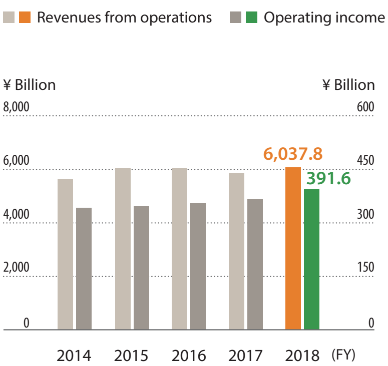
Financial and Non-Financial Highlights

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

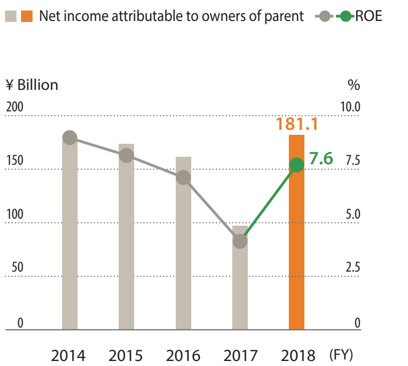
	2009	2010	2011	2012
For the fiscal year:				
Revenues from operations	¥ 5,649,948	¥ 5,111,297	¥ 5,119,739	¥ 4,786,344
Operating income	281,865	226,666	243,346	292,060
Net income attributable to owners of parent	92,336	44,875	111,961	129,837
Capital expenditures[*1]	188,943	211,189	338,656	255,426
Depreciation and amortization[*2]	140,529	132,232	132,421	139,994
Cash flows from operating activities	310,007	322,202	310,527	462,642
Cash flows from investing activities	(139,568)	(115,158)	(312,081)	(342,805)
Cash flows from financing activities	(169,755)	(156,708)	(56,258)	(40,561)
Free cash flows[*3]	170,438	207,044	(1,553)	119,836
At fiscal year-end:				
Total assets	¥ 3,727,060	¥ 3,673,605	¥ 3,732,111	¥ 3,889,358
Owners' equity[*4]	1,785,189	1,721,967	1,702,514	1,765,983
Per share data:				
Net income per share	¥ 100.54	¥ 49.67	¥ 126.21	¥ 146.96
Net assets[*4]	1,975.95	1,905.97	1,927.09	1,998.84
Cash dividends	56.00	56.00	57.00	62.00
Financial ratios:				
Owners' equity ratio[*4]	47.9%	46.9%	45.6%	45.4%
Debt/equity ratio (times)[*4]	0.44	0.41	0.43	0.40
Return on equity (ROE)[*4]	4.9%	2.6%	6.5%	7.5%
Return on total assets (ROA)	2.4%	1.2%	3.0%	3.4%
Dividend payout ratio	55.7%	112.7%	45.2%	42.2%

Notes: 1. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107=U.S.$1, the approximate rate of exchange prevailing on February 28, 2018.
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.

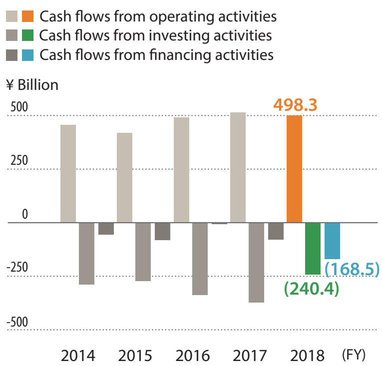
Revenues from Operations/Operating Income



Net Income Attributable to Owners of Parent/ROE



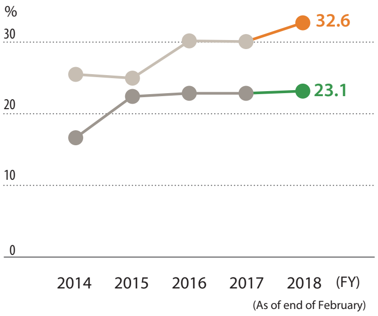
Cash Flows



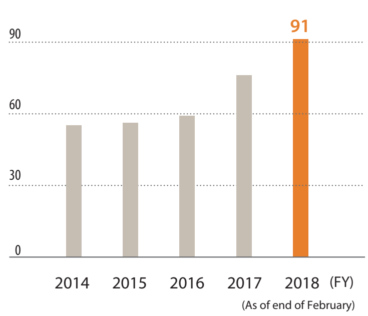
					Millions of yen	Thousands of U.S. dollars
2013	2014	2015	2016	2017	2018	2018
¥ 4,991,642	¥ 5,631,820	¥ 6,038,948	¥ 6,045,704	¥ 5,835,689	¥ 6,037,815	$ 56,428,177
295,685	339,659	343,331	352,320	364,573	391,657	3,660,345
138,064	175,691	172,979	160,930	96,750	181,150	1,692,990
334,216	336,758	341,075	399,204	384,119	347,374	3,246,485
155,666	147,379	172,237	195,511	207,483	213,167	1,992,214
391,406	454,335	416,690	488,973	512,523	498,306	4,657,065
(340,922)	(286,686)	(270,235)	(335,949)	(371,602)	(240,418)	(2,246,897)
10,032	(55,227)	(79,482)	(2,312)	(78,190)	(168,510)	(1,574,859)
50,484	167,648	146,454	153,023	140,921	257,888	2,410,168
¥ 4,262,397	¥ 4,811,380	¥ 5,234,705	¥ 5,441,691	¥ 5,508,888	¥ 5,494,950	$ 51,354,672
1,891,163	2,095,746	2,299,662	2,372,274	2,336,057	2,427,264	22,684,710
					yen	U.S. dollars
¥ 156.26	¥ 198.84	¥ 195.66	¥ 182.02	¥ 109.42	¥ 204.80	$ 1.91
2,140.45	2,371.92	2,601.23	2,683.11	2,641.40	2,744.08	25.65
64.00	68.00	73.00	85.00	90.00	90.00	0.84
44.4%	43.6%	43.9%	43.6%	42.4%	44.2%	
0.45	0.45	0.41	0.44	0.45	0.41	
7.6%	8.8%	7.9%	6.9%	4.1%	7.6%	
3.4%	3.9%	3.4%	3.0%	1.8%	3.3%	
41.0%	34.2%	37.3%	46.7%	82.3%	43.9%	

*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

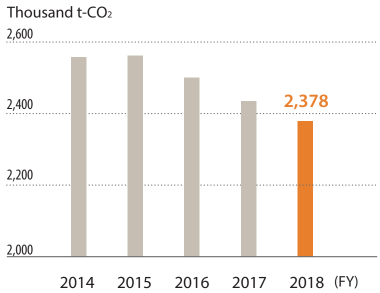
Percentage of Female Managers*5



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, 2018, are preliminary.

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income
In the fiscal year ended February 28, 2018, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥6,037.8 billion, an increase of ¥202.1 billion, or 3.5%, year on year. Operating income increased ¥27.0 billion, or 7.4%, to ¥391.6 billion.

Domestic Convenience Store Operations

Revenues from domestic convenience store operations were ¥928.6 billion, up 3.0% year on year, while operating income was ¥245.2 billion, up 0.6%.

SEVEN-ELEVEN JAPAN (SEJ) had 20,260 stores as of February 28, 2018, an increase of 838 stores from the end of the previous fiscal year. Japan's employment environment is becoming increasingly challenging due to a higher minimum wage, a rising jobs-to-applicants ratio and expanded enrollment in the social security and health insurance systems. Under these circumstances, Seven & i Holdings and its operating companies ("the Group") implemented a special discount of 1% on "Seven-Eleven Charge" royalties starting in September 2017 to establish an environment in which franchisees can concentrate on strategic store management and to encourage franchise ownership in the future.

As for store operations, in addition to opening new stores in existing areas with the aim of strengthening its market dominance, SEJ aggressively relocated stores to revitalize them, and the number of stores in the domestic retail sector topped 20,000 for the first time, as of January 31, 2018. SEJ also introduced a new store layout tailored to the current sales composition to respond to customer needs that are changing with the changing social environment. In an effort to increase work efficiency, commercial dishwashers were installed to improve the quality of store employees' customer service. On the product front, SEJ continued to vigorously revamp basic products such as rice balls and noodle dishes, and worked to boost product quality, leading to a favorable shift in sales. In addition, while sales of the self-serve drip coffee *SEVEN CAFÉ* continue to grow, SEJ installed new coffee machines with new café latte options. As a result, the growth rate of sales in existing stores rose year on year, and total store sales—the combination of sales from directly operated stores and franchised stores—reached ¥4,678.0 billion, an increase of 3.6% from the previous fiscal year.

By product category, sales of processed foods, which include soft drinks and confectionery, were up 4.0%, to ¥1,230.3 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 4.6%, to ¥1,412.7 billion. Sales of daily food items, which include bread, pastries and milk, were up 2.1%, to ¥626.8 billion. Sales of nonfood products, which include cigarettes and sundries, increased 2.9%, to ¥1,408.1 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly operated stores, were up 1.9%, to ¥849.8 billion, while operating income increased 0.3%, to ¥244.1 billion.

In China, SEJ had 247 stores in Beijing, 118 stores in Tianjin and 87 stores in Chengdu, as of December 31, 2017.

Overseas Convenience Store Operations

Revenues from overseas convenience store operations were ¥1,981.5 billion, an increase of 19.5% from the previous fiscal year, and operating income was ¥79.0 billion, an increase of 17.3% from the previous fiscal year.

7-Eleven, Inc. (SEI) in North America had a network of 8,670 stores as of December 31, 2017, down 37 from a year earlier. As for store operations, SEI promoted opening stores based on its market concentration strategy, but closed some existing and acquired stores with low profitability. On the product front, SEI continued to direct efforts into developing and selling *7-Select* private-brand products and fast food, which resulted in a positive year-on-year shift in sales at existing stores in the United States on a U.S.-dollar basis for the fiscal year under review. Total store sales—that is, sales from directly operated stores and franchised stores—were ¥3,134.4 billion, an increase of 14.6% compared to those of the previous fiscal year, because of growth in product sales and growth in gasoline sales due to higher gasoline prices and an increase in sales volume.

On January 23, 2018, SEI completed acquisition of some of the business of the U.S.-based Sunoco LP.

Superstore Operations

Revenues from superstore operations were down 2.5%, to ¥1,901.1 billion, while operating income was up 5.1%, to ¥21.2 billion.

The domestic superstore Ito-Yokado (IY) had 164 stores at the end of the fiscal year under review, a decrease of seven stores from the end of the previous fiscal year. As for the promotion of business restructuring, in addition to reviewing the sales area configuration based on the store-tenant mix and renovating large-scale *Ario* shopping centers, we closed nine stores during the fiscal year under review. With regard to merchandise, the emphasis was on efforts to enhance product lineups matched to individual stores and regional characteristics and to boost sales of differentiated products, exemplified by the launch of the new *Seven Premium Fresh* brand of safe and secure fresh food. As a result, the growth rate of sales in existing stores for the fiscal year under review fell below the level recorded in the previous fiscal year, but profitability improved, primarily due to a better gross profit margin resulting from apparel inventory optimization.

As for superstores in China, IY had eight stores as of December 31, 2017.

With respect to domestic food supermarkets, as of the end of the fiscal year under review, York-Benimaru operated 220 stores, centered on the southern Tohoku region, an increase of seven stores from the end of the previous fiscal year, and York Mart operated 78 stores, centered on the Tokyo metropolitan area.

York-Benimaru made efforts to differentiate its products with a focus on safety, reliability, taste and quality by stepping up sales of fresh food while enriching its lineup of *sozai* prepared dishes to respond to demand for ready-to-serve and convenient meals through its subsidiary Life Foods. However, the growth rate of sales in existing stores for the fiscal year under review was down from that of the previous fiscal year.

Department Store Operations

Revenues from department store operations decreased 9.8%, to ¥657.8 billion, while operating income was up 87.2%, to ¥5.3 billion.

Sogo & Seibu operated 15 stores at the end of the fiscal year under review, a decrease of four stores from the end of the previous fiscal year. With regard to progress in business structural reforms, as part of our strategy of concentrating management resources in large stores in the Tokyo metropolitan area, in November 2017, we implemented the second stage of the renewal opening of Sogo Chiba JUNNU as a specialty store for experiencing the concept of "ideas over things."

In addition, Sogo Kobe and SEIBU Takatsuki were transferred to H2O Retailing Corporation on October 1, 2017, and SEIBU Funabashi and SEIBU Odawara were closed on February 28, 2018. The growth rate of sales at existing stores was up in the fiscal year under review compared to that of the previous fiscal year, due to favorable sales mainly for women's accessories and food.

Financial Services

In financial services, revenues from operations were ¥202.9 billion, up 0.5% year on year, while operating income was ¥49.7 billion, down 0.8% year on year.

As of the end of the fiscal year under review, the number of installed Seven Bank ATMs increased to 24,338, up 985 from the end of the previous fiscal year, due primarily to aggressive opening of stores by SEJ. In addition, although the daily average number of transactions per ATM during the fiscal year under review was 94.2 transactions, down 1.4 transactions year on year, mainly due to diversification of payment methods and changes in fee structures by some partner financial institutions, the total number of transactions during the fiscal year under review increased from the previous year due to an increase in the number of installed ATMs.

Specialty Store Operations

Revenues from specialty store operations amounted to ¥416.6 billion, a decrease of 7.5% from those of the previous fiscal year, and operating income rose ¥11.7 billion year on year, to ¥0.4 billion.

As of February 28, 2018, Akachan Honpo, which sells baby and maternity products, operated 110 stores, an increase of four from the end of the previous fiscal year; THE LOFT, which sells miscellaneous specialty goods, operated 110 stores, an increase of one; and Seven & i Food Systems operated 377 Denny's restaurants, a decrease of nine.

Meanwhile, Nissen Holdings continued to focus efforts on promoting structural reforms.

Others

Revenues from other operations were ¥23.5 billion, a decrease of 1.3% from the previous fiscal year. Operating income was ¥3.6 billion, a decrease of 8.4%.

Eliminations/Corporate

Adjusted amounts are recorded for such costs as operating and maintenance expenses and depreciation and amortization related to *omni7*, the Group's integrated EC site. Operating loss under Eliminations/Corporate for the fiscal year under review increased ¥0.4 billion from that of the previous fiscal year, to ¥13.1 billion.

Income before Income Taxes

In other income (expenses), net other expenses were ¥115.3 billion, compared with net other expenses of ¥147.0 billion in the previous fiscal year. This was primarily due to an increase in restructuring expenses and a decrease in amortization of goodwill. Consequently, income before income taxes increased ¥58.7 billion year on year, to ¥276.3 billion.

Net Income Attributable to Owners of Parent

With the enactment of the Tax Cuts and Jobs Act in the United States on December 22, 2017, the U.S. federal income tax rate was lowered from 35% to 21% beginning January 1, 2018. The Company's income taxes decreased ¥27.3 billion compared to those of the previous fiscal year, to ¥79.4 billion, mainly due to reduction of the Company's deferred income taxes by ¥18.0 billion as a result of the changes in the tax rate. After the application of tax effect accounting, the effective tax rate was 28.7%.

As a result, net income attributable to owners of parent rose ¥84.3 billion year on year, to ¥181.1 billion. Net income per share was ¥204.80, up ¥95.38 per share, from ¥109.42 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities and Net Assets

Total assets on February 28, 2018 stood at ¥5,494.9 billion, down ¥13.9 billion from the end of the previous fiscal year. In current assets, cash and cash equivalents rose ¥90.8 billion, while merchandise and finished goods decreased ¥15.1 billion, and notes and accounts receivable, trade decreased ¥9.9 billion. As a result, total current assets were ¥2,340.2 billion, up ¥65.8 billion from the end of the previous fiscal year. Property and equipment decreased ¥18.3 billion, primarily due to closure of stores of Sogo & Seibu and Ito-Yokado. Intangible assets decreased ¥33.9 billion, mainly due to recording of impairment loss associated with *omni7* software. Furthermore, investments and other assets decreased ¥27.4 billion, primarily due to a decrease in municipal bonds and corporate bonds acquired by Seven Bank. As a result, non-current assets were down ¥79.7 billion from the end of the previous fiscal year, to ¥3,154.7 billion.

Total liabilities decreased ¥113.4 billion, to ¥2,919.6 billion. Current liabilities decreased ¥3.6 billion compared to those of the end of the previous fiscal year, to ¥1,944.0 billion. This was due primarily to increases of ¥24.9 billion in the current portion of bonds and ¥18.3 billion in the current portion of long-term loans, and decreases of ¥23.1 billion in short-term loans and ¥20.0 billion in call money. In non-current liabilities, bonds decreased ¥44.9 billion due to transfer of current portion, and long-term debt decreased ¥40.6 billion. Consequently, non-current liabilities declined ¥109.8 billion, to ¥975.6 billion.

Total net assets were up ¥99.5 billion, to ¥2,575.3 billion. Retained earnings increased ¥101.4 billion, primarily due to an increase of ¥181.1 billion owing to the recording of net income attributable to owners of parent and a decrease of ¥79.6 billion due to cash dividend payments. Foreign currency translation adjustments, principally the translation of the financial statements of SEI, decreased ¥9.7 billion. As a result, owners' equity per share was up ¥102.68 per share from a year earlier, to ¥2,744.08 per share, and the owners' equity ratio was 44.2%, compared with 42.4% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥1,300.3 billion, up ¥90.8 billion from a year earlier. Cash was used to open new stores and remodel existing stores, but cash flow was provided by businesses with a high capacity for the generation of revenues from operations, centered on domestic and overseas convenience store operations.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥498.3 billion, down ¥14.2 billion from the previous fiscal year. This mainly reflected an increase of ¥58.7 billion in income before income taxes, a decrease of ¥38.8 billion in amortization of goodwill and a decrease of ¥45.2 billion in increase (decrease) in deposits received.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥240.4 billion, a decrease of ¥131.1 billion from the previous fiscal year. This was primarily due to decreases of ¥43.1 billion in acquisition of property and equipment and ¥66.7 billion in payment for acquisition of business.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥168.5 billion, an increase of ¥90.3 billion from the previous fiscal year. This was due primarily to a decrease of ¥83.0 billion in proceeds from long-term debts.

The Group has established a framework under which it implements a Groupwide risk assessment survey to recognize potential risks by 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 by monitoring 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 the 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 external factors such 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 Japanese 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. In particular, there is a risk that areas suitable for crop cultivation or fishing grounds may change in the medium to long term due to changes in climate such as rising temperatures or shifting weather patterns. The Group is making efforts to address such risks through decentralized procurement and cooperation with primary producers to increase harvests, among other measures. However, the disruption of procurement routes may affect its operations.

In addition, there are products in the Group's lineup whose purchase prices change due to external factors, including products affected by changes in supply and demand caused by the weather, and products affected by fluctuations in the price of raw materials such as crude oil. Purchase prices may also be affected in the future if the price of energy, including the electricity used in the product manufacturing stage, rises significantly due to regulations or policies associated with climate change. 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 by enhancing food hygiene-related equipment and facilities based on relevant laws and regulations, by implementing a stringent integrated product management system that includes suppliers and by establishing 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 new value-added and high-quality products and services through the aggressive introduction of *Seven Premium* private-brand products and original products developed by respective Group companies. Therefore, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Product Development upon Due Consideration of Regional Characteristics

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 of customers fell below its expectations, its business performance and financial condition could 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 with M&As by 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.

Digital Strategy

The Group is promoting its digital strategy to cope with changes in customers' purchasing behavior due to changes in the 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 EC 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

Domestic Convenience Store Operations

The Group's convenience store operations in Japan are primarily organized under a franchise system, centered on SEVEN-ELEVEN JAPAN and chain operations are conducted under the same name, 7-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.

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 could no longer 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.

Overseas Convenience Store Operations

The Group's overseas convenience store operations primarily consist of 7-Eleven, Inc. (SEI), which has been proactively increasing stores, mainly those with a gas station, in the United States and Canada. Sales of gasoline have accounted for about half of total sales. SEI has focused on strategies such as vertically integrating fuel supply operations so that it can offset the risk of profit margin decline resulting from retail fuel price fluctuations. However, unexpected changes in the business environment such as a drastic fluctuation of the price of fuel may affect the Group's business performance and financial condition.

A reduction in royalties or sales resulting from misconduct by area licensees who do not belong to the Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Group's superstore operations comprise superstores and food supermarkets, mainly Ito-Yokado, York-Benimaru and York Mart. To respond appropriately to changes in consumer needs, the Group is striving to implement a business structural reform of superstores. On the one hand, the Group is advancing the store-first policy under which an individual store plays a leading role in assorting products that can meet regional market needs and continuously promoting merchandising innovation and communication with customers by enhancing customer service levels and sales techniques. On the other hand, the Group is embarking on closing underperforming stores. For food supermarkets, the Group endeavors to establish the new model of lifestyle-proposal supermarkets by promoting differentiation strategies on products and improving operational efficiency. However, the Group may not attain its objectives completely because of unforeseen factors such 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 in its department store operations, which primarily consist of Sogo & Seibu. 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 unforeseen factors such 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 circumstances such 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 by 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 qualitative changes such as increased versatility, etc. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Specialty Store Operations

The Group operates specialty stores that provide characteristic products and services. Akachan Honpo, a specialty store for maternity, baby and kids' products; THE LOFT, a specialty store for miscellaneous goods; and Seven & i Food Systems, which operates restaurants and manages meal provision and fast food services, are implementing growth strategies 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 unforeseen factors such as changes in business environments. If such is the case, its business performance and financial condition may be affected.

In addition, Nissen Holdings, which operates mail order services, faces negative changes in its business environment such as a deterioration of product competitiveness, lowered catalog sales efficiency due to evolving Internet businesses, rising shipping costs and others, and is striving to implement structural reform and improve profitability primarily by enhancing product competitiveness and the efficiency of sales promotion. However, the Group may not attain its objectives completely because of unforeseen factors such 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 climate change countermeasures. In the future, such laws and regulations, for example, climate change countermeasures such as restrictions on greenhouse gas emissions, may become more stringent, or new laws and regulations or policies such as carbon taxes may be adopted, which may cause the Group to incur additional compliance costs or restrict its operating activities.

In addition, tighter regulations could lead to changes in the cost of energy such as electricity, water or gas, resulting in higher expenses for store operations, which could affect the Group's financial condition.

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 produce 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 Climate Change, 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, tsunamis and more frequent extreme weather caused by climate change; fires; power outages; nuclear power plant disasters; wars; unlawful activities such as terrorist attacks; or other contingencies could lead to a halt in business activities or the incurring of considerable 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 infectious diseases such as a new strain of influenza. However, depending on the development of a pandemic phase, the Group could take appropriate measures such 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 discount rates and expected rates of return on plan assets. However, unexpected changes in underlying factors such 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 Group companies record deferred tax assets based on estimates of future taxable income or the time 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

An occurrence of the risk events itemized in this section, misconduct on the part of subsidiaries, affiliates or franchised stores, or human rights or environmental problems in the supply chain could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel or face difficulty securing needed 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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2018	2017	2018
Current assets:			
Cash and cash equivalents (Note 4)	¥ 1,300,383	¥ 1,209,497	$ 12,153,112
Notes and accounts receivable:			
Trade (Note 4)	337,938	347,838	3,158,299
Financial services	95,482	91,052	892,355
Franchisees and other	149,728	149,451	1,399,327
Allowance for doubtful accounts (Note 4)	(5,441)	(4,983)	(50,850)
	577,708	583,359	5,399,140
Inventories	176,988	192,463	1,654,093
ATM-related temporary payments	96,826	98,710	904,915
Deferred income taxes (Note 10)	27,981	30,239	261,504
Prepaid expenses and other current assets (Note 4)	160,319	160,131	1,498,308
Total current assets	2,340,207	2,274,403	21,871,093
Property and equipment, at cost (Notes 7, 8, 13 and 18)	3,884,211	3,869,243	36,301,037
Less: Accumulated depreciation	(1,894,756)	(1,861,414)	(17,708,000)
	1,989,455	2,007,829	18,593,037
Intangible assets:			
Goodwill	251,233	270,055	2,347,971
Software and other (Notes 8 and 13)	210,733	225,880	1,969,467
	461,966	495,935	4,317,439
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	175,856	188,162	1,643,514
Long-term loans receivable	14,794	15,315	138,261
Long-term leasehold deposits (Notes 4 and 18)	383,276	396,707	3,582,018
Net defined benefit asset (Note 11)	45,620	44,628	426,355
Deferred income taxes (Note 10)	28,375	25,261	265,186
Other	58,891	64,454	550,383
Allowance for doubtful accounts (Note 4)	(3,493)	(3,808)	(32,644)
	703,320	730,720	6,573,084
Total assets	¥ 5,494,950	¥ 5,508,888	$ 51,354,672

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

LIABILITIES AND NET ASSETS	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 3) 2018
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 127,255	¥ 150,376	$ 1,189,299
Current portion of long-term debt (Notes 4, 12 and 18)	173,816	130,758	1,624,448
Notes and accounts payable:			
Trade (Notes 4 and 6)	244,696	247,515	2,286,878
Trade for franchised stores (Notes 4 and 19)	175,315	167,833	1,638,457
Other	197,888	177,326	1,849,420
	617,900	592,675	5,774,766
Accrued expenses	117,362	131,871	1,096,841
Income taxes payable	32,211	34,462	301,037
Deposits received	174,382	188,798	1,629,738
ATM-related temporary advances	45,165	46,072	422,102
Deposits received in banking business (Note 4)	553,522	538,815	5,173,102
Allowance for bonuses to employees	14,662	14,159	137,028
Allowance for sales promotion expenses	19,793	21,409	184,981
Allowance for loss on future collection of gift certificates	1,590	1,807	14,859
Provision for sales returns	89	77	831
Call money	–	20,000	–
Other (Notes 4,10 and 14)	66,253	76,333	619,186
Total current liabilities	1,944,007	1,947,618	18,168,289
Long-term debt (Notes 4, 6, 12 and 18)	720,683	812,176	6,735,355
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	988	939	9,233
Allowance for stock payments	95	–	887
Net defined benefit liability (Note 11)	9,185	9,163	85,841
Deferred income taxes (Note 10)	35,416	49,080	330,990
Deposits received from tenants and franchised stores (Notes 4 and 18)	54,806	55,327	512,205
Asset retirement obligations (Note 14)	79,412	77,640	742,168
Other liabilities	75,012	81,136	701,046
Total liabilities	2,919,607	3,033,082	27,286,046
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 2018 and 2017	50,000	50,000	467,289
Capital surplus	409,128	409,095	3,823,626
Retained earnings	1,894,444	1,793,035	17,705,084
Treasury stock, at cost, 1,897,782 shares in 2018 and 2,039,799 shares in 2017	(4,731)	(5,074)	(44,214)
	2,348,841	2,247,056	21,951,785
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	27,897	28,467	260,719
Unrealized (losses) gains on hedging derivatives, net of taxes	(92)	23	(859)
Foreign currency translation adjustments	46,638	56,391	435,869
Remeasurements of defined benefit plans	3,979	4,117	37,186
Total accumulated other comprehensive income (loss)	78,423	89,000	732,925
Subscription rights to shares (Note 17)	2,623	2,594	24,514
Non-controlling interests	145,454	137,154	1,359,383
Total net assets	2,575,342	2,475,806	24,068,616
Total liabilities and net assets	¥ 5,494,950	¥ 5,508,888	$ 51,354,672

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

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Revenues from operations:			
Net sales	¥ 4,807,748	¥ 4,646,370	$ 44,932,224
Operating revenues (Note 20)	1,230,067	1,189,318	11,495,953
	6,037,815	5,835,689	56,428,177
Costs and expenses:			
Cost of sales	3,773,220	3,602,038	35,263,738
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,872,936	1,869,077	17,504,074
	5,646,157	5,471,116	52,767,822
Operating income	391,657	364,573	3,660,345
Other income (expenses):			
Interest and dividend income	6,994	6,446	65,364
Interest expenses and interest on bonds	(8,826)	(8,759)	(82,485)
Equity in earnings of affiliates	1,496	2,062	13,981
Impairment loss (Note 8)	(57,070)	(49,108)	(533,364)
Gain on sales of property and equipment (Note 20)	8,375	3,110	78,271
Gain on sales of property and equipment related to restructuring (Note 20)	2,663	376	24,887
Loss on disposals of property and equipment (Note 20)	(20,635)	(18,369)	(192,850)
Restructuring expenses (Notes 8, 20 and 21)	(42,680)	(25,637)	(398,878)
Amortization of goodwill (Note 22)	–	(39,300)	–
Other, net (Note 5)	(5,654)	(17,824)	(52,841)
	(115,337)	(147,003)	(1,077,915)
Income before income taxes	276,320	217,569	2,582,429
Income taxes (Note 10):			
Current	94,421	117,686	882,439
Deferred	(14,997)	(10,939)	(140,158)
	79,423	106,746	742,271
Net income	196,896	110,822	1,840,149
Net income attributable to non-controlling interests	15,746	14,072	147,158
Net income attributable to owners of parent	¥ 181,150	¥ 96,750	$ 1,692,990

	Yen		U.S. dollars (Note 3)
	2018	2017	2018
Per share information:			
Net income per share (Basic)	¥ 204.80	¥ 109.42	$ 1.91
Net income per share (Diluted)	204.63	109.31	1.91
Cash dividends	90.00	90.00	0.84

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net income	¥ 196,896	¥ 110,822	$ 1,840,149
Other comprehensive income (loss) (Note 15):			
Unrealized (losses) gains on available-for-sale securities, net of taxes	(563)	7,738	(5,261)
Unrealized losses on hedging derivatives, net of taxes	(108)	(563)	(1,009)
Foreign currency translation adjustments	(10,008)	(14,915)	(93,532)
Remeasurements of defined benefit plans	(106)	13,118	(990)
Share of other comprehensive income (loss) of entities accounted for using equity method	(36)	(25)	(336)
Total other comprehensive income (loss)	(10,823)	5,352	(101,149)
Comprehensive income	¥ 186,072	¥ 116,175	$ 1,738,990
Comprehensive income attributable to:			
Owners of parent	¥ 170,573	¥ 103,034	$ 1,594,140
Non-controlling interests	15,499	13,140	144,850

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

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2018 and 2017

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 plans	Subscription rights to shares	Non-controlling interests	Total
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
Net income 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 March 1, 2017	¥ 50,000	¥ 409,095	¥ 1,793,035	¥ (5,074)	¥ 28,467	¥ 23	¥ 56,391	¥ 4,117	¥ 2,594	¥ 137,154	¥ 2,475,806
Net income attributable to owners of parent			181,150								181,150
Cash dividends			(79,604)								(79,604)
Purchase of treasury stock				(25)							(25)
Disposal of treasury stock		81		368							450
Other		(49)	(136)	(0)							(185)
Net changes of items other than shareholders' equity					(570)	(115)	(9,753)	(138)	28	8,300	(2,247)
Net increase (decrease) for the year	–	32	101,409	342	(570)	(115)	(9,753)	(138)	28	8,300	99,536
Balance at February 28, 2018	¥ 50,000	¥ 409,128	¥ 1,894,444	¥ (4,731)	¥ 27,897	¥ (92)	¥ 46,638	¥ 3,979	¥ 2,623	¥ 145,454	¥ 2,575,342

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 plans	Subscription rights to shares	Non-controlling interests	Total
Balance at March 1, 2017	$ 467,289	$ 3,823,317	$ 16,757,336	$ (47,420)	$ 266,046	$ 214	$ 527,018	$ 38,476	$ 24,242	$ 1,281,813	$ 23,138,373
Net income attributable to owners of parent			1,692,990								1,692,990
Cash dividends			(743,962)								(743,962)
Purchase of treasury stock				(233)							(233)
Disposal of treasury stock		757		3,439							4,205
Other		(457)	(1,271)	(0)							(1,728)
Net changes of items other than shareholders' equity					(5,327)	(1,074)	(91,149)	(1,289)	261	77,570	(21,000)
Net increase (decrease) for the year		299	947,747	3,196	(5,327)	(1,074)	(91,149)	(1,289)	261	77,570	930,242
Balance at February 28, 2018	$ 467,289	$ 3,823,626	$ 17,705,084	$ (44,214)	$ 260,719	$ (859)	$ 435,869	$ 37,186	$ 24,514	$ 1,359,383	$ 24,068,616

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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes	¥ 276,320	¥ 217,569	$ 2,582,429
Depreciation and amortization	213,167	207,483	1,992,214
Impairment loss	88,879	59,719	830,644
Amortization of goodwill	16,620	55,458	155,327
Increase in allowance for bonuses to employees	707	728	6,607
(Increase) decrease in net defined benefit asset	(938)	554	(8,766)
Interest and dividend income	(6,994)	(6,446)	(65,364)
Interest expenses and interest on bonds	8,826	8,759	82,485
Equity in earnings of affiliates	(1,496)	(2,062)	(13,981)
Gain on sales of property and equipment	(11,038)	(3,487)	(103,158)
Loss on disposals of property and equipment	20,860	18,516	194,953
Gain on transfer from business divestitures	(1,090)	–	(10,186)
Decrease in notes and accounts receivable, trade	7,590	6,525	70,934
Increase in notes and accounts receivable, financial services	(4,429)	(4,175)	(41,392)
Decrease in inventories	11,186	18,438	104,542
Increase in notes and accounts payable, trade	8,501	3,632	79,448
(Decrease) increase in deposits received	(14,168)	31,094	(132,411)
Net decrease in loans in banking business	–	(5,000)	–
Net increase in deposits received in banking business	14,706	20,688	137,439
Net decrease in call loans in banking business	–	10,000	–
Net (decrease) increase in call money in banking business	(20,000)	20,000	(186,915)
Net decrease (increase) in ATM-related temporary accounts	974	(9,276)	9,102
Other	(26,580)	8,171	(248,411)
Subtotal	581,606	656,892	5,435,570
Interest and dividends received	4,468	3,712	41,757
Interest paid	(8,877)	(7,452)	(82,962)
Income taxes paid	(95,827)	(140,629)	(895,579)
Income taxes refund	16,936	–	158,280
Net cash provided by operating activities	498,306	512,523	4,657,065
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(277,913)	(321,089)	(2,597,317)
Proceeds from sales of property and equipment	40,174	66,359	375,457
Acquisition of intangible assets	(33,375)	(27,347)	(311,915)
Payment for purchase of investments in securities	(20,353)	(55,010)	(190,214)
Proceeds from sales of investments in securities	32,435	18,806	303,130
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	108	326	1,009
Payment for long-term leasehold deposits	(16,199)	(29,116)	(151,392)
Refund of long-term leasehold deposits	37,689	33,352	352,233
Proceeds from deposits from tenants	5,321	3,542	49,728
Refund of deposits from tenants	(5,654)	(3,269)	(52,841)
Proceeds from business divestitures	12,937	–	120,906
Payment for acquisition of business (Note 9)	(4,717)	(71,471)	(44,084)
Payment for time deposits	(16,294)	(10,850)	(152,280)
Proceeds from withdrawal of time deposits	12,751	28,233	119,168
Other	(7,329)	(4,067)	(68,495)
Net cash used in investing activities	(240,418)	(371,602)	(2,246,897)
Cash flows from financing activities:			
Net (decrease) increase in short-term loans	(23,150)	19,341	(216,355)
Proceeds from long-term debts	56,408	139,451	527,177
Repayment of long-term debts	(73,656)	(98,739)	(688,373)
Proceeds from commercial paper	–	75,161	–
Payment for redemption of commercial paper	–	(75,161)	–
Payment for redemption of bonds	(20,000)	(40,000)	(186,915)
Capital contribution from non-controlling interests	432	0	4,037
Dividends paid	(79,558)	(80,834)	(743,532)
Dividends paid to non-controlling interests	(7,017)	(6,142)	(65,579)
Purchase of treasury stock	(25)	(2,276)	(233)
Other	(21,941)	(8,991)	(205,056)
Net cash used in financing activities	(168,510)	(78,190)	(1,574,859)
Effect of exchange rate changes on cash and cash equivalents	1,508	(154)	14,093
Net increase in cash and cash equivalents	90,886	62,576	849,401
Cash and cash equivalents at beginning of year	1,209,497	1,147,086	11,303,710
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	–	(164)	–
Cash and cash equivalents at end of year	¥ 1,300,383	¥ 1,209,497	$ 12,153,112

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

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 truncated. 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 145 consolidated subsidiaries as of February 28, 2018 (149 as of February 28, 2017) which include Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven Bank, Ltd., and Seven Financial Service Co. Ltd.

Five entities have been included in the scope of consolidation for the fiscal year ended February 28, 2018 with the establishment of Seven-Eleven Okinawa Co., Ltd. and Seven Payment Service Co., Ltd.

On the other hand, nine entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2018 due to the dissolution of Seven Bi no Garden Co., Ltd. and IY Real Estate Co. Ltd.; the sale of three companies; and the liquidation of four companies.

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, 2018 are adjusted in the consolidation process.

The fiscal year-end of Seven Bank, Ltd., etc. is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements, are prepared in order to facilitate its consolidation.

All material intercompany transactions and account balances have been eliminated.

24 affiliates as of February 28, 2018 (26 affiliates as of February 28, 2017), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method.

The number of affiliates to which the equity method is applied decreased by two in connection with the transfer of shares.

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, 2018, 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. Cost is determined principally by the retail method with book value written down to the net realizable value for domestic consolidated subsidiaries and by the first-in, first-out (FIFO) method (except for gasoline inventory that is determined mainly by the weighted-average cost method) for foreign consolidated subsidiaries. Some domestic consolidated subsidiaries applied the FIFO method and 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.

Other 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 mainly 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.

Internal use software is amortized using the straight-line method over an estimated useful life, generally 5 years.

Goodwill and negative goodwill which generated before March 1, 2011 are amortized mainly over a period of 20 years on a straight-line basis, or recognized as income or expenses immediately if immaterial. Negative goodwill arising on or after March 1, 2011 is recognized as income when it occurs.

The goodwill recognized in applying the equity method is accounted for in the same manner.

(7) Lease assets

For the assets leased under finance lease contracts that do not transfer ownership of leased property to the lessee, useful life is determined based on the duration of the lease period and straight-line depreciation method is applied with an assumed residual value at nil.

Finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

(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 part of 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) Accounting for deferred assets

Business commencement expenses are amortized using the straight-line method over five years, or expensed as incurred if immaterial.

(10) 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 in the future as at 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 calculated based on the estimation of payment.

(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 for income to be recognized after certain periods. The amount is calculated using the historical results of collection.

(e) Provision for sales returns

Provision for sales returns is provided at the amount of estimated future loss due to sales returns. The amount is calculated using the historical results of 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 benefits policy for Directors and Audit & Supervisory Board Members, for which some consolidated subsidiaries have determined to pay the balance at the time of retirement.

(g) Allowance for stock payments

Allowance for stock payments is provided to prepare for payments of stock benefits to directors and executive officers of some consolidated subsidiaries. The amount is based on the expected stock benefit payable as at the balance sheet date.

(11) 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 within 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 within the average remaining years of service of the eligible employees.

(12) Hedge accounting

Forward 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 and interest rates and reducing finance costs as well as optimizing future cash flow.

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 exchange contracts are accounted for by the short-cut method when they meet certain criteria. Certain interest rate swap contracts that meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest expenses as incurred. The hedge effectiveness is assessed by comparing the fluctuation quarterly except for those that meet specific hedging criteria.

(13) Per share information

Owners' equity (excluding non-controlling interests and subscription rights to shares) per share as of February 28, 2018 and 2017 is ¥2,744.08 ($25.64) and ¥2,641.40, respectively. Net income per share for the fiscal years ended February 28, 2018 and 2017 is ¥204.80 ($1.91) and ¥109.42, respectively. Diluted net income per share for the fiscal years ended February 28, 2018 and 2017 is ¥204.63 ($1.91) and ¥109.31, respectively.

Net income per share of common stock is computed based on the weighted-average number of shares of common stock outstanding and diluted net income per share is computed based on the weighted-average number of shares of common stock outstanding during each year after incorporating the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

The basis for the calculation of net income per share for the fiscal years ended February 28, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Net income attributable to owners of parent	¥ 181,150	¥ 96,750	$ 1,692,990
Less components not pertaining to common shareholders	–	–	–
Net income pertaining to common shareholders	181,150	96,750	1,692,990
Weighted-average number of shares of common stock outstanding (shares)	884,531,496	884,214,252	884,531,496

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

(14) 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.

(15) 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.

(16) 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 as 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. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are allocated to "Non-controlling interests" and "Foreign currency translation adjustments."

(17) 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.

(18) Accounting for franchised stores in domestic and overseas convenience store operations

Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc. recognize franchise commission from their franchised stores as "Operating revenues."

(19) Accounting standards issued but not yet applied

(Accounting standards on tax effect accounting)

- Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018)
- Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, revised on February 16, 2018)

(a) Overview

The treatment of future deductible temporary differences pertaining to investment in subsidiaries in the non-consolidated financial statements has been revised, and the treatment of recoverability related to deferred tax assets in companies that fall under Category 1 has been clarified.

(b) Effective date

The above revisions are scheduled to be applied from the beginning of the fiscal year ending February 29, 2020.

(c) Effects of application of the guidance

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

(20) Reclassification

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

(21) Supplementary information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 dated March 28, 2016) from the fiscal year ended February 28, 2018.

There is no impact on the Consolidated Financial Statements from the application of the implementation guidance.

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 ¥107=US$1, the approximate rate of exchange prevailing as of February 28, 2018. 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, 2018 and 2017 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

	2018		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 1,300,383	¥ 1,300,383	¥ –
Notes and accounts receivable, trade	337,938		
Allowance for doubtful accounts[a]	(3,133)		
	334,805	338,403	3,598
Investments in securities	131,957	144,699	12,741
Long-term leasehold deposits[b]	288,395		
Allowance for doubtful accounts[c]	(358)		
	288,036	300,694	12,658
Total assets	¥ 2,055,183	¥ 2,084,181	¥ 28,998
Notes and accounts payable, trade[d]	¥ 420,012	¥ 420,012	¥ –
Deposits received in banking business	553,522	553,872	350
Bonds[e]	379,999	386,121	6,121
Long-term loans[f]	475,806	473,001	(2,804)
Deposits received from tenants and franchised stores[g]	28,381	28,002	(379)
Total liabilities	¥ 1,857,722	¥ 1,861,010	¥ 3,288
Derivative instruments[h]	¥ (150)	¥ (150)	¥ –

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	¥ –

Thousands of U.S. dollars (Note 3)

	2018		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 12,153,112	$ 12,153,112	$ –
Notes and accounts receivable, trade	3,158,299		
Allowance for doubtful accounts[a]	(29,280)		
	3,129,018	3,162,644	33,626
Investments in securities	1,233,242	1,352,327	119,074
Long-term leasehold deposits[b]	2,695,280		
Allowance for doubtful accounts[c]	(3,345)		
	2,691,925	2,810,224	118,299
Total assets	$ 19,207,317	$ 19,478,327	$ 271,009
Notes and accounts payable, trade[d]	$ 3,925,345	$ 3,925,345	$ –
Deposits received in banking business	5,173,102	5,176,373	3,271
Bonds[e]	3,551,392	3,608,607	57,205
Long-term loans[f]	4,446,785	4,420,570	(26,205)
Deposits received from tenants and franchised stores[g]	265,242	261,700	(3,542)
Total liabilities	$ 17,361,887	$ 17,392,616	$ 30,728
Derivative instruments[h]	$ (1,401)	$ (1,401)	$ –

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 according to the corresponding interest rate of government bonds over the remaining period.

(3) Investments in securities

For the fair value of equity securities, market prices are used. For debt securities, market prices or the prices indicated by correspondent financial institutions are used.

(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 according to the corresponding interest rate of 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 according to 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 according to 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 according to the corresponding interest rate of 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)
	2018	2017	2018
			Book value
Investments in securities[a]:			
Unlisted securities	¥ 11,000	¥ 13,496	$ 102,803
Shares of affiliates	28,469	27,362	266,065
Other	4,428	1,844	41,383
Long-term leasehold deposits[b]	103,440	108,605	966,728
Deposits received from tenants and franchised stores[b]	28,760	29,822	268,785

Notes:
(a) They 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 they do not have market prices and the future cash flows cannot be estimated.
(b) They 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			
	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥ 1,300,383	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	323,993	12,438	1,303	202
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	6,700	16,820	–	–
Bonds	13,230	24,600	–	–
Other	–	–	–	–
Long-term leasehold deposits	29,131	81,748	72,570	104,944
Total	¥ 1,673,438	¥ 135,607	¥ 73,874	¥ 105,147

	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	11,893	1,150	171
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	6,700	21,820	–	–
Bonds	25,200	23,040	10	–
Other	–	–	–	–
Long-term leasehold deposits	28,371	88,351	76,854	108,557
Total	¥ 1,604,392	¥ 145,105	¥ 78,004	¥ 108,728

	Thousands of U.S. dollars (Note 3)			
	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	$ 12,153,112	$ –	$ –	$ –
Notes and accounts receivable, trade	3,027,971	116,242	12,177	1,887
Investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	–	–	–	–
Available-for-sale securities with maturities				
Governmental and municipal bonds	62,616	157,196	–	–
Bonds	123,644	229,906	–	–
Other	–	–	–	–
Long-term leasehold deposits	272,252	764,000	678,224	980,785
Total	$ 15,639,607	$ 1,267,355	$ 690,411	$ 982,682

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

	Millions of yen			
	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥ 449,668	¥ 103,853	¥ –	¥ –

	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	¥ –	¥ –

	Thousands of U.S. dollars (Note 3)			
	2018			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	$ 4,202,504	$ 970,588	$ –	$ –

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

	2018					
	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	¥ 74,999	¥ 50,000	¥ 80,000	¥ –	¥ 60,000	¥ 115,000
Long-term loans	82,656	94,314	46,675	114,698	44,043	93,419
Total	¥ 157,655	¥ 144,314	¥ 126,675	¥ 114,698	¥ 104,043	¥ 208,419

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

Thousands of U.S. dollars (Note 3)

	2018					
	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	$ 700,925	$ 467,289	$ 747,663	$ –	$ 560,747	$ 1,074,766
Long-term loans	772,485	881,439	436,214	1,071,943	411,616	873,074
Total	$ 1,473,411	$ 1,348,728	$ 1,183,878	$ 1,071,943	$ 972,364	$ 1,947,841

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, 2018 and 2017 (excluding non-marketable securities of ¥11,000 million ($102,803 thousand) and ¥13,496 million as of February 28, 2018 and 2017, respectively):

Millions of yen

	2018		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 61,055	¥ 23,194	¥ 37,860
Debt securities			
Governmental and municipal bonds, etc.	10,956	10,955	0
Corporate bonds	6,229	6,228	1
Subtotal	78,241	40,378	37,863
Securities with book value not exceeding acquisition cost:			
Equity securities	794	974	(179)
Debt securities			
Governmental and municipal bonds, etc.	12,846	12,847	(1)
Corporate bonds	31,817	31,827	(10)
Subtotal	45,458	45,649	(191)
Total	¥ 123,699	¥ 86,027	¥ 37,671

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

	Thousands of U.S. dollars (Note 3)		
	2018		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 570,607	$ 216,766	$ 353,831
Debt securities			
Governmental and municipal bonds, etc.	102,392	102,383	0
Corporate bonds	58,214	58,205	9
Subtotal	731,224	377,364	353,859
Securities with book value not exceeding acquisition cost:			
Equity securities	7,420	9,102	(1,672)
Debt securities			
Governmental and municipal bonds, etc.	120,056	120,065	(9)
Corporate bonds	297,355	297,448	(93)
Subtotal	424,841	426,626	(1,785)
Total	$ 1,156,065	$ 803,990	$ 352,065

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Sales amounts	¥ 31	¥ 193	$ 289
Gain on sales of available-for-sale securities	10	57	93
Loss on sales of available-for-sale securities	0	11	0

(3) Impairment loss on securities

For the fiscal years ended February 28, 2018 and 2017, the Companies recognized ¥nil and ¥10 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, 2018 and 2017 were ¥36,727 million ($343,242 thousand) and ¥35,288 million, respectively.

6. DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward 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 as well as optimizing future cash flow. 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, 2018 and 2017 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

	2018			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥ 2,683	¥ –	¥ (102)	¥ (102)
Buy euro	261	–	(2)	(2)
Buy Chinese yuan	116	–	(1)	(1)
Buy Hong Kong dollar	20	–	(1)	(1)
Sell U.S. dollar	1,105	–	11	11

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)

Thousands of U.S. dollars (Note 3)

	2018			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	$ 25,074	$ –	$ (953)	$ (953)
Buy euro	2,439	–	(18)	(18)
Buy Chinese yuan	1,084	–	(9)	(9)
Buy Hong Kong dollar	186	–	(9)	(9)
Sell U.S. dollar	10,327	–	102	102

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

	2018		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥ 1,464	¥ –	¥ (55)[(a)]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥ 5	¥ –	¥ –[(b)]

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)]

Thousands of U.S. dollars (Note 3)

	2018		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$ 13,682	$ –	$ (514)[(a)]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	$ 46	$ –	$ –[(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		
	2018		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	¥ 10,000	¥ 10,000	¥ –[a]

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

	Thousands of U.S. dollars (Note 3)		
	2018		
	Contract amount		Estimated fair value
	Total	After one year	
Interest rate swap contracts, where certain criteria are met[b]			
Receive float / Pay fixed	$ 93,457	$ 93,457	$ –[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 (12), "Hedge accounting."

7. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Buildings and structures	¥ 2,139,523	¥ 2,138,622	¥ 19,995,542
Furniture, fixtures and other	965,830	913,016	9,026,448
	3,105,353	3,051,639	29,021,990
Less: Accumulated depreciation	(1,894,756)	(1,861,414)	(17,708,000)
	1,210,597	1,190,225	11,313,990
Land	725,180	768,926	6,777,383
Construction in progress	53,677	48,677	501,654
Total	¥ 1,989,455	¥ 2,007,829	$ 18,593,037

8. IMPAIRMENT LOSS

For the fiscal years ended February 28, 2018 and 2017, the Companies recognized ¥88,879 million ($830,644 thousand) and ¥59,719 million of impairment loss, respectively, on the following groups of assets.

Effective from the fiscal year ended February 28, 2018, changes have been made to the classification of reportable segments. Accordingly, the figures for the fiscal year ended February 28, 2017 have been restated to reflect the segment classification that now exists after the change.

Fiscal year ended February 28, 2018:

Description	Classification	Location			Millions of yen	Thousands of U.S. dollars (Note 3)
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores Superstores Specialty stores	78 Stores 5 Stores 11 Stores	¥ 61,809	$ 577,654
		Osaka Pref.	Domestic convenience stores Specialty stores	76 Stores 2 Stores		
		Aichi Pref.	Domestic convenience stores Specialty stores	61 Stores 3 Stores		
		U.S. & others	Overseas convenience stores	143 Stores		
omni7	Software and buildings, etc.	Tokyo Met., Saitama Pref., Osaka Pref. & others			23,492	219,551
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Tokyo Met., Nagano Pref. & others			3,576	33,420
Total					¥ 88,879	$ 830,644

Note: ¥29,001 million ($271,037 thousand) (Stores) and ¥2,808 million ($26,242 thousand) (Other facilities, etc.) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 28, 2017:

Description	Classification	Location			Millions of yen
Stores	Land and buildings, etc.	Tokyo Met.	Domestic convenience stores Superstores Specialty stores	109 Stores 13 Stores 24 Stores	¥ 55,407
		Osaka Pref.	Domestic convenience stores Specialty stores	52 Stores 4 Stores	
		Saitama Pref.	Domestic convenience stores Superstores Department stores Specialty stores Others	47 Stores 3 Stores 2 Stores 4 Stores 1 Stores	
		U.S. & others	Overseas convenience stores	62 Stores	
Other facilities, etc.	Land and buildings, etc.	Kyoto Pref., Tokyo Met., Nagano Pref. & others			4,311
Total					¥ 59,719

Note: ¥6,927 million (Stores) and ¥3,683 million (Other facilities, etc.) are included in "Restructuring expenses" in Consolidated Statements of Income.

The Company and its domestic consolidated subsidiaries 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 amount was recognized as impairment loss in special losses.

A breakdown of impairment loss is as follows:

Fiscal year ended February 28, 2018:

Millions of yen

Classification	Stores	omni7	Other facilities, etc.	Total
Buildings and structures	¥ 29,496	¥ 670	¥ 708	¥ 30,875
Land	20,965	–	389	21,354
Software	0	19,587	1,224	20,813
Other	11,347	3,234	1,254	15,836
Total	¥ 61,809	¥ 23,492	¥ 3,576	¥ 88,879

Note: ¥9,601 million ($89,728 thousand) (Buildings and structures), ¥18,367 million ($171,654 thousand) (Land), ¥809 million ($7,560 thousand) (Software), and ¥3,030 million ($28,317 thousand) (Other) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 28, 2017:

Millions of yen

Classification	Stores	omni7	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: ¥6,520 million (Buildings and structures), ¥729 million (Land), ¥1,033 million (Software), and ¥2,328 million (Other) are included in "Restructuring expenses" in Consolidated Statements of Income.

Fiscal year ended February 28, 2018:

Thousands of U.S. dollars (Note 3)

Classification	Stores	omni7	Other facilities, etc.	Total
Buildings and structures	$ 275,663	$ 6,261	$ 6,616	$ 288,551
Land	195,934	–	3,635	199,570
Software	0	183,056	11,439	194,514
Other	106,046	30,224	11,719	148,000
Total	$ 577,654	$ 219,551	$ 33,420	$ 830,644

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards etc., 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 1.7-6.0% discount rates in 2018 and 1.6-6.0% in 2017 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)
	2018	2017	2018
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥ 5,952	¥ 6,713	$ 55,626
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	6,554	11,501	61,252

(2) Acquisition of business

During the fiscal year ended February 28, 2018, payments for acquired businesses made by 7-Eleven, Inc. consist of the following.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2018	2018
Inventories	¥ 128	$ 1,196
Goodwill	4,692	43,850
Other	(103)	(962)
Subtotal	4,717	44,084
Property and equipment	2,589	24,196
Total	¥ 7,307	$ 68,289

The property and equipment set out above at an amount of ¥2,589 million ($24,196 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2018.

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

	Millions of yen
	2017
Inventories	¥ 2,047
Goodwill	69,412
Other	11
Subtotal	71,471
Property and equipment	53,839
Total	¥ 125,310

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

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different tax rates based on income which, in aggregate, indicate statutory rates of approximately 30.9% for the fiscal year ended February 28, 2018 and 33.1% for the fiscal year ended February 28, 2017.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Deferred tax assets:			
Allowance for bonuses to employees	¥ 4,642	¥ 4,408	$ 43,383
Allowance for sales promotion expenses	5,870	6,398	54,859
Accrued payroll	7,126	9,889	66,598
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	314	290	2,934
Allowance for accrued pension and severance costs	1,242	1,332	11,607
Allowance for loss on future collection of gift certificates	499	574	4,663
Depreciation and amortization	12,174	13,494	113,775
Tax loss carried forward	42,724	39,256	399,289
Valuation loss on available-for-sale securities	1,045	774	9,766
Allowance for doubtful accounts	1,776	1,810	16,598
Unrealized loss on property and equipment	7,712	9,566	72,074
Impairment loss on property and equipment valuation and loss on land	57,219	50,651	534,757
Accrued enterprise taxes and business office taxes	4,044	4,329	37,794
Accrued expenses	13,014	17,239	121,626
Asset retirement obligations	19,590	20,273	183,084
Rights of trademark	1,235	2,080	11,542
Other	21,422	24,283	200,205
Subtotal	201,657	206,655	1,884,644
Less: Valuation allowance	(83,228)	(81,445)	(777,831)
Total	118,429	125,209	1,106,813
Deferred tax liabilities:			
Unrealized gains on property and equipment	(35,271)	(52,431)	(329,635)
Royalties, etc.	(21,742)	(26,737)	(203,196)
Reserve for advanced depreciation of property and equipment	(765)	(779)	(7,149)
Unrealized gains on available-for-sale securities	(9,910)	(9,860)	(92,616)
Net defined benefit asset	(13,911)	(13,620)	(130,009)
Unrealized intercompany profit	(4,594)	(4,594)	(42,934)
Removal cost related to asset retirement obligations	(7,550)	(7,181)	(70,560)
Other	(3,777)	(3,624)	(35,299)
Total	(97,525)	(118,830)	(911,448)
Net deferred tax assets [a]	¥ 20,903	¥ 6,378	$ 195,355

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)
	2018	2017	2018
Current assets - Deferred income taxes	¥ 27,981	¥ 30,239	$ 261,504
Other assets - Deferred income taxes	28,375	25,261	265,186
Current liabilities - Other	(36)	(41)	(336)
Non-current liabilities - Deferred income taxes	(35,416)	(49,080)	(330,990)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2018 and 2017 is as follows:

	2018	2017
Statutory tax rate	30.9%	33.1%
Adjustments:		
Equity in earnings of affiliates	(0.2)	(0.3)
Non-deductible items, such as entertainment expenses	0.3	2.1
Decrease in valuation allowance	1.9	3.3
Inhabitant taxes per capital	0.6	0.9
Amortization of goodwill	1.9	8.4
Decrease in deferred tax assets at the fiscal year end due to changes in tax rate	(6.5)	0.9
Other	(0.2)	0.7
Effective tax rate	28.7%	49.1%

(3) Effect of change in rates of income taxes

The Tax Cuts and Jobs Act was enacted in the U.S. on December 22, 2017. Due to the Act, the federal corporate income tax rate in the U.S. was reduced from 35% to 21% for fiscal years beginning on and after January 1, 2018.

As a result of the reduction of the federal corporate income tax rate, the balance of deferred tax liabilities (net of deferred tax assets) decreased by ¥18,218 million ($170,261 thousand) and income taxes–deferred decreased by ¥18,082 million ($168,990 thousand) accordingly.

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)
	2018	2017	2018
Balance at beginning of year	¥ 253,979	¥ 249,767	$ 2,373,635
Service cost	11,729	11,460	109,616
Interest cost	2,744	2,694	25,644
Actuarial differences	17,777	1,437	166,140
Benefits paid	(11,603)	(11,039)	(108,439)
Prior service cost	2	–	18
Other	18	(340)	168
Balance at end of year	¥ 274,648	¥ 253,979	$ 2,566,803

(b) Change in plan assets

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Balance at beginning of year	¥ 289,444	¥ 267,262	$ 2,705,084
Expected return on plan assets	7,210	6,657	67,383
Actuarial differences	13,375	14,490	125,000
Employer contribution	11,788	11,636	110,168
Benefits paid	(10,737)	(10,601)	(100,345)
Balance at end of year	¥ 311,083	¥ 289,444	$ 2,907,317

(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)
	2018	2017	2018
Funded retirement benefit obligations	¥ 265,463	¥ 244,816	$ 2,480,962
Plan assets	(311,083)	(289,444)	(2,907,317)
	(45,620)	(44,628)	(426,355)
Unfunded retirement benefit obligations	9,185	9,163	85,841
	¥ (36,435)	¥ (35,465)	$ (340,514)
Net defined benefit liability	¥ 9,185	¥ 9,163	$ 85,841
Net defined benefit asset	(45,620)	(44,628)	(426,355)
	¥ (36,435)	¥ (35,465)	$ (340,514)

(d) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Service cost	¥ 11,729	¥ 11,460	$ 109,616
Interest cost	2,744	2,694	25,644
Expected return on plan assets	(7,210)	(6,657)	(67,383)
Amortization of actuarial differences	4,180	5,406	39,065
Amortization of prior service cost	(28)	(30)	(261)
Additional retirement benefits	610	556	5,700
Total retirement benefit costs	¥ 12,025	¥ 13,429	$ 112,383

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Prior service cost	¥ (31)	¥ (30)	$ (289)
Actuarial differences	(144)	18,526	(1,345)
Total	¥ (175)	¥ 18,495	$ (1,635)

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Unrecognized prior service cost	¥ (243)	¥ (274)	$ (2,271)
Unrecognized actuarial differences	(5,409)	(5,554)	(50,551)
Total	¥ (5,652)	¥ (5,828)	$ (52,822)

(g) Plan assets

(i) The asset allocation for the plans

	2018	2017
Bonds	45%	43%
Equity	38%	40%
Other	17%	17%
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

	2018	2017
Discount rate	mainly 0.5%	mainly 1.0%
Discount rate (consolidated subsidiaries in the United States)	3.8%	4.3%
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 United States. amounted to ¥3,125 million ($29,205 thousand) and ¥8,060 million for the fiscal years ended February 28, 2018 and 2017, 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)
	2018	2017	2018
Outstanding balance at fiscal year-end:			
Short-term bank loans [a]	¥ 127,255	¥ 150,376	$ 1,189,299
Weighted-average interest rate at year-end:			
Short-term bank loans	0.23%	0.27%	0.23%

Note :
(a) The total amounts of short-term loans with collateral as of February 28, 2018 and 2017 were ¥3,795 million ($35,467 thousand) and ¥5,200 million, respectively (Note 18).

Long-term debt as of February 28, 2018 and 2017 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2017 to 2030 with interest rates ranging from 0.0697% to 6.0% [b]	¥ 475,806	¥ 498,116	$ 4,446,785
Lease obligations	38,694	44,821	361,626
Seven & i Holdings Co., Ltd.:			
1.940% unsecured straight bonds, due June 20, 2018	29,999	29,996	280,364
0.852% unsecured straight bonds, due June 20, 2017	–	20,000	–
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	560,747
0.383% unsecured straight bonds, due June 20, 2019	40,000	40,000	373,831
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	186,915
0.150% unsecured straight bonds, due June 20, 2018	30,000	30,000	280,373
0.514% unsecured straight bonds, due June 20, 2022	60,000	60,000	560,747
0.781% unsecured straight bonds, due June 20, 2025	30,000	30,000	280,373
Seven Bank, Ltd.:			
0.398% unsecured straight bonds, due June 20, 2017	–	30,000	–
0.613% unsecured straight bonds, due June 20, 2019	10,000	10,000	93,457
0.243% unsecured straight bonds, due March 20, 2018	15,000	15,000	140,186
0.460% unsecured straight bonds, due March 19, 2020	20,000	20,000	186,915
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	186,915
0.536% unsecured straight bonds, due December 20, 2024	15,000	15,000	140,186
0.390% unsecured straight bonds, due December 20, 2027	30,000	–	280,373
	894,500	942,934	8,359,813
Current portion of long-term debt	(173,816)	(130,758)	(1,624,448)
	¥ 720,683	¥ 812,176	$ 6,735,355

Note :
(b) The total amounts of long-term debt with collateral as of February 28, 2018 and 2017 were ¥8,739 million ($81,672 thousand) and ¥9,811 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)
2019	¥ 173,816	$ 1,624,448
2020	149,039	1,392,887
2021	130,492	1,219,551
2022	117,331	1,096,551
2023	106,345	993,878
Thereafter	217,475	2,032,476
	¥ 894,500	$ 8,359,813

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, 2018 and 2017 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Due within one year	¥ 91,193	¥ 95,704	$ 852,271
Due after one year	517,601	543,277	4,837,392
Total	¥ 608,795	¥ 638,981	$ 5,689,672

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Due within one year	¥ 4,070	¥ 2,037	$ 38,037
Due after one year	12,677	5,539	118,476
Total	¥ 16,747	¥ 7,576	$ 156,514

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2018 and 2017:

(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, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Balance at beginning of year	¥ 83,672	¥ 75,140	$ 781,981
Increase due to acquisition of property and equipment	5,576	13,457	52,112
Adjustment due to passage of time	1,285	1,350	12,009
Decrease due to settlement of asset retirement obligations	(7,271)	(4,720)	(67,953)
Decrease due to release from restoration obligations	(181)	(489)	(1,691)
Decrease due to change in estimation	(263)	(251)	(2,457)
Decrease due to reconciliation of estimated cost and actual cost	(838)	(456)	(7,831)
Others	(587)	(356)	(5,485)
Balance at end of year	¥ 81,390	¥ 83,672	$ 760,654

(Change in estimation)
For the fiscal years ended February 28, 2018 and 2017, the estimated amount for restoration expenses and the expected period of use for asset retirement obligation recognized for the restoration have been revised based on the latest information about the actual restoration expenses, etc. As a result of this revision, asset retirement obligation decreased by ¥263 million ($2,457 thousand) and ¥251 million, respectively, from the balance of asset retirement obligation before revision.

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (loss) including reclassification adjustments and tax effects for the fiscal years ended February 28, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Unrealized gains (losses) on available-for-sale securities, net of taxes:			
(Decrease) increase during the fiscal year	¥ (566)	¥ 10,243	$ (5,289)
Reclassification adjustments	3	10	28
Amount before tax	(563)	10,254	(5,261)
Tax effects	(0)	(2,515)	(0)
Subtotal	(563)	7,738	(5,261)
Unrealized losses on hedging derivatives, net of taxes:			
Decrease during the fiscal year	(156)	(872)	(1,457)
Reclassification adjustments	–	–	–
Amount before tax	(156)	(872)	(1,457)
Tax effects	47	308	439
Subtotal	(108)	(563)	(1,009)
Foreign currency translation adjustments:			
Decrease during the fiscal year	(10,008)	(14,915)	(93,532)
Remeasurements of defined benefit plans, net of taxes:			
(Decrease) increase during the fiscal year	(4,328)	13,268	(40,448)
Reclassification adjustments	4,152	5,227	38,803
Amount before tax	(175)	18,495	(1,635)
Tax effects	69	(5,377)	644
Subtotal	(106)	13,118	(990)
Share of other comprehensive income of entities accounted for using equity method:			
Decrease during the fiscal year	(36)	(25)	(336)
Total other comprehensive income (loss)	¥ (10,823)	¥ 5,352	$ (101,149)

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 24, 2018, the shareholders approved cash dividends amounting to ¥39,805 million ($372,009 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2018 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, 2018 and 2017 amounted to ¥478 million ($4,467 thousand) and ¥480 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

	Nineteenth grant	Twentieth 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]	16,100 ordinary shares	110,700 ordinary shares
Grant date	August 4, 2017	August 4, 2017
Exercise condition	[b]	[b]
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2018 to August 4, 2037	From February 28, 2018 to August 4, 2047

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, 2018. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2018:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	1,800	31,500	4,100	43,100
Vested	–	–	–	–
Exercised	–	9,400	–	12,400
Forfeited	–	–	–	–
Outstanding	1,800	22,100	4,100	30,700

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	3,800	46,100	6,300	68,300
Vested	–	–	–	–
Exercised	–	11,200	1,600	18,100
Forfeited	–	–	–	–
Outstanding	3,800	34,900	4,700	50,200

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	7,600	74,500	7,000	74,800
Vested	–	–	–	–
Exercised	3,100	19,400	2,900	18,700
Forfeited	–	–	–	–
Outstanding	4,500	55,100	4,100	56,100

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	6,400	74,300	9,600	83,900
Vested	–	–	–	–
Exercised	2,600	13,300	2,800	13,400
Forfeited	–	–	–	–
Outstanding	3,800	61,000	6,800	70,500

	Seventeenth grant	Eighteenth grant	Nineteenth grant	Twentieth grant
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	16,100	110,700
Forfeited	–	–	–	800
Vested	–	–	16,100	109,900
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	15,100	83,800	–	–
Vested	–	–	16,100	109,900
Exercised	2,700	15,900	–	–
Forfeited	–	–	–	–
Outstanding	12,400	67,900	16,100	109,900

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,434 ($41.4) per subscription to share	–	¥4,434 ($41.4) per subscription to share
Fair value at the grant date[a]	¥307,000 ($2,869) per subscription to share	¥311,300 ($2,909) per subscription to share	¥204,500 ($1,911) per subscription to share	¥211,100 ($1,972) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	¥4,442 ($41.5) per subscription to share	¥4,718 ($44.0) per subscription to share	¥4,404 ($41.1) per subscription to share
Fair value at the grant date[a]	¥185,000 ($1,728) per subscription to share	¥168,900 ($1,578) per subscription to share	¥188,900 ($1,765) per subscription to share	¥185,300 ($1,731) per subscription to share

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥4,730 ($44.2) per subscription to share	¥4,414 ($41.2) per subscription to share	¥4,730 ($44.2) per subscription to share	¥4,416 ($41.2) per subscription to share
Fair value at the grant date[a]	¥216,400 ($2,022) per subscription to share	¥206,400 ($1,928) per subscription to share	¥345,700 ($3,230) per subscription to share	¥330,600 ($3,089) per subscription to share

	Thirteenth grant	Fourteenth grant	Fifteenth grant	Sixteenth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥4,731 ($44.2) per subscription to share	¥4,443 ($41.5) per subscription to share	¥4,731 ($44.2) per subscription to share	¥4,445 ($41.5) per subscription to share
Fair value at the grant date[a]	¥388,500 ($3,630) per subscription to share	¥383,700 ($3,585) per subscription to share	¥533,000 ($4,981) per subscription to share	¥545,500 ($5,098) per subscription to share

	Seventeenth grant	Eighteenth grant	Nineteenth grant	Twentieth grant
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	¥4,730 ($44.2) per subscription to share	¥4,466 ($41.7) per subscription to share	–	–
Fair value at the grant date[a]	¥361,300 ($3,376) per subscription to share	¥381,600 ($3,566) per subscription to share	¥369,800 ($3,456) per subscription to share	¥380,800 ($3,558) 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 Nineteenth grant of subscription rights to shares and Twentieth grant of subscription rights to shares during the fiscal year ended February 28, 2018 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Nineteenth grant	Twentieth grant
Expected volatility of the underlying stock price[a]	28.71%	23.57%
Remaining expected life of the option[b]	9.85 years	8.38 years
Expected dividends on the stock[c]	¥90 ($0.84) per share	¥90 ($0.84) per share
Risk-free interest rate during the expected option term[d]	0.07%	0.027%

Notes :

(a) The Nineteenth grant is calculated based on the actual stock prices during the nine years and ten months from October 2, 2007 to August 4, 2017.
The Twentieth grant is calculated based on the actual stock prices during the eight years and five months from March 19, 2009 to August 4, 2017.

(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, 2018.

(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	Second grant-1
Title and number of grantees	5 directors of Seven Bank, Ltd.	4 directors of Seven Bank, Ltd.
Number of stock options[a]	184,000 ordinary shares	171,000 ordinary shares
Grant date	August 12, 2008	August 3, 2009
Exercise condition	[b]	[b]
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 4, 2009 to August 3, 2039

	Second grant-2	Third grant-1
Title and number of grantees	5 executive officers of Seven Bank, Ltd.	5 directors of Seven Bank, Ltd.
Number of stock options[a]	38,000 ordinary shares	423,000 ordinary shares
Grant date	August 3, 2009	August 9, 2010
Exercise condition	[c]	[b]
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	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, 2018. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2018:

Number of stock options

	First grant-1	Second grant-1	Second grant-2	Third grant-1
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	120,000	133,000	9,000	342,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	120,000	133,000	9,000	342,000

	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	356,000	55,000	299,000	40,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	356,000	55,000	299,000	40,000

	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	179,000	20,000	161,000	28,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	179,000	20,000	161,000	28,000

	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
Before vested:				
As of February 28, 2017	–	–	–	–
Granted	–	–	–	–
Forfeited	–	–	–	–
Vested	–	–	–	–
Outstanding	–	–	–	–
After vested:				
As of February 28, 2017	115,000	27,000	278,000	72,000
Vested	–	–	–	–
Exercised	–	–	–	–
Forfeited	–	–	–	–
Outstanding	115,000	27,000	278,000	72,000

Price information

	First grant-1	Second grant-1	Second grant-2	Third grant-1
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥236,480 ($2,210) per subscription to share	¥221,862 ($2,073) per subscription to share	¥221,862 ($2,073) per subscription to share	¥139,824 ($1,306) per subscription to share

	Fourth grant-1	Fourth grant-2	Fifth grant-1	Fifth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) ¥per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥127,950 ($1,195) per subscription to share	¥127,950 ($1,195) per subscription to share	¥175,000 ($1,635) per subscription to share	¥175,000 ($1,635) per subscription to share

	Sixth grant-1	Sixth grant-2	Seventh grant-1	Seventh grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥312,000 ($2,915) per subscription to share	¥312,000 ($2,915) per subscription to share	¥370,000 ($3,457) per subscription to share	¥370,000 ($3,457) per subscription to share

	Eighth grant-1	Eighth grant-2	Ninth grant-1	Ninth grant-2
Exercise price	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share	¥1 ($0.009) per share
Average exercise price	–	–	–	–
Fair value at the grant date[a]	¥537,000 ($5,018) per subscription to share	¥537,000 ($5,018) per subscription to share	¥302,000 ($2,822) per subscription to share	¥302,000 ($2,822) 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.

18. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2018

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥95 million ($887 thousand).

As of February 28, 2017

The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥114 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, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Buildings and structures	¥ 2,854	¥ 6,420	$ 26,672
Land	3,537	4,111	33,056
Investments in securities	59,345	73,876	554,626
Long-term leasehold deposits	4,661	4,758	43,560
Total	¥ 70,398	¥ 89,167	$ 657,925

Debts for the pledged assets above as of February 28, 2018 are as follows: short-term loans,¥3,795 million ($35,467 thousand); long-term loans (including current portion), ¥8,739 million ($81,672 thousand); and long-term deposits received from tenants and franchised stores, ¥36 million ($336 thousand).

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

(b) The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Buildings	¥ 348	¥ 370	$ 3,252
Land	1,368	1,368	12,785
Total	¥ 1,717	¥ 1,738	$ 16,046

Debts of affiliates for the pledged assets above as of February 28, 2018 and 2017 are ¥2,843 million ($26,570 thousand) and ¥2,943 million, respectively.

(c) Other

As of February 28, 2018

The amounts of assets pledged as collateral for fund transfer and real estate business are ¥2,504 million ($23,401 thousand) and ¥55 million ($514 thousand), respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million ($12,476 thousand). In addition, ¥340 million ($3,177 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2017

The amount of assets pledged as collateral for fund transfer and real estate business are ¥2,512 million and ¥55 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥232 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, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Credit availability of cash loan business	¥ 856,256	¥ 870,462	$ 8,002,392
Outstanding balance	(45,041)	(42,556)	(420,943)
Unused credit balance	¥ 811,215	¥ 827,905	$ 7,581,448

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

(4) Others

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)
	2018	2017	2018
Franchise commission from franchised stores	¥ 743,393	¥ 723,021	$ 6,947,598
Net sales of franchised stores	4,575,931	4,409,084	42,765,710

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Franchise commission from franchised stores	¥ 251,197	¥ 236,957	$ 2,347,635
Net sales of franchised stores	1,440,311	1,336,735	13,460,850

(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)
	2018	2017	2018
Buildings and structures	¥ 934	¥ 1,711	$ 8,728
Land	10,002	1,591	93,476
Others	102	184	953
Total	¥ 11,038	¥ 3,487	$ 103,158

Note:
¥228 million ($2,130 thousand) (Buildings and structures), ¥2,380 million ($22,242 thousand) (Land), and ¥54 million ($504 thousand) (Others) are included in "Gain on sales of property and equipment related to restructuring" in Consolidated Statements of Income for the year ended February 28, 2018. ¥96 million (Buildings and structures), ¥279 million (Land), and ¥0 million (Others) are included in "Gain on sales of property and equipment related to restructuring" in Consolidated Statements of Income for the year ended February 28, 2017.

(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)
	2018	2017	2018
Buildings and structures	¥ 9,467	¥ 7,364	$ 88,476
Furniture, fixtures and equipment	5,395	5,025	50,420
Others	5,997	6,126	56,046
Total	¥ 20,860	¥ 18,516	$ 194,953

Note:
¥104 million ($971 thousand) (Buildings and structures), ¥11 million ($102 thousand) (Furniture, fixtures and equipment), and ¥108 million ($1,009 thousand) (Others) are included in "Restructuring expenses" in Consolidated Statements of Income for the year ended February 28, 2018. ¥1 million (Buildings and structures), ¥12 million (Furniture, fixtures and equipment), and ¥133 million (Others) are included in "Restructuring expenses" in Consolidated Statements of Income for the year ended February 28, 2017.

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Advertising and decoration expenses	¥ 136,473	¥ 160,355	$ 1,275,448
Salaries and wages	450,662	456,239	4,211,794
Provision for allowance for bonuses to employees	14,606	14,085	136,504
Retirement benefit costs	14,471	16,009	135,242
Legal welfare expenses	61,857	61,750	578,102
Land and building rent	360,547	351,484	3,369,598
Depreciation and amortization	203,694	198,249	1,903,682
Utility expenses	112,938	111,427	1,055,495
Store maintenance and repair expenses	74,120	74,531	692,710

21. RESTRUCTURING EXPENSES

The Companies recognized restructuring expenses for the years ended February 28, 2018 and 2017 to pursue the Group Growth Strategy. A breakdown of restructuring expenses is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2018	2017	2018
Impairment loss	¥ 31,809	¥ 10,611	$ 297,280
Gain on transfer from business divestitures	(1,090)	–	(10,186)
Loss on sales of property and equipment	4,200	–	39,252
Loss on inventory disposal on business closure	3,233	433	30,214
Store closing losses	2,451	7,341	22,906
Early retirement benefit	403	6,015	3,766
Others	1,671	1,235	15,616
Total	¥ 42,680	¥ 25,637	$ 398,878

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 (mainly ¥33,401 million and ¥5,878 million on Sogo & Seibu Co., Ltd. and Barneys Japan Co., Ltd., respectively) for the fiscal year ended February 28, 2017.

23. RELATED PARTIES TRANSACTIONS

Fiscal years ended February 28, 2018 and 2017
No items required to report.

24. 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.

Effective from the fiscal year ended February 28, 2018, changes have been made to the classification of reportable segments. Accordingly, the figures for the fiscal year ended February 28, 2017 have been restated to reflect the segment classification that now exists after the change.

Under the holding company structure, the Company has classified its consolidated subsidiaries into seven segments which are "Domestic convenience store operations," "Overseas convenience store operations," "Superstore operations," "Department store operations," "Financial services," "Specialty store operations," and "Others" according to the nature of products, services and sales operations.

"Domestic convenience store operations" operate a convenience store business comprising directly-managed corporate stores and franchised stores mainly under Seven-Eleven Japan Co., Ltd. "Overseas convenience store operations" operate a convenience store business comprising corporate stores and franchised stores mainly under 7-Eleven, Inc. "Superstore operations" operate a retail business that provides a comprehensive range of daily life necessities such as food and other daily necessities. "Department store operations" operate a retail business that provides a various and wide assortment of high-quality merchandise. "Financial services" operate a banking business, credit card business and leasing business. "Specialty store operations" operate a retail business providing highly specialized, distinctively characterized merchandise and services. "Others" operate several businesses including the real estate business.

(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 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.

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

Fiscal year ended February 28, 2018

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	¥ 927,205	¥1,980,897	¥1,891,260	¥649,353	¥ 166,664	¥414,287	¥ 8,146	¥6,037,815	¥ –	¥6,037,815
Intersegment	1,443	636	9,903	8,533	36,278	2,329	15,386	74,510	(74,510)	–
Total revenues	¥ 928,649	¥1,981,533	¥1,901,164	¥657,886	¥ 202,942	¥416,616	¥ 23,533	¥6,112,326	¥ (74,510)	¥6,037,815
Segment income	¥ 245,249	¥ 79,078	¥ 21,260	¥ 5,369	¥ 49,713	¥ 435	¥ 3,670	¥ 404,778	¥ (13,120)	¥ 391,657
Segment assets	¥1,127,623	¥1,179,292	¥ 969,194	¥343,269	¥1,434,900	¥161,091	¥156,223	¥5,371,595	¥123,354	¥5,494,950
Segment liabilities (interest-bearing debt)	¥ –	¥ 163,867	¥ 1,912	¥175,711	¥ 318,896	¥ 52,673	¥ –	¥ 713,062	¥269,999	¥ 983,061
Other items:										
Depreciation	¥ 66,500	¥ 69,582	¥ 23,893	¥ 9,727	¥ 28,926	¥ 5,588	¥ 2,257	¥ 206,476	¥ 6,691	¥ 213,167
Amortization of goodwill	¥ –	¥ 11,770	¥ 3,098	¥ 1	¥ 1,336	¥ 413	¥ –	¥ 16,620	¥ –	¥ 16,620
Investment in entities accounted for using the equity method	¥ 7,174	¥ 6,492	¥ 5,183	¥ 293	¥ –	¥ 12,911	¥ 4,671	¥ 36,727	¥ –	¥ 36,727
Impairment loss	¥ 9,197	¥ 3,393	¥ 19,186	¥ 29,674	¥ –	¥ 5,697	¥ 3	¥ 67,152	¥ 21,727	¥ 88,879
Net increase in property and equipment, and intangible assets	¥ 129,116	¥ 94,285	¥ 36,037	¥ 11,755	¥ 33,013	¥ 7,716	¥ 3,571	¥ 315,497	¥ 10,529	¥ 326,026

Fiscal year ended February 28, 2017

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
Segment assets	¥1,063,315	¥1,063,347	¥1,017,447	¥395,702	¥1,425,537	¥167,763	¥155,291	¥5,288,405	¥220,483	¥5,508,888
Segment liabilities (interest-bearing debt)	¥ –	¥ 177,601	¥ 3,187	¥187,908	¥ 336,060	¥ 53,735	¥ –	¥ 758,493	¥289,996	¥1,048,490
Other items:										
Depreciation	¥ 61,101	¥ 64,992	¥ 24,397	¥ 11,472	¥ 29,416	¥ 7,787	¥ 2,189	¥ 201,357	¥ 6,125	¥ 207,483
Amortization of goodwill	¥ –	¥ 9,249	¥ 3,121	¥ 35,162	¥ 1,306	¥ 6,617	¥ –	¥ 55,458	¥ –	¥ 55,458
Investment in entities accounted for using the equity method	¥ 7,348	¥ 5,912	¥ 4,816	¥ 628	¥ –	¥ 12,010	¥ 4,571	¥ 35,288	¥ –	¥ 35,288
Impairment loss	¥ 8,783	¥ 1,591	¥ 23,285	¥ 17,623	¥ –	¥ 7,522	¥ 913	¥ 59,719	¥ –	¥ 59,719
Net increase in property and equipment, and intangible assets	¥ 109,826	¥ 147,226	¥ 39,671	¥ 11,221	¥ 20,796	¥ 8,136	¥ 3,259	¥ 340,139	¥ 9,629	¥ 349,768

Fiscal year ended February 28, 2018

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	$ 8,665,467	$18,513,056	$17,675,327	$6,068,719	$ 1,557,607	$3,871,841	$ 76,130	$56,428,177	$ –	$56,428,177
Intersegment	13,485	5,943	92,551	79,747	339,046	21,766	143,794	696,355	(696,355)	–
Total revenues	$ 8,678,962	$18,519,000	$17,767,887	$6,148,467	$ 1,896,654	$3,893,607	$ 219,934	$57,124,542	$ (696,355)	$56,428,177
Segment income	$ 2,292,046	$ $739,046	$ 198,691	$ 50,177	$ 464,607	$ 4,065	$ 34,299	$ 3,782,971	$ (122,616)	$ 3,660,345
Segment assets	$10,538,532	$11,021,420	$ 9,057,887	$3,208,121	$13,410,280	$1,505,523	$1,460,028	$50,201,822	$1,152,841	$51,354,672
Segment liabilities (interest-bearing debt)	$ –	$ 1,531,467	$ 17,869	$ –	$ 2,980,336	$ 492,271	$ –	$ 6,664,130	$2,523,355	$ 9,187,485
Other items:										
Depreciation	$ 621,495	$ 650,299	$ 223,299	$ 90,906	$ 270,336	$ 52,224	$ 21,093	$ 1,929,682	$ 62,532	$ 1,992,214
Amortization of goodwill	$ –	$ 110,000	$ 28,953	$9	$ 12,485	$ 3,859	$ –	$ 155,327	$ –	$ 155,327
Investment in entities accounted for using the equity method	$ 67,046	$ 60,672	$ 48,439	$ 2,738	$ –	$ 120,663	$ 43,654	$ 343,242	$ –	$ 343,242
Impairment loss	$ 85,953	$ 31,710	$ 179,308	$ 277,327	$ –	$ 53,242	$ 28	$ 627,588	$ 203,056	$ 830,644
Net increase in property and equipment, and intangible assets	$ 1,206,691	$ 881,168	$ 336,794	$ 109,859	$ 308,532	$ 72,112	$ 33,373	$ 2,948,570	$ 98,401	$ 3,046,971

Notes:
1. The adjustments of ¥(13,120) million ($(122,616) thousand) and ¥(12,650) million for segment income (loss) are eliminations of intersegment transactions and corporate expenses for the fiscal years ended February 28, 2018 and 2017, respectively.
2. The adjustments of ¥123,354 million ($1,152,841 thousand) and ¥220,483 million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2018 and 2017, respectively.
3. The adjustments of ¥269,999 million ($2,523,355 thousand) and ¥289,996 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2018 and 2017, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment income is reconciled with the operating income in the Consolidated Statements of Income.
5. ¥31,809 million ($297,280 thousand) and ¥10,611 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, 2018 and 2017, respectively.
6. The main cause of the ¥21,727 million ($203,056 thousand) adjustment of impairment loss was concerning the omni7 software.

(Reference)

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

Millions of yen

Fiscal year ended February 28, 2018	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥ 3,907,066	¥ 2,016,771	¥ 113,977	¥ 6,037,815	¥ –	¥ 6,037,815
Intersegment	768	321	14	1,104	(1,104)	–
Total revenues	¥ 3,907,835	¥ 2,017,092	¥ 113,992	¥ 6,038,919	¥ (1,104)	¥ 6,037,815
Operating income	¥ 314,700	¥ 75,626	¥ 1,320	¥ 391,647	¥ 10	¥ ¥391,657

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

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2018	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$36,514,635	$18,848,327	$1,065,205	$56,428,177	$ –	$56,428,177
Intersegment	7,177	3,000	130	10,317	(10,317)	–
Total revenues	$36,521,822	$18,851,327	$1,065,345	$56,438,495	$(10,317)	$56,428,177
Operating income	$ 2,941,121	$ 706,785	$ 12,336	$ 3,660,252	$ 93	$ 3,660,345

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, 2018 and 2017

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, 2018

Millions of yen

Japan	North America	Others	Total
¥ 3,907,066	¥ 2,016,771	¥ 113,977	¥ 6,037,815

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 28, 2018

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$ 36,514,635	$ 18,848,327	$ 1,065,205	$ 56,428,177

(2) Property and equipment

Fiscal year ended February 28, 2018

Millions of yen

Japan	North America	Others	Total
¥ 1,400,794	¥ 585,165	¥ 3,494	¥ 1,989,455

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 28, 2018

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$ 13,091,532	$ 5,468,831	$ 32,654	$ 18,593,037

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, 2018	Reportable segments: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill										
Amortization	¥ –	¥ 11,770	¥ 3,098	¥ 1	¥ 1,336	¥ 413	¥ –	¥ 16,620	¥ –	¥ 16,620
Balance at the end of year	3,295	208,812	26,345	–	9,181	3,736	–	251,371	–	251,371
Negative goodwill										
Amortization	–	–	23	–	–	4	–	27	–	27
Balance at the end of year	–	–	116	–	–	21	–	137	–	137

Millions of yen

Fiscal year ended February 28, 2017	Reportable segments: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill										
Amortization	¥ –	¥ 9,249	¥ 3,121	¥ 35,162	¥ 1,306	¥ 6,617	¥ –	¥ 55,458	¥ –	¥ ¥55,458
Balance at the end of year	3,447	222,434	29,444	39	10,700	4,154	–	270,220	–	270,220
Negative goodwill										
Amortization	–	–	23	–	–	4	–	27	–	27
Balance at the end of year	–	–	140	–	–	25	–	165	–	165

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2018	Reportable segments: Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others	Total	Eliminations / Corporate	Consolidated total
Goodwill										
Amortization	$ –	$ 110,000	$ 28,953	$ 9	$ 12,485	$ 3,859	$ –	$ 155,327	$ –	$ 155,327
Balance at the end of year	30,794	1,951,514	246,214	–	85,803	34,915	–	2,349,261	–	2,349,261
Negative goodwill										
Amortization	–	–	214	–	–	37	–	252	–	252
Balance at the end of year	–	–	1,084	–	–	196	–	1,280	–	1,280

6. Information regarding gain on negative goodwill by reportable segment

None

25. SUBSEQUENT EVENTS

(1) Cash dividend

Subsequent to February 28, 2018, the Company's Board of Directors declared a year-end cash dividend of ¥39,805 million ($372,009 thousand) to be payable on May 25, 2018 to shareholders on record as of February 28, 2018.

The dividend declared was approved by the shareholders at the meeting held on May 24, 2018.

(2) Significant acquisition of business

The Company's Board of Directors resolved on April 6, 2017 that the Company's consolidated subsidiary 7-Eleven, Inc. (The fiscal year-end is December 31) would acquire stores and other assets constituting most of convenience store business and gasoline retail business of U.S. company Sunoco LP. ("SUN"). In addition, 7-Eleven, Inc. has completed the acquisition of said business on January 23, 2018. 7-Eleven, Inc. and SUN concluded an agreement relating to the acquisition of said business on the same date. An outline of this business acquisition is as follows:

(a) Outline of business combination

(i) Name and main business of the acquired company

Name: Sunoco LP

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

(ii) Main reason for the business combination

In accordance with the Medium-Term Management Plan for the Group 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 acquired, 7-Eleven, Inc. signed a contract to receive gasoline from SUN for the next 15 years.

(iii) Date of the business combination

January 23, 2018

(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	Thousands of U.S. dollars
Consideration for acquisition Cash	¥ 359,566	$ 3,244,015
Acquisition cost	¥ 359,566	$ 3,244,015

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

Payment for financial and legal investigation: ¥3,893 million ($35,128 thousand)

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

(i) Amount of goodwill

¥154,116 million ($1,390,445 thousand)

The amount above is provisional since the purchase price allocation has not been finalized and fair value measurement of identifiable assets and liabilities at the acquisition date has not been finalized.

(ii) Reason for recognition of goodwill

Expected excess earning power from future business development

(iii) Period and method of amortization of goodwill

20 years using the straight-line method

(e) 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	¥ 14,875	$ 134,210
Non-current assets	204,229	1,842,565
Total assets	¥ 219,105	$ 1,976,775
Non-current liabilities	¥ 13,656	$ 123,204
Total liabilities	¥ 13,656	$ 123,204

Note: The yen amounts were calculated using the January 23, 2018 rate (US$1 = ¥110.84).

Independent Auditor's Report

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2018 and February 28, 2017, 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, 2018 and February 28, 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 25 Subsequent events to the consolidated financial statements, Seven & i Holdings Co., Ltd.'s consolidated subsidiary 7-Eleven, Inc. has completed the acquisition of part of convenience store business and gasoline retail business of U.S. company Sunoco LP on January 23, 2018. Our opinion is not modified in respect of this matter.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2018 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 25, 2018
Tokyo, Japan

Company Information

As of February 28, 2018

Corporate Profile

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
56,606 (Consolidated)
643 (Non-consolidated)

Paid-in Capital
¥50,000 million

Auditor
KPMG AZSA LLC

Stock Information

Number of Shares of Common Stock
Issued: 886,441,983 shares

Number of Shareholders
91,443

Stock Listing
Tokyo Stock Exchange, First Section

Transfer Agent and Registrar
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency

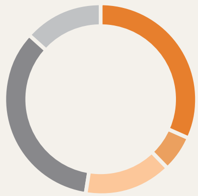
Annual Shareholders' Meeting
The annual shareholders' meeting of the Company is normally held in May each year in Tokyo, Japan.

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)	50,422	5.7
Japan Trustee Services Bank, Ltd. (Trust account)	42,329	4.8
Nippon Life Insurance Company	17,672	2.0
GIC PRIVATE LIMITED - C	17,035	1.9
Masatoshi Ito	16,799	1.9
MITSUI & CO., LTD.	16,222	1.8
Japan Trustee Services Bank, Ltd. (Trust account 5)	15,776	1.8
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	13,952	1.6
STATE STREET BANK WEST CLIENT - TREATY 505234	13,210	1.5

Classification of Shareholders by Percentage of Shares Held

Financial Institutions	31.7%
Securities Companies	6.1%
Other Domestic Corporations	14.7%
Foreign Corporations	34.3%
Individuals and Others	13.2%



Rating Information

Ratings As of June 30, 2018

		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	
	Short-term	A-1			

* 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)