recognized ¥10 million ($88 thousand) and ¥166 million as impairment loss on securities, respectively.

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

(4) Investments in affiliates included in investments in securities in the accompanying Consolidated Balance Sheets as of February 28, 2017 and February 29, 2016 were ¥35,288 million ($312,283 thousand) and ¥34,746 million, respectively.

6 DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Companies do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible divisions in the Companies enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2017 and February 29, 2016 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

	2017			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥2,432	¥ –	¥73	¥73
Buy euro	228	–	1	1
Buy Chinese yuan	128	–	(0)	(0)
Buy Hong Kong dollar	105	–	(3)	(3)
Sell U.S. dollar	49	–	(6)	(6)

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)

Thousands of U.S. dollars (Note 3)

	2017			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	$21,522	$ –	$646	$646
Buy euro	2,017	–	8	8
Buy Chinese yuan	1,132	–	(0)	(0)
Buy Hong Kong dollar	929	–	(26)	(26)
Sell U.S. dollar	433	–	(53)	(53)

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		
	2017		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥1,500	¥ –	¥101[a]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥ 251	¥ –	¥ –[b]

	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]

	Thousands of U.S. dollars (Note 3)		
	2017		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$13,274	$ –	$893[a]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	$ 2,221	$ –	$ –[b]

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

(2) Interest rate related transactions

	Millions of yen		
	2017		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥10,550	¥10,000	¥ –[a]

	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]

	Thousands of U.S. dollars (Note 3)		
	2017		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	$93,362	$88,495	$ –[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 28, 2017 and February 29, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Buildings and structures	¥ 2,138,622	¥ 2,116,464	¥ 18,925,858
Furniture, fixtures and other	913,016	862,547	8,079,787
	3,051,639	2,979,012	27,005,654
Less: Accumulated depreciation	(1,861,414)	(1,795,547)	(16,472,690)
	1,190,225	1,183,464	10,532,964
Land	768,926	746,729	6,804,654
Construction in progress	48,677	42,161	430,769
Total	¥ 2,007,829	¥ 1,972,355	$ 17,768,398

8 IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2017 and February 29, 2016, the Companies recognized ¥59,719 million ($528,486 thousand) and ¥28,800 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2017:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 109 stores Osaka Pref. 52 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 15 stores Kanagawa Pref. 6 stores Others 23 stores		
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 4 stores Kanagawa Pref. 2 stores Others 10 stores	¥55,862	$494,353
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 37 stores		
Stores (Others)	Land and buildings, etc.	Tokyo Met. 1 store Saitama Pref. 1 store Others 2 stores		
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Tokyo Met., Nagano Pref. & others	3,857	34,132
Total			¥59,719	$528,486

Note: Impairment losses in the amount of ¥6,927 million ($61,300 thousand) (Stores) and ¥3,683 million ($32,592 thousand) (Other facility, etc.) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 29, 2016:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 79 stores Osaka Pref. 57 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Saitama Pref. 4 stores Tokyo Met. 3 stores Others 16 stores	¥26,090
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
Total			¥28,800

Note: Impairment losses in the amount of ¥3,792 million (Stores) and ¥2,315 million (Other facility, etc.) are included in "Restructuring expenses" in Consolidated Statements of Income.

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 when the book values exceed future cash flows before discount, and such deducted amounts were recorded as an impairment loss.

A breakdown of impairment loss for the years ended February 28, 2017 and February 29, 2016 is as follows:

Fiscal year ended February 28, 2017:

Millions of yen

Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥43,328	¥ 994	¥44,322
Land	6,462	48	6,510
Software	74	1,043	1,117
Other	5,543	2,225	7,769
Total	¥55,407	¥4,311	¥59,719

Note: Impairment losses in the amount of ¥6,520 million ($57,699 thousand) (Building and structures), ¥729 million ($6,451 thousand) (Land), ¥1,033 million ($9,141 thousand) (Software), and ¥2,328 million ($20,601 thousand) (Other) are included in "Restructuring expenses" in Consolidated Statements of Income.

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: Impairment losses in the amount of ¥4,950 million (Building and structures), ¥643 million (Land), ¥41 million (Software), and ¥473 million (Other) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 28, 2017:

Thousands of U.S. dollars (Note 3)

Classification	Stores	Other facilities, etc.	Total
Buildings and structures	$383,433	$ 8,796	$392,230
Land	57,185	424	57,610
Software	654	9,230	9,884
Other	49,053	19,690	68,752
Total	$490,327	$38,150	$528,486

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 1.6%-6.0% discount rates in 2017 and 3.0%-6.0% in 2016 were applied.

9 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥ 6,713	¥13,384	$ 59,407
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	11,501	5,745	101,778

(2) Acquisition of business

During the fiscal year ended February 28, 2017, payments for acquired businesses made by 7-Eleven, Inc. consist of the following.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2017	2017
Inventories	¥ 2,047	$ 18,115
Goodwill	69,412	614,265
Other	11	97
Subtotal	71,471	632,486
Property and equipment	53,839	476,451
Total	¥125,310	$1,108,938

The property and equipment set out above at an amount of ¥53,839 million ($476,451 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2017.

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

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

	Millions of yen
	2016
Inventories	¥ 1,189
Goodwill	39,838
Other intangible assets	7,785
Other	(333)
Subtotal	48,479
Property and equipment	29,203
Total	¥77,683

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

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 33.1% for the fiscal year ended February 28, 2017 and 35.6% for the fiscal year ended February 29, 2016.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2017 and February 29, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Deferred tax assets:			
Allowance for bonuses to employees	¥ 4,408	¥ 4,477	$ 39,008
Allowance for sales promotion expenses	6,398	6,839	56,619
Accrued payroll	9,889	9,005	87,513
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	290	647	2,566
Allowance for accrued pension and severance costs	1,332	1,562	11,787
Allowance for loss on future collection of gift certificates	574	690	5,079
Depreciation and amortization	13,494	13,763	119,415
Tax loss carried forward	39,256	34,319	347,398
Valuation loss on available-for-sale securities	774	880	6,849
Allowance for doubtful accounts	1,810	2,168	16,017
Unrealized loss on property and equipment	9,566	11,908	84,654
Impairment loss on property and equipment valuation and loss on land	50,651	42,050	448,238
Accrued enterprise taxes and business office taxes	4,329	5,357	38,309
Accrued expenses	17,239	16,619	152,557
Asset retirement obligations	20,273	18,572	179,407
Rights of trademark	2,080	3,942	18,407
Other	24,283	22,723	214,893
Subtotal	206,655	195,531	1,828,805
Less: Valuation allowance	(81,445)	(81,083)	(720,752)
Total	125,209	114,448	1,108,044
Deferred tax liabilities:			
Unrealized gains on property and equipment	(52,431)	(57,709)	(463,991)
Royalties, etc.	(26,737)	(23,227)	(236,610)
Reserve for advanced depreciation of property and equipment	(779)	(833)	(6,893)
Unrealized gains on available-for-sale securities	(9,860)	(7,372)	(87,256)
Net defined benefit asset	(13,620)	(8,363)	(120,530)
Unrealized intercompany profit	(4,594)	(4,759)	(40,654)
Removal cost related to asset retirement obligations	(7,181)	(6,715)	(63,548)
Other	(3,624)	(4,308)	(32,070)
Total	(118,830)	(113,289)	(1,051,592)
Net deferred tax assets [a]	¥ 6,378	¥ 1,158	$ 56,442

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Current assets - Deferred income taxes	¥ 30,239	¥ 38,866	$ 267,601
Other assets - Deferred income taxes	25,261	27,636	223,548
Current liabilities - Other	(41)	(484)	(362)
Non-current liabilities - Deferred income taxes	(49,080)	(64,859)	(434,336)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2017 and February 29, 2016 is as follows:

	2017	2016
Statutory tax rate	33.1%	35.6%
Adjustments:		
Equity in earnings of affiliates	(0.3)	(0.2)
Amortization of goodwill	8.4	2.7
Non-deductible items, such as entertainment expenses	2.1	0.3
Decrease in valuation allowance	3.3	4.6
Inhabitant taxes per capital	0.9	0.5
Decrease in deferred tax assets at the fiscal year-end due to changes in tax rate	0.9	1.6
Other	0.7	(0.6)
Effective tax rate	49.1%	44.5%

(3) Effect of change in rates of income taxes

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were promulgated on March 31, 2016. Furthermore, the "Act for Partial Amendment of Act for Partial Amendment of the Consumption Tax Act, etc. for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and the "Act for Partial Amendment of Act for Partial Amendment of the Local Tax Act and the Local Allocation Tax for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016) were promulgated on November 28, 2016. With these amendments, the rates of corporate tax, etc. will be reduced effective from the fiscal year beginning on or after April 1, 2016. In accordance with these amendments, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the previous rate of 32.3% to 30.9% for temporary differences expected to be reversed in the fiscal year beginning on March 1, 2017 and 2018, and to 30.6% for temporary differences expected to be reversed in the fiscal year beginning on or after March 1, 2019.

As a result of these changes, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by ¥1,863 million ($16,486 thousand). Income taxes-deferred, unrealized gains (losses) on available-for-sale securities, remeasurements of defined benefit plans and unrealized gains (losses) on hedging derivatives increased by ¥2,022 million ($17,893 thousand), ¥46 million ($407 thousand), ¥111 million ($982 thousand) and ¥0 million ($0 thousand), respectively.

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)
	2017	2016	2017
Balance at beginning of year	¥249,767	¥245,016	$2,210,327
Cumulative effects of changes in accounting policies	–	3	–
Restated balance reflecting changes in accounting policies	¥249,767	¥245,019	$2,210,327
Service cost	11,460	11,206	101,415
Interest cost	2,694	2,645	23,840
Actuarial differences	1,437	1,303	12,716
Benefits paid	(11,039)	(10,109)	(97,690)
Past service cost arising during year	–	(301)	–
Other	(340)	3	(3,008)
Balance at end of year	¥253,979	¥249,767	$2,247,601

(b) Change in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Balance at beginning of year	¥267,262	¥277,237	$2,365,150
Expected return on plan assets	6,657	6,907	58,911
Actuarial differences	14,490	(18,572)	128,230
Employer contribution	11,636	11,387	102,973
Benefits paid	(10,601)	(9,697)	(93,814)
Balance at end of year	¥289,444	¥267,262	$2,561,451

(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)
	2017	2016	2017
Funded retirement benefit obligations	¥ 244,816	¥ 241,202	$ 2,166,513
Plan assets	(289,444)	(267,262)	(2,561,451)
	(44,628)	(26,059)	(394,938)
Unfunded retirement benefit obligations	9,163	8,564	81,088
	¥ (35,465)	¥ (17,495)	$ (313,849)
Net defined benefit liability	¥ 9,163	¥ 8,564	$ 81,088
Net defined benefit asset	(44,628)	(26,059)	(394,938)
	¥ (35,465)	¥ (17,495)	$ (313,849)

(d) Retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Service cost	¥11,460	¥11,206	$101,415
Interest cost	2,694	2,645	23,840
Expected return on plan assets	(6,657)	(6,907)	(58,911)
Amortization of actuarial differences	5,406	1,660	47,840
Amortization of past service cost	(30)	4	(265)
Additional retirement benefits	556	123	4,920
Total retirement benefit expenses	¥13,429	¥ 8,733	$118,840

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Past service cost	¥ (30)	¥ 306	$ (265)
Actuarial differences	18,526	(18,217)	163,946
Total	¥18,495	¥(17,910)	$163,672

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Unrecognized past service cost	¥ (274)	¥ (302)	$ (2,424)
Unrecognized actuarial differences	(5,554)	12,972	(49,150)
Total	¥(5,828)	¥12,669	$(51,575)

(g) Plan assets

(i) Asset allocation for the plans

	2017	2016
Bonds	43%	49%
Equity	40%	36%
Other	17%	15%
Total	100%	100%

(ii) 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

	2017	2016
Discount rate	mainly 1.0%	mainly 1.0%
Discount rate (consolidated subsidiaries in the U.S.)	4.3%	4.6%
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 ¥8,060 million ($71,327 thousand) and ¥3,138 million for the fiscal years ended February 28, 2017 and February 29, 2016, 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)
	2017	2016	2017
Outstanding balance at fiscal year-end:			
Short-term bank loans [a]	¥150,376	¥130,782	$1,330,761
Weighted-average interest rate at year-end:			
Short-term bank loans	0.27%	0.31%	0.27%

Note :
(a) The total amounts of short-term loans with collateral as of February 28, 2017 and February 29, 2016 were ¥5,200 million ($46,017 thousand) and ¥1,900 million, respectively (Note 18).

Long-term debt as of February 28, 2017 and February 29, 2016 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2016 to 2030 with interest rates ranging from 0.05% to 6.0% [b]	¥ 498,116	¥ 462,193	$ 4,408,106
Lease obligations	44,821	47,317	396,646
Seven & i Holdings Co., Ltd.:			
1.94% unsecured straight bonds, due June 20, 2018	29,996	29,994	265,451
0.852% unsecured straight bonds, due June 20, 2017	20,000	20,000	176,991
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	530,973
0.258% unsecured straight bonds, due June 20, 2016	–	40,000	–
0.383% unsecured straight bonds, due June 20, 2019	40,000	40,000	353,982
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	176,991
0.150% unsecured straight bonds, due June 20, 2018	30,000	30,000	265,486
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	530,973
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	265,486
Seven Bank, Ltd.:			
0.398% unsecured straight bonds, due June 20, 2017	30,000	30,000	265,486
0.613% unsecured straight bonds, due June 20, 2019	10,000	10,000	88,495
0.243% unsecured straight bonds, due March 20, 2018	15,000	15,000	132,743
0.460% unsecured straight bonds, due March 19, 2020	20,000	20,000	176,991
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	176,991
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	132,743
	942,934	949,505	8,344,548
Current portion of long-term debt	(130,758)	(159,862)	(1,157,150)
	¥ 812,176	¥ 789,642	$ 7,187,398

Note :
(b) The total amounts of long-term debt with collateral as of February 28, 2017 and February 29, 2016 were ¥9,811 million ($86,823 thousand) and ¥11,206 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)
2018	¥130,758	$1,157,150
2019	152,616	1,350,584
2020	140,275	1,241,371
2021	112,203	992,946
2022	116,693	1,032,681
Thereafter	290,387	2,569,796
	¥942,934	$8,344,548

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 28, 2017 and February 29, 2016 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥ 95,704	¥ 89,371	$ 846,938
Due after one year	543,277	492,666	4,807,761
Total	¥638,981	¥582,037	$5,654,699

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Due within one year	¥2,037	¥1,957	$18,026
Due after one year	5,539	4,121	49,017
Total	¥7,576	¥6,078	$67,044

14 ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2017 and February 29, 2016:

(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 0.0% and 8.3%.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2017 and February 29, 2016

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Balance at beginning of year	¥75,140	¥ 68,183	$664,955
Increase due to acquisition of property and equipment	13,457	7,625	119,088
Adjustment due to passage of time	1,350	1,324	11,946
Decrease due to settlement of asset retirement obligations	(4,720)	(1,037)	(41,769)
Decrease due to release from restoration obligations	(489)	–	(4,327)
Decrease due to change in estimation	(251)	–	(2,221)
Others	(813)	(955)	(7,194)
Balance at end of year	¥83,672	¥ 75,140	$740,460

(Change in estimation)

In the current consolidated fiscal year, the estimated amount for restoration expenses and the expected period of use for asset retirement obligation recognized for the restoration has been revised based on the latest information about the actual restoration expenses, etc. As a result of this revision, asset retirement obligation decreased by ¥251 million ($2,221 thousand) from the balance of asset retirement obligation before revision.

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 28, 2017 and February 29, 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Unrealized gains (losses) on available-for-sale securities, net of taxes:			
Increase (decrease) during the fiscal year	¥ 10,243	¥ (1,992)	$ 90,646
Reclassification adjustments	10	(122)	88
Amount before tax	10,254	(2,114)	90,743
Tax (expense) or benefit	(2,515)	1,140	(22,256)
Subtotal	7,738	(974)	68,477
Unrealized gains (losses) on hedging derivatives, net of taxes:			
Increase (decrease) during the fiscal year	(872)	(1,664)	(7,716)
Reclassification adjustments	–	–	–
Amount before tax	(872)	(1,664)	(7,716)
Tax (expense) or benefit	308	634	2,725
Subtotal	(563)	(1,029)	(4,982)
Foreign currency translation adjustments:			
Increase (decrease) during the fiscal year	(14,915)	(9,701)	(131,991)
Remeasurements of defined benefit plans, net of taxes:			
Increase (decrease) during the fiscal year	13,268	(19,345)	117,415
Reclassification adjustments	5,227	1,434	46,256
Amount before tax	18,495	(17,910)	163,672
Tax (expense) or benefit	(5,377)	5,592	(47,584)
Subtotal	13,118	(12,318)	116,088
Share of other comprehensive income (loss) of associates accounted for using equity method:			
Increase (decrease) during the fiscal year	(25)	(54)	(221)
Total other comprehensive income (loss)	¥ 5,352	¥ (24,077)	$ 47,362

16 NET ASSETS

Net assets are comprised of four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and non-controlling interests.

Under the Japanese Corporation Act ("the Act") 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 Act, 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 Act, 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 Act.

At the annual shareholders' meeting held on May 25, 2017, the shareholders approved cash dividends amounting to ¥39,799 million ($352,203 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2017 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 28, 2017 and February 29, 2016 amounted to ¥480 million ($4,247 thousand) and ¥795 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

	Seventeenth grant	Eighteenth grant
Title and number of grantees	7 directors of the Company	107 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options[a]	16,500 ordinary shares	86,800 ordinary shares
Grant date	August 3, 2016	August 3, 2016
Exercise condition	[b]	[b]
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2017 to August 3, 2036	From February 28, 2017 to August 3, 2046

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 28, 2017. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2017:

Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	12,900	42,400	18,300	64,700
Vested	–	–	–	–
Exercised	11,100	10,900	14,200	21,600
Forfeited	–	–	–	–
Outstanding	1,800	31,500	4,100	43,100

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	16,100	58,700	24,300	85,800
Vested	–	–	–	–
Exercised	12,300	12,600	18,000	17,500
Forfeited	–	–	–	–
Outstanding	3,800	46,100	6,300	68,300

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	25,400	91,700	23,400	92,800
Vested	–	–	–	–
Exercised	17,800	17,200	16,400	18,000
Forfeited	–	–	–	–
Outstanding	7,600	74,500	7,000	74,800

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	22,600	91,300	28,100	101,000
Vested	–	–	–	–
Exercised	16,200	17,000	18,500	17,100
Forfeited	–	–	–	–
Outstanding	6,400	74,300	9,600	83,900

	Seventeenth grant	Eighteenth grant
Before vested:		
As of February 29, 2016	–	–
Granted	16,500	86,800
Forfeited	1,400	3,000
Vested	15,100	83,800
Outstanding	–	–
After vested:		
As of February 29, 2016	–	–
Vested	15,100	83,800
Exercised	–	–
Forfeited	–	–
Outstanding	15,100	83,800

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	¥4,725 ($41.8) per subscription to share	¥4,702 ($41.6) per subscription to share	¥4,725 ($41.8) per subscription to share	¥4,667 ($41.3) per subscription to share
Fair value at the grant date[a]	¥307,000 ($2,716) per subscription to share	¥311,300 ($2,754) per subscription to share	¥204,500 ($1,809) per subscription to share	¥211,100 ($1,868) 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	¥4,724 ($41.8) per subscription to share	¥4,627 ($40.9) per subscription to share	¥4,721 ($41.7) per subscription to share	¥4,603 ($40.7) per subscription to share
Fair value at the grant date[a]	¥185,000 ($1,637) per subscription to share	¥168,900 ($1,494) per subscription to share	¥188,900 ($1,671) per subscription to share	¥185,300 ($1,639) 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	¥4,720 ($41.7) per subscription to share	¥4,600 ($40.7) per subscription to share	¥4,720 ($41.7) per subscription to share	¥4,595 ($40.6) per subscription to share
Fair value at the grant date[a]	¥216,400 ($1,915) per subscription to share	¥206,400 ($1,826) per subscription to share	¥345,700 ($3,059) per subscription to share	¥330,600 ($2,925) 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	¥4,719 ($41.7) per subscription to share	¥4,578 ($40.5) per subscription to share	¥4,705 ($41.6) per subscription to share	¥4,574 ($40.4) per subscription to share
Fair value at the grant date[a]	¥388,500 ($3,438) per subscription to share	¥383,700 ($3,395) per subscription to share	¥533,000 ($4,716) per subscription to share	¥545,500 ($4,827) per subscription to share

	Seventeenth grant	Eighteenth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–
Fair value at the grant date[a]	¥361,300 ($3,197) per subscription to share	¥381,600 ($3,376) 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 Seventeenth grant of subscription rights to shares and Eighteenth grant of subscription rights to shares during the fiscal year ended February 28, 2017 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Seventeenth grant	Eighteenth grant
Expected volatility of the underlying stock price[a]	29.48%	24.07%
Remaining expected life of the option[b]	8.58 years	5.58 years
Expected dividends on the stock[c]	¥77 ($0.68) per share	¥77 ($0.68) per share
Risk-free interest rate during the expected option term[d]	(0.122)%	(0.158)%

Notes :
(a) The Seventeenth grant is calculated based on the actual stock prices during the eight years and seven months from January 6, 2008 to August 3, 2016.
The Eighteenth grant is calculated based on the actual stock prices during the five years and seven months from January 8, 2011 to August 3, 2016.
(b) The remaining expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended February 28, 2017.
(d) Japanese government bond yield corresponding to the remaining 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 executive officers 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

	Ninth grant-1	Ninth 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]	278,000 ordinary shares	72,000 ordinary shares
Grant date	August 8, 2016	August 8, 2016
Exercise condition	[b]	[c]
Intended service period	No provisions	No provisions
Exercise period	From August 9, 2016 to August 8, 2046	From August 9, 2016 to August 8, 2046

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 28, 2017. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2017:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	157,000	7,000	171,000	16,000
Vested	–	–	–	–
Exercised	37,000	7,000	38,000	7,000
Forfeited	–	–	–	–
Outstanding	120,000	–	133,000	9,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	423,000	13,000	440,000	90,000
Vested	–	–	–	–
Exercised	81,000	13,000	84,000	35,000
Forfeited	–	–	–	–
Outstanding	342,000	–	356,000	55,000

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	363,000	67,000	216,000	34,000
Vested	–	–	–	–
Exercised	64,000	27,000	37,000	14,000
Forfeited	–	–	–	–
Outstanding	299,000	40,000	179,000	20,000

	Seventh grant-1	Seventh grant-2	Eighth grant-1	Eighth grant-2
Before vested:				
As of February 29, 2016	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 29, 2016	193,000	44,000	138,000	39,000
Vested	–	–	–	–
Exercised	32,000	16,000	23,000	12,000
Forfeited	–	–	–	–
Outstanding	161,000	28,000	115,000	27,000

	Ninth grant-1	Ninth grant-2
Before vested:		
As of February 29, 2016	–	–
Granted	278,000	72,000
Forfeited	–	–
Vested	278,000	72,000
Outstanding	–	–
After vested:		
As of February 29, 2016	–	–
Vested	278,000	72,000
Exercised	–	–
Forfeited	–	–
Outstanding	278,000	72,000

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	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share
Fair value at the grant date[a]	¥236,480 ($2,092) per subscription to share	¥236,480 ($2,092) per subscription to share	¥221,862 ($1,963) per subscription to share	¥221,862 ($1,963) 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	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share
Fair value at the grant date[a]	¥139,824 ($1,237) per subscription to share	¥139,824 ($1,237) per subscription to share	¥127,950 ($1,132) per subscription to share	¥127,950 ($1,132) 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	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share
Fair value at the grant date[a]	¥175,000 ($1,548) per subscription to share	¥175,000 ($1,548) per subscription to share	¥312,000 ($2,761) per subscription to share	¥312,000 ($2,761) 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	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share	¥336,000 ($2,973) per subscription to share	¥483,000 ($4,274) per subscription to share
Fair value at the grant date[a]	¥370,000 ($3,274) per subscription to share	¥370,000 ($3,274) per subscription to share	¥537,000 ($4,752) per subscription to share	¥537,000 ($4,752) per subscription to share

	Ninth grant-1	Ninth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	–	–
Fair value at the grant date[a]	¥302,000 ($2,672) per subscription to share	¥302,000 ($2,672) 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 Ninth grant-1 of subscription rights to shares and Ninth grant-2 of subscription rights to shares during the fiscal year ended February 28, 2017 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Ninth grant-1	Ninth grant-2
Expected volatility of the underlying stock price[a]	30.354%	30.354%
Remaining expected life of the option[b]	7.69 years	7.69 years
Expected dividends on the stock[c]	¥8.5 ($0.07) per share	¥8.5 ($0.07) per share
Risk-free interest rate during the expected option term[d]	(0.187)%	(0.187)%

Notes :

(a) The Ninth grant-1 and the Ninth grant-2 are calculated based on the actual stock prices during the seven years and eight months from November 29, 2008 to August 8, 2016.

(b) The remaining expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2016 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, 2017.

(d) Japanese government bond yield corresponding to the remaining expected life.

(d) Estimation of the number of stock options vested

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

18 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2017

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥114 million ($1,008 thousand).

As of February 29, 2016

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥155 million.

(2) Pledged assets

(a) The amount of assets pledged as collateral by the Companies for their loans from certain financial institutions as of February 28, 2017 and February 29, 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Buildings and structures	¥ 6,420	¥ 893	$ 56,814
Land	4,111	2,070	36,380
Investments in securities	73,876	30,622	653,769
Long-term leasehold deposits	4,758	4,856	42,106
Total	¥89,167	¥38,442	$789,088

Debts for the pledged assets above as of February 28, 2017 are as follows: short-term loans, ¥5,200 million ($46,017 thousand); long-term loans (including current portion), ¥9,811 million ($86,823 thousand); and deposits received from tenants and franchised stores, ¥37 million ($327 thousand).

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

(b) The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2017 and February 29, 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Buildings	¥ 370	¥ 391	$ 3,274
Land	1,368	1,368	12,106
Total	¥1,738	¥1,759	$15,380

Loans of affiliates for which above assets are pledged as collateral as of February 28, 2017 and February 29, 2016 are ¥2,943 million ($26,044 thousand) and ¥3,043 million, respectively.

(c) Other

As of February 28, 2017

The amounts of assets pledged as collateral for fund transfer and real estate business are ¥2,512 million ($22,230 thousand) and ¥55 million ($486 thousand), respectively. The amount of assets pledged as collateral under installment sales law is ¥1,335 million ($11,814 thousand). In addition, ¥232 million ($2,053 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2016

The amount of assets pledged as collateral for fund transfer and real estate business are ¥4,501 million and ¥55 million, respectively. The amount of assets pledged as collateral under installment sales law is ¥1,335 million. In addition, ¥308 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 28, 2017 and February 29, 2016 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Credit availability of cash loan business	¥870,462	¥890,170	$7,703,203
Outstanding balance	(42,556)	(40,211)	(376,601)
Unused credit balance	¥827,905	¥849,958	$7,326,592

Unused credit balance will not have a material effect 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

Bonds held by Seven Bank, Ltd.
Seven Bank, Ltd., one of the Company’s consolidated subsidiaries, holds bonds to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These bonds are recorded in “Investments in securities” in the Consolidated Balance Sheets due to its nature of restriction even if 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)
	2017	2016	2017
Franchise commission from franchised stores	¥ 723,021	¥ 680,413	$ 6,398,415
Net sales of franchised stores	4,409,084	4,182,231	39,018,442

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Franchise commission from franchised stores	¥ 236,957	¥ 246,123	$ 2,096,964
Net sales of franchised stores	1,336,735	1,401,665	11,829,513

(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)
	2017	2016	2017
Buildings and structures	¥1,711	¥ 937	$15,141
Land	1,591	1,174	14,079
Others	184	60	1,628
Total	¥3,487	¥2,171	$30,858

(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)
	2017	2016	2017
Buildings and structures	¥ 7,364	¥ 5,151	$ 65,168
Furniture, fixtures and equipment	5,025	2,683	44,469
Others	6,126	4,232	54,212
Total	¥18,516	¥12,068	$163,858

Note:
In the Consolidated Statements of Income for the year ended February 28, 2017, restructuring expenses include loss on disposals of Buildings and structures, Furniture, fixtures and equipment, and Others in the amount of ¥1 million ($8 thousand), ¥12 million ($106 thousand), and ¥133 million ($1,176 thousand), respectively. 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 amount of ¥18 million, ¥7 million, and ¥484 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2017	2016	2017
Advertising and decoration expenses	¥160,355	¥176,335	$1,419,070
Salaries and wages	456,239	461,658	4,037,513
Provision for allowance for bonuses to employees	14,085	13,366	124,646
Retirement benefit expenses	16,009	11,846	141,672
Legal welfare expenses	61,750	62,580	546,460
Land and building rent	351,484	342,128	3,110,477
Depreciation and amortization	198,249	186,538	1,754,415
Utility expenses	111,427	125,062	986,079
Store maintenance and repair expenses	74,531	73,230	659,566

21 RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 28, 2017 and 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)
	2017	2016	2017
Impairment loss	¥10,611	¥ 6,108	$ 93,902
Early retirement benefit	6,015	724	53,230
Store closing losses	7,341	1,584	64,964
Loss on inventory disposal on business closure	433	1,527	3,831
Others	1,235	749	10,929
Total	¥25,637	¥10,695	$226,876

22 AMORTIZATION OF GOODWILL

The company recorded the loss on valuation of shares of subsidiaries and affiliates on its non-consolidated financial statements during the fiscal year ended February 28, 2017. In consequence, in accordance with the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" Article 32 (JICPA Statement No. 7, November 28, 2014), the Company recorded amortization of goodwill of ¥39,300 million ($347,787 thousand) (mainly ¥33,401 million ($295,584 thousand) and ¥5,878 million ($52,017 thousand) on Sogo & Seibu Co., Ltd. and Barneys Japan Co., Ltd., respectively).

23 BUSINESS COMBINATIONS

Fiscal year ended February 28, 2017

(1) Business combination by acquisition

(a) Outline of the business combination

(i) Name and main business of the acquired company
Name: CST Brands, Inc.
Main business: Retail of gasoline and operation of convenience store business in the U.S.

(ii) Main reason for the business combination
7-Eleven, Inc., consolidated subsidiary of the Company, is strengthening its product competitiveness, expanding its store network, and aiming to expand revenues further in North America.

(iii) Date of the business combination
July 7, 2016

(iv) Legal form of the business combination
Acquisition of business

(v) The acquired company's name after the business combination
No change

(vi) Main reason for the decision of the acquiring company
7-Eleven, Inc. received the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the consolidated financial statements
From July 7, 2016 to December 31, 2016

(c) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Consideration for acquisition Cash	¥41,694	$412,896
Acquisition cost	¥41,694	$412,896

(d) Details and amounts of main acquisition-related costs
Payment for financial and legal investigation: ¥40 million ($405 thousand)

(e) Amount, reason for recognition, and period and method of amortization of goodwill

(i) Amount of goodwill
¥33,447 million ($331,228 thousand)

(ii) Reason for recognition of goodwill
Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill
20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 481	$ 4,766
Non-current assets	8,281	82,013
Total assets	¥8,763	$86,780
Non-current liabilities	¥ 516	$ 5,111
Total liabilities	¥ 516	$ 5,111

(g) Approximate amounts of effect of the business combination on the Company's consolidated statements of income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the July 7, 2016 rate (US$1 = ¥100.98).

(2) Business combination by acquisition

(a) Outline of the business combination

(i) Name and main business of the acquired company
Name: Imperial Oil Limited
Main business: Retail of gasoline and operation of convenience store business in Canada

(ii) Main reason for the business combination
7-Eleven, Inc., consolidated subsidiary of the Company, is strengthening its product competitiveness, expanding its store network, and aiming to expand revenues further in North America.

(iii) Date of the business combination
September 16, 2016

(iv) Legal form of the business combination
Acquisition of business

(v) The acquired company's name after the business combination
No change

(vi) Main reason for the decision of the acquiring company
7-Eleven, Inc. received the business with all consideration paid in cash.

(b) Period for which the acquired company's operating results are included in the consolidated financial statements
From September 16, 2016 to December 31, 2016

(c) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Consideration for acquisition Cash	¥68,990	$676,379
Acquisition cost	¥68,990	$676,379

(d) Details and amounts of main acquisition-related costs
Payment for financial and legal investigation: ¥213 million ($2,093 thousand)

(e) Amount, reason for recognition, and period and method of amortization of goodwill

(i) Amount of goodwill
¥27,836 million ($272,908 thousand)

(ii) Reason for recognition of goodwill
Expected excess earning power of future business development

(iii) Period and method of amortization of goodwill
20 years using the straight-line method

(f) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,345	$ 13,195
Non-current assets	40,626	398,299
Total assets	¥41,972	$411,495
Current liabilities	¥ 118	$ 1,161
Non-current liabilities	700	6,862
Total liabilities	¥ 818	$ 8,024

(g) Approximate amounts of effect of the business combination on the Company's consolidated statements of income for the fiscal year assuming the business combination was completed at the beginning of the fiscal year, and the calculation method thereof
Information is omitted since the amounts are insignificant.

Note: The yen amounts were calculated using the September 16, 2016 rate (US$1 = ¥102.00).

24 RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2017 and February 29, 2016
No items required to report.

25 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 and franchised convenience 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 businesses. "Mail order services" operate mail order which mainly consists of Nissen Holdings Co., Ltd., and selling and wholesale of gifts. "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 Note 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.

(Application of Accounting Standard for Business Combinations and other accounting standards)
As descried in the Changes in accounting policies, effective from the beginning of the current consolidated fiscal year, differences caused by change in the Company's equity in the subsidiaries and affiliates remaining under the control of the Company are adjusted in capital surplus, and acquisition-related costs are recorded as expenses incurred during the consolidated financial year in which acquisitions take place.

As a result of the application and in comparison with the previous method, segment income in the current consolidated fiscal year increased by ¥3,125 million ($27,654 thousand) in "Convenience store operations" segment, by ¥41 million ($362 thousand) in "Superstore operations" segment, by ¥691 million ($6,115 thousand) in "Department store operations" segment, by ¥284 million ($2,513 thousand) in "Financial services" segment and by 5 million yen ($44 thousand) in "Others" segment.

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

Fiscal year ended February 28, 2017

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	¥2,549,404	¥2,016,659	¥849,649	¥81,744	¥164,432	¥136,927	¥36,870	¥5,835,689	¥ –	¥5,835,689
Intersegment	1,235	8,874	2,524	818	37,500	2,298	20,553	73,805	(73,805)	–
Total revenues	¥2,550,640	¥2,025,534	¥852,174	¥82,562	¥201,932	¥139,226	¥57,424	¥5,909,495	¥(73,805)	¥5,835,689
Segment income (loss)	¥313,195	¥22,903	¥3,672	¥515	¥50,130	¥(15,097)	¥4,632	¥379,952	¥(15,379)	¥364,573
Segment assets	¥2,105,931	¥1,004,561	¥431,589	¥26,399	¥1,925,815	¥56,610	¥179,884	¥5,730,793	¥(221,904)	¥5,508,888
Segment liabilities (interest bearing debt)	¥177,601	¥9,570	¥196,268	¥ –	¥336,060	¥33,080	¥5,912	¥758,493	¥289,996	¥1,048,490
Other items:										
Depreciation	¥123,131	¥25,280	¥12,982	¥869	¥29,416	¥3,956	¥2,983	¥198,620	¥8,862	¥207,483
Amortization of goodwill	¥9,249	¥3,098	¥35,598	¥ –	¥1,306	¥ –	¥6,204	¥55,458	¥ –	¥55,458
Investment in associates accounted for using the equity method	¥13,140	¥4,816	¥628	¥ –	¥ –	¥3,338	¥13,365	¥35,288	¥ –	¥35,288
Impairment loss	¥10,374	¥24,040	¥18,681	¥1,102	¥ –	¥3,854	¥1,666	¥59,719	¥ –	¥59,719
Net increase in property and equipment, and intangible assets	¥256,934	¥40,095	¥13,847	¥1,946	¥20,796	¥1,831	¥4,686	¥340,139	¥9,629	¥349,768

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, 2017

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	$ 22,561,097	$ 17,846,539	$ 7,519,017	$ 723,398	$ 1,455,150	$ 1,211,743	$ 326,283	$ 51,643,265	$ –	$ 51,643,265
Intersegment	10,929	78,530	22,336	7,238	331,858	20,336	181,884	653,141	(653,141)	–
Total revenues	$ 22,572,035	$ 17,925,079	$ 7,541,362	$ 730,637	$ 1,787,008	$ 1,232,088	$ 508,176	$ 52,296,415	$ (653,141)	$ 51,643,265
Segment income (loss)	$ 2,771,637	$ 202,681	$ 32,495	$ 4,557	$ 443,628	$ (133,601)	$ 40,991	$ 3,362,407	$ (136,097)	$ 3,226,309
Segment assets	$ 18,636,557	$ 8,889,920	$ 3,819,371	$ 233,619	$ 17,042,610	$ 500,973	$ 1,591,893	$ 50,714,982	$ (1,963,752)	$ 48,751,221
Segment liabilities (interest bearing debt)	$ 1,571,690	$ 84,690	$ 1,736,884	$ –	$ 2,973,982	$ 292,743	$ 52,318	$ 6,712,327	$ 2,566,336	$ 9,278,672
Other items:										
Depreciation	$ 1,089,654	$ 223,716	$ 114,884	$ 7,690	$ 260,318	$ 35,008	$ 26,398	$ 1,757,699	$ 78,424	$ 1,836,132
Amortization of goodwill	$ 81,849	$ 27,415	$ 315,026	$ –	$ 11,557	$ –	$ 54,902	$ 490,778	$ –	$ 490,778
Investment in associates accounted for using the equity method	$ 116,283	$ 42,619	$ 5,557	$ –	$ –	$ 29,539	$ 118,274	$ 312,283	$ –	$ 312,283
Impairment loss	$ 91,805	$ 212,743	$ 165,318	$ 9,752	$ –	$ 34,106	$ 14,743	$ 528,486	$ –	$ 528,486
Net increase in property and equipment, and intangible assets	$ 2,273,752	$ 354,823	$ 122,539	$ 17,221	$ 184,035	$ 16,203	$ 41,469	$ 3,010,079	$ 85,212	$ 3,095,292

Notes:
1. The adjustments of ¥(15,379) million ($(136,097) thousand) and ¥(10,578) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 28, 2017 and February 29, 2016, respectively.
2. The adjustments of ¥(221,904) million ($(1,963,752) thousand) and ¥(297,574) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2017 and February 29, 2016, respectively.
3. The adjustments of ¥289,996 million ($2,566,336 thousand) and ¥329,994 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2017 and February 29, 2016, 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. ¥10,611 million ($93,902 thousand) and ¥6,108 million out of "Impairment loss" in the tables above are included in "Restructuring expenses" in the Consolidated Statements of Income for the years ended February 28, 2017 and February 29, 2016, respectively.

(Reference)

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

Millions of yen

Fiscal year ended February 28, 2017	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥4,032,077	¥1,690,509	¥113,102	¥5,835,689	¥ –	¥5,835,689
Intersegment	726	204	372	1,303	(1,303)	–
Total revenues	¥4,032,803	¥1,690,713	¥113,475	¥5,836,992	¥(1,303)	¥5,835,689
Operating income (loss)	¥ 299,251	¥ 65,548	¥ (238)	¥ 364,561	¥ 11	¥ 364,573

Millions of yen

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

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2017	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$35,682,097	$14,960,256	$1,000,902	$51,643,265	$ –	$51,643,265
Intersegment	6,424	1,805	3,292	11,530	(11,530)	–
Total revenues	$35,688,522	$14,962,061	$1,004,203	$51,654,796	$(11,530)	$51,643,265
Operating income (loss)	$ 2,648,238	$ 580,070	$ (2,106)	$ 3,226,203	$ 97	$ 3,226,309

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

Related Information

Fiscal years ended February 28, 2017 and February 29, 2016

1. Information on products and services

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

2. Information by region

(1) Revenues from operations

Fiscal year ended February 28, 2017

Millions of yen

Japan	North America	Others	Total
¥4,032,077	¥1,690,509	¥113,102	¥5,835,689

Fiscal year ended February 29, 2016

Millions of yen

Japan	North America	Others	Total
¥4,055,345	¥1,855,096	¥135,262	¥6,045,704

Fiscal year ended February 28, 2017

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$35,682,097	$14,960,256	$1,000,902	$51,643,265

(2) Property and equipment

Fiscal year ended February 28, 2017

Millions of yen

Japan	North America	Others	Total
¥1,433,687	¥571,775	¥2,366	¥2,007,829

Fiscal year ended February 29, 2016

Millions of yen

Japan	North America	Others	Total
¥1,439,662	¥530,220	¥2,471	¥1,972,355

Fiscal year ended February 28, 2017

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$12,687,495	$5,059,955	$20,938	$17,768,398

3. Information about major customers

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

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

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

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

Millions of yen

Fiscal year ended February 28, 2017	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	¥ 9,249	¥ 3,098	¥35,598	¥ –	¥ 1,306	¥ –	¥6,204	¥ 55,458	¥ –	¥ 55,458
Balance at the end of year	225,882	29,444	4,171	–	10,700	22	–	270,220	–	270,220
Negative Goodwill										
Amortization	–	23	–	4	–	–	–	27	–	27
Balance at the end of year	–	140	–	25	–	–	–	165	–	165

Millions of yen

Fiscal year ended February 29, 2016	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

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2017	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	$ 81,849	$ 27,415	$ 315,026	$ –	$11,557	$ –	$54,902	$ 490,778	$ –	$ 490,778
Balance at the end of year	1,998,955	260,566	36,911	–	94,690	194	–	2,391,327	–	2,391,327
Negative Goodwill										
Amortization	–	203	–	35	–	–	–	238	–	238
Balance at the end of year	–	1,238	–	221	–	–	–	1,460	–	1,460

(Significant change in amount of goodwill)

As a result of the application of Accounting Standard for Business Combinations, Accounting Standard for Consolidated Financial Statements, and of Accounting Standard for Business Divestiture, etc., effective from the consolidated fiscal year ended February 28, 2017, the amount in goodwill has been reduced.

In accordance with the application, the amount of goodwill, as at the beginning of the current consolidated fiscal year ended, was reduced by ¥33,368 million ($295,292 thousand) in the "Convenience store operations" segment, by ¥594 million ($5,256 thousand) in the "Superstore operations" segment, by ¥14,044 million ($124,283 thousand) in the "Department store operations" segment, by ¥3,271 million ($28,946 thousand) in the "Financial services" segment, and by ¥45 million ($398 thousand) in the "Others" segment.

By recording amortization of goodwill in the "Department store operations" and "Others" in the current consolidated fiscal year, there have been significant changes in the amount of goodwill. In accordance with the application, the amount of goodwill was reduced by ¥33,422 million ($295,769 thousand) in the "Department store operations" segment, and by ¥5,878 million ($52,017 thousand) in the "Others" segment.

6. Information regarding gain on negative goodwill by reportable segment

None

26 SUBSEQUENT EVENTS

(1) Cash dividend

Subsequent to February 28, 2017, the Company's Board of Directors declared a year-end cash dividend of ¥39,799 million ($352,203 thousand) to be payable on May 26, 2017 to shareholders on record as of February 28, 2017.
The dividend declared was approved by the shareholders at the meeting held on May 25, 2017.

(2) Change in segment classification

The Company announced its Medium-Term Management Plan in October 2016 under the new management formed in May 2016. Based on this plan, the numerical target in the fiscal year ending February 29, 2020 has been set to consolidated operating income of ¥450.0 billion ($3,982,300 thousand) and ROE of 10%. In order to achieve this Medium-Term Management Plan, the Company resolved at a Board of Directors meeting held on April 6, 2017 to change the Group's segment classification as follows:

(a) Domestic convenience store operations
This is the operating segment of convenience store operations led by Seven-Eleven Japan Co., Ltd. (hereinafter "SEJ"), and includes SEJ, its subsidiaries and affiliates, and the overseas businesses (China, Hawaii) that SEJ provides sales support, and business promotion and management.

(b) Overseas convenience store operations
This is the operating segment of convenience store operations led by 7-Eleven, Inc. (hereinafter "SEI"), and includes SEI, its subsidiaries and affiliates, and the business operating companies that SEI provides sales support, and business promotion and management.

(c) Superstore operations
This is the operating segment of retail operations that comprehensively provide the necessary items for daily life such as popular consumer choices in foods and daily goods, and includes Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., York Mart Co., Ltd., SHELL GARDEN CO., LTD., and the subsidiaries and affiliates of these companies. Akachan Honpo Co., Ltd., etc. that provide high specialty products have been reorganized into specialty store operations.

(d) Department store operations
This is the operating segment of retail operations that provide diverse luxury goods and high specialty products operated in large scale stores, and includes Sogo & Seibu Co., Ltd. and its subsidiaries and affiliates. THE LOFT CO., LTD., which provides high specialty products, has been reorganized into specialty store operations.

(e) Financial services
This is the operating segment of the operations that provide services related to the banking, credit cards and leases businesses, and includes Seven Bank, Ltd. and its subsidiaries and affiliates, Seven Financial Service Co., Ltd., Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. SEVEN & i Financial Center Co., Ltd. has been reorganized into corporate operations and not included in any reportable segment.

(f) Specialty store operations
This is the operating segment of retail operations that provide high specialty or characteristic products and services, and includes business operating companies such as Akachan Honpo Co., Ltd., THE LOFT CO., LTD., Seven & i Food Systems Co., Ltd., Barneys Japan Co., Ltd. and Nissen Co., Ltd.

(g) Others
This includes the operating segments that do not belong to the other six segments above, and includes Seven & i Create Link Co., Ltd. and Seven & i Asset Management Co., Ltd. dealing with the real estate businesses, SEVEN & i Publishing Co., Ltd. dealing with the publishing business, Seven Culture Network Co., Ltd. providing cultural education services and Yatsugatake Kogen Lodge Co., Ltd running the hotel-operation, villa management, etc. business.

Note: The Company and SEVEN & i Financial Center Co., Ltd. are not included in any of the above segments, as they are classified as corporate operations.

The revenues from operations and income (loss) of each reportable segment for the fiscal year ended February 28, 2017 under the segment classification after the change are as follows:

Millions of yen

	Reportable segments									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥899,836	¥1,658,338	¥1,938,093	¥720,199	¥164,432	¥447,210	¥ 7,577	¥5,835,689	¥ –	¥5,835,689
Intersegment	1,470	204	11,219	9,412	37,499	3,277	16,276	79,360	(79,360)	–
Total revenues	901,306	1,658,542	1,949,313	729,612	201,932	450,488	23,854	5,915,050	(79,360)	5,835,689
Segment income (loss)	¥243,839	¥ 67,421	¥ 20,228	¥ 2,867	¥ 50,136	¥ (11,276)	¥ 4,005	¥ 377,223	¥ (12,650)	¥ 364,573

Thousands of U.S. dollars (Note 3)

	Reportable segments									
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	$7,963,150	$ 14,675,557	$ 17,151,265	$6,373,442	$1,455,150	$3,957,610	$ 67,053	$ 51,643,265	$ –	$ 51,643,265
Intersegment	13,008	1,805	99,283	83,292	331,849	29,000	144,035	702,300	(702,300)	–
Total revenues	7,976,159	14,677,362	17,250,557	6,456,743	1,787,008	3,986,619	211,097	52,345,575	(702,300)	51,643,265
Segment income (loss)	$2,157,867	$ 596,646	$ 179,008	$ 25,371	$ 443,681	$ (99,787)	$ 35,442	$ 3,338,256	$ (111,946)	$ 3,226,309

(3) Major acquisition of business

Seven & i Holdings Co., Ltd. ("the Company") announced that its Board of Directors resolved on April 6, 2017 that the Company's consolidated subsidiary 7-Eleven, Inc. will acquire stores and other assets constituting most of convenience store business and gasoline retail business of U.S. company Sunoco LP ("SUN").

On the same date, 7-Eleven, Inc. has entered into an agreement with SUN to acquire the business.

(a) Outline of the business combination

(i) Name and main business of the acquired company

Name: Sunoco LP

Main business: Operation of gasoline wholesale and retail, and convenience store business

(ii) Main reason for the business combination

In accordance with the Medium-Term Management Plan of the Companies announced in October 2016, 7-Eleven, Inc. is aiming to achieve average daily merchandise sales per store of $5,000 and 10,000 stores by the fiscal year ending February 29, 2020, and is working to strengthen its merchandizing capabilities and expand its store network. SUN has a large number of stores in the State of Texas and the eastern area of the United States, where 7-Eleven, Inc., currently operates stores. By acquiring part of SUN's convenience store business and gasoline retail business, 7-Eleven, Inc. will expand its store network and offer greater convenience, while also improving profitability. Regarding the stores to be acquired, 7-Eleven, Inc. plans to sign a contract in the future to receive gasoline from SUN for the next 15 years.

(iii) Date of the business combination

August 2017 (planned)

(iv) Legal form of the business combination

Acquisition of business

(v) The acquired company's name after the business combination

No change

(b) Acquisition cost of acquired business and breakdown by type of consideration

	Millions of yen	Millions of U.S. dollars
Consideration for acquisition Cash	¥365,996	$3,305.6
Acquisition cost	¥365,996	$3,305.6

Note: The amounts in yen were calculated using the exchange rate as of April 5, 2017 ($1 = ¥110.72).

(c) Details and amounts of main acquisition-related costs

Not yet determined

(d) Amount, reason for recognition, and period and method of amortization of goodwill

Not yet determined

(e) Total amounts and principal breakdowns of assets received and liabilities assumed on the date of the business combination

Not yet determined

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2017 and February 29, 2016, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as at February 28, 2017 and February 29, 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 26 Subsequent events to the consolidated financial statements, Seven & i Holdings Co., Ltd. ("the Company") announced that its Board of Directors resolved on April 6, 2017 that the Company's consolidated subsidiary 7-Eleven, Inc. will acquire stores and other assets constituting most of convenience store business and gasoline retail business of U.S. company Sunoco LP. On the same date, 7-Eleven, Inc. has entered into an agreement with Sunoco LP to acquire the business.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2017 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 26, 2017
Tokyo, Japan

Stock Information and Rating Information

As of February 28, 2017

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

54,448 (Consolidated)
575 (Non-consolidated)

Paid-in Capital

¥50,000 million

Number of Shares of Common Stock

Issued: 886,441,983 shares

Number of Shareholders

91,787

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

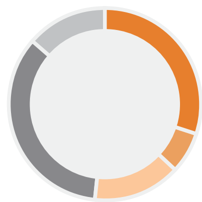
KPMG AZSA LLC

Principal Shareholders

	Number of shares held (Thousand shares)	Percentage of shares held (%)
Ito-Kogyo Co., Ltd.	68,901	7.8
The Master Trust Bank of Japan, Ltd. (Trust account)	45,605	5.2
Japan Trustee Services Bank, Ltd. (Trust account)	39,933	4.5
Nippon Life Insurance Company	17,672	2.0
Masatoshi Ito	16,799	1.9
Nomura Securities Co., Ltd.	16,656	1.9
MITSUI & CO., LTD.	16,222	1.8
Japan Trustee Services Bank, Ltd. (Trust account 4)	12,176	1.4
State Street Bank West Client - Treaty 505234	11,480	1.3
Japan Trustee Services Bank, Ltd. (Trust account 7)	11,165	1.3

Classification of Shareholders by Percentage of Shares Held

Financial Institutions	30.2%
Securities Companies	6.9%
Other Domestic Corporations	14.8%
Foreign Corporations	34.7%
Individuals and Others	13.4%



Ratings

As of June 30, 2017

		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)