Financial Section

Contents

Consolidated Financial Summary

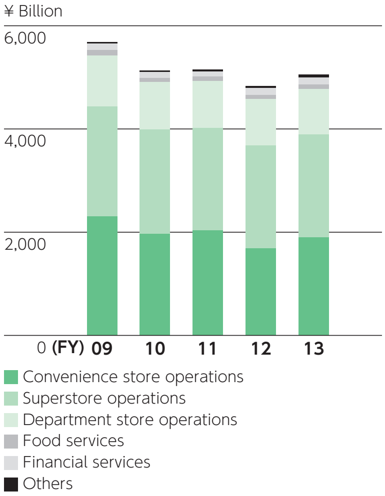
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2013, February 29, 2012 and February 28, 2011

	Millions of yen			Thousands of U.S. dollars (Note A)
	2013	2012 (Note B)	2011	2013
For the fiscal year:				
Revenues from operations	¥4,991,642	¥4,786,344	¥5,119,739	$53,673,569
Operating income	295,685	292,060	243,346	3,179,408
Income before income taxes and minority interests	262,722	230,817	223,291	2,824,967
Net income	138,064	129,837	111,961	1,484,559
Capital expenditures (Note C)	334,216	255,426	338,656	3,593,720
Depreciation and amortization (Note D)	155,666	139,994	132,421	1,673,827
At fiscal year-end:				
Total assets	¥4,262,397	¥3,889,358	¥3,732,111	$45,832,225
Cash and cash equivalents	800,087	733,707	656,747	8,603,086
Total current assets	1,655,528	1,516,584	1,406,594	17,801,376
Total current liabilities	1,534,579	1,385,728	1,348,728	16,500,849
Long-term debt	545,588	475,811	472,111	5,866,537
Total net assets	1,994,740	1,860,954	1,776,512	21,448,817

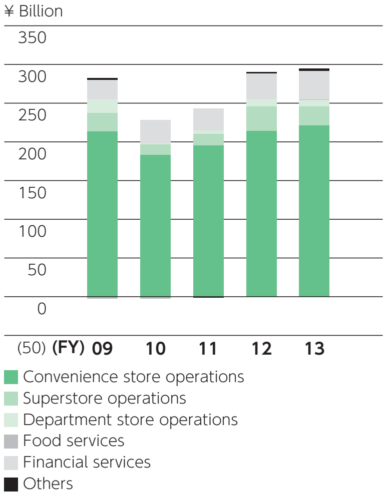
	Yen			U.S. dollars (Note A)
	2013	2012	2011	2013
Per share data:				
Net income (basic)	¥156.26	¥146.96	¥126.21	$1.68
Net income (diluted)	156.15	146.88	126.15	1.67
Cash dividends	64.00	62.00	57.00	0.68
Financial ratios:				
Operating income ratio (Note E)	5.9%	6.1%	4.8%	5.9%
Net income ratio (Note E)	2.8%	2.7%	2.2%	2.8%
ROE	7.6%	7.5%	6.5%	7.6%
ROA	3.4%	3.4%	3.0%	3.4%

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥93=U.S.$1, the approximate rate of exchange prevailing on February 28, 2013.
(B) From the fiscal year ended December 31, 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchise agreements, from "gross amount" to "net amount."
(C) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(D) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(E) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

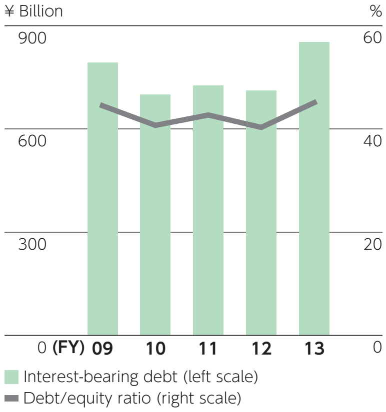
REVENUES FROM OPERATIONS BY BUSINESS SEGMENT



OPERATING INCOME (LOSS) BY BUSINESS SEGMENT



INTEREST-BEARING DEBT DEBT/EQUITY RATIO



Financial Summary of Principal Group Companies

Non-consolidated basis

SEVEN-ELEVEN JAPAN CO., LTD.

Millions of yen

For the fiscal years ended February 28 or 29	2013	2012	2011
Revenues from operations	¥ 617,559	¥ 576,186	¥ 549,111
Operating income	186,763	183,160	169,152
Net income	112,446	100,738	102,049
Total store sales	3,508,444	3,280,512	2,947,606
Existing stores sales increase (%)	1.3	6.7	2.2
Merchandise gross profit margin (%)	30.0	29.7	30.5
Average daily sales per store (thousands of yen)	668	669	629
Number of stores	15,072	14,005	13,232

7-ELEVEN, INC.

Millions of yen

For the fiscal years ended December 31	2012	2011	2010
Revenues from operations	¥1,247,287	¥1,086,522	¥ —
Operating income	38,175	32,737	33,328
Net income	22,378	22,413	18,918
Total store sales	1,852,162	1,624,095	1,470,632
Merchandise	954,100	876,672	883,905
Gasoline	898,062	747,423	586,726
Existing stores sales increase (U.S. merchandise sales) (%)	2.9	2.8	1.5
Merchandise gross profit margin (%)	35.2	34.7	35.1
Number of stores	8,118	7,149	6,610

Notes: (A) Yen amounts were translated from U.S. dollars at the rate of U.S.$1=¥79.81, ¥79.80, and ¥87.79, the rate of exchange for 2012, 2011, and 2010, respectively.
(B) In the fiscal year ended December 2012, SEJ Asset Management & Investment Company was established to manage tangible and intangible fixed assets received from 7-Eleven, Inc., as well as leasing operations related to 7-Eleven, Inc. From the fiscal year ended December 2012, consolidated figures of SEJ Asset Management & Investment Company as a parent company are presented as financial figures of 7-Eleven, Inc.
(C) The amounts for each fiscal year reflect adjustments necessary for the creation of Seven & i Holdings' consolidated accounts.
(D) From the fiscal year ended December 2011, 7-Eleven, Inc. changed its accounting method for revenues from operations related to franchised agreements, from "gross amount" to "net amount."

ITO-YOKADO CO., LTD.

Millions of yen

For the fiscal years ended February 28 or 29	2013	2012	2011
Revenues from operations	¥1,332,292	¥1,361,060	¥1,373,670
Net sales	1,302,923	1,334,297	1,349,345
Operating income	9,009	10,554	2,155
Net income (loss)	1,687	(520)	6,696
Existing stores sales increase (decrease) (%)	(4.3)	(2.6)	(2.5)
Merchandise gross profit margin (%)	29.9	29.7	29.1
Number of stores	174	173	170

YORK-BENIMARU CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥363,862	¥348,600	¥343,379
Net sales	358,061	342,944	337,734
Operating income	11,854	14,955	8,877
Net income	7,731	1,430	5,093
Existing stores sales increase (decrease) (%)	0.0	1.5	(4.1)
Merchandise gross profit margin (%)	26.0	27.0	26.6
Number of stores	184	176	170

SOGO & SEIBU CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥810,998	¥830,340	¥846,796
Net sales	798,427	817,927	834,723
Operating income	10,040	11,159	7,385
Net income (loss)	(3,650)	9,964	5,831
Existing stores sales increase (decrease) (%)	0.9	(0.5)	0.0
Merchandise gross profit margin (%)	24.9	25.1	25.4
Number of stores	24	26	27

SEVEN & i FOOD SYSTEMS CO., LTD.

For the fiscal years ended February 28 or 29	2013	2012	2011
			Millions of yen
Revenues from operations	¥78,238	¥77,940	¥80,167
Net sales	77,706	77,400	79,609
Operating income (loss)	868	22	(89)
Net loss	(439)	(879)	(2,009)
(Restaurant division)			
Existing stores sales increase (decrease) (%)	0.8	(1.0)	0.5
Merchandise gross profit margin (%)	69.0	68.3	68.3
Number of stores	476	486	489

SEVEN BANK, LTD.

For the fiscal years ended March 31	2013	2012	2011
			Millions of yen
Ordinary income	¥94,105	¥88,318	¥83,964
Ordinary profit	32,013	29,557	27,449
Net income	19,515	17,267	16,008
Daily average transactions per ATM	111.1	112.6	112.3
Total number of transactions (millions)	698	655	609
Number of installed ATMs	18,123	16,632	15,363

Management's Discussion and Analysis

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2013, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥4,991.6 billion, an increase of ¥205.2 billion year on year, due to higher revenues mainly in convenience store operations. Operating income increased by ¥3.6 billion to ¥295.6 billion, primarily as a result of higher income in convenience store operations and financial services.

Convenience Store Operations

Seven-Eleven Japan (SEJ), the core operating company in the convenience store operations, took an aggressive approach to opening stores, expanding its regional coverage by opening stores in Akita Prefecture, and continuing to strengthen store openings in urban areas. As a result, the number of domestic stores reached 15,072 at the end of the fiscal year under review, an increase of 1,067 stores from the end of the previous fiscal year. In merchandising, SEJ continued its mission to realize "close-by, convenient stores" by bolstering its lineup of products for which daily food shopping needs are high, such as *Seven Premium* private-brand products, *sozai* prepared meals, vegetables, and desserts. SEJ also positioned its lineup of daily essentials as core products and focused on enhancing this lineup at each store. In services, SEJ also took steps to further increase convenience. These included revising service details so that customers will find services even more convenient to use, such as revision of delivery fees for the *Seven-Meal* meal delivery service. In another step we launched *Seven RakuRaku Delivery*, a service for delivering almost all products in stores to customers' homes, offices, and other locations using electric mini-cars. As a result of these initiatives, sales at existing stores grew 1.3%. Total store sales, which comprise directly-operated and franchised store sales, rose 6.9% to ¥3,508.4 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 6.1% to ¥926.2 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, were up 10.2% to ¥940.2 billion, and sales of daily food items, which include bread, pastries, and milk, were up 11.3% to ¥449.0 billion. Sales of nonfood products, which include cigarettes and sundries, were up 3.6% to ¥1,192.8 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly-operated stores, were up 7.2% to ¥617.5 billion.

In North America, 7-Eleven, Inc. (SEI) aggressively expanded its store network, opening 1,078 stores, including stores acquired from Tetco, Inc. in Texas. At the end of December 2012, SEI had 8,118 stores, an increase of 969 stores year on year. SEI continued to focus on the development and sale of fresh food and private-brand products. In addition, higher sales of hot food and non-alcoholic beverages had a positive effect on sales.

On a U.S. dollar basis, merchandise sales at existing stores in the United States increased 2.9% year on year. Consequently, SEI's total store sales rose 14.0% to ¥1,852.1 billion, due primarily to higher gasoline sales.

In China, SEVEN-ELEVEN (BEIJING) had 138 stores in Beijing and 62 in Tianjin as of the end of December 2012. Meanwhile, SEVEN-ELEVEN (CHENGDU), had 87 stores as of the end of December 2012. In each of these areas, the stores met the needs of local customers and sales recorded favorable

PLAN FOR THE FISCAL YEAR ENDING FEBRUARY 28, 2014

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/ decrease	Special factors (Impact of increase/decrease represents impact on income)
Revenues from operations	¥5,640.0 billion	+13.0%	+¥648.3 billion	• Effect of foreign currency translation: Approx. +¥237.0 billion
Operating income	¥340.0 billion	+15.0%	+¥44.3 billion	• Effect of change in accounting method for depreciation and amortization: +¥24.8 billion • Effect of foreign currency translation: Approx. +¥6.5 billion

Notes 1. Exchange rates used for income statements: fiscal year ended Feb. 28, 2013: U.S.$1=¥79.81 (actual); assumption for fiscal year ending Feb. 28, 2014: U.S.$1=¥92.00 (Yen depreciation of ¥12.19)

2. From the fiscal year ending 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. As a result of this change, the forecast of operating income and ordinary income increased by 24.8 billion yen.

CONSOLIDATED OPERATING INCOME BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/ decrease	Effect of change in accounting method for depreciation and amortization
Consolidated operating income	¥340.0 billion	+15.0%	+¥44.3 billion	+¥24.8 billion
Convenience store operations	¥249.0 billion	+12.3%	+¥27.2 billion	+¥11.0 billion
Superstore operations	¥39.6 billion	+55.3%	+¥14.1 billion	+¥9.6 billion
Department store operations	¥8.9 billion	+10.8%	+¥0.8 billion	+¥0.2 billion
Food services	¥1.4 billion	+94.0%	+¥0.6 billion	+¥0.2 billion
Financial services	¥41.4 billion	+10.6%	+¥3.9 billion	+¥3.0 billion
Others	¥4.0 billion	+2.9%	+¥0.1 billion	+¥0.7 billion

progress, despite a temporary dip in sales that appeared from September 2012.

Consequently, revenues from operations in convenience store operations were ¥1,899.5 billion, up 12.3% year on year, while operating income was ¥221.7 billion, up 3.3%. Moreover, the impact of currency exchange rates on the revenues from operations and operating income of the convenience store operations segment was immaterial.

Superstore Operations

Ito-Yokado was operating 174 stores, up one store year on year, as of February 28, 2013. In apparel, we recorded solid sales of our four core lines of pivate-brand products—*good day*, *GALLORIA L&B*, *Kent*, and functional underwear products. In addition, we promoted face-to-face sales at stores and implemented promotions utilizing the media in order to emphasize the value of these products. In the food category, we worked to provide safe, secure products and to strengthen our lineup of high-quality products. However, due to our limiting of large-scale sales promotions and other factors, sales at existing stores declined 4.3% year on year, and net sales were down 2.4%, to ¥1,302.9 billion. By product category, apparel sales in the fiscal year under review were down 3.9% to ¥230.8 billion; sales of household goods declined 7.0% to ¥160.9 billion; and sales of food were down 3.8% to ¥623.5 billion. Despite these year-on-year declines in sales, profitability improved in the second half, mainly due to a reduction in markdown losses and an improving gross profit margin reflecting growth in sales of private-brand products.

York-Benimaru (YB) had 184 stores as of February 28, 2013, an increase of eight stores year on year, principally in the southern part of the Tohoku region. York Mart had 71 stores in the Tokyo metropolitan area, an increase of three stores from a year earlier. YB saw a backswing from the post-earthquake surge, but nevertheless maintained about the same level of existing store sales as a year before by continuing to approach sales with a focus on making lifestyle proposals centered on fresh foods, including *sozai* prepared meals. Net sales of YB were ¥358.0 billion, an increase of 4.4% from the previous fiscal year as we pursued aggressive store openings in existing store areas under our market concentration strategy.

In China, as of December 31, 2012, we had eight superstores in Beijing and five superstores in Chengdu, Sichuan Province. The rates of growth in sales at existing stores was lower year on year mainly due to the impact of the deterioration in sales accompanying major renovation work on the Second Ring Road in Chengdu from August 2012.

As a result, revenues from operations in superstore operations were ¥1,994.5 billion, an increase of 0.1% from the previous fiscal year, and operating income was ¥25.4 billion, a decrease of 21.4%.

Department Store Operations

Sogo & Seibu worked to maximize the effects of the remodeling of the SEIBU Ikebukuro flagship store and to introduce examples of those successful reforms to other stores. We also started to remodel Sogo Yokohama. In merchandising, we strengthened retailer-managed merchandise and store-managed floor areas to achieve differentiation. As a result, sales at existing stores grew 0.9% year on year. Net sales declined 2.4% to ¥798.4 billion, however, due to the impact of closing Sogo Hachioji.

As a result, revenues from operations in department store operations were ¥884.0 billion, down 1.8%, and operating income was ¥8.0 billion, a decline of 19.3%.

Food Services

In the restaurant division of Seven & i Food Systems, sales at existing stores climbed 0.8% year on year in the absence of the impact of reduced operating hours following the Great East Japan Earthquake, in addition to efforts to strengthen core menu items and enhance customer service capabilities.

As a result, revenues from operations in food services were ¥78.3 billion, up 0.4% and operating income was ¥0.7 billion, an improvement of ¥0.8 billion from an operating loss in the previous year.

Financial Services

In financial services, Seven Bank continued working to install ATMs in new locations inside and outside the Group. In addition, Seven Bank increased the number of its affiliated financial institutions. As of the end of February 2013, Seven Bank had 17,922 installed ATMs, an increase of 1,382 ATMs from a year ago. However, the number of transactions made by customers of non-bank institutions declined, primarily due to the implementation of revisions to the law. Consequently, the daily average transactions per ATM during the fiscal year were 111.2, down 1.0 transaction year on year. However, in addition to the increase in the number of installed ATMs, the number of transactions made by customers of deposit-taking financial institutions also increased, and as a result the total number of transactions recorded a steady increase.

In credit card operations, the number of cardholders for the Seven Card, which is issued by Seven Card Service, on February 28, 2013 was 3.37 million, up 0.15 million cardholders, and the number of cardholders for the CLUB ON/Millennium CARD SAISON, which is issued by Seven CS Card Service, was 3.21 million, up 0.09 million cardholders.

In electronic money operations, Seven Card Service worked aggressively to expand the *nanaco* electronic money service inside and outside the Group. As a result, the total number of *nanaco* accounts issued as of February 28, 2013 was 21.45 million, up 5.09 million, and the number of stores at which *nanaco* could be used was approximately 121,000 stores, up about 19,200 stores.

As a result, revenues from operations in financial services were ¥144.3 billion, up 11.4%, and operating income was ¥37.4 billion, up 10.8%.

Others

In others operations, revenues from operations were ¥50.2 billion, an increase of 5.8% from the previous fiscal year. Operating income was ¥3.8 billion, up 68.7%, mainly on the back of higher income at Seven Net Shopping.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥32.9 billion compared with net other expenses of ¥61.2 billion in the previous fiscal year. The decline in net expenses is mainly due to expenses recorded in the previous fiscal year that were not recorded in the fiscal year under review, namely, a loss on disaster of ¥25.7 billion due to the Great East Japan Earthquake, and a loss on adjustment for changes of accounting standard for asset retirement obligations of ¥22.5 billion.

Consequently, income before income taxes and minority interests increased ¥31.9 billion to ¥262.7 billion.

Net Income

Income taxes increased ¥20.5 billion year on year to ¥110.8 billion in the fiscal year under review. The main reason was that total income taxes had declined in the previous fiscal year in tandem with a rise in deferred tax assets due to the application of the consolidated taxation system from the fiscal year under review. After application of tax effect accounting, the effective tax rate was 42.2%.

Net income rose ¥8.2 billion year on year to ¥138.0 billion. The rise was due to the increase in income before income taxes and minority interests, which outweighed the effects of higher income taxes.

Net income per share was ¥156.26, up ¥9.3 per share from ¥146.96 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets on February 28, 2013 stood at ¥4,262.3 billion, up ¥373.0 billion from the end of the previous fiscal year.

Total current assets were ¥1,655.5 billion, up ¥138.9 billion from a year earlier, as cash and cash equivalents were up ¥66.3 billion, and prepaid expenses and other current assets increased ¥46.4 billion; the latter includes ATM-related temporary accounts at Seven Bank.

Property and equipment increased ¥162.3 billion, mainly due to new store openings and existing store remodeling at SEJ, and store acquisitions at SEI.

Intangible assets were up ¥82.2 billion due to goodwill generated by SEI and other factors.

Investments and other assets declined ¥10.5 billion, as prepaid pension cost increased ¥25.1 billion due to payment of a special contribution to the corporate pension fund, while investments in securities declined ¥18.4 billion due to redemption of Japanese government bonds held by Seven Bank.

Total liabilities were up ¥239.2 billion to ¥2,267.6 billion.

Total current liabilities were up ¥148.8 billion to ¥1,534.5 billion. Looking at borrowings, the total of short-term loans and long-term loans increased by ¥125.8 billion, mainly as borrowings rose in line with store acquisitions at SEI. Bonds, including the current portion due within one year, increased by ¥30.0 billion, mainly due to the issue of corporate bonds by Seven Bank.

Total net assets were up ¥133.7 billion to ¥1,994.7 billion.

Retained earnings increased ¥81.3 billion after recording net income of ¥138.0 billion, despite being reduced by ¥56.5 billion for payment of cash dividends.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, declined by ¥39.7 billion.

As a result of the above, owners' equity per share were up ¥141.61 per share from a year earlier to ¥2,140.45 per share, and the owners' equity ratio was 44.4% compared to 45.4% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥800.0 billion on February 28, 2013, up ¥66.3 billion from a year earlier. The increase resulted from the following factors. Cash was used to open new stores and to remodel existing stores. On the other hand, cash increased in the fiscal year under review due to the use of cash in the previous fiscal year to succeed the business of Seven CS Card Service. In addition, cash was provided by operations with high revenue generating capacity, centered on convenience store operations.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥391.4 billion, down ¥71.2 billion from a year earlier. Income before income taxes and minority interests increased ¥31.9 billion, and the net increase in bonds in banking business at Seven Bank was ¥30.0 billion, compared to net decrease in bonds in banking business of ¥36.0 billion in the previous fiscal year. Meanwhile, the net decrease in call loan in banking business at Seven Bank was ¥20.0 billion, compared to net increase in call loan in banking business of ¥115.0 billion in the previous fiscal year, and the Company made a special contribution of ¥27.9 billion to the corporate pension fund.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥340.9 billion, almost the same level as the previous fiscal year, although down by ¥1.8 billion. At Seven Bank, payments for purchase of investments in securities declined ¥82.4 billion, and in the previous fiscal year Seven CS Card Service spent ¥135.7 billion as payment for succession of business of Credit Saison Co., Ltd. Meanwhile, proceeds from sales of investments in securities at Seven Bank declined ¥122.9 billion, and payments for acquisition of property and equipment such as for new store openings, mainly in convenience store operations, increased ¥67.3 billion.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥10.0 billion, a change of ¥50.5 billion from net cash used of ¥40.5 billion in the previous fiscal year. Net decrease in short-term loans was ¥0.8 billion, a change of ¥39.1 billion from a net increase in the previous fiscal year, while proceeds from long-term debts mainly at SEI increased ¥82.4 billion, and repayment of long-term debts, mainly at Sogo & Seibu, declined ¥36.8 billion.

Risk Factors

Seven & i Holdings and its operating companies ("the Group") has established the framework under which it implements a Groupwide risk assessment survey to recognize potential risks through identifying and evaluating risks in an integrated and comprehensive manner on a regular basis. Based on that recognition, it prioritizes these risks, takes countermeasures that correspond to the materiality and urgency of each risk, and seeks continuous improvements through monitoring of the progress of such countermeasures.

The Group is exposed to a variety of risks and uncertainties in conducting its business, which may have a significant influence on the judgment of investors, including, but not limited to, the following. Many of these risks are interdependent and the occurrence of one risk may lead to an increase in other risks in quality and quantity.

Any of these risks may affect the Group's business performance, operating results, and financial condition.

Recognizing the potential for these risks, the Group strives to take measures to prevent risks from materializing, while taking other effective measures to promptly and adequately respond to risks when they materialize.

This section includes forward-looking statements and future expectations as of the date of this annual report.

1. RISKS RELATED TO ECONOMIC CONDITIONS

Japanese and Global Economies

The Group carries on its core operations in Japan, and also operates around the world. As a result, economic conditions such as the business climate and trends in consumer spending in Japan as well as in other countries and regions where the Group does business may affect the Group's operating results and financial condition. To cater appropriately to the needs of consumers, the Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behaviors due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

The Group is exposed to interest rate fluctuation risks that may affect the interest expenses, interest income, and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may affect its business performance and financial condition.

Foreign Exchange Rate Fluctuations

Foreign exchange rate changes can affect the yen value of assets and liabilities of the Group's overseas companies because Seven & i Holdings' consolidated financial statements are presented in Japanese yen. In addition, products sold by the Group include products that are sourced overseas and affected by changes in foreign exchange rates. Accordingly, foreign exchange rate fluctuations may affect its business performance and financial condition.

2. RISKS RELATED TO THE GROUP'S BUSINESS (GROUP-WIDE RISKS)

Procurement of Products, Raw Materials, etc., and Fluctuations in Purchase Prices

The Group's operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations.

In addition, there are products in the Group's lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

Product Safety and Representations

The Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene-related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Group's measures could reduce public trust in its products and could cause the Group to incur costs stemming from countermeasures. If such is the case, its business performance and financial condition could be affected. Further, the Group is striving to provide customers with newly value-added and high-quality products and services through the aggressive introduction of *Seven Premium* private-brand products and original products developed by respective group companies. Therefore, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Store-opening Strategy

The Group's opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the City Planning Law, and the Building Standards Law. In the event that those laws are amended or local authorities change related regulations, it may become difficult to open stores in accordance with initially prepared store-opening plans or remodel existing stores; there may be a decline in potential candidate areas for future store openings; or costs related to legal or regulatory compliance may be incurred. If such is the case, its business performance and financial condition may be affected.

M&As, Alliances, and Strategic Investments

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

Credit Management

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

Impairment of Fixed Assets

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

RISKS BY SEGMENT

Convenience Store Operations

The Group's convenience store operations are primarily organized under a franchise system, and chain operations are conducted under the identical name, Seven-Eleven. The franchise system is a joint enterprise in which franchised stores and the Group fulfill their respective roles based on an equal partnership and a relationship of trust. In the event that agreements with numerous franchised stores become unsustainable because either the Group or the franchised stores did not fulfill their respective roles, its business performance could be affected.

In its convenience store operations, the Group has sought to cater to constantly changing customer needs through innovating production, distribution, sales, and their supporting information systems; realizing differentiated and high quality products; and creating convenient services that support everyday life in collaboration with business partners. Thus, the unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, its business performance and financial condition could be affected.

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

As of February 28, 2013, Seven-Eleven has grown into a global chain with more than 49,000 stores in 16 countries and regions around the world, including stores outside the Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Group's superstore operations mainly comprise superstores and food supermarkets. In order to respond appropriately to the changes in consumer needs, for the part of superstores, the Group is promoting merchandising innovation and communication with customers through enhancing customer service levels and sales techniques, and undertaking structural reform in stores under which it focuses on revitalizing existing stores and advancing conversion to store formats that meet changes in the conditions of locations or area market needs while steadily closing unprofitable stores. For the part of food supermarkets, the Group endeavors to establish the new model of lifestyle-proposal supermarkets through promoting a differentiation strategy on products and improving operational efficiency. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in the operating environment. If such is the case, its business performance and financial condition may be affected.

Department Store Operations

The Group is striving to create a new type of department store by strengthening the differentiation strategies in response to the changing lifestyle of consumers. In the key stores, the Group is promoting a retailer-managed merchandising system which consists of strengthening development and sales of high-quality and new private-brand products, and expanding store-managed sales areas. In the regional stores, the Group is advancing conversion to store formats that meet the conditions of localities and market needs. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Food Services

In food services, as the Group has accomplished considerable results with initiatives for maximizing integration synergies through the merger of three companies that operate restaurants, meal provision services, and fast food, and for implementing business reorganization mainly through closing unprofitable stores, the Group has shifted to a growth strategy through providing higher-quality products and creating a new business model in its restaurant business, and enhancing productivity. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Financial Services

The Group conducts financial services, including banking and credit card operations.

Seven Bank owes its revenues mainly to ATM operations. Therefore, the occurrence of such circumstances as the growing use of alternatives to cash for settlement, intensifying competition for ATM services, and/or the peaking out of ATM network expansion may affect its business performance and financial condition.

In its credit card operations, the Group is striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the Seven Card credit card, CLUB ON / Millennium CARD SAISON credit card and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate, unexpected default losses, or restriction on the total volume of lending pursuant to the Money Lending Business Act, etc., may affect its business performance and financial condition. Regarding electronic money operations, the Group has built an original system and worked to achieve differentiation, but the rapid spread of electronic money in Japan has been accompanied by such qualitative changes as increased versatility, etc. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Others

The Group strives to enhance IT/services through the interaction of actual stores and the Internet in order to adapt to the changing needs of society. However, the pace of progress and change in IT, including the introduction of IT for logistics management, is extremely rapid, and if its efforts to cope with such progress and change are delayed by some internal and/or external factors, the quality of service and competitiveness could deteriorate. If such is the case, its business performance and financial condition may be affected.

3. LEGAL RESTRICTIONS AND LITIGATIONS

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof, which the Group cannot predict, could affect its business performance and financial condition.

Environmental Regulations or Issues

The Group is subject to a variety of environment-related laws and regulations such as those relating to food recycling, containers and packaging recycling, waste management, and global warming countermeasures. These laws and regulations may become more stringent or additional laws and regulations may be adopted in the future, which may cause the Group to incur additional compliance costs or restrict its operating activities.

Leaks of Confidential Information

In the normal course of business, such as in financial services, the Group holds confidential information about customers regarding privacy, credit worthiness, and other information including personal information, as well as confidential information about companies and other third parties. Such information could be leaked inadvertently or deliberately, and any material leakage of confidential information could face damage liability claims and /or damage society's trust in the Group. Moreover, there is a risk that the Group's trade secrets could be leaked by misappropriation or negligence. If such is the case, its business performance and financial condition could be affected.

Litigation and Regulatory Actions

The Group is exposed to the risk that it will be subject to various legal procedures stemming from lawsuits, etc., or regulatory authorities in regard to the execution of its business activities.

Currently, no lawsuits that significantly affect the Group's performance have been filed against the Group. However, if decisions unfavorable to the Group result from lawsuits with a potentially significant effect on business results or social standing, its operating results and financial condition may be affected.

Also, a substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings due to the implementation of stricter laws and regulations or stricter interpretations, may affect its business performance, financial condition, and reputation.

4. RISKS RELATED TO DISASTERS OR UNPREDICTABLE EVENTS

Influence of Disasters or Other Unpredictable Events

The Group's head office, stores, and facilities for core operations are located in Japan. The Group also operates businesses around the world. Major natural disasters such as earthquakes, typhoons, floods, and tsunamis; fires; power outages; nuclear power plant disasters; wars; illegal activities such as terrorist attacks; or other contingencies could lead to a halt of business activities or incurring expenses related to such damages, which could have a serious impact on the business operations of the Group. If such is the case, its business performance and financial condition could be affected. In particular, the occurrence of a large natural disaster or other event in the Tokyo metropolitan area—where stores for core operations including convenience store operations and superstore operations are concentrated—could likely have a significant effect.

In addition, as network and information systems have become increasingly important to the Group's operating activities, network and information system shutdowns caused by such unpredictable events as power outages, disasters, terrorist attacks, hardware or software defects, or computer viruses and computer hacking could impede business operations, which could affect its business performance and financial condition.

Pandemic of Infectious Diseases, Such as New Strain of Influenza

The Group operates retail businesses as its core operations, which play a role as a lifeline. While it places top priority on the security and safety of customers and employees, in order to fulfill its social responsibilities, the Group has come up with business continuity plans that respond to a pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Group could take such appropriate measures as shortening operating hours or limiting the number of stores it operates, etc. If such is the case, its business performance and financial condition could be affected.

5. OTHER RISKS

Retirement Benefit Obligations and Retirement Benefit Expenses

The Group calculates retirement benefit obligations and retirement benefit expenses based on assumptions such as the discount rates and the expected rates of return on plan assets. However, unexpected changes in such underlying factors as domestic and international share prices, foreign exchange rates, or interest rates; deterioration in the return on plan assets due to such changes; or changes in the general pension system may affect its business performance and financial condition.

Deferred Tax Assets

Some of the Group companies record deferred tax assets based on estimates of future taxable income or the time period within which the underlying temporary differences become taxable or deductible. However, if estimates of taxable income are lowered due to a worsening business climate or other significant changes, the Group may be required to reduce the amount of its deferred tax assets, resulting in an impact on its business performance and financial condition. Seven & i Holdings and its eligible consolidated subsidiaries introduced a consolidated taxation system in the fiscal year ended February 28, 2013.

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could diminish, the Group could lose personnel, or it could be difficult to secure the necessary personnel, which could affect the Group's business performance and financial condition.

Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 800,087**	¥ 733,707	**$ 8,603,086**
Notes and accounts receivable:			
Trade (Note 4)	**285,817**	270,953	**3,073,301**
Financial services	**64,053**	68,691	**688,741**
Franchisees and other	**81,632**	71,228	**877,763**
Allowance for doubtful accounts (Note 4)	**(4,955)**	(4,758)	**(53,279)**
	426,547	406,114	**4,586,526**
Inventories	**162,286**	152,205	**1,745,010**
Deferred income taxes (Note 10)	**34,493**	38,905	**370,892**
Prepaid expenses and other current assets (Note 4)	**232,113**	185,652	**2,495,838**
Total current assets	**1,655,528**	1,516,584	**17,801,376**
Property and equipment, at cost (Notes 7, 8, 13 and 18)	**2,882,264**	2,607,533	**30,992,086**
Less: Accumulated depreciation	**(1,399,750)**	(1,287,359)	**(15,051,075)**
	1,482,514	1,320,174	**15,941,010**
Intangible assets:			
Goodwill	**245,402**	184,305	**2,638,731**
Software and other (Notes 8 and 13)	**170,011**	148,851	**1,828,075**
	415,413	333,156	**4,466,806**
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	**163,456**	181,863	**1,757,591**
Long-term loans receivable	**18,017**	18,279	**193,731**
Long-term leasehold deposits (Notes 4 and 18)	**400,867**	412,098	**4,310,397**
Prepaid pension cost (Note 11)	**31,786**	6,674	**341,784**
Deferred income taxes (Note 10)	**32,943**	40,147	**354,225**
Other	**68,540**	66,538	**736,989**
Allowance for doubtful accounts (Note 4)	**(6,671)**	(6,160)	**(71,731)**
	708,941	719,442	**7,623,021**
Total assets	**¥ 4,262,397**	¥ 3,889,358	**$ 45,832,225**

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

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 3) 2013
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 145,750	¥ 139,690	$ 1,567,204
Current portion of long-term debt (Notes 4, 12 and 18)	199,683	128,145	2,147,129
Notes and accounts payable:			
Trade (Notes 4 and 6)	204,479	195,347	2,198,698
Trade for franchised stores (Notes 4 and 19)	124,321	120,724	1,336,784
Other	127,145	146,098	1,367,150
	455,946	462,170	4,902,645
Accrued expenses	85,443	71,700	918,741
Income taxes payable	34,827	58,295	374,483
Deposits received	136,850	116,569	1,471,505
Deposits received in banking business (Note 4)	325,444	288,228	3,499,397
Allowance for bonuses to employees	13,293	14,755	142,935
Allowance for sales promotion expenses	15,262	15,092	164,107
Allowance for loss on future collection of gift certificates	3,406	4,089	36,623
Provision for loss on disaster	143	1,063	1,537
Other (Notes 4, 10 and 14)	118,526	85,927	1,274,473
Total current liabilities	1,534,579	1,385,728	16,500,849
Long-term debt (Notes 4, 6, 12 and 18)	545,588	475,811	5,866,537
Allowance for accrued pension and severance costs (Note 11)	4,613	3,796	49,602
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,124	2,191	22,838
Deferred income taxes (Note 10)	34,801	34,550	374,204
Deposits received from tenants and franchised stores (Notes 4 and 18)	55,089	55,380	592,354
Asset retirement obligations (Note 14)	51,170	43,740	550,215
Other liabilities (Note 18)	39,690	27,204	426,774
Total liabilities	2,267,656	2,028,403	24,383,397
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 2013 and 2012	50,000	50,000	537,634
Capital surplus	526,873	526,886	5,665,301
Retained earnings	1,393,935	1,312,613	14,988,548
Treasury stock, at cost, 2,907,114 shares in 2013 and 2,935,526 shares in 2012	(7,142)	(7,212)	(76,795)
	1,963,666	1,882,287	21,114,688
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	7,416	3,360	79,741
Unrealized losses on hedging derivatives, net of taxes	(5)	(3)	(53)
Foreign currency translation adjustments	(79,914)	(119,661)	(859,290)
Total accumulated other comprehensive income (loss)	(72,503)	(116,303)	(779,602)
Subscription rights to shares (Note 17)	1,538	1,222	16,537
Minority interests in consolidated subsidiaries	102,038	93,748	1,097,182
Total net assets	1,994,740	1,860,954	21,448,817
Total liabilities and net assets	¥4,262,397	¥3,889,358	$45,832,225

Consolidated Statements of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Revenues from operations:			
Net sales	¥4,149,003	¥4,013,617	$44,612,935
Operating revenues (Note 20)	842,639	772,727	9,060,634
	4,991,642	4,786,344	53,673,569
Costs and expenses:			
Cost of sales	3,218,270	3,078,575	34,605,053
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,477,686	1,415,708	15,889,096
	4,695,956	4,494,284	50,494,150
Operating income	295,685	292,060	3,179,408
Other income (expenses):			
Interest and dividend income	6,124	5,802	65,849
Interest expenses and interest on bonds	(7,963)	(6,974)	(85,623)
Equity in earnings of affiliates	1,874	2,061	20,150
Impairment loss on property and equipment (Note 8)	(18,330)	(14,460)	(197,096)
Gain on sales of property and equipment (Note 20)	1,404	2,135	15,096
Loss on disposals of property and equipment (Note 20)	(6,642)	(5,468)	(71,419)
Gain on sales of investments in securities (Note 5)	31	1,198	333
Gain on changes in accounting policies applied to foreign subsidiary	—	4,503	—
Loss on disaster	—	(25,741)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations (Note 14)	—	(22,500)	—
Other, net (Note 5)	(9,461)	(1,799)	(101,731)
	(32,962)	(61,242)	(354,430)
Income before income taxes and minority interests	262,722	230,817	2,824,967
Income taxes (Note 10):			
Current	101,690	116,366	1,093,440
Deferred	9,148	(26,109)	98,365
	110,839	90,257	1,191,817
Income before minority interests	151,883	140,559	1,633,150
Minority interests in net income of consolidated subsidiaries	13,818	10,722	148,580
Net income	¥ 138,064	¥ 129,837	$ 1,484,559

	Yen		U.S. dollars (Note 3)
	2013	2012	2013
Per share information:			
Net income (Basic)	¥156.26	¥146.96	$1.68
Net income (Diluted)	156.15	146.88	1.67
Cash dividends	64.00	62.00	0.68

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, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Income before minority interests	¥151,883	¥140,559	$1,633,150
Other comprehensive income (loss) (Note 15):			
Unrealized gains (losses) on available-for-sale securities, net of taxes	4,061	103	43,666
Unrealized gains (losses) on hedging derivatives, net of taxes	(0)	328	(0)
Foreign currency translation adjustments	40,773	(15,481)	438,419
Share of other comprehensive income (loss) of associates accounted for using equity method	60	(5)	645
Total other comprehensive income (loss)	44,895	(15,055)	482,741
Comprehensive income	¥196,778	¥125,504	$2,115,892
Comprehensive income attributable to:			
Owners of the parent	¥181,864	¥114,802	$1,955,526
Minority interests	14,913	10,701	160,354

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, 2013 and February 29, 2012

Millions of yen

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2011	¥50,000	¥526,899	¥1,234,204	¥(7,320)	¥3,226	¥(328)	¥(104,167)	¥ 981	¥ 73,016	¥1,776,512
Net income			129,837							129,837
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			(184)							(184)
Cash dividends			(51,243)							(51,243)
Purchase of treasury stock				(10)						(10)
Disposal of treasury stock		(12)		123						110
Other				(5)						(5)
Net (decrease) increase for the year					133	325	(15,494)	241	20,731	5,938
Balance at February 29, 2012	¥50,000	¥526,886	¥1,312,613	¥(7,212)	¥3,360	¥ (3)	¥(119,661)	¥1,222	¥ 93,748	¥1,860,954
Net income			**138,064**							**138,064**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**(196)**							**(196)**
Cash dividends			**(56,546)**							**(56,546)**
Purchase of treasury stock				**(13)**						**(13)**
Disposal of treasury stock		**(12)**		**83**						**70**
Other				**(0)**						**(0)**
Net (decrease) increase for the year					**4,055**	**(2)**	**39,747**	**315**	**8,290**	**52,406**
Balance at February 28, 2013	**¥50,000**	**¥526,873**	**¥1,393,935**	**¥(7,142)**	**¥7,416**	**¥ (5)**	**¥ (79,914)**	**¥1,538**	**¥102,038**	**¥1,994,740**

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 29, 2012	$537,634	$5,665,440	$14,114,118	$(77,548)	$36,129	$(32)	$(1,286,677)	$13,139	$1,008,043	$20,010,258
Net income			**1,484,559**							**1,484,559**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**(2,107)**							**(2,107)**
Cash dividends			**(608,021)**							**(608,021)**
Purchase of treasury stock				**(139)**						**(139)**
Disposal of treasury stock		**(129)**		**892**						**752**
Other				**(0)**						**(0)**
Net (decrease) increase for the year					**43,602**	**(21)**	**427,387**	**3,387**	**89,139**	**563,505**
Balance at February 28, 2013	**$537,634**	**$5,665,301**	**$14,988,548**	**$(76,795)**	**$79,741**	**$(53)**	**$ (859,290)**	**$16,537**	**$1,097,182**	**$21,448,817**

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, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 262,722	¥ 230,817	$ 2,824,967
Depreciation and amortization	155,666	139,994	1,673,827
Impairment loss on property and equipment	18,330	14,460	197,096
Amortization of goodwill	17,684	12,915	190,150
Increase (decrease) in allowance for bonuses to employees	(1,436)	1,032	(15,440)
Decrease (increase) in prepaid pension cost	2,851	3,303	30,655
Interest and dividend income	(6,124)	(5,802)	(65,849)
Interest expenses and interest on bonds	7,963	6,974	85,623
Equity in earnings of affiliates	(1,874)	(2,061)	(20,150)
Gain on sales of property and equipment	(1,404)	(2,135)	(15,096)
Loss on disposals of property and equipment	6,642	5,468	71,419
Gain on changes in accounting policies applied to foreign subsidiary	—	(4,503)	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	22,500	—
Decrease (increase) in notes and accounts receivable, trade	(12,603)	(12,530)	(135,516)
Decrease (increase) in notes and accounts receivable, financial services	4,638	12,651	49,870
Decrease (increase) in inventories	(6,474)	(10,110)	(69,612)
Increase (decrease) in notes and accounts payable, trade	4,005	32,861	43,064
Increase (decrease) in deposits received	6,914	(10,145)	74,344
Net increase (decrease) in loans in banking business	16,900	(3,200)	181,720
Net increase (decrease) in bonds in banking business	30,000	(36,000)	322,580
Net increase (decrease) in deposits received in banking business	37,216	12,532	400,172
Net decrease (increase) in call loan in banking business	(20,000)	115,000	(215,053)
Net increase (decrease) in call money in banking business	37,900	(7,000)	407,526
Net change in ATM-related temporary accounts	(10,977)	3,739	(118,032)
Other	(12,028)	50,720	(129,333)
Sub-total	536,512	571,482	5,768,946
Interest and dividends received	3,190	3,017	34,301
Interest paid	(7,466)	(7,092)	(80,279)
Special contribution	(27,963)	—	(300,677)
Income taxes paid	(112,865)	(104,765)	(1,213,602)
Net cash provided by operating activities	391,406	462,642	4,208,666
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	(276,941)	(209,604)	(2,977,860)
Proceeds from sales of property and equipment	7,927	12,543	85,236
Acquisition of intangible assets	(18,967)	(11,193)	(203,946)
Payment for purchase of investments in securities	(96,257)	(178,692)	(1,035,021)
Proceeds from sales of investments in securities	101,631	224,549	1,092,806
Payment for purchase of investments in subsidiaries	(0)	(2,151)	(0)
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	(10,527)	(18,279)	(113,193)
Payment for long-term leasehold deposits	(23,746)	(22,365)	(255,333)
Refund of long-term leasehold deposits	30,315	29,849	325,967
Proceeds from deposits from tenants	3,485	5,333	37,473
Refund of deposits from tenants	(3,176)	(5,276)	(34,150)
Proceeds from subsidy income related to urban redevelopment project	—	2,545	—
Payment for succession of business	—	(135,794)	—
Payment for acquisition of business (Note 9)	(52,671)	(32,979)	(566,354)
Payment for time deposits	(14,304)	(13,020)	(153,806)
Proceeds from withdrawal of time deposits	16,148	15,987	173,634
Other	(3,837)	(4,257)	(41,258)
Net cash used in investing activities	(340,922)	(342,805)	(3,665,827)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	(840)	38,324	(9,032)
Proceeds from long-term debts	195,883	113,480	2,106,268
Repayment of long-term debts	(97,861)	(134,666)	(1,052,268)
Proceeds from commercial paper	40,620	369,009	436,774
Payment for redemption of commercial paper	(56,580)	(361,252)	(608,387)
Payment for redemption of bonds	—	(100)	—
Dividends paid	(56,556)	(51,258)	(608,129)
Capital contribution from minority interests	0	222	0
Dividends paid for minority interests	(6,480)	(3,596)	(69,677)
Other	(8,152)	(10,723)	(87,655)
Net cash provided by (used in) financing activities	10,032	(40,561)	107,870
Effect of exchange rate changes on cash and cash equivalents	5,864	(2,314)	63,053
Net increase (decrease) in cash and cash equivalents	66,380	76,960	713,763
Cash and cash equivalents at beginning of year	733,707	656,747	7,889,322
Cash and cash equivalents at end of year	¥ 800,087	¥ 733,707	$ 8,603,086

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

Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries (the "Companies") have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards ("IFRS"), and are compiled from the Consolidated Financial Statements prepared by Seven & i Holdings Co., Ltd. (the "Company") as required by the Financial Instruments and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries. The accounts of the Company's foreign consolidated subsidiaries are prepared in accordance with either IFRS or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for the specific five items as applicable.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language Consolidated Financial Statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

As permitted under the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying Consolidated Financial Statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 92 subsidiaries as of February 28, 2013 (87 subsidiaries as of February 29, 2012) which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., 7-Eleven, Inc., Ito-Yokado Co., Ltd., York-Benimaru Co., Ltd., Sogo & Seibu Co., Ltd., Seven & i Food Systems Co., Ltd., and Seven Bank, Ltd.

Seven entities have been newly consolidated for the fiscal year ended February 28, 2013 following the establishment of SEJ Asset Management & Investment Company, SEVEN-ELEVEN (TIANJIN) CO., LTD., Ito-Yokado (China) Investment Co., Ltd., Seven Farm Tokai Co., Ltd. and Seven Farm Tokyo Co., Ltd. and the acquisition of shares of Financial Consulting & Trading International, Inc. and Handee Marts, Inc.

On the other hand, two entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2013 due to the following reason. On March 1, 2012, K.K. York Insurance was dissolved due to an absorption-type merger with Seven Financial Service Co., Ltd. being the surviving entity. On October 1, 2012, Seven Internet Lab. Co., Ltd. was dissolved due to an absorption-type merger with Seven Net Shopping Co., Ltd., being the surviving entity.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the fiscal year ended December 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from January 1 to February 28 are adjusted for in the consolidation process.

The closing date of a certain subsidiary 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.

20 affiliates as of February 28, 2013 (19 affiliates as of February 29, 2012), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method. The number of affiliates to which the equity method is applied increased by one in connection with the establishment of SHAN DONG ZHONG DI CONVENIENCE CO., LTD. When an affiliate is in a net loss position, the Company's share of such loss is reduced from its loan receivable from that affiliate. For the affiliates that have a balance sheet date other than February 28, their individual balance sheet dates are used in preparing the Consolidated Financial Statements.

All material intercompany transactions and account balances have been eliminated.

(2) Inventories

Inventories are stated mainly at cost determined by the following method, with book value written down to the net realizable value. Cost is determined principally by the retail method for domestic consolidated subsidiaries and by the FIFO method (except for gasoline inventory that is determined by the weighted-average cost method) for foreign consolidated subsidiaries.

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

(3) Securities

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

Available-for-sale securities are classified into two categories, where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries, except for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries, which use the straight-line method.

(6) Intangible assets (excluding lease assets)

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

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

Goodwill and negative goodwill arising from consolidated subsidiaries that occurred until February 28, 2011 are mainly amortized over a period of 20 years on a straight-line basis, or charged to income, if they are immaterial. Negative goodwill arising from consolidated subsidiaries that occurred after March 1, 2011 are charged to income when incurred. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

(7) Lease assets

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treating them as sale/purchase transactions and recognizing them as lease assets.

Under the existing accounting standards, finance leases commenced prior to March 1, 2009 that do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the lessee's financial statements.

(8) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

Deferred tax accounting is applied.

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

(9) Allowances

(a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

(b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program.

(c) Allowance for loss on future collection of gift certificates

Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for future collection of gift certificates recognized as income after remaining uncollected for certain periods from their issuance. The amount is calculated using the historical results of collection.

(d) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(e) Provision for loss on disaster

Provision for loss on disaster is provided at the amount considered to be appropriate based on the estimation of expenses for the restoration of properties and facilities damaged by the Great East Japan Earthquake and related losses.

(f) Allowance for accrued pension and severance costs (Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year.

The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligations adjusted by unrecognized actuarial differences as of February 28, 2013 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs.

Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the year following the year in which they arise, which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of 5 years or 10 years.

(g) Allowance for retirement benefits to Directors and Audit & Supervisory Board Members

Allowance for retirement benefits to Directors and Audit & Supervisory Board Members is provided at the amount required to be paid in accordance with internal rules.

The Company and some of its consolidated subsidiaries abolished the retirement benefit system for Directors and Audit & Supervisory Board Members, for which some subsidiaries have determined to pay the balance at the time of retirement.

(10) Hedge accounting

Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Companies have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in interest rates and reducing finance costs.

The Companies do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts that meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries and subscription rights to shares) per share as of February 28, 2013 and February 29, 2012 are ¥2,140.45 ($23.01) and ¥1,998.84, respectively. Net income per share for the fiscal years ended February 28, 2013 and February 29, 2012 are ¥156.26 ($1.68) and ¥146.96, respectively. Diluted net income per share for the fiscal years ended February 28, 2013 and February 29, 2012 are ¥156.15 ($1.67) and ¥146.88, 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, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Net income	¥138,064	¥129,837	$1,484,559
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥138,064	¥129,837	$1,484,559
Weighted-average number of shares of common stock outstanding (shares)	883,532,139	883,499,397	—

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

(12) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the United States and Canada is included in the accompanying Consolidated Statements of Income.

(14) Foreign currency translation

All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries."

(15) Cash and cash equivalents

Cash and cash equivalents in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash, and are subject to minimum risk of price fluctuation.

(16) Accounting for franchised stores in convenience store operations

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

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

(Change in depreciation method for property and equipment)
In accordance with the amendment of the Corporation Tax Law, effective from the fiscal year ended February 28, 2013, the Company and its domestic consolidated subsidiaries have changed their depreciation method for those property and equipment acquired on or after April 1, 2012.

As a result of this change, operating income and income before income taxes and minority interests increased by ¥2,746 million ($29,526 thousand).

(18) New accounting pronouncements

On May 17, 2012 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and the other related guidance.

Under the revised accounting standard, actuarial gains and losses and prior service costs shall be recognized within net assets in the consolidated balance sheets, after adjusting tax effects, and the funding deficit or surplus shall be recognized as a liability or asset. In addition, the revised accounting standard allows a choice for the method of attributing expected benefits to periods of either the straight-line basis or plan's benefit formula basis. In addition, the determination method of the discount rate was amended.

The Company expects to apply the revised accounting standard from the end of the fiscal year ending February 28, 2015. However, the amendment of the calculation method for present value of defined benefit obligations and current service costs will be adopted from the beginning of the fiscal year ending February 29, 2016.

The effect of adoption of this revised accounting standard is under assessment at the time of preparation of the accompanying Consolidated Financial Statements.

(19) Supplementary information

(Application of Accounting Standard for Accounting Changes and Error Corrections)
From the beginning of the consolidated fiscal year ended February 28, 2013, the Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior year's errors made on or after the beginning of the fiscal year ended February 28, 2013.

(20) Reclassification

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

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥93=US$1, the approximate rate of exchange prevailing as of February 28, 2013. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. FINANCIAL INSTRUMENTS

Qualitative information on financial instruments

(1) Policies relating to financial instruments
For the management of surplus funds, the Companies' basic policy is to give priority to safety, liquidity, and efficiency, investing only in short-term instruments (within one year) such as deposits at banks that have high credit ratings.

The Companies mainly raise funds through bank loans and bond issuance while ensuring the dispersal of redemption periods.

Also, the Companies use derivative instruments to mitigate the risk of currency exchange rates fluctuations for receivables and payables denominated in foreign currencies and the risk of fluctuations in the interest rates of interest-bearing debt as well as to optimize cash flows for future interest payments. The Companies do not hold or issue derivative instruments for trading or speculative purposes.

(2) Details of financial instruments, associated risk, and risk management systems
The Companies' risk management policy is incorporated in the "Fundamental Risk Management Policy," which designates the divisions that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.
Notes and accounts receivable, trade are exposed to individual customer's credit risk. The Companies regularly monitor due dates and outstanding balances, as well as customer creditworthiness, to identify any concerns and mitigate losses associated with their collectability.

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

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

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations. In order to mitigate the risk, the Companies enter into foreign exchange forward contracts that cover a portion of the settlement amount. With regards to the foreign exchange forward contracts, the Companies regularly monitor their valuation.

Among loans, short-term loans and commercial paper are used mainly to raise operating funds, while long-term loans and bonds are used mainly for capital investments. These debts are managed comprehensively based on the asset-liability management ("ALM") model.

Among these debts, long-term loans with variable interest rates are exposed to the risk of interest rate fluctuations, which is partially mitigated by interest rate swap contracts. The detailed explanation as to the specific hedge methods are set out in Note 2, "Summary of Significant Accounting Policies."

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

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

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

Fair values of financial instruments

Book values and fair values of the financial instruments on the Consolidated Balance Sheets as of February 28, 2013 and February 29, 2012 are as follows.

Certain items that are deemed to be immaterial are not included in the table. Financial instruments whose fair value is deemed highly difficult to measure are also excluded from the table.

	Millions of yen		
	2013		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 800,087	¥ 800,087	¥ —
Notes and accounts receivable, trade	285,817		
Allowance for doubtful accounts[a]	(2,610)		
	283,206	286,362	3,155
Marketable securities and investments in securities	130,782	132,172	1,389
Long-term leasehold deposits[b]	297,819		
Allowance for doubtful accounts[c]	(848)		
	296,971	295,323	(1,647)
Total assets	¥1,511,048	¥1,513,946	¥ 2,897
Notes and accounts payable, trade[d]	¥ 328,800	¥ 328,800	¥ —
Deposits received in banking business	325,444	326,043	598
Bonds[e]	293,982	303,085	9,102
Long-term loans[f]	406,751	412,289	5,537
Deposits received from tenants and franchised stores[g]	21,754	19,842	(1,911)
Total liabilities	¥1,376,733	¥1,390,060	¥13,326
Derivative instruments[h]	¥ 598	¥ 598	¥ —

	Millions of yen		
	2012		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 733,707	¥ 733,707	¥ —
Notes and accounts receivable, trade	270,953		
Allowance for doubtful accounts[a]	(2,284)		
	268,668	271,422	2,753
Marketable securities and investments in securities	151,300	151,081	(218)
Long-term leasehold deposits[b]	302,925		
Allowance for doubtful accounts[c]	(954)		
	301,971	296,948	(5,022)
Total assets	¥1,455,647	¥1,453,160	¥(2,487)
Notes and accounts payable, trade[d]	¥ 316,072	¥ 316,072	¥ —
Deposits received in banking business	288,228	289,061	832
Bonds[e]	263,978	272,131	8,153
Long-term loans[f]	286,953	287,804	850
Deposits received from tenants and franchised stores[g]	21,697	19,451	(2,245)
Total liabilities	¥1,176,929	¥1,184,520	¥ 7,591
Derivative instruments[h]	¥ 126	¥ 126	¥ —

	Thousands of U.S. dollars (Note 3)		
	2013		
	Book value	Fair value	Difference
Cash and cash equivalents	**$ 8,603,086**	**$ 8,603,086**	**$ —**
Notes and accounts receivable, trade	**3,073,301**		
Allowance for doubtful accounts[a]	**(28,064)**		
	3,045,225	**3,079,161**	**33,924**
Marketable securities and investments in securities	**1,406,258**	**1,421,204**	**14,935**
Long-term leasehold deposits[b]	**3,202,354**		
Allowance for doubtful accounts[c]	**(9,118)**		
	3,193,236	**3,175,516**	**(17,709)**
Total assets	**$16,247,827**	**$16,278,989**	**$ 31,150**
Notes and accounts payable, trade[d]	**$ 3,535,483**	**$ 3,535,483**	**$ —**
Deposits received in banking business	**3,499,397**	**3,505,838**	**6,430**
Bonds[e]	**3,161,096**	**3,258,978**	**97,870**
Long-term loans[f]	**4,373,666**	**4,433,215**	**59,537**
Deposits received from tenants and franchised stores[g]	**233,913**	**213,354**	**(20,548)**
Total liabilities	**$14,803,580**	**$14,946,881**	**$143,290**
Derivative instruments[h]	**$ 6,430**	**$ 6,430**	**$ —**

(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 include 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 are 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 future cash flows over the remaining period by the interest rate that reflects credit risk.

(3) Marketable securities and investments in securities
For the fair value of equity securities, market prices are used. For debt securities, market prices or the prices shown by correspondent financial institutions are used. For negotiable certificates of deposit, the relevant book values are used, as they are due in a short period, hence market prices are equivalent to book values.

(4) Long-term leasehold deposits
The fair value of items with long settlement periods is the present value, which is calculated by discounting the future cash flows that reflect credit risks by the corresponding interest rate for government bonds over the remaining period.

Liabilities

(1) Notes and accounts payable, trade

The relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values.

(2) Deposits received in banking business

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

(3) Bonds

The fair value of bonds that have market prices is based on those prices.

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

(4) Long-term loans

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

(5) Deposits received from tenants and franchised stores

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

Derivative instruments

Refer to Note 6, "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
			Book value
Investments in securities[a]			
Unlisted securities	**¥ 14,013**	¥ 15,242	**$ 150,677**
Shares of affiliates	**17,733**	14,974	**190,677**
Other	**951**	370	**10,225**
Long-term leasehold deposits[b]	**122,275**	125,825	**1,314,784**
Deposits received from tenants and franchised stores[b]	**37,120**	38,024	**399,139**

(a) These are not included in "Marketable securities and investments in securities" in the above tables since determining their estimated fair values was deemed to be highly difficult, due to the fact that these do not have market prices and the future cash flows cannot be estimated.

(b) These are not included in "Long-term leasehold deposits" and "Deposits received from tenants and franchised stores" in the above tables since determining their fair values was deemed to be highly difficult, due to the fact that the amount to be repaid cannot be reasonably estimated.

Note 3: Redemption schedule for receivables and marketable securities with maturities

	Millions of yen			
	2013			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	**¥ 800,087**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable, trade	**275,603**	**9,392**	**762**	**58**
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	**220**	**200**	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	**96,500**	**10**	—	—
Other	**24**	—	—	—
Long-term leasehold deposits	**31,532**	**86,900**	**82,291**	**97,094**
Total	**¥1,203,968**	**¥96,503**	**¥83,053**	**¥97,153**

	Millions of yen			
	2012			
	Within one year	After one year within five years	After five years within ten years	After ten years
Cash and cash equivalents	¥ 733,707	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	262,429	7,874	608	40
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	—	420	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	101,500	26,010	—	—
Other	25	—	—	—
Long-term leasehold deposits	31,650	88,161	78,017	105,097
Total	¥1,129,311	¥122,465	¥78,626	¥105,138

	Within one year	After one year within five years	After five years within ten years	After ten years
	Thousands of U.S. dollars (Note 3)			
	2013			
Cash and cash equivalents	$ 8,603,086	$ —	$ —	$ —
Notes and accounts receivable, trade	2,963,473	100,989	8,193	623
Marketable securities and investments in securities				
Held-to-maturity debt securities				
Governmental and municipal bonds	2,365	2,150	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	1,037,634	107	—	—
Other	258	—	—	—
Long-term leasehold deposits	339,053	934,408	884,849	1,044,021
Total	$12,945,892	$1,037,666	$893,043	$1,044,655

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

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

	Within one year	After one year within five years	After five years within ten years	After ten years
	Millions of yen			
	2012			
Deposits received in banking business	¥225,341	¥62,887	¥—	¥—

	Within one year	After one year within five years	After five years within ten years	After ten years
	Thousands of U.S. dollars (Note 3)			
	2013			
Deposits received in banking business	$2,766,096	$733,301	$—	$—

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

Note 5: The redemption schedule for long-term debt is disclosed in Note 12, "Short-term Loans and Long-term Debt."

5. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2013 and February 29, 2012:

Type	Book value	Fair value	Difference
	Millions of yen		
	2013		
Debt securities with fair value exceeding book value	¥421	¥422	¥1
Total	¥421	¥422	¥1

Type	Book value	Fair value	Difference
	Millions of yen		
	2012		
Debt securities with fair value exceeding book value	¥422	¥426	¥3
Total	¥422	¥426	¥3

Type	Book value	Fair value	Difference
	Thousands of U.S. dollars (Note 3)		
	2013		
Debt securities with fair value exceeding book value	$4,526	$4,537	$10
Total	$4,526	$4,537	$10

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2013 and February 29, 2012 (excluding non-marketable securities of ¥14,013 million ($150,677 thousand) and ¥15,242 million as of February 28, 2013 and February 29, 2012, respectively):

	Millions of yen		
	2013		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 26,814	¥ 15,992	¥10,821
Debt securities			
Governmental and municipal bonds, etc.	60,659	60,654	5
Subtotal	87,474	76,647	10,827
Securities with book value not exceeding acquisition cost:			
Equity securities	4,308	5,569	(1,260)
Debt securities			
Governmental and municipal bonds, etc.	36,001	36,001	(0)
Others	24	24	—
Subtotal	40,334	41,596	(1,261)
Total	¥127,808	¥118,243	¥ 9,565

	Millions of yen		
	2012		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 14,338	¥ 8,888	¥ 5,450
Debt securities			
Governmental and municipal bonds, etc.	48,650	48,642	7
Subtotal	62,988	57,530	5,457
Securities with book value not exceeding acquisition cost:			
Equity securities	6,056	7,773	(1,716)
Debt securities			
Governmental and municipal bonds, etc.	79,084	79,103	(18)
Others	25	25	—
Subtotal	85,166	86,901	(1,735)
Total	¥148,155	¥144,432	¥ 3,722

	Thousands of U.S. dollars (Note 3)		
	2013		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 288,322	$ 171,956	$116,354
Debt securities			
Governmental and municipal bonds, etc.	652,247	652,193	53
Subtotal	940,580	824,161	116,419
Securities with book value not exceeding acquisition cost:			
Equity securities	46,322	59,881	(13,548)
Debt securities			
Governmental and municipal bonds, etc.	387,107	387,107	(0)
Others	258	258	—
Subtotal	433,698	447,268	(13,559)
Total	$1,374,279	$1,271,430	$102,849

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Sales amounts	¥124	¥5,285	$1,333
Gain on sales of available-for-sale securities	31	1,198	333
Loss on sales of available-for-sale securities	6	—	64

(4) Impairment loss on securities
For the fiscal years ended February 28, 2013 and February 29, 2012, the Companies recognized ¥1 million ($10 thousand) and ¥413 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.

(5) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2013 and February 29, 2012 are ¥20,285 million ($218,118 thousand) and ¥17,697 million, respectively.

6. DERIVATIVE TRANSACTIONS

The Companies have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Companies do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible divisions in the Companies enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2013 and February 29, 2012 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments

(1) Currency-related transactions

	Millions of yen			
	2013			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**¥8,578**	**—**	**¥9,155**	**¥577**
Buy euro	**123**	**—**	**145**	**21**

	Millions of yen			
	2012			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥4,028	—	¥4,154	¥125
Buy euro	87	—	88	0

	Thousands of U.S. dollars (Note 3)			
	2013			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	**$92,236**	**—**	**$98,440**	**$6,204**
Buy euro	**1,322**	**—**	**1,559**	**225**

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		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**¥8**	**—**	**¥(0)**

	Thousands of U.S. dollars (Note 3)		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	**$86**	**—**	**$(0)**

Note: The estimated fair values of derivative contracts are measured by reference to prices or indices indicated by financial institutions.

(2) Interest rate related transactions

	Millions of yen		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	**¥15,000**	**¥14,000**	—[a]

	Millions of yen		
	2012		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	¥5,000	¥5,000	—[a]

	Thousands of U.S. dollars (Note 3)		
	2013		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	**$161,290**	**$150,537**	—[a]

Note:
(a) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.
(b) The estimated fair value of these interest rate swaps is, in effect, included in and presented with that of the hedged item. For details, refer to Note 2 (10), "Hedge accounting."

7. PROPERTY AND EQUIPMENT

Property and equipment as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Buildings and structures	**¥ 1,662,449**	¥ 1,525,567	**$ 17,875,795**
Furniture, fixtures and other	**561,360**	474,874	**6,036,129**
	2,223,809	2,000,442	**23,911,924**
Less: Accumulated depreciation	**(1,399,750)**	(1,287,359)	**(15,051,075)**
	824,059	713,083	**8,860,849**
Land	**627,251**	590,524	**6,744,634**
Construction in progress	**31,203**	16,566	**335,516**
Total	**¥ 1,482,514**	¥ 1,320,174	**$ 15,941,010**

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2013 and February 29, 2012, the Companies recognized ¥18,330 million ($197,096 thousand) and ¥14,460 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2013:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 46 stores Hokkaido Pref. 32 stores Others (including U.S.)		
Stores (Superstores)	Land and buildings, etc.	Ibaraki Pref. 5 stores Chiba Pref. 3 stores Others 12 stores	**¥17,463**	**$187,774**
Stores (Department stores)	Land and buildings, etc.	Saitama Pref. 2 stores Tokushima Pref. 2 stores Others 3 stores		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 37 stores		
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	**866**	**9,311**
Total			**¥18,330**	**$197,096**

Fiscal year ended February 29, 2012:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 47 stores Osaka Pref. 46 stores Others (including U.S.)	
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 14 stores Saitama Pref. 12 stores Others 27 stores	¥13,721
Stores (Department stores)	Land and buildings, etc.	Shizuoka Pref. 1 store Others 1 store	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 38 stores	
Other facilities, etc.	Land and buildings, etc.	Fukushima Pref. U.S. & others	739
Total			¥14,460

The Companies group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market price or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amounts were recorded as an impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

Fiscal year ended February 28, 2013:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥11,753	¥286	¥12,040
Land	3,370	144	3,515
Software	1	2	4
Other	2,337	432	2,770
Total	¥17,463	¥866	¥18,330

Fiscal year ended February 29, 2012:

			Millions of yen
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥ 7,616	¥200	¥ 7,816
Land	5,024	328	5,353
Software	5	94	99
Other	1,075	116	1,191
Total	¥13,721	¥739	¥14,460

Fiscal year ended February 28, 2013:

			Thousands of U.S. Dollars (Note 3)
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	$126,376	$3,075	$129,462
Land	36,236	1,548	37,795
Software	10	21	43
Other	25,129	4,645	29,784
Total	$187,774	$9,311	$197,096

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 1.7–6.0% discount rates in 2013 and the 1.8–6.0% in 2012 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly consolidated

Fiscal year ended February 28, 2013:

Financial Consulting & Trading International, Inc.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	2013
Current assets	¥ 176	$ 1,892
Non-current assets	5,568	59,870
Current liabilities	(351)	(3,774)
Non-current liabilities	(1,645)	(17,688)
Goodwill	6,928	74,494
Acquisition cost	10,675	114,784
Cash and cash equivalents	(148)	(1,591)
Payment for acquisition of shares	¥10,527	$113,193

Fiscal year ended February 29, 2012:

Seven CS Card Service Co., Ltd.

	Millions of yen
	2012
Current assets	¥ 158,447
Non-current assets	132
Deferred assets	394
Goodwill	7,251
Current liabilities	(137,059)
Minority interests	(10,738)
Acquisition cost	18,428
Cash and cash equivalents	(148)
Payment for acquisition of shares	¥ 18,279

(2) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal years	¥16,036	¥12,491	$172,430
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal years	7,681	38,130	82,591

(3) Acquisition of business

For the fiscal year ended February 28, 2013, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from the acquisition of business are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	2013
Inventories	¥ 5,709	$ 61,387
Goodwill	52,380	563,225
Current liabilities	(8,695)	(93,494)
Other	3,276	35,225
Subtotal	52,671	566,354
Property and equipment	32,332	347,655
Total	¥85,004	$914,021

The property and equipment set out above at an amount of ¥32,332 million ($347,655 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2013.

For the fiscal year ended February 29, 2012, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from acquisition of business are as follows:

	Millions of yen
	2012
Inventories	¥ 8,747
Goodwill	22,795
Current liabilities	(5,256)
Other	6,693
Subtotal	32,979
Property and equipment	20,181
Total	¥53,160

The property and equipment set out above at an amount of ¥20,181 million are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 29, 2012.

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2013 and February 29, 2012. The significant components of deferred tax assets and liabilities as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Deferred tax assets:			
Allowance for bonuses to employees	**¥ 5,013**	¥ 5,954	**$ 53,903**
Allowance for sales promotion expenses	**5,613**	5,921	**60,354**
Accrued payroll	**5,383**	4,647	**57,881**
Allowance for retirement benefits to directors and corporate auditors	**855**	893	**9,193**
Allowance for accrued pension and severance costs	**679**	579	**7,301**
Allowance for loss on future collection of gift certificates	**1,284**	1,572	**13,806**
Deposit received in relation to the electronic money business	**4,673**	4,673	**50,247**
Depreciation and amortization	**14,101**	13,196	**151,623**
Tax loss carried forward	**29,812**	35,380	**320,559**
Valuation loss on available-for-sale securities	**1,190**	1,170	**12,795**
Allowance for doubtful accounts	**3,453**	3,040	**37,129**
Unrealized loss on property and equipment	**12,485**	12,307	**134,247**
Impairment loss on property and equipment valuation and loss on land	**39,671**	41,681	**426,569**
Accrued enterprise taxes and business office taxes	**4,956**	5,555	**53,290**
Accrued expenses	**9,674**	7,718	**104,021**
Asset retirement obligations	**15,001**	13,377	**161,301**
Rights of trademark	**7,998**	9,112	**86,000**
Other	**23,718**	21,488	**255,032**
Subtotal	**185,567**	188,273	**1,995,344**
Less: Valuation allowance	**(77,400)**	(83,895)	**(832,258)**
Total	**108,167**	104,377	**1,163,086**
Deferred tax liabilities:			
Unrealized gains on property and equipment	**(37,370)**	(33,728)	**(401,827)**
Royalties, etc.	**(10,272)**	(9,533)	**(110,451)**
Reserve for advanced depreciation of property and equipment	**(991)**	(1,063)	**(10,655)**
Unrealized gains on available-for-sale securities	**(2,658)**	(1,017)	**(28,580)**
Prepaid pension cost	**(11,228)**	(2,362)	**(120,731)**
Unrealized intercompany profit	**(5,303)**	(4,704)	**(57,021)**
Removal cost related to asset retirement obligations	**(4,847)**	(4,499)	**(52,118)**
Other	**(3,022)**	(2,965)	**(32,494)**
Total	**(75,695)**	(59,874)	**(813,924)**
Net deferred tax assets[a]	**¥ 32,471**	¥ 44,502	**$ 349,150**

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

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 3) 2013
Current assets—Deferred income taxes	¥ 34,493	¥ 38,905	$ 370,892
Other assets—Deferred income taxes	32,943	40,147	354,225
Current liabilities—Other	(163)	—	(1,752)
Non-current liabilities—Deferred income taxes	(34,801)	(34,550)	(374,204)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2013 and February 29, 2012 are as follows:

	2013	2012
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	(0.3)	(0.4)
Amortization of goodwill	2.7	2.3
Non-deductible items, such as entertainment expenses	0.2	0.2
Decrease in valuation allowance	(1.3)	(0.7)
Inhabitant taxes per capital	0.6	0.6
Effect from the adoption of consolidated corporate-tax filing system	—	(4.3)
Effect of revised corporate tax rate	—	1.6
Elimination of gain on sales of subsidiaries' stock for consolidation	0.3	—
Other	(0.7)	(0.9)
Effective tax rate	42.2%	39.1%

11. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries mainly provide the employee pension fund plan in the form of a defined benefit plan, although some of the domestic subsidiaries provide a defined contribution pension plan or a lump severance payment plan.

Additional retirement benefits may be added upon the retirement of employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 3) 2013
Projected benefit obligations[a]	¥(218,009)	¥(202,157)	$(2,344,182)
Fair value of plan assets (including employee retirement benefit trust)	219,117	171,852	2,356,096
Unrecognized actuarial differences	25,856	32,809	278,021
Unrecognized prior service cost	208	374	2,236
Prepaid pension cost, net of allowance for accrued pension and severance costs	27,173	2,878	292,182
Prepaid pension cost	31,786	6,674	341,784
Allowance for accrued pension and severance costs	¥ (4,613)	¥ (3,796)	$ (49,602)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 3) 2013
Service cost[a]	¥11,338	¥11,599	$121,913
Interest cost	4,124	4,054	44,344
Expected return on plan assets	(4,280)	(4,201)	(46,021)
Amortization of actuarial differences	5,011	5,253	53,881
Amortization of prior year service cost	142	151	1,526
Additional retirement benefits	3,454	130	37,139
Net periodic benefit cost[b]	¥19,790	¥16,987	$212,795

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥510 million ($5,483 thousand) and ¥614 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2013	2012
Allocation method of estimated total retirement benefits	**Point basis**	Point basis
Discount rate:		
Mainly	**1.5%**	2.0%
Consolidated subsidiaries in the United States	**4.1%**	5.0%
Expected rate of return on plan assets:		
Mainly	**2.5%**	2.5%
Periods over which the prior service cost is amortized	**5 years or 10 years**	5 years or 10 years
Periods over which the actuarial differences are amortized[a]	**10 years**	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years), which is shorter than the average remaining years of service of the employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

12. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Outstanding balance at fiscal year-end:			
Short-term bank loans[a]	**¥145,750**	¥139,690	**$1,567,204**
Weighted-average interest rate at year-end:			
Short-term bank loans	**0.4%**	0.4%	**0.4%**

(a) The total amounts of short-term loans with collateral as of February 28, 2013 and February 29, 2012 are ¥3,400 million ($36,559 thousand) and ¥3,400 million, respectively (Note 18).

Long-term debt as of February 28, 2013 and February 29, 2012 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2012 to 2024 with interest rates ranging from 0.6% to 7.0%[b]	**¥ 406,751**	¥ 286,953	**$ 4,373,666**
Lease obligations	**37,958**	31,569	**408,150**
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	**39,999**	39,998	**430,096**
1.68% unsecured straight bonds, due June 19, 2015	**29,996**	29,994	**322,537**
1.94% unsecured straight bonds, due June 20, 2018	**29,987**	29,984	**322,440**
0.541% unsecured straight bonds, due June 19, 2015	**30,000**	30,000	**322,580**
0.852% unsecured straight bonds, due June 20, 2017	**20,000**	20,000	**215,053**
1.399% unsecured straight bonds, due June 19, 2020	**60,000**	60,000	**645,161**
Seven Bank, Ltd.:			
1.67% unsecured straight bonds, due December 20, 2013	**24,000**	24,000	**258,064**
0.74% unsecured straight bonds, due June 20, 2012	**—**	10,000	**—**
1.04% unsecured straight bonds, due June 20, 2014	**20,000**	20,000	**215,053**
0.398% unsecured straight bonds, due June 20, 2017	**30,000**	—	**322,580**
0.613% unsecured straight bonds, due June 20, 2019	**10,000**	—	**107,526**
7-Eleven, Inc.:			
Commercial paper	**6,579**	21,455	**70,741**
	745,272	603,957	**8,013,677**
Current portion of long-term debt	**(199,683)**	(128,145)	**(2,147,129)**
	¥ 545,588	¥ 475,811	**$ 5,866,537**

(b) The total amounts of long-term debt with collateral as of February 28, 2013 and February 29, 2012 are ¥14,292 million ($153,677 thousand) and ¥62,911 million, respectively (Note 18).

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

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2014	¥199,683	$2,147,129
2015	115,935	1,246,612
2016	115,244	1,239,182
2017	29,852	320,989
2018	114,606	1,232,322
Thereafter	169,950	1,827,419
	¥745,272	$8,013,677

13. LEASES

(1) Finance leases

As described in Note 2 (7), under the existing accounting standards, finance leases, commenced prior to March 1, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss, and net book value, including the interest portion, as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Furniture, fixtures and equipment:			
Acquisition cost	**¥ 18,920**	¥ 66,341	**$ 203,440**
Accumulated depreciation	**(17,302)**	(55,917)	**(186,043)**
Accumulated impairment loss	**0**	(65)	**0**
Net book value	**¥ 1,618**	¥ 10,358	**$ 17,398**
Software:			
Acquisition cost	**¥ 8**	¥ 164	**$ 86**
Accumulated depreciation	**(7)**	(134)	**(75)**
Net book value	**¥ 1**	¥ 30	**$ 10**
Lease payments	**¥ 8,765**	¥ 13,921	**$ 94,247**
Reversal of allowance for impairment loss on leased assets	**¥ 65**	¥ 129	**$ 698**
Depreciation expense[(a), (b)]	**¥ 8,830**	¥ 14,050	**$ 94,946**
Impairment loss	**¥ —**	¥ 39	**$ —**

(a) Depreciation expense included the interest portion.
(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Companies' finance leases, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Due within one year	**¥1,550**	¥ 8,832	**$16,666**
Due after one year	**68**	1,622	**731**
Total	**¥1,619**	¥10,454	**$17,408**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	**¥ 0**	¥ 65	**$ 0**

As lessor:

A summary of acquisition cost, accumulated depreciation, and net book value as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Furniture, fixtures and equipment:			
Acquisition cost	¥ 5,890	¥10,560	$ 63,333
Accumulated depreciation	(4,956)	(8,248)	(53,290)
Net book value	¥ 934	¥ 2,311	$ 10,043
Lease income	¥ 1,071	¥ 1,954	$ 11,516
Depreciation expense	¥ 973	¥ 1,776	$ 10,462
Interest income[c]	¥ 51	¥ 118	$ 548

(c) Allocation of interest income to each period is computed using the effective interest method.

The future lease income of the Companies' finance leases as of February 28, 2013 and February 29, 2012 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Due within one year	¥ 672	¥1,452	$ 7,225
Due after one year	345	1,027	3,709
Total	¥1,017	¥2,480	$10,935

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2013 and February 29, 2012 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Due within one year	¥ 69,336	¥ 62,082	$ 745,548
Due after one year	413,773	360,904	4,449,172
Total	¥483,109	¥422,987	$5,194,720

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Due within one year	¥1,735	¥1,867	$18,655
Due after one year	4,164	6,107	44,774
Total	¥5,899	¥7,975	$63,430

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2013 and February 29, 2012:

(1) Summary of asset retirement obligations

Asset retirement obligations recorded by the Companies are mainly related to the obligations to restore stores to their original condition upon termination of their lease contracts.

(2) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Companies estimate terms of use between 2 and 50 years and use a discount rate between 0.1 and 8.3%.

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2013 and February 29, 2012

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Balance at beginning of year	**¥45,186**	¥40,311	**$485,870**
Increase due to acquisition of property and equipment	**5,041**	4,230	**54,204**
Adjustment due to passage of time	**990**	871	**10,645**
Decrease due to settlement of asset retirement obligations	**(1,774)**	(565)	**(19,075)**
Others	**2,777**	337	**29,860**
Balance at end of year	**¥52,220**	¥45,186	**$561,505**

Note: From the fiscal year ended February 29, 2012, the Companies have applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).
The balance at beginning of the fiscal year ended February 29, 2012, above represents the asset retirement obligations as a result of the adoption of these standards.

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal year ended February 28, 2013 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2013	**2013**
Unrealized gains (losses) on available-for-sale securities, net of taxes:		
Increase (decrease) during the fiscal year	**¥ 5,839**	**$ 62,784**
Reclassification adjustments	**2**	**21**
Amount before tax	**5,842**	**62,817**
Tax (expense) or benefit	**(1,781)**	**(19,150)**
Subtotal	**4,061**	**43,666**
Unrealized gains (losses) on hedging derivatives, net of taxes:		
Increase (decrease) during the fiscal year	**(0)**	**(0)**
Reclassification adjustments	**—**	**—**
Amount before tax	**(0)**	**(0)**
Tax (expense) or benefit	**—**	**—**
Subtotal	**(0)**	**(0)**
Foreign currency translation adjustments:		
Increase (decrease) during the fiscal year	**40,773**	**438,419**
Share of other comprehensive income of associates accounted for using equity method:		
Increase (decrease) during the fiscal year	**60**	**645**
Total other comprehensive income	**¥44,895**	**$482,741**

16. NET ASSETS

Net assets are comprised of four subsections, which are shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and minority interests in consolidated subsidiaries.

Under the Japanese Corporation Law ("the Law") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the Non-Consolidated Financial Statements of the Company in accordance with the Law.

At the annual shareholders' meeting, held on May 23, 2013, the shareholders approved cash dividends amounting to ¥29,157 million ($313,516 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2013. Such appropriations are recognized in the period in which they are approved by the shareholders.

17. STOCK OPTIONS

Stock option expense that is accounted for as "Selling, general and administrative expenses" on the Consolidated Statements of Income for the fiscal years ended February 28, 2013 and February 29, 2012 amounted to ¥392 million ($4,215 thousand) and ¥357 million, respectively.

(1) The Company

A. Outline of stock options

	First grant	Second grant
Title and number of grantees	4 directors of the Company	92 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	15,900 common shares	95,800 common shares
Grant date	August 6, 2008	August 6, 2008
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038

	Third grant	Fourth grant
Title and number of grantees	6 directors of the Company	106 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	24,000 common shares	129,700 common shares
Grant date	June 15, 2009	June 15, 2009
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039

	Fifth grant	Sixth grant
Title and number of grantees	6 directors of the Company	115 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	21,100 common shares	114,400 common shares
Grant date	June 16, 2010	July 2, 2010
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2011 to June 16, 2030	From February 28, 2011 to July 2, 2040

	Seventh grant	Eighth grant
Title and number of grantees	6 directors of the Company	121 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	25,900 common shares	128,000 common shares
Grant date	June 15, 2011	June 15, 2011
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 29, 2012 to June 15, 2031	From February 29, 2012 to June 15, 2041

	Ninth grant	Tenth grant
Title and number of grantees	7 directors of the Company	118 executive officers of the Company, and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	27,000 common shares	126,100 common shares
Grant date	July 6, 2012	July 6, 2012
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2013 to July 6, 2032	From February 28, 2013 to July 6, 2042

(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 scale and changes in stock options that existed during the fiscal year ended February 28, 2013. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2013:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	15,900	66,000	24,000	100,200
Vested	—	—	—	—
Exercised	—	5,600	—	9,100
Forfeited	—	—	—	—
Outstanding	15,900	60,400	24,000	91,100

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	21,100	95,900	25,900	128,000
Vested	—	—	—	—
Exercised	—	9,500	—	9,600
Forfeited	—	—	—	—
Outstanding	21,100	86,400	25,900	118,400

	Ninth grant	Tenth grant
Before vested		
As of February 29, 2012	—	—
Granted	27,000	126,100
Forfeited	—	1,400
Vested	27,000	124,700
Outstanding	—	—
After vested		
As of February 29, 2012	—	—
Vested	27,000	124,700
Exercised	—	—
Forfeited	—	—
Outstanding	27,000	124,700

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥229,600 ($2,468) per subscription right to shares	—	¥229,900 ($2,472) per subscription right to shares
Fair value at the grant date[a]	¥307,000 ($3,301) per subscription right to shares	¥311,300 ($3,347) per subscription right to shares	¥204,500 ($2,198) per subscription right to shares	¥211,100 ($2,269) per subscription right to shares

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥229,700 ($2,469) per subscription right to shares	—	¥229,800 ($2,470) per subscription right to shares
Fair value at the grant date[a]	¥185,000 ($1,989) per subscription right to shares	¥168,900 ($1,816) per subscription right to shares	¥188,900 ($2,031) per subscription right to shares	¥185,300 ($1,992) per subscription right to shares

	Ninth grant	Tenth grant
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	—
Fair value at the grant date[a]	¥216,400 ($2,326) per subscription right to shares	¥206,400 ($2,219) per subscription right to shares

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of the Company.

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

Valuation method used for valuating fair value of the Ninth grant of subscription rights to shares and Tenth grant of subscription rights to shares during the fiscal year ended February 28, 2013 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Ninth grant	Tenth grant
Expected volatility of the underlying stock price[a]	32.37%	30.34%
Remaining expected life of the option[b]	5.02 years	6.89 years
Expected dividends on the stock[c]	¥62 ($0.66) per share	¥62 ($0.66) per share
Risk-free interest rate during the expected option term[d]	0.202%	0.419%

(a) The Ninth grant is calculated based on the actual stock prices during the five years and one month from June 29, 2007 to July 6, 2012.
The Tenth grant is calculated based on the actual stock prices during the six years and ten months from September 1, 2005 to July 6, 2012.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the expectable dividends on common stock for the fiscal year ended February 28, 2013.
(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

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

(2) Seven Bank, Ltd.

A. Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	3 executive officers of Seven Bank, Ltd.
Number of stock options[(a)]	184,000 common shares	21,000 common shares
Grant date	August 12, 2008	August 12, 2008
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

	Second grant-1	Second grant-2
Title and number of grantees	4 directors of Seven Bank, Ltd.	5 executive officers of Seven Bank, Ltd.
Number of stock options[(a)]	171,000 common shares	38,000 common shares
Grant date	August 3, 2009	August 3, 2009
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 4, 2009 to August 3, 2039	From August 4, 2009 to August 3, 2039

	Third grant-1	Third grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	4 executive officers of Seven Bank, Ltd.
Number of stock options[(a)]	423,000 common shares	51,000 common shares
Grant date	August 9, 2010	August 9, 2010
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 10, 2010 to August 9, 2040	From August 10, 2010 to August 9, 2040

	Fourth grant-1	Fourth grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	8 executive officers of Seven Bank, Ltd.
Number of stock options[(a)]	440,000 common shares	118,000 common shares
Grant date	August 8, 2011	August 8, 2011
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 9, 2011 to August 9, 2041	From August 9, 2011 to August 9, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options[(a)]	363,000 common shares	77,000 common shares
Grant date	August 6, 2012	August 6, 2012
Exercise condition	[(b)]	[(c)]
Intended service period	No provisions	No provisions
Exercise period	From August 7, 2012 to August 6, 2042	From August 7, 2012 to August 6, 2042

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) Within 10 days from the day following the day that a subscription holder loses their position as a director of Seven Bank, Ltd.
(c) Within 10 days from the day following the day that a subscription holder loses their position as a director or executive officer of Seven Bank, Ltd.

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2013. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2013:
Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	157,000	14,000	171,000	30,000
Vested	—	—	—	—
Exercised	—	7,000	—	7,000
Forfeited	—	—	—	—
Outstanding	157,000	7,000	171,000	23,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested				
As of February 29, 2012	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested				
As of February 29, 2012	423,000	38,000	440,000	118,000
Vested	—	—	—	—
Exercised	—	13,000	—	14,000
Forfeited	—	—	—	—
Outstanding	423,000	25,000	440,000	118,000

	Fifth grant-1	Fifth grant-2
Before vested		
As of February 29, 2012	—	—
Granted	363,000	77,000
Forfeited	—	—
Vested	363,000	77,000
Outstanding	—	—
After vested		
As of February 29, 2012	—	—
Vested	363,000	77,000
Exercised	—	—
Forfeited	—	—
Outstanding	363,000	77,000

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥186,000 ($2,000) per subscription right to shares	—	¥186,000 ($2,000) per subscription right to shares
Fair value at the grant date[a]	¥236,480 ($2,542) per subscription right to shares	¥236,480 ($2,542) per subscription right to shares	¥221,862 ($2,385) per subscription right to shares	¥221,862 ($2,385) per subscription right to shares

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.01) per share	¥1($0.01) per share	¥1 ($0.01) per share	¥1 ($0.01) per share
Average exercise price	—	¥186,000 ($2,000) per subscription right to shares	—	¥186,000 ($2,000) per subscription right to shares
Fair value at the grant date[a]	¥139,824 ($1,503) per subscription right to shares	¥139,824 ($1,503) per subscription right to shares	¥127,950 ($1,375) per subscription right to shares	¥127,950 ($1,375) per subscription right to shares

	Fifth grant-1	Fifth grant-2
Exercise price	¥1 ($0.01) per share	¥1($0.01) per share
Average exercise price	—	—
Fair value at the grant date[a]	¥175,000 ($1,881) per subscription right to shares	¥175,000 ($1,881) per subscription right to shares

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

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

The valuation method used for valuating fair value of the Fifth grant-1 of subscription rights to shares and Fifth grant-2 of subscription rights to shares during the fiscal year ended February 28, 2013 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Fifth grant-1	Fifth grant-2
Expected volatility of the underlying stock price[a]	32.448%	32.448%
Remaining expected life of the option[b]	5.95 years	5.95 years
Expected dividends on the stock[c]	¥5.2 ($0.05) per share	¥5.2 ($0.05) per share
Risk-free interest rate during the expected option term[d]	0.264%	0.264%

(a) Calculated based on the actual stock prices during the four years and five months from February 29, 2008 to August 6, 2012.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2012 to each director's expected retirement date, based upon the number of stock options allocated to each director, plus 10 days being the exercisable period.
(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended March 31, 2012.
(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

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

18. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2013
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥273 million ($2,935 thousand).

As of February 29, 2012
The Companies were contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥397 million.

The amount of guarantee in relation to the loans of a certain store lessor was ¥38 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, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Buildings and structures	**¥ 2,703**	¥ 18,135	**$ 29,064**
Land	**14,237**	47,144	**153,086**
Investments in securities	**89,348**	100,681	**960,731**
Long-term leasehold deposits	**3,805**	3,954	**40,913**
Total	**¥110,094**	¥169,915	**$1,183,806**

Debts for the pledged assets above as of February 28, 2013 are as follows: short-term loans, ¥3,400 million ($36,559 thousand); long-term loans (including current portion), ¥14,292 million ($153,677 thousand); long-term accounts payable, ¥663 million ($7,129 thousand); and long-term deposits received from tenants and franchised stores, ¥104 million ($1,118 thousand).

Debts for the pledged assets above as of February 29, 2012 are as follows: short-term loans, ¥3,400 million; long-term loans (including current portion), ¥62,911 million; long-term accounts payable, ¥773 million; and long-term deposits received from tenants and franchised stores, ¥121 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Buildings	**¥ 454**	¥ 487	**$ 4,881**
Land	**1,368**	1,368	**14,709**
Total	**¥1,822**	¥1,855	**$19,591**

Debts of affiliates for the pledged assets above as of February 28, 2013 and February 29, 2012 are ¥3,343 million ($35,946 thousand) and ¥3,443 million, respectively.

C. Other

As of February 28, 2013
The amount of assets pledged as collateral for fund transfer and for real estate business are ¥7,302 million ($78,516 thousand) and ¥54 million ($580 thousand), respectively. The amounts of assets pledged as collateral for installment sales are ¥1,335 million ($14,354 thousand). In addition, ¥1,209 million ($13,000 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2012
The amount of assets pledged as collateral for fund transfer and for real estate business were ¥6,025 million and ¥54 million, respectively. The amount of assets pledged as collateral for installment sales were ¥1,335 million. In addition, ¥1,132 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2013 and February 29, 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	**2013**
Credit availability of cash loan business	**¥1,007,587**	¥1,026,657	**$10,834,268**
Outstanding balance	**(28,041)**	(31,176)	**(301,516)**
Unused credit balance	**¥ 979,546**	¥ 995,480	**$10,532,752**

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering historical record. Seven Card Service Co., Ltd. and Seven CS Card Service Co., Ltd. will cease finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

19. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the "Notes and accounts payable: Trade for franchised stores" account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. ("SEJ") and 7-Eleven, Inc. ("SEI"). SEJ and SEI centralize all purchasing procedures for merchandise purchased by an individual franchised store and make collective payments to all vendors on behalf of the franchisees.

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 concurrent net sales of franchised stores are as follows:

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Franchise commission from franchised stores	¥ 521,863	¥ 479,825	$ 5,611,430
Net sales of franchised stores	3,416,986	3,189,317	36,741,784

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Franchise commission from franchised stores	¥133,586	¥119,251	$1,436,408
Net sales of franchised stores	740,980	666,930	7,967,526

(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)
	2013	2012	2013
Buildings and structures	¥ 799	¥ 895	$ 8,591
Land	587	1,217	6,311
Others	17	22	182
Total	¥1,404	¥2,135	$15,096

(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)
	2013	2012	2013
Buildings and structures	¥2,697	¥2,667	$29,000
Furniture, fixtures and equipment	1,635	563	17,580
Others	2,309	2,237	24,827
Total	¥6,642	¥5,468	$71,419

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2013	2012	2013
Advertising and decoration expenses	¥119,292	¥111,420	$1,282,709
Salaries and wages	381,667	378,066	4,103,946
Provision for allowance for bonuses to employees	13,221	14,699	142,161
Legal welfare expenses	49,344	47,504	530,580
Land and building rent	271,956	258,652	2,924,258
Depreciation and amortization	148,335	133,914	1,595,000
Utility expenses	101,344	92,704	1,089,720
Store maintenance and repair	62,489	69,824	671,924

21. RELATED PARTIES TRANSACTIONS

No items required to report.

22. SEGMENT INFORMATION

(1) Overview of reportable segments

With respect to its reportable segments, the Company is able to obtain delineated financial data from its structural units. Its segments are subject to periodical review for the purpose of making decisions on allocation of managerial resources and evaluating business performance by the Board of Directors.

Under the holding company structure, the Company has classified its consolidated subsidiaries into six segments which are “Convenience store operations,” “Superstore operations,” “Department store operations”, “Food services,” “Financial services,” and “Others,” according to the nature of products, services and sales operations.

“Convenience store operations” operate corporate stores and franchised stores under the name of “7-Eleven.” “Superstore operations” operate superstores, supermarkets, specialty shops and others. “Department store operations” operate department store business which mainly consists of Sogo & Seibu Co., Ltd. “Food services” operate restaurant operations, meal provision service business (mainly for company cafeterias, hospitals and schools) and fast food operations. “Financial services” operate bank, credit card, lease, and other related financial businesses. “Others” operate IT business and other services.

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

The accounting treatment of each reportable segment is in line with the “Accounting Policies for the Preparation of Consolidated Financial Statements.”

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

Intersegment revenues and transfers are calculated at prevailing market prices.

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

Fiscal year ended February 28, 2013

Millions of yen

	Reportable segments								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥1,899,133	¥1,983,622	¥882,699	¥77,450	¥ 123,539	¥ 25,195	¥4,991,642	¥ —	¥4,991,642
Intersegment	439	10,965	1,329	910	20,815	25,014	59,475	(59,475)	—
Total revenues	1,899,573	1,994,588	884,028	78,361	144,355	50,210	5,051,118	(59,475)	4,991,642
Segment income (loss)	¥ 221,764	¥ 25,491	¥ 8,029	¥ 721	¥ 37,425	¥ 3,886	¥ 297,319	¥ (1,634)	¥ 295,685
Segment assets	¥1,370,292	¥ 967,887	¥517,075	¥21,843	¥1,716,745	¥168,047	¥4,761,891	¥(499,494)	¥4,262,397
Segment liabilities (interest-bearing debt)	¥ 132,144	¥ 22,045	¥185,005	¥ —	¥ 303,136	¥ 750	¥ 643,081	¥ 209,982	¥ 853,064
Other items									
Depreciation and amortization	¥ 83,987	¥ 29,129	¥ 14,662	¥ 639	¥ 23,668	¥ 2,484	¥ 154,571	¥ 1,094	¥ 155,666
Amortization of goodwill	¥ 4,895	¥ 6,626	¥ 5,295	¥ —	¥ 805	¥ 61	¥ 17,684	¥ —	¥ 17,684
Investment in associates accounted for using the equity method	¥ 9,601	¥ 1,847	¥ 488	¥ —	¥ —	¥ 8,347	¥ 20,285	¥ —	¥ 20,285
Impairment loss	¥ 5,944	¥ 3,790	¥ 7,782	¥ 410	¥ 373	¥ 28	¥ 18,330	¥ —	¥ 18,330
Net increase in property and equipment, and intangible assets	¥ 193,689	¥ 53,066	¥ 16,473	¥ 1,156	¥ 36,942	¥ 4,282	¥ 305,610	¥ 772	¥ 306,383

Fiscal year ended February 29, 2012

Millions of yen

	Reportable segments								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	¥1,690,384	¥1,982,099	¥898,977	¥77,029	¥ 112,354	¥ 25,499	¥4,786,344	¥ —	¥4,786,344
Intersegment	539	10,199	1,245	996	17,246	21,965	52,193	(52,193)	—
Total revenues	1,690,924	1,992,298	900,222	78,026	129,601	47,464	4,838,538	(52,193)	4,786,344
Segment income (loss)	¥ 214,637	¥ 32,432	¥ 9,948	¥ (95)	¥ 33,778	¥ 2,304	¥ 293,005	¥ (945)	¥ 292,060
Segment assets	¥1,077,608	¥1,048,661	¥541,929	¥21,026	¥1,565,291	¥153,852	¥4,408,369	¥(519,010)	¥3,889,358
Segment liabilities (interest-bearing debt)	¥ 29,252	¥ 26,219	¥200,154	¥ —	¥ 244,973	¥ 1,500	¥ 502,099	¥ 209,978	¥ 712,077
Other items									
Depreciation and amortization	¥ 73,291	¥ 28,626	¥ 14,010	¥ 667	¥ 20,331	¥ 2,588	¥ 139,514	¥ 480	¥ 139,994
Amortization of goodwill	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥ —	¥ 12,915
Investment in associates accounted for using the equity method	¥ 7,625	¥ 1,656	¥ 467	¥ —	¥ —	¥ 7,947	¥ 17,697	¥ —	¥ 17,697
Impairment loss	¥ 4,301	¥ 7,238	¥ 2,059	¥ 428	¥ 97	¥ 334	¥ 14,460	¥ —	¥ 14,460
Net increase in property and equipment, and intangible assets	¥ 147,051	¥ 37,376	¥ 14,763	¥ 719	¥ 23,891	¥ 2,995	¥ 226,797	¥ 3,371	¥ 230,168

Fiscal year ended February 28, 2013

Thousands of U.S. dollars (Note 3)

	Reportable segments								
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Adjustments	Consolidated total
Revenues from operations:									
Customers	$20,420,784	$21,329,268	$9,491,387	$832,795	$ 1,328,376	$ 270,913	$53,673,569	$ —	$53,673,569
Intersegment	4,720	117,903	14,290	9,784	223,817	268,967	639,516	(639,516)	—
Total revenues	20,425,516	21,447,182	9,505,677	842,591	1,552,204	539,892	54,313,096	(639,516)	53,673,569
Segment income (loss)	$ 2,384,559	$ 274,096	$ 86,333	$ 7,752	$ 402,419	$ 41,784	$ 3,196,978	$ (17,569)	$ 3,179,408
Segment assets	$14,734,322	$10,407,387	$5,559,946	$234,870	$18,459,623	$1,806,956	$51,203,129	$(5,370,903)	$45,832,225
Segment liabilities (interest-bearing debt)	$ 1,420,903	$ 237,043	$1,989,301	$ —	$ 3,259,526	$ 8,064	$ 6,914,849	$ 2,257,870	$ 9,172,731
Other items									
Depreciation and amortization	$ 903,086	$ 313,215	$ 157,655	$ 6,870	$ 254,494	$ 26,709	$ 1,662,053	$ 11,763	$ 1,673,827
Amortization of goodwill	$ 52,634	$ 71,247	$ 56,935	$ —	$ 8,655	$ 655	$ 190,150	$ —	$ 190,150
Investment in associates accounted for using the equity method	$ 103,236	$ 19,860	$ 5,247	$ —	$ —	$ 89,752	$ 218,118	$ —	$ 218,118
Impairment loss	$ 63,913	$ 40,752	$ 83,677	$ 4,408	$ 4,010	$ 301	$ 197,096	$ —	$ 197,096
Net increase in property and equipment, and intangible assets	$ 2,082,677	$ 570,602	$ 177,129	$ 12,430	$ 397,225	$ 46,043	$ 3,286,129	$ 8,301	$ 3,294,440

Notes:

1. The adjustments of ¥(1,634) million ($(17,569) thousand) and ¥(945) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.
2. The adjustments of ¥(499,494) million ($(5,370,903) thousand) and ¥(519,010) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2013 and February 29, 2012, respectively.
3. The adjustments of ¥209,982 million ($2,257,870 thousand) and ¥209,978 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2013 and February 29, 2012, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment incomes (loss) is reconciled with the operating income in the Consolidated Statements of Income.

(Reference)

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

Millions of yen

Fiscal year ended February 28, 2013	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,625,244	¥1,269,171	¥97,226	¥4,991,642	¥ —	¥4,991,642
Intersegment	730	130	—	861	(861)	—
Total revenues	¥3,625,974	¥1,269,302	¥97,226	¥4,992,503	¥(861)	¥4,991,642
Operating income	¥ 263,443	¥ 33,137	¥ (909)	¥ 295,671	¥ 13	¥ 295,685

Millions of yen

Fiscal year ended February 29, 2012	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,590,473	¥1,106,347	¥89,524	¥4,786,344	¥ —	¥4,786,344
Intersegment	444	101	—	546	(546)	—
Total revenues	¥3,590,917	¥1,106,449	¥89,524	¥4,786,890	¥(546)	¥4,786,344
Operating income	¥ 261,531	¥ 29,181	¥ 1,324	¥ 292,037	¥ 22	¥ 292,060

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2013	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$38,981,118	$13,647,000	$1,045,440	$53,673,569	$ —	$53,673,569
Intersegment	7,849	1,397	—	9,258	(9,258)	—
Total revenues	$38,988,967	$13,648,408	$1,045,440	$53,682,827	$(9,258)	$53,673,569
Operating income	$ 2,832,720	$ 356,311	$ (9,774)	$ 3,179,258	$ 139	$ 3,179,408

Notes:

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

(Related Information)

Fiscal Years ended February 28, 2013 and February 29, 2012

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, 2013

Millions of yen

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

Fiscal year ended February 29, 2012

Millions of yen

Japan	North America	Others	Total
¥3,590,473	¥1,106,347	¥89,524	¥4,786,344

Fiscal year ended February 28, 2013

Japan	North America	Others	Total
			Thousands of U.S. dollars (Note 3)
$38,981,118	**$13,647,000**	**$1,045,440**	**$53,673,569**

(2) Property and equipment

Fiscal year ended February 28, 2013

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

Fiscal year ended February 29, 2012

Japan	North America	Others	Total
			Millions of yen
¥1,072,898	¥245,108	¥2,167	¥1,320,174

Fiscal year ended February 28, 2013

Japan	North America	Others	Total
			Thousands of U.S. dollars (Note 3)
$12,263,096	**$3,644,032**	**$33,860**	**$15,941,010**

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

	Reportable segments								
Fiscal year ended February 28, 2013	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	**¥ 4,895**	**¥ 6,626**	**¥ 5,295**	**¥ —**	**¥ 805**	**¥ 61**	**¥ 17,684**	**¥—**	**¥ 17,684**
Balance at the end of current year	**114,773**	**42,343**	**69,672**	**—**	**17,803**	**1,084**	**245,678**	**—**	**245,678**
Negative goodwill									
Amortization	**—**	**23**	**—**	**4**	**—**	**10**	**37**	**—**	**37**
Balance at the end of current year	**—**	**233**	**—**	**42**	**—**	**—**	**275**	**—**	**275**

Millions of yen

	Reportable segments								
Fiscal Year ended February 29, 2012	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	¥ 3,620	¥ 3,372	¥ 5,253	¥ —	¥ 610	¥ 58	¥ 12,915	¥—	¥ 12,915
Balance at the end of current year	48,844	48,892	74,974	—	10,976	931	184,619	—	184,619
Negative goodwill									
Amortization	—	23	3	4	—	13	44	—	44
Balance at the end of current year	—	257	—	46	—	10	313	—	313

Thousands of U.S. dollars (Note 3)

	Reportable segments								
Fiscal year ended February 28, 2013	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill									
Amortization	**$ 52,634**	**$ 71,247**	**$ 56,935**	**$ —**	**$ 8,655**	**$ 655**	**$ 190,150**	**$—**	**$ 190,150**
Balance at the end of current year	**1,234,118**	**455,301**	**749,161**	**—**	**191,430**	**11,655**	**2,641,698**	**—**	**2,641,698**
Negative goodwill									
Amortization	**—**	**247**	**—**	**43**	**—**	**107**	**397**	**—**	**397**
Balance at the end of current year	**—**	**2,505**	**—**	**451**	**—**	**—**	**2,956**	**—**	**2,956**

6. Information regarding gain on negative goodwill by reporting segment

None

23. SUBSEQUENT EVENTS

Subsequent to February 28, 2013, the Company's Board of Directors declared a year-end cash dividend of ¥29,157 million ($313,516 thousand) to be payable on May 24, 2013 to shareholders on record as of February 28, 2013. The dividend declared was approved by the shareholders at the meeting held on May 23, 2013.

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 of February 28, 2013 and February 29, 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as of February 28, 2013 and February 29, 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2013 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 28, 2013
Tokyo, Japan