Advancing to the Next Stage

Preparing for the Omni-Channel Era

Annual Report 2015
Seven & i Holdings Co., Ltd.

The Seven & i Group has created a corporate brand message.
The message conveys our commitment to bringing our customers the joy of discovering something new and different from before, by constantly striving to implement new ideas. As we move forward, this message will guide our efforts to focus the Group's comprehensive strengths and to leverage Group synergy effects.

BRAND MESSAGE

IT'S A NEW DAY

Our stores can meet your needs. When you visit one of our stores, you're sure to find something that makes you a little happier. In fact, we think that's the real meaning of a "store."

Our stores have the things you want. They have delicious foods. They have goods that you cannot find at other stores. They have products that are brought to you with care, and items that will surprise you.

They have employees who are kind and warmhearted—who offer you a warm welcome.

Our stores are always clean, and they have efficient systems that enable you to quickly and accurately handle your daily affairs.

Rather than huge things that change our lives, isn't it the things that make us a little happier that, in the end, make our day-to-day lifestyles more comfortable?

But that isn't easy to do. It's not even possible without the wholehearted effort of the people who work in the stores.

Focusing on people—what do people want now? And what do they want to be? That is what we concentrate on, listen to, and strive to understand. We know that is the only way to meet the needs of our customers.

From convenience stores, superstores, and department stores to specialty stores, restaurants, Internet shopping, banking, and a range of public services, we are committed to being a Group that always asks,"what do customers want?"

The answer, of course, lies with the customers themselves. That is our vision for the Seven & i Group. It's a vision that we will always remember.

GROUP CORPORATE CREED

- We aim to be a sincere company that our customers trust.
- We aim to be a sincere company that our business partners, shareholders, and local communities trust.
- We aim to be a sincere company that our employees trust.

CONTENTS

TOSHIFUMI SUZUKI
Chairman and Chief Executive Officer

NORITOSHI MURATA
President and Chief Operating Officer

INCLUSION IN SRI INDICES

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

An SRI stock price index developed jointly by U.S.-based Dow Jones and Switzerland-based RobecoSAM Corporate Sustainability Assessment (CSA), an SRI ratings company. About 2,500 companies around the world are evaluated from a comprehensive perspective incorporating non-financial factors.

Included in ETHIBEL SUSTAINABILITY INDEX EXCELLENCE Global
Reconfirmed since March 24, 2014

Forum ETHIBEL is a Belgian-based non-profit organization for the promotion of socially responsible investing.

MS-SRI

Japan's first domestic SRI stock price index created by Morningstar comprised of 150 companies listed in Japan, which are selected for their superior social responsibility.

(As of the end of May 2015)

COMMUNICATION TOOLS

Seven & i Holdings offers a range of communication tools on its website.

- Corporate Profile
- Corporate Outline
- CSR Report
- Financial Results
- Brief Summary
- Presentation Materials
- Convocation Notice

For the latest investor relations information, please refer to the following website:

www.7andi.com/en

FORWARD-LOOKING STATEMENTS

This annual report contains certain statements based on Seven & i Holdings' current plans, estimates, strategies, and beliefs; all statements that are not historical fact are forward-looking statements. These statements represent the judgments and hypotheses of the Company's management based on currently available information. It is possible that the Company's future performance will differ significantly from the contents of these statements. Accordingly, there is no assurance that the forward-looking statements in this annual report will prove to be accurate.

AT A GLANCE

PRINCIPAL SUBSIDIARIES
As of February 28, 2015

CONVENIENCE STORE OPERATIONS

More information on pp. 17–21, 39

•Seven-Eleven Japan	100.0%
•7-Eleven, Inc.	100.0%
•SEVEN-ELEVEN HAWAII	100.0%
•SEVEN-ELEVEN (CHINA) INVESTMENT	100.0%
•SEVEN-ELEVEN (BEIJING)	65.0%
•SEVEN-ELEVEN (TIANJIN)	65.0%
•SEVEN-ELEVEN (CHENGDU)	100.0%

SUPERSTORE OPERATIONS

More information on pp. 22–24, 40

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

DEPARTMENT STORE OPERATIONS

More information on pp. 25-26, 40

•Sogo & Seibu	100.0%
•THE LOFT	74.8%
•SHELL GARDEN	100.0%

FOOD SERVICES

More information on pp. 27, 40

•Seven & i Food Systems	100.0%

FINANCIAL SERVICES

More information on pp. 28, 40

•Seven Bank	45.8%
•Seven Financial Service	100.0%
•Seven Card Service	95.5%
•Seven CS Card Service	51.0%

MAIL ORDER SERVICES

More information on pp. 29, 40

•Nissen Holdings	50.7%
•Nissen	50.7%
•SHADDY	50.7%

OTHERS

More information on pp. 29, 40

•Seven & i Net Media	100.0%
•7dream.com	68.0%
•Seven-Meal Service	90.0%
•Barneys Japan	100.0%

Note: Percentages are equity owned by Seven & i Holdings, including indirect holdings.

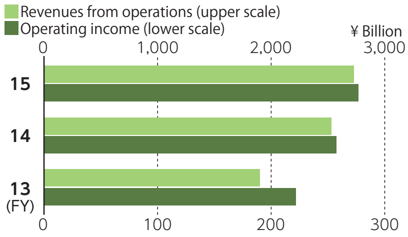
CONTRIBUTION TO RESULTS
For the fiscal year ended February 28, 2015

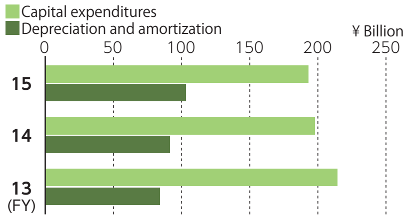
REVENUES FROM OPERATIONS / OPERATING INCOME

CAPITAL EXPENDITURES / DEPRECIATION AND AMORTIZATION

Revenues from operations
¥2,727.7 billion

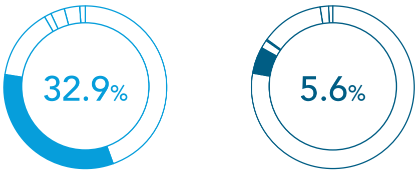
Operating income
¥276.7 billion

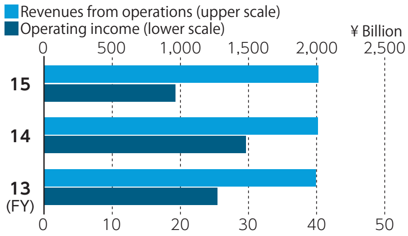


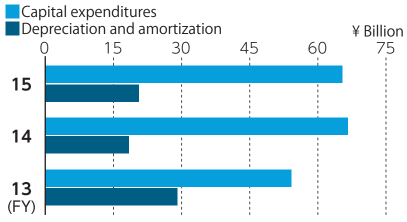


Revenues from operations
¥2,012.1 billion

Operating income
¥19.3 billion

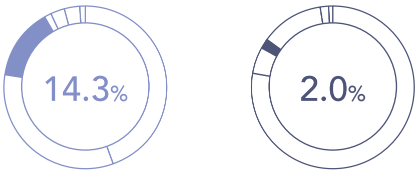


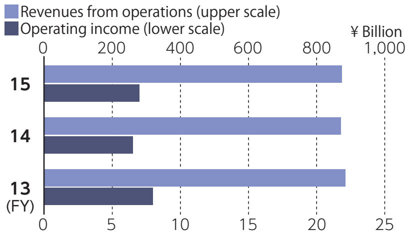


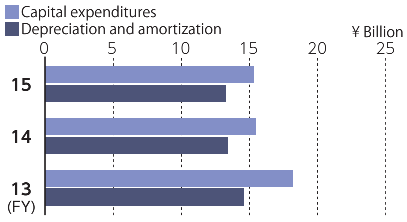


Revenues from operations
¥875.0 billion

Operating income
¥7.0 billion

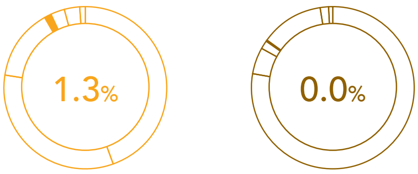


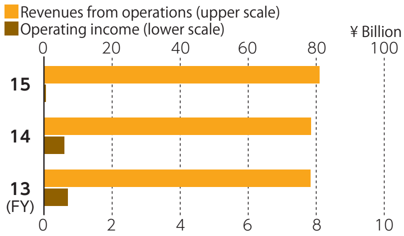


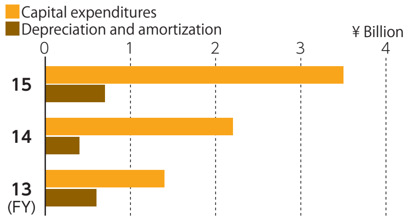


Revenues from operations
¥80.9 billion

Operating income
¥44.0 million

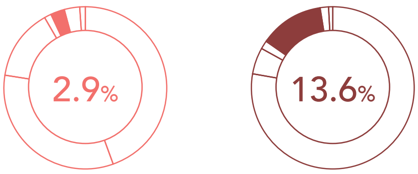


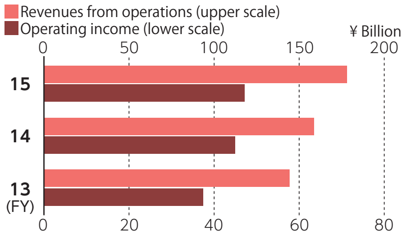


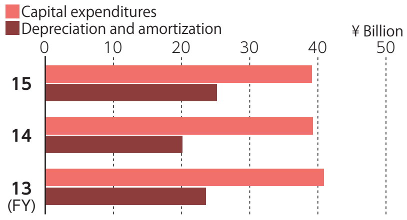


Revenues from operations
¥178.2 billion

Operating income
¥47.1 billion

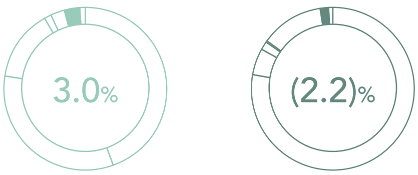


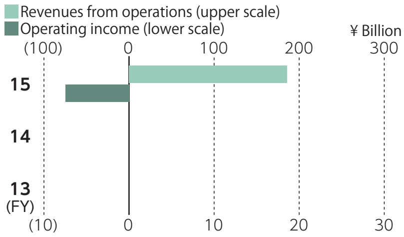


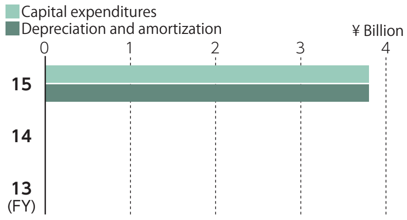


Revenues from operations
¥185.8 billion

Operating income
¥(7.5) billion

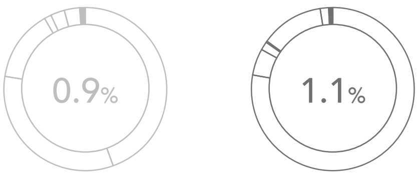


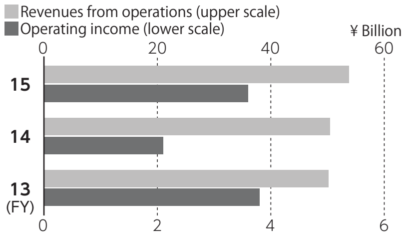


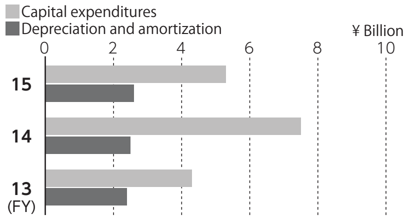


Revenues from operations
¥53.8 billion

Operating income
¥3.6 billion







FINANCIAL HIGHLIGHTS

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

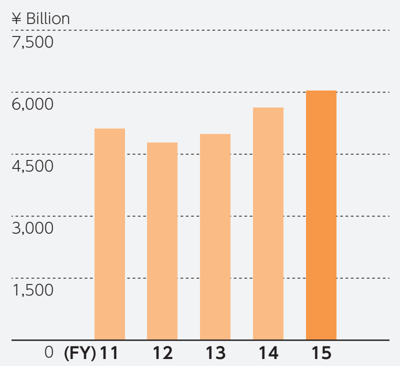
	2006 (Note D)	2007	2008	2009
For the fiscal year:				
Revenues from operations	¥3,895,772	¥5,337,806	¥5,752,392	¥5,649,948
Operating income	244,940	286,838	281,088	281,865
Income before income taxes and minority interests	178,518	243,060	227,441	215,115
Net income	87,930	133,419	130,657	92,336
Capital expenditures (Note F)	185,354	278,388	217,738	188,943
Depreciation and amortization (Note G)	97,810	132,693	143,642	140,529
Cash flows from operating activities	217,325	157,209	465,380	310,007
Cash flows from investing activities	(388,080)	(235,983)	(237,184)	(139,568)
Cash flows from financing activities	103,093	37,241	(130,136)	(169,755)
Free cash flows (Note H)	(170,754)	(78,774)	228,195	170,438
At fiscal year-end:				
Total assets	¥3,424,878	¥3,809,192	¥3,886,680	¥3,727,060
Total net assets	1,717,880	1,969,149	2,058,038	1,860,672
Owners' equity (Note I)	1,603,684	1,906,798	1,985,018	1,785,189

Per share data:				
Net income (basic)	¥ 100.83	¥ 142.90	¥ 137.03	¥ 100.54
Net income (diluted)	—	—	—	100.54
Cash dividends (Note J)	28.50	52.00	54.00	56.00
Owners' equity (Note I)	1,772.25	1,999.77	2,081.85	1,975.95
Financial ratios:				
Operating income ratio (Note K)	6.3%	5.4%	4.9%	5.0%
Net income ratio (Note K)	2.3%	2.5%	2.3%	1.6%
ROE	5.5%	7.6%	6.7%	4.9%
ROA	2.6%	3.7%	3.4%	2.4%
Owners' equity ratio (Note I)	46.8%	50.1%	51.1%	47.9%
Dividend payout ratio	—	36.4%	39.4%	55.7%

Notes:
(A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119=U.S.$1, the approximate rate of exchange prevailing on February 28, 2015.
(B) From the fiscal year ended February 28, 2014, the Company and its domestic consolidated subsidiaries (except for certain operating companies) have changed the depreciation method for property and equipment from the declining balance method to the straight-line method.
(C) 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."
(D) The results of Millennium Retailing (currently Sogo & Seibu) and its subsidiaries and affiliates in the fiscal year ended February 28, 2006 are consolidated only in the balance sheets.
(E) The results of Nissen Holdings and its subsidiaries in the fiscal year ended February 28, 2014 are consolidated only in the balance sheets.

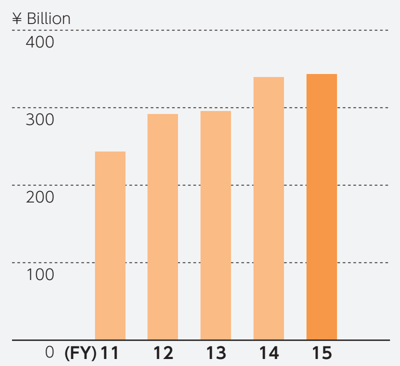
REVENUES FROM OPERATIONS

2015
+¥407.1 billion



OPERATING INCOME

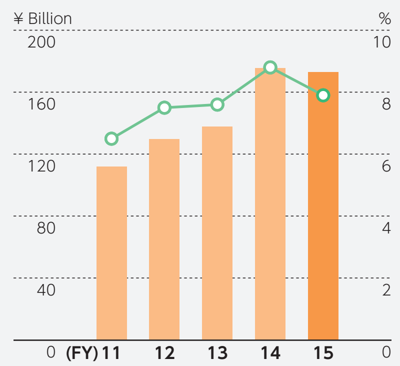
2015
+¥3.6 billion



NET INCOME ROE

Net income (left scale)
2015
¥(2.7) billion

ROE (right scale)
2015
(0.9)%

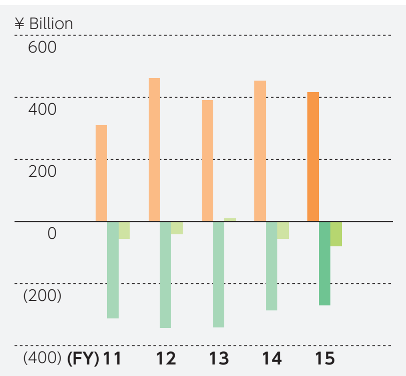


2010	2011	2012 (Note C)	2013	2014 (Notes B, E)	2015	2015
					Millions of yen	Thousands of U.S. dollars (Note A)
¥5,111,297	¥5,119,739	¥4,786,344	¥4,991,642	¥5,631,820	¥6,038,948	$50,747,462
226,666	243,346	292,060	295,685	339,659	343,331	2,885,134
143,104	223,291	230,817	262,722	311,230	310,195	2,606,680
44,875	111,961	129,837	138,064	175,691	172,979	1,453,605
211,189	338,656	255,426	334,216	336,758	341,075	2,866,176
132,232	132,421	139,994	155,666	147,379	172,237	1,447,369
322,202	310,527	462,642	391,406	454,335	416,690	3,501,596
(115,158)	(312,081)	(342,805)	(340,922)	(286,686)	(270,235)	(2,270,882)
(156,708)	(56,258)	(40,561)	10,032	(55,227)	(79,482)	(667,915)
207,044	(1,553)	119,836	50,484	167,648	146,454	1,230,705
¥3,673,605	¥3,732,111	¥3,889,358	¥4,262,397	¥4,811,380	¥5,234,705	$43,989,117
1,793,940	1,776,512	1,860,954	1,994,740	2,221,557	2,430,917	20,427,873
1,721,967	1,702,514	1,765,983	1,891,163	2,095,746	2,299,662	19,324,890
					Yen	U.S. dollars (Note A)
¥ 49.67	¥ 126.21	¥ 146.96	¥ 156.26	¥ 198.84	¥ 195.66	$ 1.64
49.66	126.15	146.88	156.15	198.69	195.48	1.64
56.00	57.00	62.00	64.00	68.00	73.00	0.61
1,905.97	1,927.09	1,998.84	2,140.45	2,371.92	2,601.23	21.85
4.4%	4.8%	6.1%	5.9%	6.0%	5.7%	—
0.9%	2.2%	2.7%	2.8%	3.1%	2.9%	—
2.6%	6.5%	7.5%	7.6%	8.8%	7.9%	—
1.2%	3.0%	3.4%	3.4%	3.9%	3.4%	—
46.9%	45.6%	45.4%	44.4%	43.6%	43.9%	—
112.7%	45.2%	42.2%	41.0%	34.2%	37.3%	—

(F) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(G) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.
(H) Free cash flows are calculated on the basis of the sum of cash flows from operating activities and cash flows from investing activities.
(I) Owners' equity is calculated on the basis of net assets excluding minority interests and subscription rights to shares in consolidated subsidiaries.
(J) Cash payments upon a stock transfer were made by Seven & i Holdings to the shareholders of Seven-Eleven Japan, Ito-Yokado, and Denny's Japan recorded in the registers of shareholders as of August 31, 2005, instead of the interim dividend payments for the fiscal year ended February 28, 2006. Accordingly, only year-end dividends are shown.
(K) Revenues from operations are used as the denominator for operating income ratio and net income ratio.

CASH FLOWS

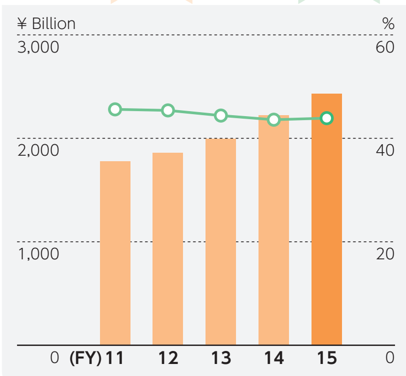
Cash flows from operating activities
Cash flows from investing activities
Cash flows from financing activities



TOTAL NET ASSETS OWNERS' EQUITY RATIO

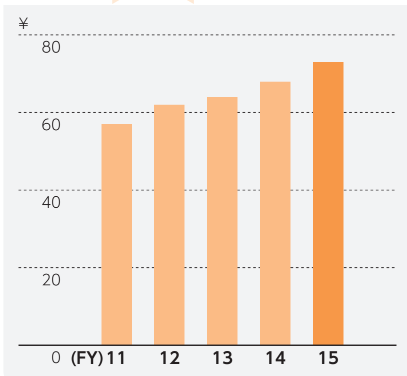
Total net assets (left scale)
2015
+¥209.3 billion

Owners' equity ratio (right scale)
2015
+0.3%



CASH DIVIDENDS PER SHARE

2015
+¥5.00



CEO MESSAGE

The Seven & i Group will rigorously practice "Management Focused on Quality."
At the same time, the Group will vigorously promote its Omni-Channel Strategy as its second stage of growth.

SNAPSHOT

Sales Capabilities

approx. **10.2** trillion yen

in the Group's total sales*

* Including the sales of Seven-Eleven Japan and 7-Eleven, Inc. franchisees

Store Network of Seven & i Holdings

Global: approx. **56,000** stores

Japan: approx. **19,000** stores

Number of Customer Store-Visits per Day

Global: approx. **58.0** million

Japan: approx. **20.5** million

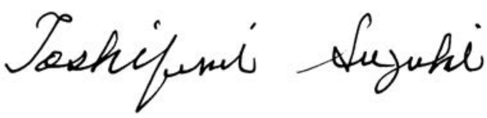
In the fiscal year ended February 28, 2015, the Group's total sales exceeded ¥10 trillion for the first time in Japan's retail sector history, and its operating income marked a new record high for a fourth consecutive year. I believe that this achievement is the result of consistent implementation of the Group's management principle of "Responding to Change while Strengthening Fundamentals." In Japan, we will continuously respond to changes in customers' consumption patterns, which are affected by factors such as the decline in the birthrate and the aging population, as well as increases in the number of single-person households and working women, and changes in the social environment, such as the decline in the number of retail stores. Moreover, the recent consumption tax increase has highlighted the fact that Japanese society is now a mature one. This means that customers now view prices and value more critically. We will therefore continue to rigorously apply "Management Focused on Quality" and strive to provide new high-quality products and services.

Our main policies for the fiscal year ending February 29, 2016 are to "Break Away from Conventional Chain Store Management" and "To Begin Full-Scale Operation of the Omni-Channel Strategy." The traditional Chain Store concept of a uniform nationwide network of stores is not going to meet the diversifying customer needs of our current social environment. The Seven & i Group will pursue store development that is closely tied to the local community, and its stores in Japan and around the world will take the lead in satisfying customer needs in each region.

We are also about to achieve the seamless integration of "real stores" and "Internet channels" with the full-scale rollout of our Omni-Channel Strategy to customers from October 2015. The Omni-Channel Strategy is a world-first attempt to provide an integrated platform spanning diverse formats from convenience stores to supermarkets, department stores, specialty stores, and others. The Omni-Channel Strategy envisaged by the Group will create new value for customers through entirely new modes of customer service and sales. And we hope that it will enrich their lives.

I would like to ask all our shareholders and investors for their continued support for our efforts.

July 2015



TOSHIFUMI SUZUKI
Chairman and Chief Executive Officer

INTERVIEW WITH THE PRESIDENT

In the fiscal year ended February 28, 2015, Seven & i Holdings delivered record-high revenues from operations and operating income. The Group's total sales topped ¥10 trillion for the first time in domestic retail history while operating income marked a new record high for a fourth consecutive year.

We will continue to address the changing social climate by providing high-value-added products and services and practicing "Management Focused on Quality."

Providing Products and Services That Meet the Changing Needs of the Living Environment

The fiscal year ended February 28, 2015 presented a challenging business environment. The government increased the consumption tax rate from 5% to 8%, and we had a summer of poor weather. The situation in the fiscal year ending February 29, 2016 remains challenging with consumers set to tighten their belts even more in response to further consumption tax rate increases. In the retail business, however, we found a new opportunity for growth. We are beginning to see some signs of hope in the consumption environment, such as gradual increases in real income based on wage hikes. However, the trends are not uniform throughout Japan, and the differences in consumption expenditure between regions and generations are widening. Consumers are demanding a more finely tuned response to the challenges of their living environments. The Seven & i Group will dedicate itself to developing new products that add high value by responding in detail to these changes in consumer needs and to enhancing face-to-face sales. In doing so, we will increase our opportunities for business growth.

Seven & i Holdings has adopted a Group management principle of "Responding to Change while Strengthening Fundamentals," and emphasizes the importance of responding swiftly to changes in consumer needs. Since the fiscal year ended February 28, 2014, we have been promoting a Group policy of "Management Focused on Quality" as a strategy to avoid becoming embroiled in price-based competition. Recent consumption trends show that people increasingly prefer to pay a little more for quality to the extent that they need, and this trend has become more pronounced in this era of consumption tax rate increases. At the time of the previous consumption tax rate increase in April 1997, a financial crisis started from the autumn and with the market itself in contraction, personal consumption trends revealed that consumers were inclined to prioritize low prices above other factors. By comparison, today we are in a mature consumption environment, and consumers' approach to saving money has shifted from one of simply focusing on price to one of avoiding unnecessary purchases. As a result, personal consumption is becoming clearly polarized, with companies that focused exclusively on low prices now engaged in a bitter struggle, while companies that have been able to propose added value are seeing earnings growth, and so forth. The age of mass consumption has passed. As we move forward into an age where profits will be generated by adding higher value to individual products, we will differentiate ourselves by developing more quality-driven offerings, particularly in the Group's private-brand products and the original products of

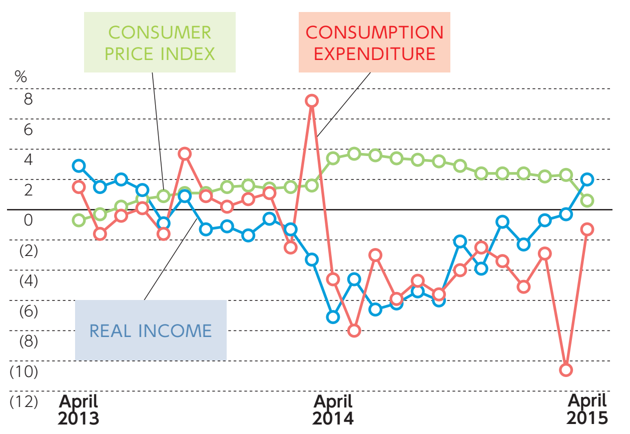
NORITOSHI MURATA
President and Chief Operating Officer

each operating company, and by enhancing our customer service capabilities. Moreover, Japan's social structure is changing, with a falling birthrate, an aging population, and an increasing percentage of working women. We will take these structural changes as business opportunities and create new unique value to offer consumers by leveraging organic links between our Group companies.

Group Policies

The Group will respond flexibly to changes in consumers' needs. Regarding specific policies for the fiscal year ending February 29, 2016, we aim to "Break Away from Conventional Chain Store Management," "Strengthen Operations at the Regional and Individual Store Levels," and "To Begin Full-Scale Operation of the Omni-Channel Strategy." To

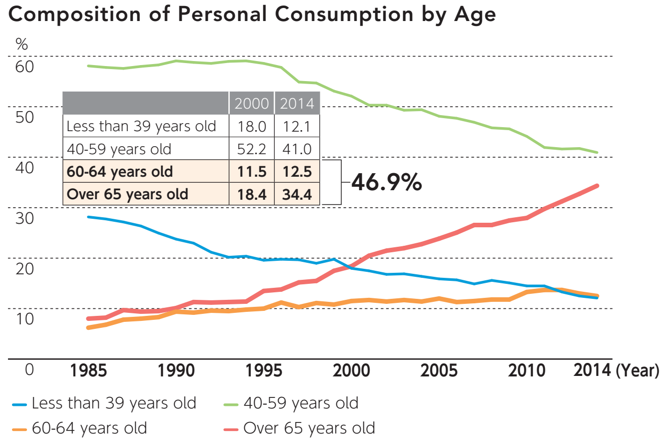
TREND IN THE CONSUMPTION ENVIRONMENT



Source: Ministry of Internal Affairs and Communications

INCREASE OF THE SENIOR SECTOR WITHIN DOMESTIC CONSUMPTION

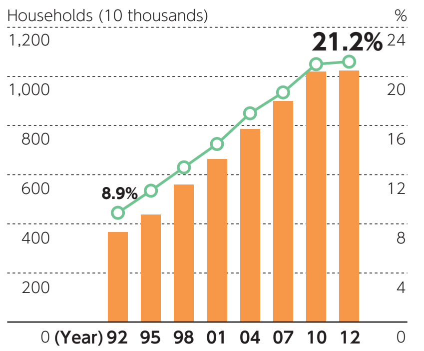
Composition of Personal Consumption by Age



	2000	2014
Less than 39 years old	18.0	12.1
40-59 years old	52.2	41.0
60-64 years old	11.5	12.5
Over 65 years old	18.4	34.4

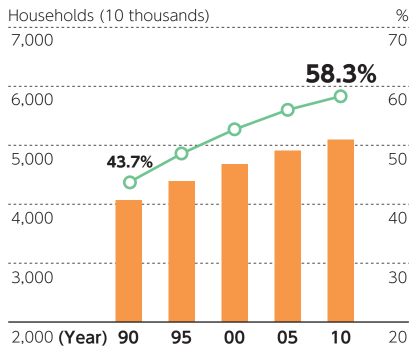
Source: Household Expenditure Survey
(Ministry of Internal Affairs and Communications)

INCREASE IN NUMBER OF AGED HOUSEHOLDS



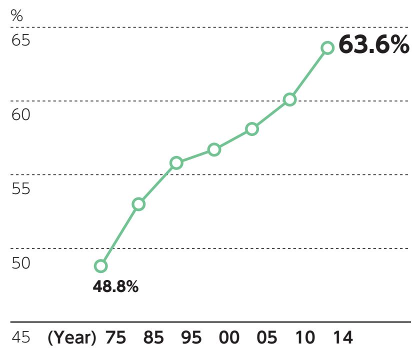
Total number of aged households (left scale)
Composition of total number of aged households (right scale)
Source: Comprehensive Survey of the People on Health and Welfare (Ministry of Health, Labour and Welfare)

INCREASE IN NUMBER OF PEOPLE PER HOUSEHOLD



Total households (left scale)
Single / Husband and wife (right scale)
Source: Population Census of Japan (Ministry of Internal Affairs and Communications)

INCREASE IN NUMBER OF FEMALE EMPLOYEES IN JAPAN

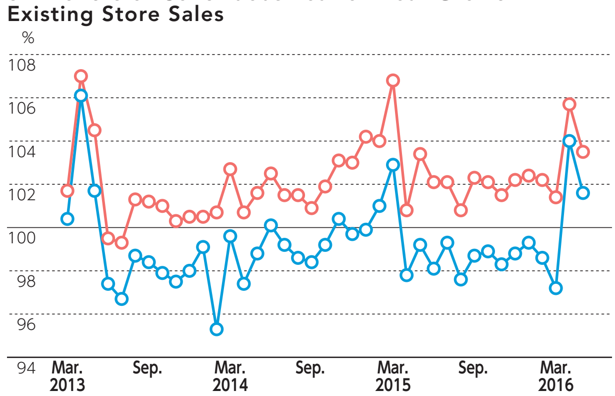


Source: Labour Force Survey 15–64 years old (Ministry of Internal Affairs and Communications)

continue growing, we must persist in responding to the changing social environment. In a market of mature buyers, it is vital to create sales areas tailored to each region and the characteristics of each individual store, and to create an operating structure that will achieve this. We will strengthen our initiatives in this area across the Group. Furthermore, the fiscal year ending February 29, 2016 is the 10th anniversary of the establishment of Seven & i Holdings. In October this year, we will commence the full-scale rollout of the Omni-Channel Strategy—a service that will provide new value in retail by using the combined capabilities of our infrastructure, such as the Group's store network, and our various types of businesses. To progress to "the second stage of its growth," the Group will seek to strengthen its existing businesses while introducing innovations.

EXISTING STORE SALES AT SEVEN-ELEVEN JAPAN

34 Months of Continuous Year-on-Year Growth in Existing Store Sales



SEJ existing store sales
Convenience store existing store sales

Note: SEJ's existing store sales growth is presented based on a new standard from fiscal 2013 onward.

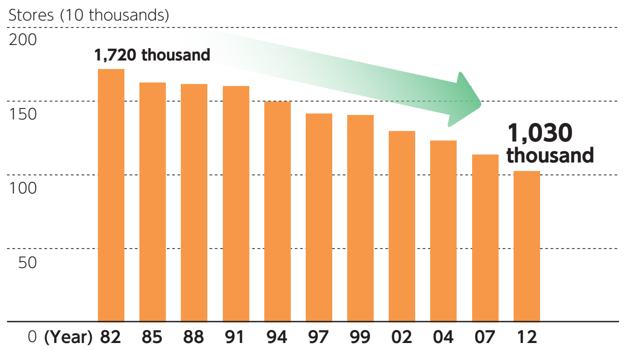
Source: Japan Franchise Association Monthly Convenience Store Survey

Breaking Away from Conventional Chain Store Management

Chain Store management is based on a uniform nationwide merchandise lineup led by the Head Office. It is a business model that pursues management efficiency through mass store openings and large-scale operations. The mechanisms of efficient management from the U.S. were a good match for Japan's period of high economic growth, and produced strong results. In today's mature society, however, as consumption becomes saturated and consumer needs diversify, the conventional model of Chain Store management cannot meet the various demands of consumers. The reason for this is the widening difference in inter-regional preferences which causes opportunities to begin to slip away under a Head Office-led system. The Seven & i Group seeks to respond to consumer needs more quickly and in finer detail. To do so, we will construct a management framework that enables individual stores to take the lead in creating product lineups and sales areas that match the needs of local consumers.

At Seven-Eleven Japan (SEJ), existing store sales growth and the gross profit margin both increased during the fiscal year ended February 28, 2015, and the company achieved a new record for operating income. SEJ's franchisees and the Head Office took on clearly delineated roles, with stores focusing on store management, especially sales, and the Head Office providing multifaceted support for store management, including promotion of products and sales, as well as systems. The Head Office and stores have built a strong trust relationship under this structure. Convenience stores are based on a franchise business, and each store is a sole owner-operated enterprise. Applying a push-style of Head Office-led management to such owner-operated enterprises is ineffective. SEJ's answer has been to employ

DECLINE IN NUMBER OF RETAIL STORES



Source: The Census of Commerce (Ministry of Economy, Trade and Industry)

team merchandising, where we ask the owners to think for themselves about product development that will satisfy their customers, and we then team up with external manufacturers that have production technologies to make the products. In other words, since the founding of the company, the store management has been led by individual stores, and the company has a robust business platform that is able to cope flexibly with changes in the social environment and regional characteristics. To give a specific example, in advance of the consumption tax rate increase in April 2014, we established a clear merchandising strategy for after the increase, and by systematically developing new products and renewing existing ones, we were able to continue growing our sales. Furthermore, when we piloted product development tailored to regional preferences in the Kansai and Nagano areas, we achieved results that exceeded our national average. The greatest strength of SEJ is therefore the ability to respond to consumer needs using its business infrastructure. And, I believe we are seeing this translate into growth as a corporation.

We will reflect the example of SEJ across the entire Group as we proceed to drive the evolution of Chain Store management.

Strengthening Operations at the Regional and Individual Store Levels

We aim to break free from conventional Chain Store management and strengthen the Group's regional response and build a store-led operating framework.

At SEJ, we reorganized the Merchandising Department in January 2015 by dividing it internally by regions. This is one way we aim to reinforce our regional response, with a view to strengthening our systems for developing and selling products to suit local markets.

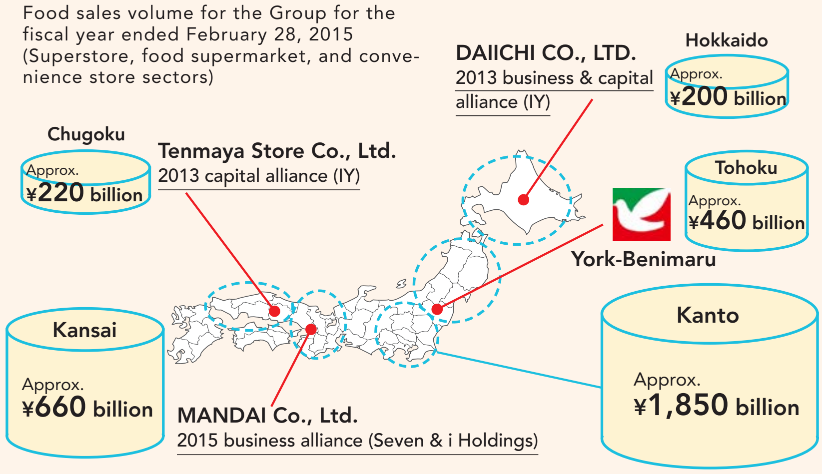
Meanwhile, at Ito-Yokado (IY), which is currently facing challenges, we will break free from conventional Chain Store management, and from dependence on wholesalers for development, by taking our own initiatives to create product lineups and sales areas that reflect consumers' needs. We will implement store management that is closely tied to the local community. To this end, we have greatly expanded the sales authority of stores, who have a good grasp of the characteristics of their local markets. At the same time, we have shifted to an organizational structure that can provide back up when stores require it, such as merchandise procurement functions.

Store Management Closely Tied to Local Communities

The Seven & i Group is taking steps to strengthen its operations at the regional and individual store levels. We will leverage our infrastructure, including stores and distribution systems, while working to increase our procurement capabilities for regional merchandise through links with capital and business alliance partners. We will focus mainly on food products, which can easily reflect regional preferences.

Group Food Product Sales by Region

Food sales volume for the Group for the fiscal year ended February 28, 2015 (Superstore, food supermarket, and convenience store sectors)



The Omni-Channel Strategy

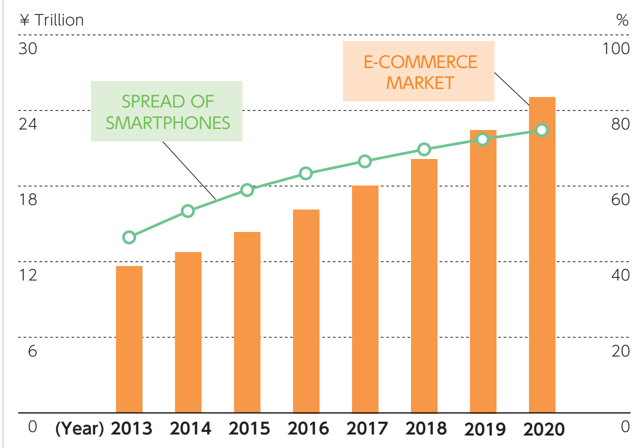
In its Omni-Channel Strategy, the Group integrates real stores with the Internet to enable customers to seamlessly order, purchase, and collect products from all manner of customer contact points. Merchandise sales will now need to provide both the immediacy of Internet shopping and the confidence of being able to actually hold a product in your hand to check the quality. We see the ability to provide total services in this way as a strength of the retail industry.

We expect to achieve two things through the Omni-Channel Strategy. The first is to strengthen our product development with new perspectives by teaming up with external manufacturers. The second is to strengthen customer service in real stores, as a way to provide people with the information they really want in an age where they are now flooded with information due to the proliferation of smartphones and other factors.

For example, at Sogo & Seibu, as one of our service functions for customers, we offer a free cosmetic counseling service called *Kirei Station*. The service is focused on providing proposals that meet customers' needs without being tied to cosmetics from any one manufacturer or brand. Here, customers' purchasing behavior moves between the Internet and real stores, from making counseling appointments to store front purchases and repurchases. This is one example of how we have realized the Omni-Channel Strategy of drawing out latent customer needs by making proposals through multiple channels.

We have positioned the Omni-Channel Strategy as a driver for our "second stage of growth," and will aim to use it to maximize the Group's value going forward. The Group's strength is its ability to leverage an infrastructure spanning a wide array of business formats, including convenience stores, superstores, food supermarkets, department stores, specialty stores, and restaurants, with a network of approximately 19,000 stores in Japan receiving approximately 20.5 million visitors per day. We also see business opportunities in the expansion of the e-commerce market, which is driven by an increase in individual users.

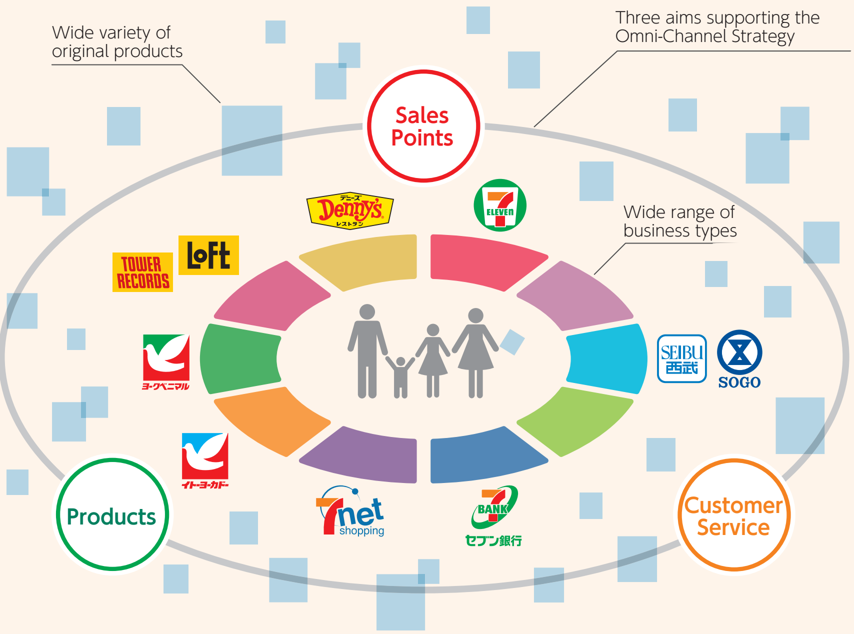
E-COMMERCE MARKET SALES VOLUME AND SPREAD OF SMARTPHONES



Source: Nomura Research Institute

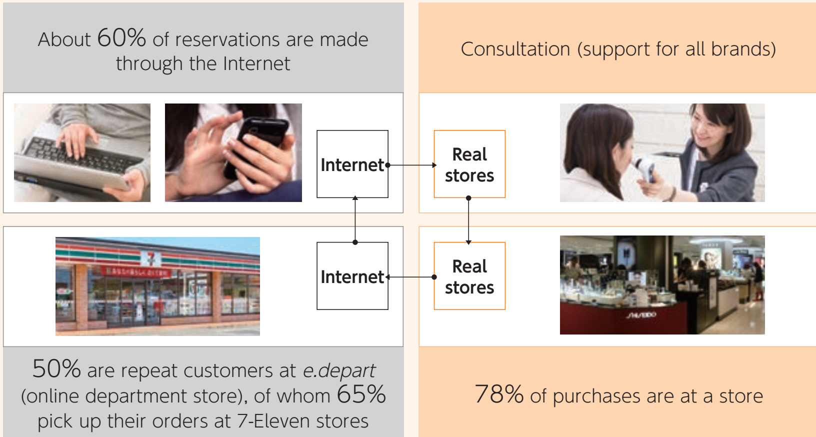
Omni-Channel Strategy Conceptual Diagram

By merging real-store and Internet-based services, the Group aims to advance its sales, products, and customer service to realize the world's ultimate Omni-Channel retail format for providing services that meet individual customers' needs.



Case Study of *Kirei Station* at Sogo & Seibu (Free Consultation Service for Cosmetics)

The purchasing behavior of customers shows a tendency to go back and forth between Internet stores and real stores. We can discover latent needs as a Group by setting up multiple channels and inter-linking them.

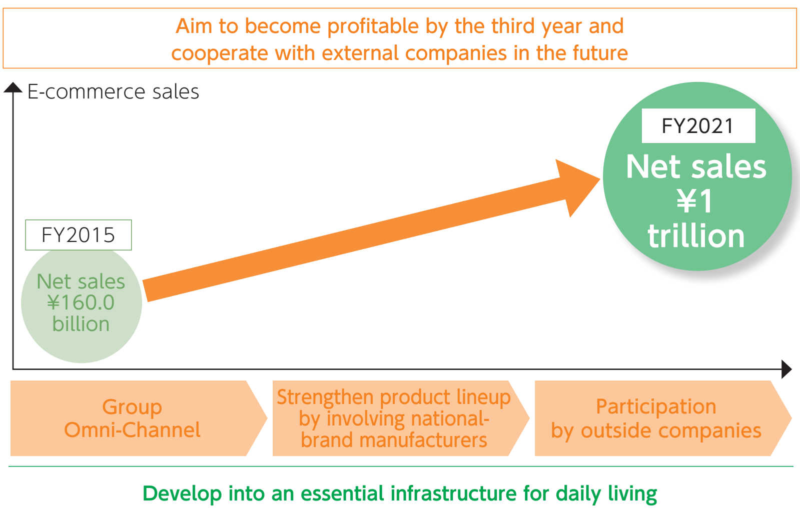


• Developing New Sales Styles with the Omni-Channel Strategy

The Omni-Channel Strategy is gaining recognition among consumers for providing a unique service that brings together the flexibility of face-to-face sales and the convenience of Internet shopping. We have started our Omni-Channel Strategy with our own internal brands, but aim to expand the service by bringing national-brand manufacturers on board and eventually develope the system into an essential infrastructure for supporting consumers' lifestyles. We aim to turn a profit in the third year of operation, while consolidating our foundations, targeting net sales of ¥1 trillion in fiscal year ending February 28, 2021.

7-Eleven stores handle around 2,800 products; however, around 3 million items are available in the store, including the Group's Internet-based products. In the future, we envisage an open platform available for participation by external companies, which we expect to create various possibilities, such as increases in store visits and acquisition of new customers.

■ Omni-Channel Strategy Business Road Map



■ Project Creation for Plan Implementation

Project	Theme
1. Products	Development of innovative, high-quality private brands and product information conveying value and appeal
2. Stores and Distribution	Receipts and returns accepted at stores, customer sales via tablet devices, and same-day deliveries
3. Internet and Membership	Universal ID for customer-focused loyalty programs and settlement services, and individualized product proposals
4. Security	Security qualification acquisition, customer base management, and supervision and audit systems

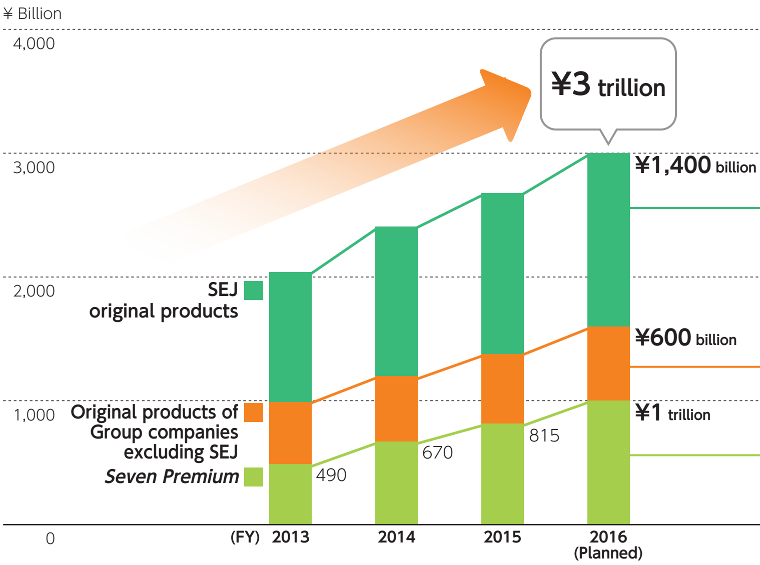
Further Expansion of Private-Brand Product Sales

As consumer needs continue to diversify, we are working to create high-value-added products that consumers will love. The Seven & i Group has already harnessed team merchandising with outstanding suppliers. We have developed a line of products that combine quality and reasonable pricing to build a new private-brand concept that accommodates consumer tastes. This private brand embodies the Group's corporate policy of providing quality-oriented products. Another feature is that it provides products at a uniform price for all formats from convenience stores to department stores.

Seven Premium

We launched *Seven Premium* private-brand products in May 2007. We created this category by drawing on original product development techniques within SEJ and leveraging the product development expertise and sales capabilities of Group companies. With customers increasingly seeking quality and reasonable pricing, *Seven Premium* product sales grew 21.6% year on year in the fiscal year ended February 28, 2015 to ¥815 billion, and our target for the fiscal year ending February 29, 2016 is ¥1 trillion.

SEVEN & i GROUP ORIGINAL PRODUCTS SALES PLAN



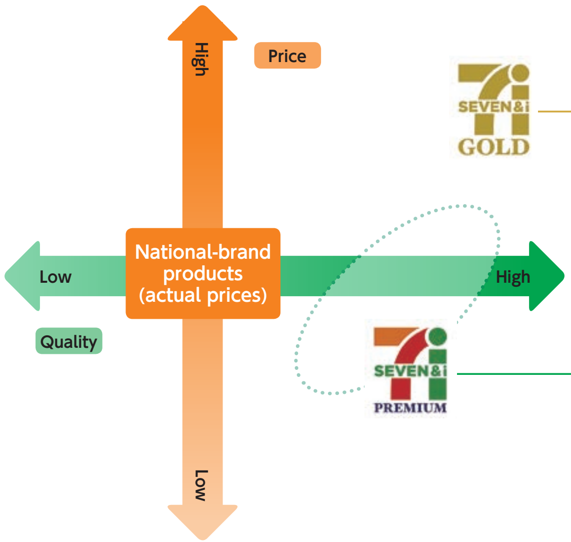
good day
Kent IN TRADITION
LIMITED EDITION
GALLORIA
顔が見える食品。

Seven Gold

Seven Gold was launched in 2010, with the aim of developing high-quality products using only select ingredients and production techniques, to offer quality that is the same as, or better than, top-selling national-brand products. The key concept is "a small indulgence" that allows consumers to enjoy the finest quality products at home. In the course of product development, we jointly develop products with leading manufacturers in each product field. By making the most of each manufacturer's insistence on using select manufacturing technologies, ingredients, and so forth, we work to create the "finest products" to satisfy customers' expectations. Some of our products could not be developed without our essential comprehensive strengths in areas like marketing, logistics networks, and sales. We will continue to adhere to our policy of setting the Seven & i Group apart from the competition in terms of quality by leveraging our strengths.

Seven Gold: Golden Bread

POSITIONING AND CONCEPT FOR PRIVATE-BRAND PRODUCTS



Seven Gold

- *Seven Gold* products in the *Seven Premium* brand are developed to meet the needs of those who wish to try something a little more tasty as a luxury
- Equal to or better than the quality of products from specialty stores and popular stores
- A reasonable price

Seven Premium

- Quality same as or better than national-brand products
- Priced 20%–30% lower than national brand actual prices
- Secure sufficient profit

Seven Key Points of *Seven Premium*

1) Safe and reliable
2) Delicious
3) Regional flavors
4) Cutting-edge technologies
5) Universally designed
6) Health conscious
7) Reasonably priced

Renewing Existing Products

The Seven & i Group's emphasis on responding to change also underpins its product development. Each year, we renew around 50% of our existing *Seven Premium* products to ensure customers do not tire of the taste and to further improve quality. As a result of our efforts, *Seven Premium* has become a brand that can compete head to head with national-brand products. This is highlighted by the fact that the number of products generating more than ¥1 billion in Group sales annually per item has reached 144, an increase of 24 from the previous fiscal year.

PRODUCTS THAT SOLD OVER ¥1 BILLION PER ITEM IN TOTAL GROUP SALES

	FY2014	FY2015
Daily food products	72 items	90 items
Beverages and alcohol	28 items	28 items
Confectionery	10 items	14 items
Processed food products	10 items	12 items
Total	**120 items**	**144 items**

Progress among Major Group Companies and Outlook for Fiscal Year Ending February 29, 2016

Ever since its founding, the Seven & i Group has embraced the basic policy of sharing strategies while keeping brands independent. In other words, while sharing Group strategies to generate and deliver new value, each Group company continues to offer consumers the value it has cultivated under its own brand.

• Convenience Store Operations

Looking at our convenience store operations, SEJ seized opportunities for long-term growth in the changing social environment. These included an aging population, households with fewer members, an increase in the number of working women, and a decline in the number of small- and medium-sized retail stores. SEJ expanded the 7-Eleven chain by prioritizing high-density, concentrated store openings under its market concentration strategy, and drove the evolution of its stores into "close-by, convenient stores" by developing high-quality original products and extending its lineup of daily essentials to meet consumers' expectations. Moreover, SEJ is targeting all food-related markets including food and beverage retail, restaurants, and take-home meals—a combined target market with total sales of approximately ¥74 trillion. Since SEJ's current share of this gigantic market is only about 5%, there are still ample opportunities for growth. We have positioned SEJ as the core driver of Group growth, and will continue to actively invest in the company. In the fiscal year ending February 29, 2016, SEJ plans to open a record-high 1,700 stores.

In North America, 7-Eleven, Inc. (SEI) will continue to focus on development and sales of fresh food offerings, mainly hot food, and the *7-Select* range of private-brand products. It will also improve store operations through rigorous item-by-item management and other means. SEI will continue to convert its directly operated stores into franchised stores as this initiative has started to bear fruit in terms of boosting SEI's profitability. In store openings, SEI employs the market concentration strategy, just like SEJ in

Japan, to ensure effective merchandising and efficient infrastructure usage, and it will continue to open stores in urban areas and market concentration areas, including through M&As.

• Superstore Operations

In superstore operations, IY will focus on enhancing sales capabilities by strengthening the development of private-brand products and face-to-face sales with customers. At the same time, it will take steps to breathe new life into existing stores, such as expanding their authority to make decisions on stock ordering and sales and constructing a store-led operating framework. We will also strengthen our *Net Supermarket* business to serve as a base for driving forward the Omni-Channel Strategy.

At York-Benimaru (YB), we rigorously implemented sales area creation that is closely tied with local communities, focusing particularly on the Tohoku and northern Kanto regions, and our efforts have highly impressed our customers. Including YB's subsidiary Life Foods, which produces and sells delicatessen items, the operating income ratio continues to exceed 4%. YB will continue to distinguish its offerings in fresh foods even more in collaboration with Life Foods.

• Department Store Operations

In department store operations, Sogo & Seibu is expanding retailer-managed merchandising, focused on *Limited Edition* private-brand products, and store-managed sales areas to differentiate its offerings and make its department stores more attractive. We are targeting sales of ¥120 billion (up ¥20 billion from the previous fiscal year) in sales of our retailer-managed merchandising and store-managed sales areas for the fiscal year ending February 29, 2016. Furthermore, we will enhance high-quality customer service, total consulting functions, and other amenities.

Based on the foregoing, we are forecasting consolidated revenues from operations of ¥6,400 billion and consolidated operating income of ¥373 billion in the fiscal year ending February 29, 2016, which will be record highs, and for a fifth consecutive year in the case of operating income.

Financial Policy and Shareholder Returns

Targeting a 10% ROE over the Medium Term

We see consolidated operating income and consolidated ROE as crucial performance benchmarks for achieving our management goal of maximizing the Group's corporate value. Accordingly, we aim to achieve a 10% ROE over the medium term.

In our basic investment policy, we have planned to make investments of ¥460 billion on a consolidated basis. We will actively invest in growing businesses. As part of this, we will invest intensively in convenience store operations, the core driver of Group earnings, and enhance their profit margins. Moreover, we will increase our investment in existing stores as a structural reform project and lift our asset turnover ratio. Eyeing medium- to long-term growth, we will also make infrastructure investments in systems for achieving our Omni-Channel Strategy.

Basic Policy on Shareholder Returns

Our basic policy is to reflect earnings growth in our return of profits to shareholders. We aim to maintain a base consolidated payout ratio of at least 35%, and to improve it further in the future in accordance with profit growth. We increased cash dividends per share for the fiscal year ending February 28, 2015 by ¥5, to ¥73, and in the fiscal year ending February 29, 2016, we are planning to increase dividends by ¥4 per share, to ¥77. We seek to maximize returns to shareholders through further earnings improvements going forward.

Conclusion

We have continued to see social changes as opportunities, and have grown by constantly innovating. With our "second stage of growth," the Omni-Channel Strategy, we will anticipate changes in consumption trends and establish a new style of retail. It is the Group's mission to continue tackling such challenges. These efforts lead to increases in corporate value over the long term. We will continue working to maximize synergies between Group companies and to carve out a history of innovation that sets us apart as a Group.
We would like to ask for the continued support of our shareholders and investors in the years ahead.

July 2015

Noritoshi Murata

NORITOSHI MURATA
President and Chief Operating Officer

CONVENIENCE STORE OPERATIONS

Convenience store operations comprise 7-Eleven convenience stores in Japan, North America, and China (Beijing, Tianjin, and Chengdu). 7-Eleven, Inc., based in the United States, provides 7-Eleven area franchise rights to area licensees around the world.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,727.7 billion	¥276.7 billion	¥193.2 billion
+7.8%	+7.5%	(2.3)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥3,000.0 billion, up 10.0% year on year, and operating income of ¥296.0 billion, an increase of 7.0%. Moreover, with respect to the exchange rate for income calculation, the yen is projected to fall ¥12.21 against the U.S. dollar to ¥118.00. The resulting foreign exchange effects are projected to increase reported segment revenues from operations by about ¥221.6 billion and segment operating income by about ¥6.5 billion. Capital expenditures are forecast at ¥293.0 billion, up 51.6%, and depreciation and amortization at ¥126.0 billion, an increase of 22.0%. Capital expenditures are planned for aggressive store openings in Japan as well as investments in existing stores to enhance their sales capabilities. These projections also factor in increases due to M&As for store openings in North America.

Domestic Operations

In Japan, the social environment continues to change with the continued fall in the birthrate, combined with an aging population, households with fewer members, an increase in the number of working women, and a decline in the number of small- and medium-sized retail stores. In this environment, convenience stores with their small catchment areas are playing an increasingly important role. Seven-Eleven Japan (SEJ) has been approaching these changes as opportunities for growth, and since 2009 has been promoting store openings with the goal of creating stores that are “close-by, convenient stores.” In the fiscal year ending February 29, 2016, SEJ will seek to evolve this concept even further, including by focusing in particular on increasing its response to local needs.

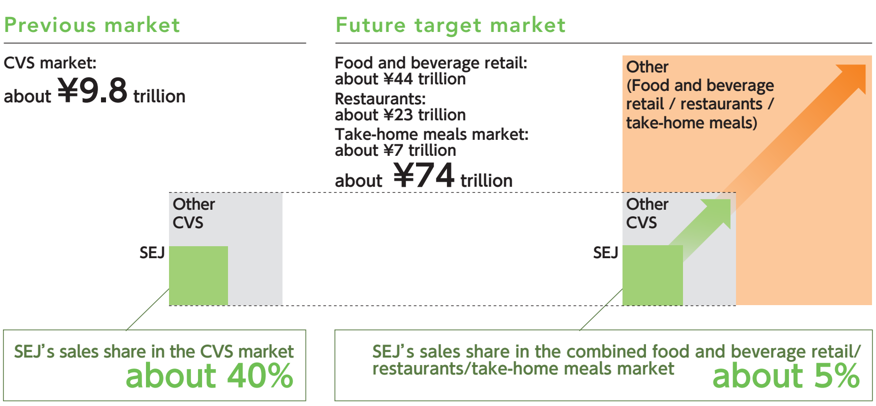
On the product front, we will take steps to further increase the quality of our original products and to enhance our lineup of everyday meal type products, such as *sozai* prepared meals, frozen food products, and processed foods, and develop products under the Group’s private brands, *Seven Premium* and *Seven Gold*. This measure is designed to widen SEJ’s customer base, mainly among seniors and women, who tend to be sensitive to pricing and quality. Ultimately, it is intended to contribute to continued growth in existing store sales.

In store openings, SEJ plans to set yet another record with 1,700 new store openings. These will include further openings in existing coverage areas as well as development of new areas, such as the start of store openings in Kochi Prefecture in March 2015, followed in June by openings in Aomori Prefecture, with further new openings scheduled for Tottori Prefecture in October. This will bring the total to 18,591 stores, a net increase of 1,100 stores from February 28, 2015.

Through these two growth drivers of expansion in sales at existing stores and increases in store openings, SEJ’s share of net sales in the convenience store market has grown by 1 percentage point each year for the past five years. We broke through 41% in the fiscal year ended February 28, 2015, and in the medium term, we are looking to achieve a share of 50%.

Moreover, SEJ is looking beyond the conventional definition of the convenience store market and is now targeting all food-related markets, including food and beverage retail, restaurants, and take-home meals. This giant target market has total sales of approximately ¥74 trillion, and since SEJ's current share is only about 5%, there are still ample opportunities for growth. SEJ will continue to develop products and services in response to the various changes in the market, while taking a highly precise approach to store openings.

VIEW OF SEJ'S MARKET



Sources: Japan Franchise Association monthly convenience store survey, Current Survey of Commerce (Ministry of Economy, Trade and Industry), Foodservice Industry Research Institute

SEVEN-ELEVEN JAPAN

Pursue "close-by, convenient stores" and respond to local needs in detail

KEY INITIATIVES OF SEVEN-ELEVEN JAPAN

Merchandising

Promote product development in line with regional characteristics
- Divide Japan into nine blocs to enhance regional response

Strengthen development of differentiated products
- Strengthen the development of original products
- Bolster product development under the Group's private brands, *Seven Premium* and *Seven Gold*
- Further increase sales of *SEVEN CAFÉ* and bolster related sales of *SEVEN CAFÉ Donut*, etc.
- Launch the WEST JAPAN PROJECT, and strengthen store management and development, mainly focused on product development

Store-opening policies

Step up store openings in Japan's three major urban areas (Tokyo metropolitan area, Chukyo area and Kansai area)

Open up new areas
- Opened new stores in Kochi Prefecture in March 2015 and Aomori Prefecture in June 2015. Further openings in Tottori Prefecture in October 2015
  →Achieve coverage in 46 of Japan's 47 prefectures by February 29, 2016

Expansion into special locations (train stations, business locations, universities, etc.)
- Start opening stores in train stations in West Japan through a business alliance with JR West Group

Relocation
- Revitalize the catchment areas of existing stores

Strengthen service operations

Promote the Omni-Channel Strategy
- Enhance the system for stores to serve as collection points for products ordered on the Group's Internet shopping sites

Shopping support
- Enhance product delivery services, mainly focusing on *Seven-Meal*

Merchandising

SEJ is continuing its efforts to enhance customer satisfaction by strengthening its development and product lineups of the Group's private brands, *Seven Premium* and *Seven Gold*, including original products. We rigorously promote measures to keep customers returning, not only through developing new products, but also by renewing standard products such as rice balls and sandwiches to ensure impeccable taste and quality. As a follow-on to the *SEVEN CAFÉ*, which continues to deliver strong sales, we launched *SEVEN CAFÉ Donut*. We will continue endeavoring to create new markets in the same way that we did with coffee.

In order to strengthen our response to local needs, we established the WEST JAPAN PROJECT in the fiscal year ended February 28, 2015 as an organizational format that integrates product development, store operation, and store development, and we have been developing products to suit the preferences of local customers. Having seen the results of the initiative in West Japan, we expanded the organization to cover the entire country in January 2015, dividing Japan into nine blocs to create a system for enhancing our response to regional needs. Through this system, we aim to realize product development and product lineups that are even more attuned to their local regions.

SEVEN CAFÉ

SEVEN CAFÉ received the "Most Excellent Award, Nikkei Award" at the Nikkei Newspaper 2013 Nikkei Superior Product and Service Awards, winning high praise for establishing a new consumer trend of buying coffee at convenience stores. *SEVEN CAFÉ* continued its runaway hit status in the fiscal year ended February 28, 2015, with cumulative sales reaching 700 million cups. In the fiscal year ending February 29, 2016, we plan to launch a new initiative in this area: *SEVEN CAFÉ Donut*. This new product has been commercialized through a team merchandising project involving some 30 companies spanning 10 different fields. The donuts will be manufactured and delivered at room temperature to stores throughout Japan from 24 dedicated factories, and will be sold from specially designed sales units. This differentiated product is truly an example of SEJ's collective strengths, and will be sold using SEJ's original manufacturing infrastructure, delivery infrastructure, and sales system. *SEVEN CAFÉ Donut* will be launched nationwide in the first half of 2015, and we are aiming for sales of ¥40.0 billion in the fiscal year ending February 29, 2016.

Store-Opening Policies

SEJ's basic policy for opening stores is to implement its market concentration strategy of developing a high concentration of multiple stores, while maintaining a focus on individual store profitability. We believe that the aforementioned social environmental changes have created scope for further store openings even in existing coverage areas. We are promoting store openings under our market concentration strategy, particularly in Japan's three main urban areas of the Tokyo metropolitan area, Chukyo, and Kansai, which harbor large potential markets. In store openings, we will continue to execute high-quality openings, including conducting rigorous surveys of site conditions with an emphasis on the profitability of each store. Furthermore, we will respond flexibly to relocation needs in our existing stores in line with the particular environment of each individual store. Relocations enable us to create larger sales areas and car parking spaces, and to offer full product lineups and services, which help to invigorate the local area.

In new areas, meanwhile, we will open stores in Kochi, Aomori, and Tottori prefectures, thereby achieving coverage in 46 of Japan's 47 prefectures by February 29, 2016. Through these initiatives, SEJ is planning to open a record 1,700 stores in the fiscal year ending February 29, 2016.

Strengthen Service Operations

In light of the changes in the social environment, SEJ will strengthen its product delivery services, mainly focusing on *Seven-Meal*, as a means of supporting customers' shopping activities. When delivering products, we will promote the practice of "listening to customers," including asking them whether there are any other items they would like to order, so that we can deliver even better convenience.

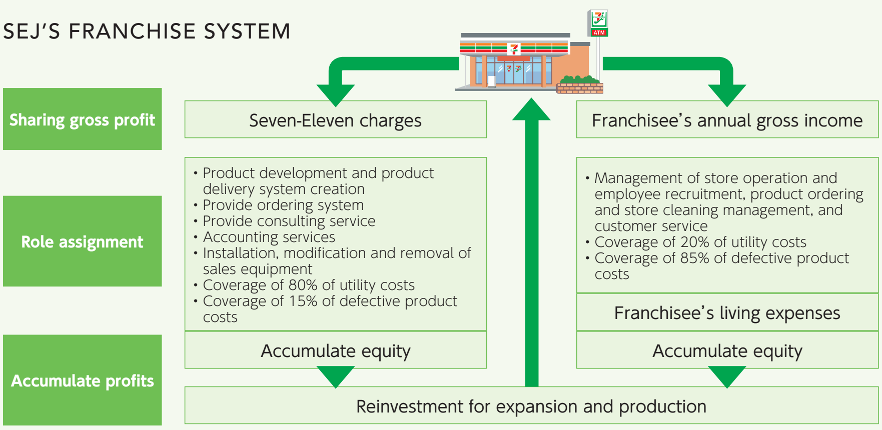
Moreover, the Omni-Channel Strategy will begin full-scale operation in October 2015. It is the next project to harness Group synergies after *Seven Premium*, and SEJ has a major role to play in it. The keystone of the strategy is SEJ's more than 17,000-strong network of stores. We will examine options for expanding various services at these stores, including serving as collection points for products, as well as for deliveries and receiving orders in stores, among other functions. 7-Eleven stores handle about 2,800 items, but including the Group's Internet products they handle approximately 3 million items.

SEJ's STRENGTHS

SEJ's Franchise System

Since its foundation in 1973, SEJ has developed its own unique franchise system, guided by an unchanging founding philosophy of "modernizing and revitalizing small- and medium-retail stores." SEJ and its franchisees are on an equal footing with clear role assignments. As a result, SEJ and its franchisees work together on improving gross profits instead of net sales in a mutually beneficial relationship.

SEJ'S FRANCHISE SYSTEM



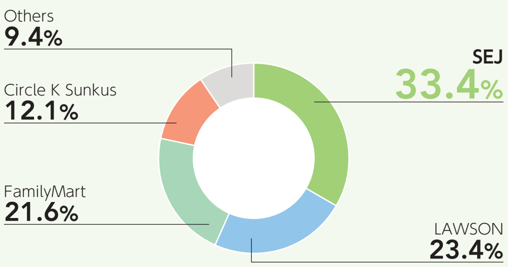
SEJ's Foundation for Growth

The strength of SEJ lies in having a business foundation that can adapt flexibly to changes in the social environment and consumer needs. This business foundation has three main characteristics.

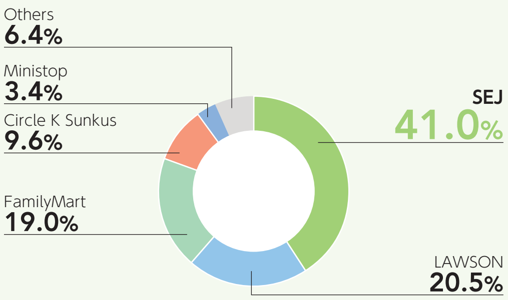
Market concentration strategy

Store openings are the ultimate source of SEJ's business. In this area, SEJ has adopted a market concentration strategy that helps to realize effective sales promotions by increasing recognition among customers, as well as an efficient distribution system. Furthermore, by establishing dedicated factories that leverage the characteristics of high store density, SEJ can develop regionally exclusive products as part of creating stores with a strong regional character.

SHARE BY STORE NUMBERS



SHARE BY TOTAL STORE SALES



Sources: Japan Franchise Associations, Public information of each company

System for providing original products

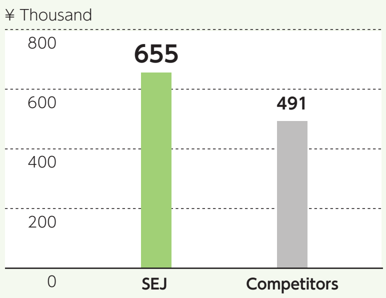
In team merchandising, SEJ partners with companies that possess optimal technologies for gathering market information and creating ideal products to satisfy the needs of franchisees and customers. To realize unrivalled differentiation in its original products, every part of the process, from recipes to raw materials and production facilities, must be exclusive to SEJ. Even the combined distribution centers are exclusively dedicated to SEJ, which enables it to distinguish its original products in terms of product development, hygiene management, and quality control. In addition to original products, the Group also uses this product development process for joint product development with national-brand manufacturers to create its *Seven Premium* private-brand products.

Head Office support capabilities

The Seven-Eleven Head Office develops high-quality stores by providing investments in existing stores for sales equipment and other items and supporting sales promotions, as well as providing detailed store management consultation to individual stores through Operations Field Consultants (OFCs).

This business foundation enables SEJ to achieve high daily sales and to respond in detail to the needs of each region.

AVERAGE DAILY SALES PER STORE



Overseas Convenience Stores

Overseas, 7-Eleven, Inc. (SEI) will expand its revenue- and profit-generating base further by working on the product front to strengthen development of fresh foods, which have high consumption rates and gross margins, and *7-Select* private-brand products. Meanwhile, in store openings, we will further increase our market concentration in existing store areas in order to pursue efficiencies in logistics and other areas, while promoting further conversion to franchised stores to increase profitability. Meanwhile, in China, we will continue to strengthen our revenue- and profit-generating base in existing stores. In the summer of 2015, we will begin opening stores in the UAE. SEJ will provide support for existing area franchisees together with its global master franchiser, SEI. In the UAE, SEJ will use its accumulated methods and procedures for market concentration strategy, team merchandising, and item-by-item management to support 7-Eleven store operators from the store-opening preparation stage in order to build a high-quality store management system.

7-ELEVEN, INC.

Increase customer satisfaction by strengthening fresh foods

KEY INITIATIVES OF 7-ELEVEN, INC.

Merchandising

Reinforce fresh food product development
- Strengthen fresh food and hot food product development
- Strengthen local food products tailored to regional tastes

Bolster development of *7-Select* private-brand products

Store-opening policies

Market concentration strategy
- Increase store density in areas with existing stores (including through M&As)
- Strengthen store openings in urban areas

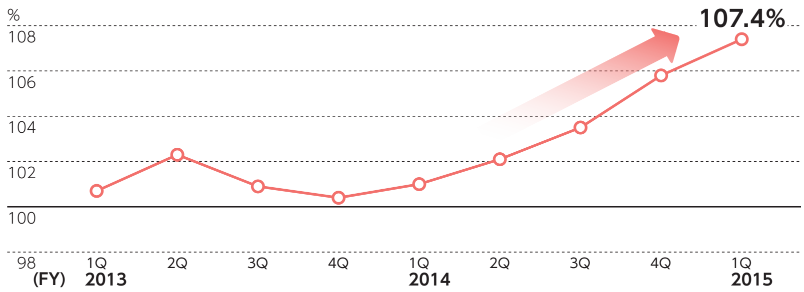
Strengthen guidance from OFCs for thorough implementation of item-by-item management

Improve profitability by converting acquired stores into 7-Eleven stores and directly operated stores into franchised stores

Merchandising

SEI will continue to concentrate on strengthening its development of differentiated products to meet demand for between-meal snacks, including fresh foods such as sandwiches, salads, and cut fruit, as well as hot food and snacks. Especially in the case of hot food, we are seeing steady results with existing store sales growth picking up as the number of stores offering hot foods increases. We will also work to develop and sell local foods tailored to regional tastes. Moreover, our key *7-Select* private-brand products enjoy solid customer support for being more reasonably priced than national-brand products and of the same or better quality, and sales of these offerings are increasing steadily.

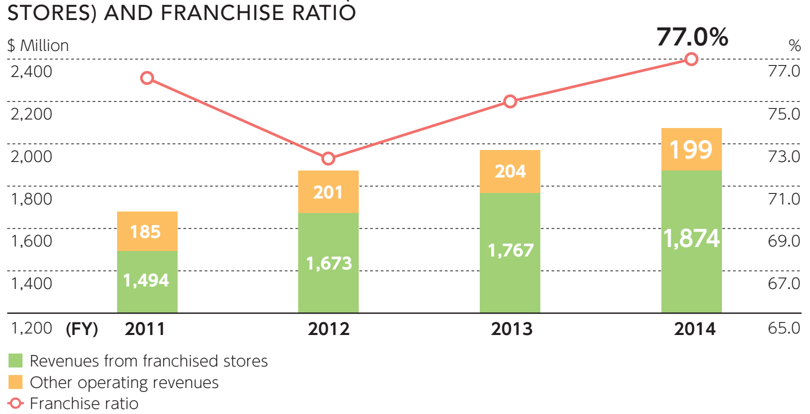
YEAR-ON-YEAR MERCHANDISE SALES AT EXISTING STORES IN THE U.S.



Store Initiatives

Of the approximately 150,000 convenience stores in the U.S., SEI holds a market share of just 5.5%, so there is still tremendous potential for growth. In store openings, SEI targets the densely populated east coast areas of New York, Boston, and Washington DC, as well as areas such as Chicago, Florida, Texas, and California. At the same time, SEI will pursue profitability through more efficient distribution and sales promotion efforts that leverage the company's market concentration strategy. Moreover, in line with key measures to strengthen its fresh food lines, SEI will focus more on opening stores in urban areas where fresh food demand is high in comparison with the suburbs. SEI will also endeavor to improve sales at the stores it has already acquired by remodeling them, and also by deploying a product policy and IT system, and enhancing store operator training. Looking ahead, SEI will maximize its profitability by converting stores that have increased their sales capabilities into franchised stores. In the fiscal year ending December 31, 2015, SEI plans to open 400 stores, including through M&As.

OTHER OPERATING REVENUES (INCLUDING REVENUES FROM FRANCHISED STORES) AND FRANCHISE RATIO



SUPERSTORE OPERATIONS

Superstore operations comprise superstores that provide apparel, household goods, and food in Japan and China, specifically Beijing and Chengdu. In addition, superstore operations include food supermarkets in Japan and Beijing and specialty stores.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥2,012.1 billion	¥19.3 billion	¥65.4 billion
+0.1%	(34.8)%	(1.8)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the year ending February 29, 2016, the segment is forecasting revenues from operations of ¥2,060.0 billion, up 2.4% year on year, and operating income of ¥31.6 billion, up 63.4%. Capital expenditures are forecast at ¥92.2 billion, up 40.8%, and depreciation and amortization at ¥23.0 billion, an increase of 11.1%. The increase in capital expenditures includes up-front investments relating to new stores scheduled to be opened from the fiscal year ending February 28, 2017 onward, in addition to investments aimed at invigorating existing stores.

Superstore Operations

Ito Yokado (IY) will enhance sales capabilities by strengthening development of private-brand products and face-to-face sales service for customers. IY will also strive to invigorate existing stores by creating product lineups and sales areas to suit regional characteristics. To this end, IY will create a store-led operating framework, and break free from conventional Chain Store management.

Delicatessen items of IY

KEY INITIATIVES OF ITO-YOKADO

Store initiatives

Create a store-led operating framework
- Revise merchandising activities directed by the Head Office
- Significantly expand decision-making authority over sales at stores and strengthen responsibility for sales
- Enhance purchasing functions for regional products

Invigorate existing stores
- Implement store renovations centered on foods, the main earnings driver
- Increase customer-drawing power through the use of specialty stores from inside and outside the Group

Strengthen value communication through customer service
- Enhance customer service levels and sales techniques by improving the ability of part-time staff

Merchandising

Develop differentiated products utilizing Group capabilities
- Food: Expand development of differentiated products
  →Expand *Seven Premium*, use joint procurement for fresh foods, increase procurement capabilities for regional products through links with Group companies and business partners
- Apparel and household goods: Promote merchandising innovation
  →Enhance sales of existing private brands and develop products jointly with Group companies

The Omni-Channel strategy

Strengthen *Net Supermarket* business
- Operate a dedicated *Net Supermarket* store
- Expand the number of orders received by improving operational efficiency at existing stores

ITO-YOKADO

We will expand sales at existing stores by strengthening store-led independent operation and reinforcing our regional response

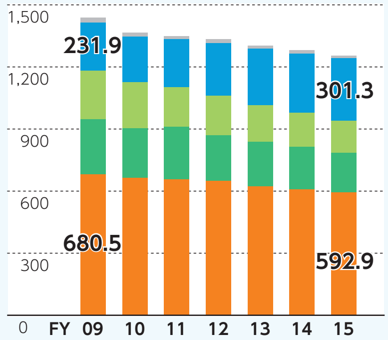
IY has been carrying out structural reforms focused on apparel and household goods. While we have made a certain amount of progress in rightsizing directly managed sales floor space and bringing in tenants, sales of foods—our main earnings pillar—have been on the decline. Recovery of food sales is vital to the recovery of sales at existing stores, and IY will place top priority on efforts to improve its competitiveness in foods, including remodeling of sales areas.

BUSINESS STRUCTURE REFORMS SINCE THE ESTABLISHMENT OF THE GROUP AND CURRENT CHALLENGES

SUMMARY OF CHALLENGES AND RESPONSE MEASURES

Store openings:	Focus on mall-type shopping centers, such as *Ario*, and *Shokuhinkan* food specialty stores
Store reforms:	Rightsize directly-managed sales areas and expand tenants with a main focus on apparel
Merchandising:	Strengthen private brands
Store operation:	Strengthen customer service and sales techniques
Cost reduction:	Close unprofitable stores, review sales promotion costs, etc.

SALES BY PRODUCT CATEGORY



Tenant mix and sales-area adjustment achieved a certain level of success

Still room for improvement with apparel and household goods

End reliance on wholesalers for merchandising and move to retailer-managed merchandising

Slumping sales of food, our core earnings pillar, is an urgent challenge to be addressed

Store Initiatives

IY has grown through conventional Chain Store management that pursues management efficiency through massive store openings and a large scale, based on a uniform nationwide product lineup led by the Head Office. In today's mature society, however, as consumption becomes saturated and consumer needs diversify, the difference in inter-regional preferences is so wide that opportunities begin to slip away under a conventional model of Chain Store management. IY will radically revise its approach to Chain Store management and construct a store-led operating framework.

Specifically, stores will fully implement item-by-item management that corresponds to individual store needs and work to strengthen sales through customer service. At the same time, the Head Office will help stores to achieve their desired product lineups. To reinforce store-led product lineups, we shifted to an organizational structure with product procurement functions centered on local merchandise in 2015.

We have also noticed that most of the part-time staff, who account for around 80% of IY's employees, live in the vicinity of the stores and have a strong knowledge of local culture and customs. We will advance the strategic capabilities of part-time staff and enhance our regional operation to help increase motivation throughout the stores.

Face-to-face sales at a fresh food sales area

Merchandising

IY will aim to increase customer loyalty by working to develop products embodying new value and high-quality customer service.

In food merchandising, we will strengthen sales of our differentiated *Seven Premium* products and fresh foods, while increasing our procurement capabilities for regional merchandise through collaboration with the Group company York-Benimaru (Tohoku and northern Kanto areas) and our alliance partners DAIICHI (Hokkaido), Tenmaya Store (Chugoku region), and MANDAI (Kansai). In apparel and household goods, we will focus on development of differentiated products utilizing our Group capabilities. In apparel, we will continue to develop our *Limited Edition* brand through joint efforts with Sogo & Seibu. In household goods, we have launched the interior store *BON BON HOME*, a joint development with BALS CORPORATION, which has been our capital and business alliance partner since 2013.

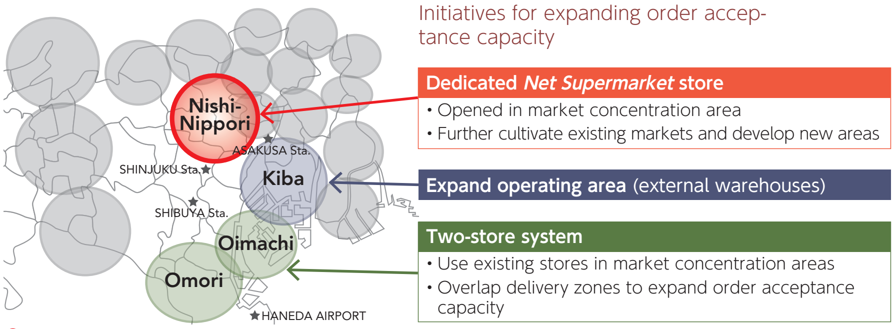
BON BON HOME sales area

Strengthening the *Net Supermarket* Business in Line with the Omni-Channel Strategy

In response to changes in Japan's social environment, such as a falling birthrate and an aging population, as well as an increasing percentage of working women, demand for *Net Supermarket* is climbing steadily. Net sales of *Net Supermarket* for the fiscal year ended February 28, 2015 increased ¥5.0 billion year on year to ¥50.0 billion. There is a large potential market for *Net Supermarket*, especially in urban centers, and demand has increased even more in recent years.

IY used its sites under the market concentration strategy to achieve operating efficiency gains at existing stores, thereby increasing its order processing capacity. At the same time, we opened a *Net Supermarket* store dedicated to online-based services as a business base to promote initiatives under our Omni-Channel Strategy in March 2015, and launched new services that combine our accumulated expertise and existing networks of the *Net Supermarket* business with market expansion driven by the Internet. This has enabled us to achieve coverage of the central urban market for the first time, and we will strengthen our response to this market going forward.

Efficient Use of Existing Store Network in the Tokyo Metropolitan Area



Catchment area of *Net Supermarket* at existing stores

Food Supermarket Operations

The combined operating income ratio of both York-Benimaru (YB) and Life Foods, a wholly owned subsidiary which produces and sells delicatessen items in YB stores, has been maintained in the 4% range for four consecutive years, and we aim to continue increasing profitability going forward.

YB and Life Foods will team up to ensure differentiation in fresh foods and delicatessen items. YB will continue to strengthen the product lineup in response to the changes in the market while promoting revitalization of existing stores and the market concentration strategy.

KEY INITIATIVES OF YORK-BENIMARU

Merchandising

Propose products matched to customers' needs
- Strengthen development of private-brand products and regional products that offer value
- Achieve unrivaled differentiation by strengthening fresh foods

Store operations

Increase productivity with a thorough focus on the basics
- Promote individual store management
- Entrench organization for enforcing the basics and implementing item-by-item management

Store-opening policies

Increase area share by deepening market concentration strategy
- Aggressively expand store network in areas where YB already has a presence

YORK-BENIMARU

YB will strengthen foods such as fresh foods and delicatessen items and expand sales of private-brand products to drive further growth

YB seeks to realize the concept of "making customers' daily meal experiences more exciting, fulfilling, and convenient." It will implement a lifestyle proposal-type sales approach where staff will propose products to match customers' new lifestyles, while providing an even higher quality of service in terms of health, reliability, and safety.

On the merchandise front, we will strengthen our development and sales of differentiated products centering on fresh foods and the *Seven Premium* brand. In addition, YB will collaborate with Life Foods to strengthen its delicatessen item proposals in response to various lifestyle scenarios. For example, we will expand our product lineups from a family centered lineup to include offerings catering to one- and two-person households.

In store operations, we will take steps to achieve low-cost operations by creating organizations and systems to firmly establish item-by-item management and by promoting our market concentration strategy. Moreover, we will promote individual store management, led by the store manager and including participation from all employees, to enable stores to create product lineups and sales areas that match the needs of the local market.

In human resource development, we will conduct employee education focused on mental attitude, based on our founding philosophy, item-by-item management, customer service and sales techniques, and store operation management. Our education program is ultimately aimed at increasing customer loyalty and satisfaction.

DEPARTMENT STORE OPERATIONS

Department store operations comprise department stores, high-end food supermarkets, and miscellaneous goods specialty stores. Department stores are developed under two brands, SEIBU and Sogo.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥875.0 billion	¥7.0 billion	¥15.3 billion
+0.4%	+7.1%	(1.4)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥900.0 billion, up 2.9%, and operating income of ¥7.6 billion, up 7.7%. Capital expenditures are forecast at ¥15.8 billion, up 2.7%, and depreciation and amortization at ¥13.4 billion, up 0.0%.

At Sogo & Seibu, we will continue our effort to break free from the homogenization of the department store sector by strengthening our initiatives for retailer-managed merchandising and store-managed sales areas. We will also invigorate regional stores by improving our product lineups to match local needs and increasing our merchandise procurement capabilities through alliances with key stores.

Moreover, with the full-scale initiation of the Omni-Channel Strategy, we will further enhance product development based on new perspectives and strengthen our initiatives to enable customers living in areas without department stores to pick up high-quality department store products and miscellaneous goods from THE LOFT at their neighborhood 7-Eleven stores.

SOGO & SEIBU

KEY INITIATIVES

Merchandising

Differentiate the product lineups

- Improve gross profit margin by strengthening retailer-managed merchandising and store-managed sales areas
  → Expand joint development with leading manufacturers and new suppliers, procurement of overseas products, and initiate full-scale development of products following the SPA model (SPA: specialty store retailer of private label apparel)
- Reduce costs through joint product development through Group companies such as IY

Store initiatives

Strengthen customer service capabilities

- Increase staff with specialist knowledge to realize high-quality customer service
- Increase customer satisfaction in stores through consulting stations
  → Expand consulting stations such as the *Kirei Station* (Beauty Station), *Karada Station* (Health Station), and Expectant Mothers Station
- Create distinctive individual stores through collaboration with local businesses

The Omni-Channel strategy

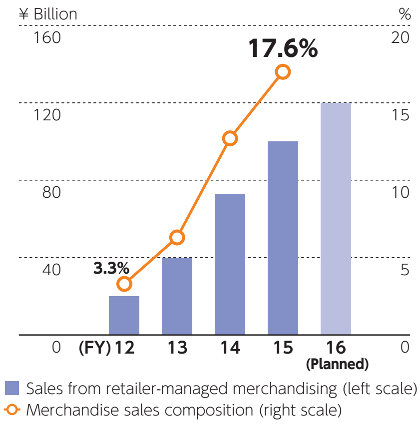
- Enhance product development based on new perspectives
- Increase recognition of product collection and return services at 7-Eleven stores
- Expand our sales at the *e.depart* online shopping site of Sogo & Seibu

Merchandising

Sogo & Seibu will continue to expand retailer-managed merchandising and store-managed sales areas, focusing on the *Limited Edition* private-brand products launched in autumn 2009. In product development, we will commit ourselves to developing products under the SPA (specialty store retailer of private label apparel) model. At the same time, we will maximize earnings by taking steps to reduce product costs by undertaking joint procurement of raw materials utilizing Group synergies and other means. Moreover, to invigorate our regional stores, we will create product lineups that match local needs through collaboration with local industry and others. In addition, we started to develop *Limited Edition areamode* as a private brand that incorporates local characteristics in March 2015.

Furthermore, following the full-scale initiation of the Omni-Channel Strategy, we will promote product development based on new perspectives. We will promote joint procurement of raw materials and product development with IY, and in autumn 2015, we will launch a joint brand called *SEPT PREMIÈRES* featuring products designed by the world-renowned designer Mr. Jean Paul Gaultier as a special guest designer. In this way, we will harness the Group's procurement capabilities in fine materials, experience as an SPA, and production scale benefits to create an integrated structure covering all steps from product planning to manufacturing and sales. We aim to increase our sales from retailer-managed merchandising, mainly apparel products, from ¥100.0 billion in the fiscal year ended February 28, 2015 to ¥120.0 billion in the fiscal year ending February 29, 2016.

SALES FROM RETAILER-MANAGED MERCHANDISING



Limited Edition areamode
Private-brand apparel at Sogo & Seibu

Store Initiatives

At Sogo & Seibu, we consider it important to communicate the value of our products to customers. We will therefore continue striving to develop the customer service skills and expertise of each member of the sales team. In addition, we will increase customer satisfaction by enhancing our various consulting stations to help customers to clear up their uncertainties.

As an example of one of our consulting services, at *Kirei Station* (Beauty Station) we use special equipment to analyze customers' skin and offer recommendations for skin care methods and suitable cosmetic brands from among all of the brands in the sales area.

Furthermore, we will bolster our customer-drawing power, for example by taking steps to capture the increasing flow of foreign visitors to Japan at our key stores. At regional stores, in addition to developing retailer-managed merchandise to meet local needs, we aim to increase our product lineups by promoting a service for ordering products from key stores using tablet terminals. Through these initiatives, we will effectively differentiate by creating distinctive individual stores tailored to local needs.

Kirei Station (Beauty Station)

The Omni-Channel Strategy

We will focus on increasing recognition of our service allowing customers to order products from the Sogo & Seibu online shopping site *e.depart* for subsequent collection at their local 7-Eleven store. Through this service, customers in areas that do not have a local department store can order cosmetics and confectionery that are stocked only by department stores anywhere and at any time. We will also seek to increase the convenience offered by the service, for instance enabling customers to return items such as shoes easily through 7-Eleven stores.

FOOD SERVICES

Food services comprise the restaurant division, meal provision service division (company cafeterias, hospitals, and schools), and fast food division in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥80.9 billion	¥44.0 million	¥3.5 billion
+3.1%	(92.7)%	+54.0%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥84.7 billion, up 4.6%, and operating income of ¥1.6 billion, an increase of ¥1.5 billion. Capital expenditures are forecast at ¥2.8 billion, down 20.2%, and depreciation and amortization at ¥0.8 billion, an increase of 12.7%.

KEY INITIATIVES

Restaurant division

- Increase customer satisfaction by providing high-value-added food and renewing existing menus
- Reduce costs through Groupwide joint procurement of raw materials

Meal provision service division

- Aggressively open staff cafeterias matched to customers' needs
- Increase convenience by opening staff cafeterias attached to 7-Eleven stores

In the restaurant division, we will not only continue to provide delicious food, but also to reinforce our focus on the fundamentals—customer service and cleanliness. In this way, we will strive to offer menus and services that satisfy customers. In products, we will step up the development of high-value-added menus using selected ingredients that are safe and reliable, and menus that cater to local needs. At the same time, we will review our existing menus. We will also work to realize Group synergies by reducing costs through Groupwide joint raw material procurement and logistic efficiency improvements, and drive work process improvements at restaurants. In facilities, we will strive to revitalize existing restaurants by remodeling older ones and revamping kitchen facilities. We will also propose a new café-style type of Denny's restaurant. Through such initiatives as these, we will strive to create restaurants that meet the needs of customers.

In the meal provision service division, we are planning to aggressively open new stores and provide services tailored to various scenarios, such as offices, factories, and research laboratories. In addition, we will strive to boost convenience and expand earnings, for example by increasing the number of staff cafeterias attached to 7-Eleven stores.

An item from the Denny's menu

An item from the Denny's menu

A new café-style Denny's

FINANCIAL SERVICES

Financial services comprise ATM operations, credit card operations, electronic money services, leasing operations, and insurance operations in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥178.2 billion	¥47.1 billion	¥39.1 billion
+12.2%	+5.1%	(0.5)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥192.0 billion, up 7.7%, and operating income of ¥50.0 billion, an increase of 6.0%. Capital expenditures are forecast at ¥42.0 billion, up 7.4%, and depreciation and amortization at ¥29.0 billion, an increase of 14.9%.

Capital expenditures are earmarked mainly for increasing the number of installed ATMs of Seven Bank, along with investments accompanying the installation of third generation ATMs to replace older models.

Seven Bank will continue to strengthen its existing operations by increasing the number of installed ATMs in line with expansion of 7-Eleven stores and cultivating new customers. We will also increase the number of ATM languages to meet the needs of foreign visitors to Japan, whose numbers are continuing to grow, while working to expand recognition of our service for making Japanese yen cash withdrawals from overseas-issued cards and expanding our international money transfer service. In overseas operations, we will proceed with installing ATMs in North America and Indonesia, while streamlining their operation by applying the ATM operations expertise we have developed in Japan.

In card operations, shopping transaction volumes have been growing steadily, and we will work to promote usage of credit cards and the *nanaco* electronic money service. At the same time, we will put card data to good use in marketing activities as a kind of shared Group infrastructure.

KEY INITIATIVES

ATM operations

- Increase ATM installation in 7-Eleven stores as well as promoting installation at airports, train stations, and other locations outside the Group
- Increase services for foreign visitors and residents in Japan
- Expand account-related business (international money transfer service, consumer loan service, and acceptance of cash proceeds from sales)
- Expand overseas business (North America and Indonesia)

Card operations

- Gain new members and encourage greater card usage
- Increase the number of active members by enhancing convenience
- Encourage customers to make greater use of other Seven & i Group company stores through *nanaco*

MAIL ORDER SERVICES

Mail order services comprise the provision of products and services mainly through online stores and catalogs.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥185.8 billion	¥(7.5) billion	¥3.8 billion

Note: For the mail order services, only the balance sheets were consolidated for the fiscal year ended February 28, 2014. The statements of income have been consolidated from the fiscal year ended February 28, 2015.

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥179.0 billion, down 3.7%, and operating loss of ¥5.9 billion. Capital expenditures are forecast at ¥4.7 billion, up 23.2%, and depreciation and amortization at ¥4.0 billion, up 4.1%. At Nissen Holdings, we will take action to improve earnings through radical reforms, including the product policy, with a focus on merchandising, as well as customer service and cost structures. In the fiscal year ending February 29, 2016, we will step up our development of products focused on value appeal, while cutting back costs by reviewing our catalog content, publication frequency, and other aspects. We will also promote initiatives to realize Group synergies, such as sharing the expertise we have developed in mail order operations.

Furthermore, we will take steps to improve customer satisfaction at real stores, such as expanding openings of the dedicated large-sized shop *smiLe Land* in collaboration with IY and other Group companies.

OTHERS

Others comprise Internet-related services, meal delivery services, publishing, property management businesses, and community school businesses in Japan.

Results for the fiscal year ended February 28, 2015:

REVENUES FROM OPERATIONS	OPERATING INCOME	CAPITAL EXPENDITURES
¥53.8 billion	¥3.6 billion	¥5.3 billion
+6.7%	+69.4%	(28.9)%

Business Strategies for the Fiscal Year Ending February 29, 2016

For the fiscal year ending February 29, 2016, the segment is forecasting revenues from operations of ¥70.0 billion, up 29.9%, and operating income of ¥4.5 billion, an increase of 22.6%. Capital expenditures are forecast at ¥2.3 billion, down 57.3%, and depreciation and amortization at ¥28.0 billion, an increase of 4.1%.

In IT/services, at Seven & i Net Media we will collaborate with each Group company on the Group's Omni-Channel Strategy, while realizing synergies on the IT front.

Furthermore, our existing operating companies will collaborate on product development with Barneys Japan, a specialty store comprising the original BARNEYS NEW YORK brand and other global designer brands, to enhance the appeal of the Group.

Forecast for Eliminations/Corporate for the Fiscal Year Ending February 29, 2016

In eliminations/corporate for the fiscal year ending February 29, 2016, the Company is forecasting operating loss of ¥12.4 billion (an increase of ¥9.2 billion year on year), capital expenditures are forecast at ¥7.2 billion, down 52.5%, and depreciation and amortization at ¥4.0 billion, an increase of 65.3%. These mainly reflect the Company's expected capital expenditures and operating expenses relating to the Omni-Channel Strategy.

CORPORATE GOVERNANCE

The mission of Seven & i Holdings, as a holding company that oversees and controls its operating companies, is to strengthen corporate governance and maximize the enterprise value of the Seven & i Group over the long term. In taking steps to achieve this goal, the Company seeks to create Group synergies and implements the appropriate allocation of management resources. On the other hand, each operating company fulfills its own responsibilities in its field of business, where it acts independently to secure growth in profits and higher capital efficiency.

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

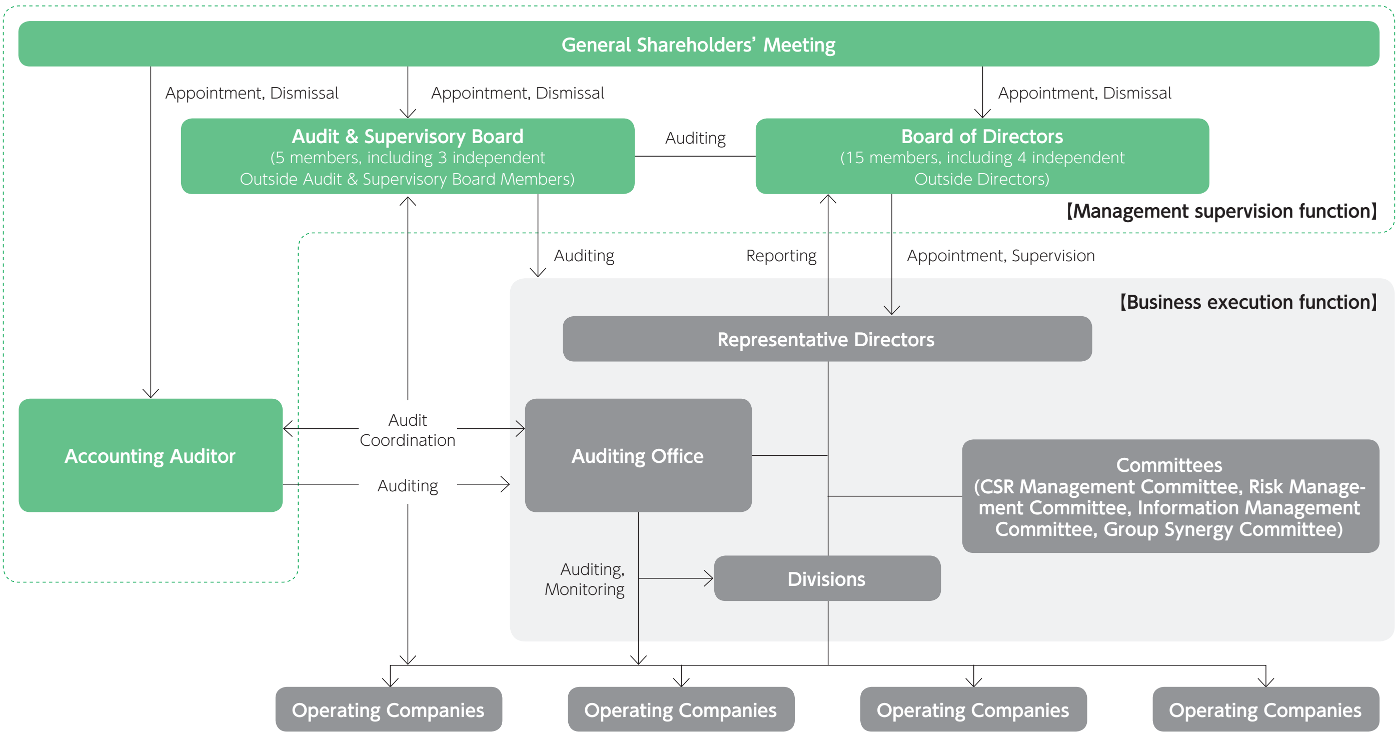
Organization

The Company has adopted the Audit & Supervisory Board system for implementing management oversight. The Company's Board of Directors comprises 15 members, of whom 4 are Outside Directors. Through the use of multiple Outside Directors who maintain their independence and have advanced management knowledge and experience, the Company protects the interests of general shareholders and enhances the quality of decision making in business execution. To ensure appropriate reflection of the wishes of shareholders, the term of Directors has been set at one year.

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

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

CORPORATE GOVERNANCE SYSTEM (As of May 28, 2015)



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

Strengthening Corporate Governance

Seven & i Holdings appoints Outside Directors and Outside Audit & Supervisory Board Members to enhance its management oversight function and increase transparency. All of the Outside Directors and Outside Audit & Supervisory Board Members are independent from the Company.

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

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

Reinforcing Internal Control Systems

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

The Board of Directors responded to the enforcement of the Companies Act of Japan in May 2006 by passing a resolution concerning the Company's "Basic Policy on Internal Control Systems." The Board of Directors continually monitors the establishment of various rules as well as the status of risk management. In February 2009, as one facet of initiatives implemented in response to the introduction of the internal control reporting system under the Financial Instruments and Exchange Law, the Company formulated a set of "Rules for Establishing Internal Control Concerning Financial Reporting."

Up to February 2009, as an independent department responsible for internal auditing, the Auditing Office served an oversight function involving verification and guidance provision for the internal auditing of the major operating companies as well as an internal auditing function involving auditing of the holding company, Seven & i Holdings. Through this reorganization, the Company consolidated these functions under the operational auditing director, and the Company established the position of internal control evaluation director. The internal control evaluation director implements evaluations of internal control concerning financial reporting for the Group as a whole.

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

In addition to system enhancement, the Company is also taking steps to ensure that awareness of internal control permeates the Company. To that end, the Company distributes an Internal Control Handbook to all employees throughout the Group and is striving to maintain accuracy and enhance operating efficiency.

Main Activities of Outside Directors and Outside Audit & Supervisory Board Members

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

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

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

In regard to the compensation of Directors and Audit &

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

Compliance

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

ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS AND THE AUDIT & SUPERVISORY BOARD

Outside Directors

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors
Scott Trevor Davis	Academic	13 of 13 meetings
Yoshio Tsukio	Academic	9 of 10 meetings
Kunio Ito	Academic	10 of 10 meetings
Toshiro Yonemura	Outside Director	10 of 10 meetings

Outside Audit & Supervisory Board Members

Name	Principal occupation outside the Company	Attendance at meetings of Board of Directors	Attendance at meetings of Audit & Supervisory Board
Yoko Suzuki	Lawyer	12 of 13 meetings	22 of 22 meetings
Tsuguoki Fujinuma	Certified Public Accountant	12 of 13 meetings	20 of 22 meetings
Kazuko Rudy	Academic	10 of 10 meetings	14 of 15 meetings

AMOUNTS OF COMPENSATION FOR DIRECTORS AND AUDIT & SUPERVISORY BOARD MEMBERS IN THE FISCAL YEAR UNDER REVIEW

Classification of Directors/ Audit & Supervisory Board Members	Number of eligible Directors/ Audit & Supervisory Board Members	Total amount of compensation (¥ Million)	Total amount of compensation, etc., by type (¥ Million)		
			Fixed compensation	Results-linked compensation	
				Bonus	Stock options for stock-linked compensation
Directors (excluding Outside Directors)	13	332	179	59	93
Outside Directors	6	40	40	—	—
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	28	28	—	—
Outside Audit & Supervisory Board Members	4	30	30	—	—

(Notes)
1. The above includes five Directors and two Audit & Supervisory Board Members who resigned having completed their term of office at the conclusion of the 9th Annual Shareholders' Meeting, held on May 22, 2014.
2. The aggregate amounts of compensation, etc., of Directors shown above do not include amounts paid as salaries for employees to Directors who serve concurrently as employees.
3. It was resolved at the 1st Annual Shareholders' Meeting, held on May 25, 2006, that the annual amount of compensation paid to Directors shall not exceed ¥1,000 million (not including amounts paid as salaries for employees) and that the annual amount of compensation paid to Audit & Supervisory Board Members shall not exceed ¥100 million.
4. Stock options for stock-linked compensation were issued to seven Directors (excluding Outside Directors).

BOARD OF DIRECTORS, AUDIT & SUPERVISORY BOARD MEMBERS, AND EXECUTIVE OFFICERS

As of May 28, 2015

Board of Directors		Area of Responsibility and Important Concurrent Positions
Representative Director and Chairman	Toshifumi Suzuki	Chief Executive Officer (CEO) Representative Director and Chairman and Chief Executive Officer (CEO) of Seven-Eleven Japan Co., Ltd. Representative Director and Chairman and Chief Executive Officer (CEO) of Ito-Yokado Co., Ltd. Director and Chairman of 7-Eleven, Inc. Director and Chairman of SEVEN-ELEVEN HAWAII, INC.
Representative Director and President	Noritoshi Murata	Chief Operating Officer (COO)
	Katsuhiro Goto	Chief Administrative Officer (CAO) Managing Executive Officer Head of the Information Management & Security Office Director of Ito-Yokado Co., Ltd. Director of Sogo & Seibu Co., Ltd.
	Junro Ito	Executive Officer Senior Officer of the Corporate Social Responsibility Department
	Kunio Takahashi	Chief Financial Officer (CFO) Executive Officer Senior Officer of the Finance Planning Department Representative Director and President of Seven & i Asset Management Co., Ltd. Representative Director and President of SEVEN & i Financial Center Co., Ltd.
	Akihiko Shimizu	Executive Officer Senior Officer of the Accounting Department Outside Director of Seven Bank, Ltd.
	Yasuhiro Suzuki	Chief Information Officer (CIO) Executive Officer Representative Director and President of Seven & i Netmedia Co., Ltd.
	Ryuichi Isaka	Representative Director and President and Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
	Takashi Anzai	Representative Director and Chairman of Seven Bank, Ltd.
	Zenko Ohtaka	Representative Director, Chairman and Chief Executive Officer (CEO) of York-Benimaru Co., Ltd.
	Joseph Michael DePinto	Director, President and Chief Executive Officer (CEO) of 7-Eleven, Inc.
Outside Director	Scott Trevor Davis	Professor of the Department of Global Business, College of Business, Rikkyo University
Outside Director	Yoshio Tsukio	Representative Director, Tsukio Research Institute
Outside Director	Kunio Ito	Professor, Graduate School of Commerce and Management, Hitotsubashi University
Outside Director	Toshiro Yonemura	The Former Superintendent-General of the Metropolitan Police Department

Audit & Supervisory Board Members		Area of Responsibility and Important Concurrent Positions
Standing Audit & Supervisory Board Member	Masao Eguchi	Audit & Supervisory Board Member of Seven-Eleven Japan Co., Ltd.
Standing Audit & Supervisory Board Member	Tadao Hayakawa	
Outside Audit & Supervisory Board Member	Yoko Suzuki	Attorney at Law Outside Audit & Supervisory Board Member of Ito-Yokado Co., Ltd.
Outside Audit & Supervisory Board Member	Tsuguoki Fujinuma	Certified Public Accountant
Outside Audit & Supervisory Board Member	Kazuko Rudy	Representative Director, WITAN ACTEN LLC Professor, Graduate School of Management Ritsumeikan University Business School

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Identifying Material Issues

Seven & i Group has been working not only to ensure compliance, but also to provide safe, reliable products and services to customers, promote coexistence with local communities, reduce environmental impact, and create fulfilling workplaces.

In the fiscal year ended February 28, 2015, we reviewed our CSR activities to date in light of the expansion of our business domains and social changes such as the increasing diversity of social issues. We also set out to identify material issues that the Group should focus on through dialogue with stakeholders, and clarified the direction of the Group's CSR activities. By contributing to solutions for these material issues through our core businesses, we seek to create shared value for both society and companies and to achieve sustainable development.

For details, please refer to our website.
http://www.7andi.com/en/csr/index.html

Identification Process

Step 1: Selection of social issues that should be considered

We selected social issues that should be considered by referring to our Corporate Action Guidelines and to other guides such as the GRI G4 Guidelines, ISO 26000, Millennium Development Goals, and survey items of CSR rating agencies.

Step 2: Interviews with stakeholders

Stakeholders: Customers, business partners, shareholders, investors, and employees

Step 3: Dialogues between top management and CSR experts

Dialogue 1: Three CSR experts were invited to take part in a discussion with the top management at Seven & i Holdings.

Dialogue 2: Two CSR experts were invited to take part in a discussion with representatives of our main operating companies (Seven-Eleven Japan, Ito-Yokado, and Sogo & Seibu)

Step 4: Organization of material issues

The various issues were mapped along two axes according to their respective importance to the Group and its stakeholders. Five items that were of high importance to both stakeholders and the Group were selected as material issues.

Five Material Issues

1. Supporting the active role of women, youth, and seniors across the Group and in society
2. Providing social infrastructure for an aging society and declining population
3. Providing safety and reliability through products and stores
4. Non-wasteful usage of products, ingredients, and energy
5. Building an ethical society and improving resource sustainability together with customers and business partners

1 Supporting the Active Role of Women, Youth, and Seniors Across the Group and in Society

Promoting the Active Role of Women

With the working-age population declining, the advancement of women in society and the workplace is essential. Because many of its store customers are women, the Group recognizes that developing its sales floors as well as products and services from the vantage point of women will help to enhance customer satisfaction and reinforce our competitiveness as a sustainable company. Seven & i Holdings established the Seven & i Group Diversity Promotion Project in June 2012. Its mission is to actively promote the creation of workplaces that empower a diversity of employees, including women.

Since the project was launched, it has been working to assist employees in balancing work with raising children, and to help female employees to develop an awareness of their careers. In the fiscal year ended February 28, 2015, we concentrated on reforming the awareness of male employees and management in particular. Initiatives included holding seminars for supervisors on how to manage diverse human resources such as subordinates involved in raising children or nursing care and preparation of a handbook.

Target ratio of female managers for end of fiscal 2016:

30%

End of fiscal 2014: 21.4%, End of fiscal 2015: 22.3%

* Totals for the following companies: Seven & i Holdings, Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, Seven Bank, and Akachan Honpo.

In other initiatives, Sogo & Seibu and IY hold meetings for female store managers to exchange opinions so that these can be actively incorporated by management. These meetings produced new plans and proposals. SEJ also holds conversation sessions where female employees at the Head Office and regional division offices are encouraged to express their opinions as consumers as part of a project launched in 2012 for considering the future shape of its stores. The opinions from these sessions were used to revise the sales methods and facilities at the experimental store, which went on to record strong sales activity. Example cases that resulted in sales growth will be shared with other stores to help boost sales overall.

Promoting Health Management

As Japan's society ages, the cost burden for individuals and companies is increasing as the finances of health insurance societies deteriorate. We believe that an active approach to employee physical and mental health management can contribute to reducing costs by improving the finances of our Health Insurance Society, as well as help to prevent productivity losses due to absences or reduced performance because of poor physical or mental condition.

In the fiscal year ended February 28, 2014, the Group-wide Organization Health Management Project was launched, and in July 2014, we launched the Health Management Committee, which is chaired by the President, with members including the Health Insurance Society, Health Management Center, and Labor Union, as well as the human resource officers of the Group's operating companies. We have also formulated targets for reducing lifestyle-related diseases and smoking rates to be achieved by 2018. Our initiatives to achieve these targets include establishing a health support portal website, providing healthy food at staff cafeterias, and conducting mental health training at Group companies.

Award Received in 1st Leading Companies Where Women Shine Awards by the Cabinet Office

Prime Minister's Award

In January 2015, the Company received the Prime Minister's Award in the Leading Companies Where Women Shine Awards. The Company received the award in recognition of having ratios of female directors and managers that exceed the industry average, setting numerical targets and actively striving to achieve them, and actively working to reform the awareness of both male and female employees through seminars and so forth.

2 Providing Social Infrastructure for an Aging Society and Declining Population

Shopping Support Services

The number of customers who find daily shopping inconvenient amid social changes in Japan is increasing, as the number of retail stores declines and the population ages, and women advance in society. The Group is working to create new shopping support services by utilizing the Group's store network as well as its distribution and information systems.

SEJ provides the *Seven-Meal* delivery service at some 13,000 of its stores. The service provides nutritionally balanced meal sets prepared by registered dieticians, as well as popular foods at 7-Eleven stores. Meals are ordered by customers such as seniors who feel inconvenienced by daily meal preparation and even office workers for lunch. Moreover, SEJ has concluded agreements with the governments of certain areas to check on the security of seniors and so forth when delivering their meals.

IY operates the *Net Supermarket*, where consumers can order products on their PCs or mobile phones and have their orders delivered from their closest store in as little as four hours. In the fiscal year ended February 28, 2015, sales from *Net Supermarket* were ¥50.0 billion, and the number of members stood at 2 million as of the end of the fiscal year. In March 2015, we established our first dedicated *Net Supermarket* store, introducing special equipment and systems for the first time in the industry. We are currently strengthening our business in the 23 wards of Tokyo, where demand for *Net Supermarket* is considered to be strong.

A staff member responsible for the sales area arranges products

3 Providing Safety and Reliability through Products and Stores

Providing Reconstruction Assistance for the Great East Japan Earthquake through Sales

The Group has been assisting reconstruction of the areas affected by the Great East Japan Earthquake of March 2011 through procurements and sales of goods there.

In particular, we have been implementing the Tohoku Kakehashi Project since November 2011 in collaboration with the prefectures of the Tohoku area, Tohoku-based companies and production areas, and major manufacturers. Through the project, we hold major campaigns about three times a year to support the recovery of the agricultural, fishing, and other industries in Tohoku.

"Masaki Wakame" produced in the Iwate Prefecture town of Tarou is sold as original IY merchandise

Sponsors/Participating companies: 250

Number of Products Launched in the Project:

Approx. 1,850 items

* As of the 11th fair in the Tohoku Kakehashi Project, held in March 2015.
* At the time of the project launch in November 2011, there were 22 companies and about 200 items.

Sales of Products that Take Health into Consideration

Irregular or unbalanced meals are considered a cause of adult diseases, driving a growing public interest in healthy diets.

In response to this heightened public awareness, the Group has been developing and selling items such as zero-calorie soda and fish-meat sausages designated as *FOSHU* (Food for Specified Health Uses) under its *Seven Premium* private brand.

Meanwhile, IY has launched a project with euglena Co., Ltd. to jointly develop food products containing euglena made in Ishigaki, Okinawa Prefecture, to be sold by euglena Co., Ltd. with the collaboration of food product manufacturers. As of February 28, 2015, the project has produced 21 items that are sold in stores throughout Japan. Euglena has the natural characteristic of both a plant and an animal, and contains 59 nutrients. It provides an easy way for modern people to supplement nutrients that they tend to need.

Seven Premium fish-meat sausages have been designated as *FOSHU*

4 Non-Wasteful Usage of Products, Ingredients, and Energy

Promoting Energy Conservation Measures at Stores

The Group has set a CO_2 emission reduction target that represents a 10% reduction from the projected CO_2 emissions in the fiscal year ending February 28, 2018 under the same level of environmental measures set for the nine Japanese operating companies* in the fiscal year ended February 29, 2012, and is working to reduce energy usage.

In particular, about 90% of CO_2 emitted by the Group is attributable to the use of energy for in-store operations. We are therefore promoting the introduction of energy-saving equipment. Furthermore, the Group's energy saving initiatives will also help to reduce energy usage costs.

◆Envisaged Cost and CO_2 Emission Reduction (FY2015) against Energy Conservation Equipment Investment and Cost*

Energy conservation investment		Envisaged cost reduction amount	Envisaged CO_2 emission reduction
Investment (¥ Billion)	Cost (¥ Billion)	(¥ Billion)	(1,000 t-CO_2)
7.4	0.6	1.3	35.0

* Seven-Eleven Japan, Ito-Yokado, Sogo & Seibu, York-Benimaru, Seven & i Food Systems, York Mart, Akachan Honpo, THE LOFT, and SHELL GARDEN

For example, we have been introducing LED lighting. From the fiscal year ended February 28, 2015, SEJ started introducing new specification LED lighting that can cut the amount of electricity used for in-store lighting by 50%. SEJ has also been installing solar power generation panels to effectively use renewable energy, and use the electric power they generate.

The "Closed-Loop Recycling" System of PET Bottles

Automatic PET bottle collection machines have been installed at 142 IY stores, 67 York-Benimaru stores, and 67 York Mart stores (as of February 28, 2015) as an initiative for recycling together with customers. Because PET bottles inserted into the machines undergo an automatic process of foreign-matter removal and volume reduction (either by compression or crushing), the collection frequency and storage space required at stores have been reduced. In terms of logistics, the volume reduction process enables a greater number of PET bottles to be transported each time, thereby reducing the volume of CO_2 emissions related to transport.

In the fiscal year ended February 28, 2015, approximately 3,746 tons of PET bottles were collected through this system, and recycled as PET bottles and other items. We plan to set up the system in a further 60 stores in the fiscal year ending February 29, 2016.

Automatic PET bottle collection machine

5 Building an Ethical Society and Improving Resource Sustainability together with Customers and Business Partners

Sustainable Forest Conservation Activities

The Group, working together with the Seven-Eleven Foundation, helps to curb global warming and contribute to the maintenance and conservation of biodiversity through the Seven & i Forest Conservation Project at 15 locations across Japan. The project aims to contribute to solutions for the structural problems affecting Japan's forestry industry by carrying out not only planting activities, but also forest thinning, undergrowth clearing, alternation of plant species, and other work needed to create a healthy forest. Wood material from such activities is being used within the Group for store materials, office supplies, and commercialization to promote use of national resources. In addition, Group employees and franchisees of SEJ also conduct volunteer activities to help maintain the forest.

In August 2014, the Group launched two beverage products under its private brand *Seven Premium* using paper cans incorporating thinned timber from the Seven & i Forest. In October, as a second step in the initiative, the Group launched four more items, including a yogurt drink with a *cartocan* made using material collected from thinning the Seven & i Forest.


Volunteer activities in the Seven & i Forest by employees and franchisees of SEJ

Paper cans made using material collected from thinning the Seven & i Forest

CONSOLIDATED FINANCIAL SUMMARY

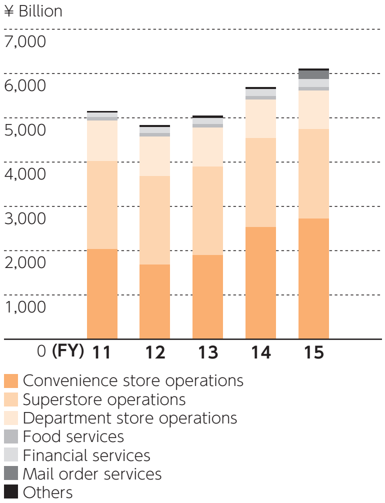
Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2015, February 28, 2014 and February 28, 2013

		Millions of yen		Thousands of U.S. dollars (Note A)
	2015	2014	2013	**2015**
For the fiscal year:				
Revenues from operations	**¥6,038,948**	¥5,631,820	¥4,991,642	**$50,747,462**
Operating income	**343,331**	339,659	295,685	**2,885,134**
Income before income taxes and minority interests	**310,195**	311,230	262,722	**2,606,680**
Net income	**172,979**	175,691	138,064	**1,453,605**
Capital expenditures (Note B)	**341,075**	336,758	334,216	**2,866,176**
Depreciation and amortization (Note C)	**172,237**	147,379	155,666	**1,447,369**
At fiscal year-end:				
Total assets	**¥5,234,705**	¥4,811,380	¥4,262,397	**$43,989,117**
Cash and cash equivalents	**1,000,762**	921,432	800,087	**8,409,764**
Total current assets	**2,133,185**	1,899,556	1,655,528	**17,925,924**
Total current liabilities	**1,826,791**	1,628,167	1,534,579	**15,351,184**
Long-term debt	**719,066**	731,844	545,588	**6,042,571**
Total net assets	**2,430,917**	2,221,557	1,994,740	**20,427,873**

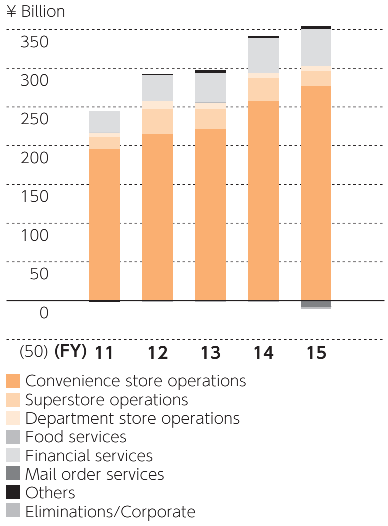
		Yen		U.S. dollars (Note A)
	2015	2014	2013	**2015**
Per share data:				
Net income (basic)	**¥195.66**	¥198.84	¥156.26	**$1.64**
Net income (diluted)	**195.48**	198.69	156.15	**1.64**
Cash dividends	**73.00**	68.00	64.00	**0.61**
Financial ratios:				
Operating income ratio (Note D)	**5.7%**	6.0%	5.9%	**5.7%**
Net income ratio (Note D)	**2.9%**	3.1%	2.8%	**2.9%**
ROE	**7.9%**	8.8%	7.6%	**7.9%**
ROA	**3.4%**	3.9%	3.4%	**3.4%**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥119=U.S.$1, the approximate rate of exchange prevailing on February 28, 2015.
(B) Capital expenditures include property and equipment, intangible assets, long-term leasehold deposits, and advances for store construction.
(C) Depreciation and amortization are included in cost of sales as well as selling, general and administrative expenses.
(D) Revenues from operations are used as the denominator for the operating income ratio and the net income ratio.

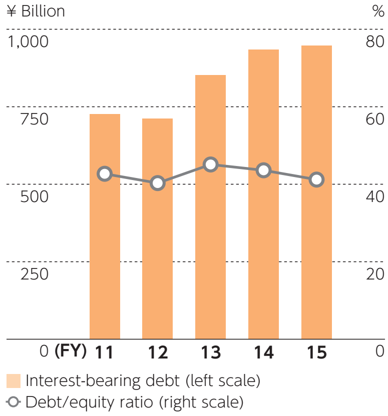
REVENUES FROM OPERATIONS BY BUSINESS SEGMENT



OPERATING INCOME (LOSS) BY BUSINESS SEGMENT



INTEREST-BEARING DEBT DEBT/EQUITY RATIO



MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2015, Seven & i Holdings ("the Company") recorded consolidated revenues from operations of ¥6,038.9 billion, an increase of ¥407.1 billion year on year, driven by an increase in sales in convenience store operations and the new consolidation of mail order services. Operating income increased by ¥3.6 billion to ¥343.3 billion, mainly reflecting growth in convenience store operations and financial services.

Convenience Store Operations

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, opened a record-high 1,602 stores, through measures such as expanding its regional coverage by opening stores in Ehime prefecture and starting to open stores through business alliances with the JR West Group and JR Shikoku Group. As a result, the number of domestic stores reached 17,491 at the end of the fiscal year under review, an increase of 1,172 stores from the end of the previous fiscal year. On the product front, SEJ continued its mission to realize "close-by, convenient stores" by focusing on developing original products that satisfy customers' demands for quality and tastiness. In addition, SEJ established the WEST JAPAN PROJECT as an organization for integrating product development, store operations, and store development, and worked harder than ever at promoting region-based initiatives including developing products that match local needs. Furthermore, the high-quality self-serve drip coffee service *SEVEN CAFÉ* achieved cumulative sales of 700 million cups during the fiscal year under review, as a result of further quality improvements and an increase in the number of stores with a second machine installed. As a result, existing-store sales grew by 2.4%.

Total store sales in Japan, which comprise directly-operated and franchised store sales, rose 6.0% year on year to ¥4,008.2 billion. By product category, sales of processed foods, which include soft drinks and confectionery, were up 5.6% to ¥1,034.1 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products as well as noodles and *sozai* prepared meals, were up 10.1% to ¥1,186.4 billion. Sales of daily food items, which include bread, pastries, and milk, were up 6.0% to ¥517.0 billion. Sales of nonfood products, which include cigarettes and sundries, were up 2.8% to ¥1,270.6 billion. Revenues from operations, which mainly comprise revenues from franchisees and sales at directly-operated stores, were up 8.4% to ¥736.3 billion, while operating income was up 5.0% to ¥223.3 billion.

Overseas, 7-Eleven, Inc. (SEI) had 8,297 stores in North America as of December 31, 2014. SEI continued to focus on the development and sale of fresh food products, centered on hot food, and *7-Select* private-brand products. In terms of stores, SEI continued to promote store openings in urban areas, and closed and sold some existing and acquired stores, focusing on individual store profitability. As regards acquired stores that SEI is continuing to operate, it aggressively converted acquired stores to the 7-Eleven format and focused on expanding product lineups and services. As a result of these initiatives, on a U.S. dollar basis, merchandise sales at existing stores in the United States increased 3.1% year on year. Consequently, SEI's total store sales, the sum of

PLAN FOR THE FISCAL YEAR ENDING FEBRUARY 29, 2016

CONSOLIDATED FINANCIAL FORECASTS

	Amount	YoY%	YoY increase/ decrease
Revenues from operations	¥6,400.0 billion	+6.0%	¥361.0 billion
Operating income	¥373.0 billion	+8.6%	¥29.6 billion
Net income	¥193.0 billion	+11.6%	¥20.0 billion

Note Exchange rates used for income statements: fiscal year ended Feb. 28, 2015: U.S.$1=¥105.79 (actual); assumption for fiscal year ending Feb. 29, 2016: U.S.$1=¥118.00 (yen depreciation of ¥12.21)

CONSOLIDATED OPERATING INCOME FORECASTS BY BUSINESS SEGMENT

	Amount	YoY%	YoY increase/ decrease
Consolidated operating income	¥373.0 billion	+8.6%	¥29.6 billion
Convenience store operations	¥296.0 billion	+7.0%	¥19.2 billion
Superstore operations	¥31.6 billion	+63.4%	¥12.2 billion
Department store operations	¥7.6 billion	+7.7%	¥0.5 billion
Food services	¥1.6 billion	–	¥1.5 billion
Financial services	¥50.0 billion	+6.0%	¥2.8 billion
Mail order services	¥(5.9) billion	–	¥1.6 billion
Others	¥4.5 billion	+22.6%	¥0.8 billion
Eliminations/corporate	¥(12.4) billion	–	¥(9.2) billion

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

merchandise sales and gasoline sales at directly operated stores and franchised stores, rose 7.3% to ¥2,834.4 billion. In China, the Group had 175 stores in Beijing, 60 stores in Tianjin and 66 stores in Chengdu, Sichuan Province, as of December 31, 2014.

As a results, revenues from operations in convenience store operations were ¥2,727.7 billion, up 7.8% year on year, while operating income was ¥276.7 billion, up 7.5%.

Superstore Operations

In superstore operations, Ito-Yokado (IY) had 181 stores at the end of the fiscal year under review, an increase of 2 stores year on year. On the sales front, IY strengthened sales of *Seven Premium* and other differentiated products, and worked to provide a product lineup and store operations leveraging the Group's capabilities in the Hokkaido, Tohoku, and West Japan regions to respond to regional characteristics. Nevertheless, due to a fallback in demand after the surge associated with the consumption tax hike in April 2014 and weather impacts, sales at existing stores declined 4.5% year on year, and net sales of IY were down ¥27.3 billion to ¥1,253.2 billion. By product category, apparel sales in the fiscal year under review were down 5.2% to ¥193.3 billion, sales of household goods declined 7.1% to ¥153.5 billion, and sales of food were down 2.5% to ¥592.9 billion.

York-Benimaru (YB) strengthened development and sales of fresh foods and differentiated products such as *Seven Premium*. In addition, as needs for ready-to-serve and easy meals continue to grow, YB expanded the sales area of delicatessen items manufactured and sold by its subsidiary Life Foods. Consequently, sales at existing stores increased 0.2% year on year.

As a result, revenues from operations in superstore operations were ¥2,012.1 billion, an increase of 0.1% from the previous fiscal year, and operating income was ¥19.3 billion, a decrease of 34.8%.

Department Store Operations

Sogo & Seibu strengthened retailer-managed merchandising and store-managed sales areas, and achieved high-quality customer service by increasing the number of sales personnel with a high degree of specialized knowledge, along with upgrading and expanding its total consulting capabilities. In addition, sales of luxury brands grew in line with the surge in demand associated with the consumption tax hike while food product sales were also up from the previous fiscal year. As a result, Sogo & Seibu saw a 0.1% year-on-year increase in sales at existing stores.

As a result, revenues from operations in department store operations were ¥875.0 billion, an increase of 0.4% from the previous fiscal year, and operating income was ¥7.0 billion, an increase of 7.1%.

Food Services

In the restaurant division of Seven & i Food Systems, sales at existing stores grew 1.1% year on year, mainly as a result of strong performance in high-value-added menus and improvements in customer service capabilities. However, operating income declined due to increased personnel costs and other expenses.

As a result, revenues from operations in food services were ¥80.9 billion, up 3.1%. Operating income was ¥44.0 million, down 92.7%.

Financial Services

In financial services, Seven Bank increased the number of installed ATMs by 1,545 from a year ago to 20,939 as of the end of February 28, 2015. The daily average transactions per ATM during the fiscal year were 101.2, down 7.2 transactions year on year. However, the number of transactions made by customers of deposit-taking financial institutions increased, and as a result, the total number of transactions recorded a steady increase.

In credit card operations, the transaction volume for the Seven Card/Seven Card plus, which are issued by Seven Card Service, and the number of cardholders for the CLUB ON/Millennium CARD SAISON, which is issued mainly for customers of Sogo & Seibu by Seven CS Card Service, increased year on year, mainly for shopping usage.

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 the end of the fiscal year under review was 37.17 million, up 8.78 million, and the number of stores at which *nanaco* could be used was approximately 167,700 stores, up about 24,800 stores.

As a result, revenues from operations in financial services were ¥178.2 billion, up 12.2%, and operating income was ¥47.1 billion, up 5.1%.

Mail Order Services

Nissen Holdings strove to improve profitability and implemented measures to realize Group synergies. In the fiscal year under review, Nissen Holdings distributed a catalog issued by Nissen in the storefronts of each Group company store and established showrooms inside IY stores.

As a result, revenues from operations in mail order services were ¥185.8 billion, and an operating loss of ¥7.5 billion was incurred, mainly due to dwindling sales and an increase in selling and administrative expenses.

Others

In others operations, revenues from operations were ¥53.8 billion, an increase of 6.7% from the previous fiscal year. Operating income was ¥3.6 billion, an increase of 69.4%, mainly due to a decline in upfront expenses associated with strengthened Internet shopping recorded by Seven & i Netmedia in the previous fiscal year.

Eliminations/Corporate

Under eliminations/corporate for the fiscal year ended February 28, 2015, the Company recorded an operating loss of ¥3.1 billion, a deterioration of ¥1.4 billion from the previous fiscal year, capital expenditures of ¥15.1 billion, up 99.7%, and depreciation and amortization of goodwill expenses of ¥2.4 billion, up 135.1%. These are mainly capital expenditures relating to systems and upfront expenses associated with the Omni-Channel Strategy at Seven & i Holdings.

Income before Income Taxes and Minority Interests

In other income (expenses), net other expenses were ¥33.1 billion compared with net other expenses of ¥28.4 billion in the previous fiscal year. This change was mainly due to recording equity in losses of affiliates after recording equity in earnings of affiliates in the previous fiscal year and loss on disposals of property and equipment.

Consequently, income before income taxes and minority interests decreased ¥1.0 billion year on year to ¥310.1 billion.

Net Income

Income taxes increased ¥4.4 billion year on year to ¥127.6 billion. After application of tax effect accounting, the effective tax rate was 41.1%.

As a result, net income declined ¥2.7 billion year on year to ¥172.9 billion. Net income per share was ¥195.66, down ¥3.18 per share from ¥198.84 in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

Total assets on February 28, 2015 stood at ¥5,234.7 billion, up ¥423.3 billion from the end of the previous fiscal year.

Total current assets were ¥2,133.1 billion, up ¥233.6 billion from the end of the previous fiscal year. The main reasons were an increase of ¥79.3 billion in cash and cash equivalents and increases of ¥13.7 billion and ¥10.0 billion in notes and accounts receivable, trade and inventories, respectively.

Property and equipment increased ¥166.9 billion, mainly due to exchange rate differences, new store openings and existing store remodeling at SEJ, and land acquisitions at IY. Intangible assets were up ¥39.0 billion, mainly due to exchange rate differences and goodwill generated by the acquisition of Barneys Japan. Furthermore, investments and other assets decreased ¥16.3 billion, mainly reflecting the redemption of Japanese government bonds by Seven Bank.

Total liabilities were up ¥213.9 billion to ¥2,803.7 billion.

Total current liabilities were up ¥198.6 billion to ¥1,826.7 billion. The main reasons were an increase of ¥39.9 billion in the current portion of bonds at the Company, along with an increase of ¥33.6 billion in deposits received in association with the increase in public payment collection services at SEJ and other factors, and an increase of ¥72.1 billion in deposits received in the banking business associated with Seven Bank.

Non-current liabilities rose ¥15.3 billion to ¥976.9 billion. This was mainly due to the transfer of ¥59.9 billion in Company bonds to the current portion of bonds and bond issuances totaling ¥15.0 billion by Seven Bank.

Total net assets were up ¥209.3 billion to ¥2,430.9 billion.

Retained earnings increased ¥110.5 billion after recording net income of ¥172.9 billion, despite being reduced by ¥63.1 billion for payment of cash dividends.

Foreign currency translation adjustments, principally the translation of the financial statements of SEI, increased by ¥76.5 billion.

As a result of the above, owners' equity per share was up ¥229.31 per share from a year earlier to ¥2,601.23 per share, and the owners' equity ratio was 43.9% compared to 43.6% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were ¥1,000.7 billion, up ¥79.3 billion from a year earlier. This was mainly due to cash provided by operations with high revenue generating capacities, centered on convenience store operations. On the other hand, cash was used to open new stores and remodel existing stores, mainly by SEJ.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥416.6 billion, down ¥37.6 billion from the previous fiscal year. This mainly reflected an increase of ¥24.8 billion in depreciation and amortization, an increase of ¥50.5 billion in income taxes paid and a net decrease of ¥36.0 billion in bonds at Seven Bank.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥270.2 billion, a decrease of ¥16.4 billion from the previous fiscal year. This mainly reflected a decrease of ¥86.9 billion in payment for purchase of investments in securities and a decrease of ¥45.0 billion in proceeds from sales of investments in securities.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥79.4 billion, an increase of ¥24.2 billion from the previous fiscal year. This was mainly due to a decrease of ¥99.7 billion in proceeds from issuance of bonds at the Company. Meanwhile, payment for redemption of bonds at the Company decreased by ¥40.0 billion, and repayment of long-term debts decreased by ¥26.8 billion.

RISK FACTORS

Seven & i Holdings and its operating companies ("the Group") has established a 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 them from materializing, while taking other effective measures to promptly and adequately respond when they do 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 business climate and trends in consumer spending in Japan as well as in other countries and regions where the Group does business may affect the Group's operating results and financial condition. To cater appropriately to the needs of consumers, the Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behavior due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

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

Foreign Exchange Rate Fluctuations

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

2. RISKS RELATED TO THE GROUP'S BUSINESS

GROUPWIDE RISKS

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

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

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

Product Safety and Representations

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

Product Development upon Due Consideration of Regional Characteristics

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

Store-opening Strategy

The Group's opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the

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

M&As, Alliances, and Strategic Investments

The Group develops new businesses and reorganizes its operations through M&As, 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 an event occurs, 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 an event occurs, the Group's business performance and financial condition may be affected.

Omni-Channel Strategy

The Group is promoting its Omni-Channel Strategy to cope with the changes in customers' buying behavior due to changes in social structure. The Group aims to create a new retail environment where every product and service can be available to customers anytime and anywhere by taking advantage of its nationwide networks of stores, logistics, and other infrastructures.

The Group is trying to stimulate latent customer demand through building a new "Integrated E-commerce Website," developing high-quality products, and enhancing service quality. However, the Group may not attain its objectives completely because of some internal and/or external factors. If such an event occurs, its business performance and financial condition may be affected.

Human Resource Management

It is indispensable for the Group's business operations to secure human resources with the capability of good communication with stakeholders, especially customers. If fiercer competition for human resources in various business fields or regions in the future leads to difficulty in securing appropriate staff and/or the loss of existing staff, the Group's business performance and financial condition may be affected.

Toshifumi Suzuki, the Chairman and CEO of Seven & i Holdings, and the Group's top management are playing important roles in leading the implementation of the Group's strategy. If they were to become incapable of fulfilling their duties due to unforeseen circumstances, the Group's business performance and financial condition could be affected.

RISKS BY SEGMENT

Convenience Store Operations

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

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

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

As of February 28, 2015, Seven-Eleven has grown into a global chain with more than 55,000 stores in 16 countries and regions around the world, including stores outside the Group that operate under 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 the Group's 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 advancing the store-first policy under which individual stores play a leading role to assort products that can meet regional market needs, and continuously promoting merchandising innovation and communication with customers through enhancing customer service levels and sales techniques. For the part of food supermarkets, the Group endeavors to establish the new model of lifestyle-proposal supermarkets through promoting differentiation strategies on products and improving operational efficiency. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in the operating environment. If such an event occurs, 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 its differentiation strategies in response to the changing lifestyles 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 area. 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 an event occurs, its business performance and financial condition may be affected.

Food Services

In food services, the Group, which operates restaurants, meal provision services, and fast food services, is implementing a growth strategy in its mainstay restaurant business by providing higher-quality products in response to changes in customer segments based on shifts in demographics, lifestyle and customer needs and enhancing productivity. However, the Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such an event occurs, its business performance and financial condition may be affected.

Financial Services

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

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

In its credit card operations, the Group is striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the Seven Card/Seven Card plus credit card, CLUB ON/Millennium CARD SAISON credit cards, and *nanaco* electronic money. However, in credit card operations, an increase in the default rate, unexpected default losses, or restriction on the total volume of lending pursuant to the Money Lending Business Act, etc., may affect the Group's business performance and financial condition. In 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. In the event that the Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

Mail Order Services

In mail order services, the Group faces such negative changes in its business environment as a deterioration of product competitiveness, lowered catalog sales efficiency due to evolving Internet businesses, a rise in the cost of sales ratio due to a sharp depreciation of yen, rising shipping costs, and others, is striving to implement a structural reform and improve profitability through primarily enhancing product competitiveness and efficiency of sales promotion, as well as realizing synergy with other Group operations. However, the Group may not attain its objectives completely because of such unforeseen factors as further changes in business environments. If such an event occurs, its business performance and financial condition may be affected.

3. LEGAL RESTRICTIONS AND LITIGATION

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof that 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 result in 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 an event were to occur, 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 the Group's business performance, financial condition, and reputation.

4. RISKS RELATED TO DISASTERS OR UNPREDICTABLE EVENTS

Influence of Disasters or Other Unpredictable Events

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

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

Pandemic of Infectious Diseases, Such as a 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 for responding 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 an event were to occur, its business performance and financial condition could be affected.

5. OTHER RISKS

Retirement Benefit Obligations and Retirement Benefit Expenses

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

Deferred Tax Assets

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

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage the Group's overall brand image. As a result, consumers' trust in the Group could decrease, 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	**2015**	2014	**2015**
Current assets:			
Cash and cash equivalents (Note 4)	**¥ 1,000,762**	¥ 921,432	**$ 8,409,764**
Notes and accounts receivable:			
Trade (Note 4)	**340,792**	327,072	**2,863,798**
Financial services	**71,198**	66,230	**598,302**
Franchisees and other	**122,175**	99,527	**1,026,680**
Allowance for doubtful accounts (Note 4)	**(5,361)**	(5,529)	**(45,050)**
	528,805	487,301	**4,443,739**
Inventories	**212,168**	202,118	**1,782,924**
ATM-related temporary payments	**166,686**	99,164	**1,400,722**
Deferred income taxes (Note 10)	**41,499**	40,812	**348,731**
Prepaid expenses and other current assets (Note 4)	**183,262**	148,726	**1,540,016**
Total current assets	**2,133,185**	1,899,556	**17,925,924**
Property and equipment, at cost (Notes 7, 8, 13 and 18)	**3,587,129**	3,275,889	**30,143,941**
Less: Accumulated depreciation	**(1,710,187)**	(1,565,899)	**(14,371,319)**
	1,876,941	1,709,990	**15,772,613**
Intangible assets:			
Goodwill	**297,233**	277,943	**2,497,756**
Software and other (Notes 8 and 13)	**209,770**	190,004	**1,762,773**
	507,004	467,947	**4,260,537**
Investments and other assets:			
Investments in securities (Notes 4, 5 and 18)	**168,738**	189,102	**1,417,966**
Long-term loans receivable	**16,361**	17,868	**137,487**
Long-term leasehold deposits (Notes 4 and 18)	**401,206**	402,878	**3,371,478**
Prepaid pension cost (Note 11)	**–**	31,822	**–**
Net defined benefit asset (Note 11)	**40,889**	–	**343,605**
Deferred income taxes (Note 10)	**28,382**	32,836	**238,504**
Other	**66,980**	66,344	**562,857**
Allowance for doubtful accounts (Note 4)	**(4,984)**	(6,966)	**(41,882)**
	717,574	733,885	**6,030,033**
Total assets	**¥ 5,234,705**	¥ 4,811,380	**$ 43,989,117**

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

LIABILITIES AND NET ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 3) 2015
Current liabilities:			
Short-term loans (Notes 12 and 18)	¥ 130,780	¥ 116,147	$ 1,098,991
Current portion of long-term debt (Notes 4, 12 and 18)	146,509	135,705	1,231,168
Notes and accounts payable:			
Trade (Notes 4 and 6)	261,746	250,211	2,199,546
Trade for franchised stores (Notes 4 and 19)	150,758	133,760	1,266,873
Other	176,920	160,004	1,486,722
	589,425	543,976	4,953,151
Accrued expenses	104,284	97,543	876,336
Income taxes payable	42,979	62,625	361,168
Deposits received	149,610	115,910	1,257,226
ATM-related temporary advances	66,977	38,884	562,831
Deposits received in banking business (Note 4)	475,209	403,062	3,993,352
Allowance for bonuses to employees	12,893	14,773	108,344
Allowance for sales promotion expenses	20,408	16,909	171,495
Allowance for loss on future collection of gift certificates	2,532	2,932	21,277
Provision for sales returns	188	205	1,579
Other (Notes 4, 10 and 14)	84,993	79,490	714,226
Total current liabilities	1,826,791	1,628,167	15,351,184
Long-term debt (Notes 4, 6, 12 and 18)	719,066	731,844	6,042,571
Allowance for accrued pension and severance costs (Note 11)	—	6,853	—
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,060	2,019	17,310
Net defined benefit liability (Note 11)	8,669	—	72,848
Deferred income taxes (Note 10)	63,536	51,220	533,915
Deposits received from tenants and franchised stores (Notes 4 and 18)	56,779	55,046	477,134
Asset retirement obligations (Note 14)	67,068	60,376	563,596
Other liabilities (Note 18)	59,817	54,295	502,663
Total liabilities	2,803,788	2,589,823	23,561,243
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 2015 and 2014	50,000	50,000	420,168
Capital surplus	527,470	526,850	4,432,521
Retained earnings	1,622,090	1,511,555	13,631,008
Treasury stock, at cost, 2,375,681 shares in 2015 and 2,876,349 shares in 2014	(5,883)	(7,109)	(49,436)
	2,193,677	2,081,295	18,434,260
Accumulated other comprehensive income (loss):			
Unrealized gains on available-for-sale securities, net of taxes (Note 5)	21,571	10,672	181,268
Unrealized gains (losses) on hedging derivatives, net of taxes	557	(6)	4,680
Foreign currency translation adjustments	80,342	3,785	675,142
Remeasurements of defined benefit plan	3,512	—	29,512
Total accumulated other comprehensive income (loss)	105,985	14,450	890,630
Subscription rights to shares (Note 17)	2,427	1,944	20,394
Minority interests in consolidated subsidiaries	128,827	123,866	1,082,579
Total net assets	2,430,917	2,221,557	20,427,873
Total liabilities and net assets	¥5,234,705	¥4,811,380	$43,989,117

CONSOLIDATED STATEMENTS OF INCOME

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Revenues from operations:			
Net sales	¥4,996,619	¥4,679,087	$41,988,394
Operating revenues (Note 20)	1,042,329	952,732	8,759,067
	6,038,948	5,631,820	50,747,462
Costs and expenses:			
Cost of sales	3,926,210	3,694,217	32,993,361
Selling, general and administrative expenses (Notes 11, 13, 17 and 20)	1,769,405	1,597,944	14,868,949
	5,695,616	5,292,161	47,862,319
Operating income	343,331	339,659	2,885,134
Other income (expenses):			
Interest and dividend income	6,865	6,542	57,689
Interest expenses and interest on bonds	(9,353)	(9,271)	(78,596)
Equity in earnings (losses) of affiliates	(362)	2,649	(3,042)
Foreign currency exchange losses	(267)	(1,768)	(2,243)
Impairment loss on property and equipment (Note 8)	(15,220)	(15,094)	(127,899)
Gain on sales of property and equipment (Note 20)	2,702	1,299	22,705
Loss on disposals of property and equipment (Note 20)	(13,349)	(8,667)	(112,176)
Subsidy income	–	1,881	–
Compensation income for expropriation	686	3	5,764
Gain on step acquisitions of shares of a subsidiary	763	–	6,411
Special expenses related to consumption tax rate change	(2,028)	–	(17,042)
Other, net (Note 5)	(3,573)	(6,002)	(30,025)
	(33,136)	(28,429)	(278,453)
Income before income taxes and minority interests	310,195	311,230	2,606,680
Income taxes (Note 10)**:**			
Current	123,421	122,004	1,037,151
Deferred	4,222	1,177	35,478
	127,643	123,182	1,072,630
Income before minority interests	182,551	188,048	1,534,042
Minority interests in net income of consolidated subsidiaries	9,572	12,356	80,436
Net income	¥ 172,979	¥ 175,691	$ 1,453,605

	Yen		U.S. dollars (Note 3)
	2015	2014	2015
Per share information:			
Net income (Basic)	¥195.66	¥198.84	$1.64
Net income (Diluted)	195.48	198.69	1.64
Cash dividends	73.00	68.00	0.61

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Income before minority interests	¥182,551	¥188,048	$1,534,042
Other comprehensive income (loss) (Note 15)**:**			
Unrealized gains (losses) on available-for-sale securities, net of taxes	11,020	3,244	92,605
Unrealized gains (losses) on hedging derivatives, net of taxes	1,132	(0)	9,512
Foreign currency translation adjustments	77,684	85,768	652,806
Share of other comprehensive income (loss) of entities accounted for using equity method	192	114	1,613
Total other comprehensive income (loss)	90,030	89,127	756,554
Comprehensive income	¥272,582	¥277,175	$2,290,605
Comprehensive income attributable to:			
Owners of the parent	¥261,001	¥262,645	$2,193,285
Minority interests	11,581	14,530	97,319

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, 2015 and 2014

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	Remeasure-ments of defined benefit plan	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
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
Net income			175,691								175,691
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			244								244
Cash dividends			(58,315)								(58,315)
Purchase of treasury stock				(133)							(133)
Disposal of treasury stock		(23)		167							143
Other				(0)							(0)
Net changes of items other than shareholder equity					3,255	(1)	83,699		406	21,827	109,187
Net increase (decrease) for the year	–	(23)	117,620	33	3,255	(1)	83,699	—	406	21,827	226,817
Balance at February 28, 2014	¥50,000	¥526,850	¥1,511,555	¥(7,109)	¥10,672	¥ (6)	¥ 3,785	¥ —	¥1,944	¥123,866	¥2,221,557
Net income			**172,979**								**172,979**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**751**								**751**
Cash dividends			**(63,194)**								**(63,194)**
Purchase of treasury stock				**(27)**							**(27)**
Disposal of treasury stock		**620**		**1,253**							**1,873**
Other				**(0)**							**(0)**
Net changes of items other than shareholder equity					**10,899**	**564**	**76,557**	**3,512**	**482**	**4,960**	**96,978**
Net increase (decrease) for the year	**–**	**620**	**110,535**	**1,226**	**10,899**	**564**	**76,557**	**3,512**	**482**	**4,960**	**209,359**
Balance at February 28, 2015	**¥50,000**	**¥527,470**	**¥1,622,090**	**¥(5,883)**	**¥21,571**	**¥557**	**¥80,342**	**¥3,512**	**¥2,427**	**¥128,827**	**¥2,430,917**

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	Remeasure-ments of defined benefit plan	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2014	$420,168	$4,427,310	$12,702,142	$(59,739)	$ 89,680	$ (50)	$ 31,806	$ —	$16,336	$1,040,890	$18,668,546
Net income			**1,453,605**								**1,453,605**
Increase (decrease) resulting from adoption of U.S. GAAP by U.S. subsidiaries			**6,310**								**6,310**
Cash dividends			**(531,042)**								**(531,042)**
Purchase of treasury stock				**(226)**							**(226)**
Disposal of treasury stock		**5,210**		**10,529**							**15,739**
Other				**(0)**							**(0)**
Net changes of items other than shareholder equity					**91,588**	**4,739**	**643,336**	**29,512**	**4,050**	**41,680**	**814,941**
Net increase (decrease) for the year	**–**	**5,210**	**928,865**	**10,302**	**91,588**	**4,739**	**643,336**	**29,512**	**4,050**	**41,680**	**1,759,319**
Balance at February 28, 2015	**$420,168**	**$4,432,521**	**$13,631,008**	**$(49,436)**	**$181,268**	**$4,680**	**$675,142**	**$29,512**	**$20,394**	**$1,082,579**	**$20,427,873**

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 310,195**	¥ 311,230	**$ 2,606,680**
Depreciation and amortization	**172,237**	147,379	**1,447,369**
Impairment loss on property and equipment	**15,220**	15,094	**127,899**
Amortization of goodwill	**18,894**	18,697	**158,773**
Increase (decrease) in allowance for bonuses to employees	**(2,030)**	1,284	**(17,058)**
Decrease (increase) in prepaid pension cost	**—**	(35)	**—**
Decrease (increase) in net defined benefit asset	**(1,664)**	—	**(13,983)**
Interest and dividend income	**(6,865)**	(6,542)	**(57,689)**
Interest expenses and interest on bonds	**9,353**	9,271	**78,596**
Equity in losses (earnings) of affiliates	**362**	(2,649)	**3,042**
Gain on sales of property and equipment	**(2,702)**	(1,299)	**(22,705)**
Loss on disposals of property and equipment	**13,349**	8,667	**112,176**
Subsidy income	**—**	(1,881)	**—**
Decrease (increase) in notes and accounts receivable, trade	**(9,186)**	(12,889)	**(77,193)**
Decrease (increase) in notes and accounts receivable, financial services	**(4,968)**	(2,177)	**(41,747)**
Decrease (increase) in inventories	**(806)**	(13,344)	**(6,773)**
Increase (decrease) in notes and accounts payable, trade and trade for franchised stores	**19,181**	8,311	**161,184**
Increase (decrease) in deposits received	**33,451**	15,996	**281,100**
Net increase (decrease) in loans in banking business	**(9,000)**	(15,900)	**(75,630)**
Net increase (decrease) in bonds in banking business	**(5,000)**	31,000	**(42,016)**
Net increase (decrease) in deposits received in banking business	**72,146**	77,617	**606,268**
Net decrease (increase) in call loan in banking business	**—**	15,000	**—**
Net increase (decrease) in call money in banking business	**(20,000)**	(40,900)	**(168,067)**
Net change in ATM-related temporary accounts	**(39,428)**	(9,136)	**(331,327)**
Other	**5,651**	3,127	**47,487**
Subtotal	**568,393**	555,921	**4,776,411**
Interest and dividends received	**4,067**	3,516	**34,176**
Interest paid	**(9,369)**	(9,259)	**(78,731)**
Income taxes paid	**(146,400)**	(95,843)	**(1,230,252)**
Net cash provided by operating activities	**416,690**	454,335	**3,501,596**
Cash flows from investing activities:			
Acquisition of property and equipment (Note 9)	**(276,351)**	(274,531)	**(2,322,277)**
Proceeds from sales of property and equipment	**12,747**	21,059	**107,117**
Acquisition of intangible assets	**(30,551)**	(14,936)	**(256,731)**
Payment for purchase of investments in securities	**(23,602)**	(110,584)	**(198,336)**
Proceeds from sales of investments in securities	**54,334**	99,386	**456,588**
Payment for purchase of investments in subsidiaries	**(444)**	(449)	**(3,731)**
Payment for purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	**(6,373)**	(6,584)	**(53,554)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 9)	**377**	—	**3,168**
Payment for long-term leasehold deposits	**(25,789)**	(27,305)	**(216,714)**
Refund of long-term leasehold deposits	**35,163**	36,693	**295,487**
Proceeds from deposits from tenants	**4,571**	3,376	**38,411**
Refund of deposits from tenants	**(2,346)**	(3,232)	**(19,714)**
Payment for acquisition of business (Note 9)	**(909)**	(8,245)	**(7,638)**
Payment for time deposits	**(28,379)**	(15,801)	**(238,478)**
Proceeds from withdrawal of time deposits	**20,398**	19,126	**171,411**
Other	**(3,079)**	(4,659)	**(25,873)**
Net cash used in investing activities	**(270,235)**	(286,686)	**(2,270,882)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	**13,122**	(23,750)	**110,268**
Proceeds from long-term debts	**88,650**	117,100	**744,957**
Repayment of long-term debts	**(97,538)**	(124,436)	**(819,647)**
Proceeds from commercial paper	**13,011**	216,838	**109,336**
Payment for redemption of commercial paper	**(13,011)**	(224,266)	**(109,336)**
Proceeds from issuance of bonds	**—**	99,700	**—**
Payment for redemption of bonds	**—**	(40,000)	**—**
Dividends paid	**(63,150)**	(58,270)	**(530,672)**
Capital contribution from minority interests	**26**	0	**218**
Dividends paid for minority interests	**(5,627)**	(5,493)	**(47,285)**
Other	**(14,966)**	(12,650)	**(125,764)**
Net cash used in financing activities	**(79,482)**	(55,227)	**(667,915)**
Effect of exchange rate changes on cash and cash equivalents	**12,422**	8,924	**104,386**
Net increase (decrease) in cash and cash equivalents	**79,395**	121,344	**667,184**
Cash and cash equivalents at beginning of year	**921,432**	800,087	**7,743,126**
Decrease in cash and cash equivalents resulting from exclusion of the subsidiary from consolidation	**(65)**	—	**(546)**
Cash and cash equivalents at end of year	**¥1,000,762**	¥ 921,432	**$ 8,409,764**

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 118 subsidiaries as of February 28, 2015 (121 subsidiaries as of February 28, 2014) 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.

Three entities have been newly consolidated for the fiscal year ended February 28, 2015 following the additional acquisition of shares of Barneys Japan Co., Ltd. and the establishment of Bank Business Factory Co., Ltd. and PT. ABADI TAMBAH MULIA INTERNASIONAL.

On the other hand, six entities were excluded from the scope of consolidation for the fiscal year ended February 28, 2015 following the dissolution of Seven Net Shopping Co., Ltd., Yis co., ltd., SEVEN & i Life Design Institute Co., Ltd., and SHADDY POTTERY CO., LTD.; sales of shares of APIX INTERNATIONAL CO., LTD.; and liquidation of Beijing Wang fu jing Yokado Commercial Co., Ltd.

The fiscal year-end of some subsidiaries is December 20 or 31. The financial statements of such subsidiaries as of and for the year ended December 20 or 31 are used in preparing the Consolidated Financial Statements. All material transactions that occur during the period from the closing date to February 28 are adjusted in the consolidation process.

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

During the fiscal year ended February 28, 2015, six subsidiaries of the mail order services segment changed their closing dates from March 31 or September 30 to December 31. The Consolidated Financial Statements include the financial information from January 1 to December 31 of such subsidiaries.

All material intercompany transactions and account balances have been eliminated.

24 affiliates as of February 28, 2015 (26 affiliates as of February 28, 2014), which include PRIME DELICA CO., LTD. and PIA CORPORATION, are accounted for using the equity method. The number of affiliates to which the equity method is applied decreased by two in connection with the sales of shares of KINSHO STORE Co., LTD. and the transfer to consolidated subsidiary due to additional acquisition of shares of Barneys Japan 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 financial statements are used in preparing the Consolidated Financial Statements.

(2) Inventories

Inventories are stated mainly at cost determined by the following method with book value written down to the net realizable value. Cost is determined principally by the retail method for domestic consolidated subsidiaries (excluding subsidiaries in the mail order services segment) and by the FIFO method (except for gasoline inventory that is determined mainly by the weighted-average cost method) for subsidiaries in the mail order services segment and foreign consolidated subsidiaries. Some subsidiaries are included using the moving-average method.

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

(3) Securities

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

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

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

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

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed generally using the straight-line method for the Companies, except for the consolidated subsidiaries in the mail order services segment, which use the declining-balance method except for buildings.

(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 is charged to income when incurred. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

(7) Lease assets

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

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

(8) Income taxes

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

Deferred tax accounting is applied.

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

(9) Allowances

(a) Allowance for doubtful accounts

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

(b) Allowance for sales promotion expenses

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

(c) Allowance for bonuses to employees

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

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

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

(e) Provision for sales returns

Provision for sales returns is provided at the amount of estimated future loss due to sales returns. The amount is calculated using the historical results of returns.

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

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

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

(10) Accounting method for retirement benefits

(a) Allocation method of estimated total retirement benefits

Mainly point basis

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

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

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

(11) Hedge accounting

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

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

(12) Per share information

Net assets (excluding minority interests in consolidated subsidiaries and subscription rights to shares) per share as of February 28, 2015 and February 28, 2014 are ¥2,601.23 ($21.85) and ¥2,371.92, respectively. Net income per share for the fiscal years ended February 28, 2015 and February 28, 2014 is ¥195.66 ($1.64) and ¥198.84, respectively. Diluted net income per share for the fiscal years ended February 28, 2015 and February 28, 2014 is ¥195.48 ($1.64) and ¥198.69, respectively.

Net assets per share for the fiscal year ended February 28, 2015, increased by ¥3.97 ($0.03) as a result of application of revised accounting standards for retirement benefits, which is stated in Note 2 (18), "Change in significant accounting policies for the preparation of Consolidated Financial Statements."

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, 2015 and February 28, 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Net income	¥172,979	¥175,691	$1,453,605
Less components not pertaining to common shareholders	—	—	—
Net income pertaining to common shareholders	¥172,979	¥175,691	$1,453,605
Weighted-average number of shares of common stock outstanding (shares)	884,064,278	883,564,722	884,064,278

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

(13) Treasury stock

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

(14) Accounting for consumption taxes and excise tax

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

(15) Foreign currency translation

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

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

(16) Cash and cash equivalents

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

(17) Accounting for franchised stores in convenience store operations

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

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

(Application of Accounting Standard for Retirement Benefits)
The Company has applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; hereinafter the "Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; hereinafter the "Guidance") from the end of the fiscal year ended February 28, 2015 (excluding provisions stated in Article 35 of the Standard and Article 67 of the Guidance). Under the new policy, the method was changed such that plan assets are deducted from retirement benefit obligations and recorded under net defined benefit liability, and unrecognized net actuarial gain or loss and unrecognized past service cost are included in net defined benefit liability. Amounts of plan assets in excess of retirement benefit obligations are recorded under net defined benefit asset. With respect to application of the Standard, the transitional treatment as prescribed in Article 37 of the Standard was applied. As of February 28, 2015, the effect of the change in accounting policy was reflected in remeasurements of defined benefit plans under accumulated other comprehensive income.

As a result of this change, as of February 28, 2015, a net defined benefit asset of ¥40,889 million ($343,605 thousand) and a net defined benefit liability of ¥8,669 million ($72,848 thousand) were recorded, while accumulated other comprehensive income increased by ¥3,512 million ($29,512 thousand).

The effect on per-share data is stated in Note 2 (12), "Per share information."

(Change in depreciation method for property and equipment)
Previously, the Companies, excluding certain domestic and foreign consolidated subsidiaries, used the declining-balance method to calculate the depreciation of property and equipment.

However, effective from the fiscal year ended February 28, 2014, the Companies integrated to the straight-line method of depreciation, excluding subsidiaries in the mail order services segment. The Company reviewed the depreciation methods of the Companies that used the declining-balance method mainly because of Seven-Eleven Japan Co., Ltd.'s increased investments in the store properties and Ito-Yokado Co., Ltd.'s investments in larger shopping centers to meet business environment changes and customer needs surrounding the Companies.

The Company believes that the change from the declining-balance method to the straight-line method better reflects its business performance in terms of the matching of costs and revenues more appropriately, because it is expected that property and equipment are used evenly over their useful lives, revenues generated from the property and equipment are earned stably, and maintenance and repair expenses for those property and equipment are incurred regularly over their useful lives.

As a result of this change, operating income and income before income taxes and minority interests for the fiscal year ended February 28, 2014, increased by ¥31,555 million.

(19) New accounting pronouncements

- Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
- Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

The revised accounting standard and guidance allow a choice for the method of attributing expected benefits to periods of either the straight-line method or the plan's benefit formula method. In addition, the determination method of the discount rate was amended.

The amendment of the calculation method for the present value of defined benefit obligations and current service cost will be adopted from the beginning of the fiscal year ending February 29, 2016.

The resulting effect of adopting this revised accounting standard was under assessment at the time of preparation of the accompanying Consolidated Financial Statements.

(20) Reclassification

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

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥119=US$1, the approximate rate of exchange prevailing as of February 28, 2015. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized, or settled in U.S. dollars at this rate or at any other rate.

4. FINANCIAL INSTRUMENTS

Qualitative information on financial instruments

(1) Policies relating to financial instruments

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

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 designated the divisions that are responsible for each type of risk and overall risk management. Further, in relation to financial instruments the Companies recognize and manage risk as follows.

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

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

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

Among notes and accounts payable, trade, debts denominated in foreign currencies are exposed to the risk of currency exchange rate fluctuations. In order to mitigate the risk, the Companies enter into 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, 2015 and February 28, 2014 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
			2015
	Book value	Fair value	Difference
Cash and cash equivalents	¥1,000,762	¥1,000,762	¥ —
Notes and accounts receivable, trade	340,792		
Allowance for doubtful accounts[(a)]	(2,716)		
	338,076	341,636	3,560
Marketable securities and investments in securities	127,576	127,914	338
Long-term leasehold deposits[(b)]	297,863		
Allowance for doubtful accounts[(c)]	(777)		
	297,086	298,441	1,354
Total assets	¥1,763,501	¥1,768,755	¥ 5,253
Notes and accounts payable, trade[(d)]	¥ 412,504	¥ 412,504	¥ —
Deposits received in banking business	475,209	475,644	435
Bonds[(e)]	379,991	388,531	8,539
Long-term loans[(f)]	437,480	441,198	3,717
Deposits received from tenants and franchised stores[(g)]	26,423	25,228	(1,194)
Total liabilities	¥1,731,609	¥1,743,107	¥11,498
Derivative instruments[(h)]	¥ 2,825	¥ 2,825	¥ —

	Millions of yen		
	2014		
	Book value	Fair value	Difference
Cash and cash equivalents	¥ 921,432	¥ 921,432	¥ —
Notes and accounts receivable, trade	327,072		
Allowance for doubtful accounts[a]	(3,064)		
	324,008	327,374	3,366
Marketable securities and investments in securities	140,172	142,631	2,458
Long-term leasehold deposits[b]	296,900		
Allowance for doubtful accounts[c]	(727)		
	296,173	294,991	(1,181)
Total assets	¥1,681,786	¥1,686,429	¥ 4,643
Notes and accounts payable, trade[d]	¥ 383,972	¥ 383,972	¥ —
Deposits received in banking business	403,062	403,473	411
Bonds[e]	384,987	392,970	7,982
Long-term loans[f]	433,261	436,733	3,471
Deposits received from tenants and franchised stores[g]	25,847	24,132	(1,715)
Total liabilities	¥1,631,131	¥1,641,282	¥10,150
Derivative instruments[h]	¥ 810	¥ 810	¥ —

	Thousands of U.S. dollars (Note 3)		
	2015		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 8,409,764	$ 8,409,764	$ —
Notes and accounts receivable, trade	2,863,798		
Allowance for doubtful accounts[a]	(22,823)		
	2,840,974	2,870,890	29,915
Marketable securities and investments in securities	1,072,067	1,074,907	2,840
Long-term leasehold deposits[b]	2,503,050		
Allowance for doubtful accounts[c]	(6,529)		
	2,496,521	2,507,907	11,378
Total assets	$14,819,336	$14,863,487	$ 44,142
Notes and accounts payable, trade[d]	$ 3,466,420	$ 3,466,420	$ —
Deposits received in banking business	3,993,352	3,997,008	3,655
Bonds[e]	3,193,201	3,264,966	71,756
Long-term loans[f]	3,676,302	3,707,546	31,235
Deposits received from tenants and franchised stores[g]	222,042	212,000	(10,033)
Total liabilities	$14,551,336	$14,647,957	$ 96,621
Derivative instruments[h]	$ 23,739	$ 23,739	$ —

Notes:
(a) The amount of allowance for doubtful accounts relates only to notes and accounts receivable, trade.
(b) The amount of long-term leasehold deposits includes a portion of leasehold deposits maturing within one year.
(c) The amount of allowance for doubtful accounts relates only to long-term leasehold deposits.
(d) The amount of notes and accounts payable, trade includes trade for franchised stores.
(e) The amount of bonds includes bonds due within one year.
(f) The amount of long-term loans includes long-term loans due within one year.
(g) The amount of deposits received from tenants and franchised stores includes a portion of the deposits received maturing within one year.
(h) The value of assets and liabilities arising from derivative instruments is shown by net value. Net liabilities are shown in parentheses.

Note 1: Items relating to the calculation of the fair value of financial instruments and derivative instruments

Assets

(1) Cash and cash equivalents

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

(2) Notes and accounts receivable, trade

For notes and accounts receivable, trade the relevant book values are used, as they are due in a short period; hence market prices are equivalent to book values. The fair value of items with long settlement periods is the present value, which is obtained by discounting the total sum of the capital and interest that reflects credit risk by the corresponding interest rate for government bonds over the remaining period.

(3) Marketable securities and investments in securities

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

(4) Long-term leasehold deposits

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

Liabilities

(1) Notes and accounts payable, trade

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

(2) Deposits received in banking business

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

(3) Bonds

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

(4) Long-term loans

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

(5) Deposits received from tenants and franchised stores

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

Derivative instruments

Refer to Note 6, "Derivative Transactions."

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	**2015**
			Book value
Investments in securities[a]:			
Unlisted securities	**¥ 12,448**	¥ 12,823	**$104,605**
Shares of affiliates	**27,010**	34,878	**226,974**
Other	**1,703**	1,228	**14,310**
Long-term leasehold deposits[b]	**116,833**	122,956	**981,789**
Deposits received from tenants and franchised stores[b]	**33,471**	29,700	**281,268**

Notes:

(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

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

	Within one year	After one year within five years	After five years within ten years	After ten years
	Millions of yen			
	2014			
Cash and cash equivalents	¥ 921,432	¥ —	¥ —	¥ —
Notes and accounts receivable, trade	315,611	10,471	902	88
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	200	—	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	50,509	30,500	—	—
Bonds	—	15,000	10	—
Other	—	32	—	—
Long-term leasehold deposits	28,099	87,802	82,436	98,563
Total	¥1,315,853	¥143,805	¥83,348	¥98,651

	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)			
	2015			
Cash and cash equivalents	$ 8,409,764	$ —	$ —	$ —
Notes and accounts receivable, trade	2,757,478	96,512	8,764	1,016
Marketable securities and investments in securities:				
Held-to-maturity debt securities				
Governmental and municipal bonds	—	—	—	—
Available-for-sale securities with maturities				
Governmental and municipal bonds	256,302	—	—	—
Bonds	155,470	155,462	84	—
Other	—	294	—	—
Long-term leasehold deposits	211,252	774,521	681,411	835,865
Total	$11,790,277	$1,026,798	$690,268	$836,890

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

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

	Millions of yen			
	2014			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	¥319,241	¥83,820	¥—	¥—

	Thousands of U.S. dollars (Note 3)			
	2015			
	Within one year	After one year within five years	After five years within ten years	After ten years
Deposits received in banking business	**$3,166,075**	**$827,268**	**$—**	**$—**

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

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

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

	Millions of yen					
	2014					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	¥ 20,000	¥ 59,997	¥ 40,000	¥ 50,000	¥44,989	¥170,000
Long-term loans	100,775	61,122	80,886	81,905	35,157	73,413
Total	¥120,775	¥121,120	¥120,886	¥131,905	¥80,147	¥243,413

	Thousands of U.S. dollars (Note 3)					
	2015					
	Within one year	After one year within two years	After two years within three years	After three years within four years	After four years within five years	After five years
Bonds	**$ 504,193**	**$ 336,134**	**$ 420,168**	**$378,084**	**$ 420,168**	**$1,134,453**
Long-term loans	**588,344**	**732,705**	**1,100,420**	**334,857**	**603,697**	**316,260**
Total	**$1,092,537**	**$1,068,840**	**$1,520,588**	**$712,941**	**$1,023,865**	**$1,450,714**

5. SECURITIES INFORMATION

(1) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value was available as of February 28, 2015 and February 28, 2014 (excluding non-marketable securities of ¥12,448 million ($104,605 thousand) and ¥12,823 million as of February 28, 2015 and February 28, 2014, respectively):

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

	Millions of yen		
	2014		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 32,324	¥ 17,270	¥15,053
Debt securities			
Governmental and municipal bonds, etc.	94,076	94,033	43
Subtotal	126,401	111,304	15,096
Securities with book value not exceeding acquisition cost:			
Equity securities	4,933	5,659	(726)
Debt securities			
Governmental and municipal bonds, etc.	1,999	2,000	(0)
Others	10	10	—
Others	63	63	—
Subtotal	7,006	7,733	(726)
Total	¥133,408	¥119,037	¥14,370

	Thousands of U.S. dollars (Note 3)		
	2015		
	Book value	Acquisition cost	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 438,764	$185,470	$253,294
Debt securities			
Governmental and municipal bonds, etc.	567,403	567,226	176
Corporate bonds	84	84	0
Others	294	268	25
Subtotal	1,006,563	753,058	253,504
Securities with book value not exceeding acquisition cost:			
Equity securities	6,831	8,907	(2,067)
Debt securities			
Corporate bonds	8	8	—
Subtotal	6,840	8,915	(2,067)
Total	$1,013,403	$761,974	$251,428

(2) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2015 and February 28, 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Sales amounts	¥2,187	¥1,600	$18,378
Gain on sales of available-for-sale securities	278	53	2,336
Loss on sales of available-for-sale securities	5	123	42

(3) Impairment loss on securities
There were no securities on which impairment losses were recognized for the fiscal years ended February 28, 2015 and February 28, 2014.

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

(4) Investments in affiliates included in investments in securities in the accompanying Consolidated Balance Sheets as of February 28, 2015 and February 28, 2014 were ¥33,991 million ($285,638 thousand) and ¥41,442 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, 2015 and February 28, 2014 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivatives not designated as hedging instruments

Currency-related transactions

	Millions of yen			
	2015			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥7,297	¥—	¥211	¥211
Buy euro	375	—	(19)	(19)
Buy Chinese yuan	50	—	(2)	(2)
Buy Hong Kong dollar	166	—	(1)	(1)
Buy Great Britain pound	2	—	0	0

	Millions of yen			
	2014			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	¥5,793	¥—	¥(53)	¥(53)
Buy euro	114	—	2	2
Buy Chinese yuan	128	—	(4)	(4)
Buy Hong Kong dollar	90	—	(2)	(2)

	Thousands of U.S. dollars (Note 3)			
	2015			
	Contract amount			
	Total	After one year	Estimated fair value	Unrealized gains (losses)
Forward exchange contracts:				
Buy U.S. dollar	$61,319	$—	$1,773	$1,773
Buy euro	3,151	—	(159)	(159)
Buy Chinese yuan	420	—	(16)	(16)
Buy Hong Kong dollar	1,394	—	(8)	(8)
Buy Great Britain pound	16	—	0	0

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

	Millions of yen		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	¥10,612	¥—	¥868[a]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	¥ 344	¥—	¥ —[b]

	Thousands of U.S. dollars (Note 3)		
	2015		
	Contract amount		
	Total	After one year	Estimated fair value
Forward exchange contracts, accounted for by deferral hedge accounting			
Buy U.S. dollar	$148,697	$—	$22,159[a]
Forward exchange contracts, accounted for by designation method			
Buy U.S. dollar	$ 3,243	$—	$ —[b]

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

(2) Interest rate related transactions

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

	Millions of yen		
	2014		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	¥21,468	¥15,615	¥—[a]

	Thousands of U.S. dollars (Note 3)		
	2015		
	Contract amount		
	Total	After one year	Estimated fair value
Interest rate swap contracts, where certain criteria are met[b]			
Receive float/Pay fixed	$131,218	$115,647	$—[a]

Notes:
(a) Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the estimated fair value of the contracts is included in the fair value of the underlying long-term debt.
(b) The estimated fair value of these interest rate swaps is, in effect, included in and presented with that of the hedged item. For details, refer to Note 2 (11), "Hedge accounting."

7. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2015 and February 28, 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Buildings and structures	¥ 2,027,417	¥ 1,869,739	$ 17,037,117
Furniture, fixtures and other	794,789	699,326	6,678,899
	2,822,206	2,569,065	23,716,016
Less: Accumulated depreciation	(1,710,187)	(1,565,899)	(14,371,319)
	1,112,018	1,003,166	9,344,689
Land	725,553	681,651	6,097,084
Construction in progress	39,369	25,171	330,831
Total	¥ 1,876,941	¥ 1,709,990	$ 15,772,613

8. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2015 and February 28, 2014, the Companies recognized ¥15,220 million ($127,899 thousand) and ¥15,094 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2015:

<table>
<tr><th>Description</th><th>Classification</th><th>Location</th><th>Millions of yen</th><th>Thousands of U.S. dollars (Note 3)</th></tr>
<tr><td>Stores (Convenience stores)</td><td>Land and buildings, etc.</td><td>Tokyo Met. 71 stores
Aichi Pref. 38 stores
Others (including U.S.)</td><td rowspan="4">¥14,694</td><td rowspan="4">$123,478</td></tr>
<tr><td>Stores (Superstores)</td><td>Land and buildings, etc.</td><td>Saitama Pref. 6 stores
Tokyo Met. 5 stores
Others 22 stores</td></tr>
<tr><td>Stores (Department stores)</td><td>Land and buildings, etc.</td><td>Saitama Pref. 1 store
Tokyo Met. 1 store
Others 3 stores</td></tr>
<tr><td>Stores (Food services)</td><td>Land and buildings, etc.</td><td>Tokyo Met. & others 12 stores</td></tr>
<tr><td>Other facilities, etc.</td><td>Land and buildings, etc.</td><td>Tokyo Met. & others</td><td>525</td><td>4,411</td></tr>
<tr><td>Total</td><td></td><td></td><td>¥15,220</td><td>$127,899</td></tr>
</table>

Fiscal year ended February 28, 2014:

<table>
<tr><th>Description</th><th>Classification</th><th>Location</th><th>Millions of yen</th></tr>
<tr><td>Stores (Convenience stores)</td><td>Land and buildings, etc.</td><td>Tokyo Met. 58 stores
Kanagawa Pref. 34 stores
Others (including U.S.)</td><td rowspan="4">¥14,248</td></tr>
<tr><td>Stores (Superstores)</td><td>Land and buildings, etc.</td><td>Kanagawa Pref. 6 stores
Tokyo Met. 4 stores
Others 19 stores</td></tr>
<tr><td>Stores (Department stores)</td><td>Land and buildings, etc.</td><td>Tokyo Met. 2 stores
Osaka Pref. 1 store
Others 1 store</td></tr>
<tr><td>Stores (Food services)</td><td>Land and buildings, etc.</td><td>Tokyo Met. & others 31 stores</td></tr>
<tr><td>Other facilities, etc.</td><td>Land and buildings, etc.</td><td>Fukushima Pref. & others</td><td>846</td></tr>
<tr><td>Total</td><td></td><td></td><td>¥15,094</td></tr>
</table>

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

A breakdown of impairment loss for the years ended February 28, 2015 and February 28, 2014 is as follows:

Fiscal year ended February 28, 2015:

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

Fiscal year ended February 28, 2014:

	Millions of yen		
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	¥ 8,072	¥592	¥ 8,664
Land	3,584	19	3,604
Software	2	157	159
Other	2,589	76	2,665
Total	¥14,248	¥846	¥15,094

Fiscal year ended February 28, 2015:

	Thousands of U.S. dollars (Note 3)		
Classification	Stores	Other facilities, etc.	Total
Buildings and structures	$ 85,949	$3,336	$ 89,294
Land	16,579	722	17,310
Software	0	218	226
Other	20,941	117	21,058
Total	$123,478	$4,411	$127,899

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 2.9–6.0% discount rates in 2015 and 2.2–6.0% in 2014 were applied.

9. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Fiscal year ended February 28, 2015:

Barneys Japan Co., Ltd.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Current assets	¥ 6,597	$ 55,436
Non-current assets	8,518	71,579
Goodwill	6,579	55,285
Current liabilities	(5,313)	(44,647)
Non-current liabilities	(3,371)	(28,327)
Gain on step acquisitions of shares of a subsidiary	(763)	(6,411)
Investment in an affiliate accounted for using the equity method until the acquisition of control	(5,733)	(48,176)
Acquisition cost	6,512	54,722
Cash and cash equivalents	(139)	(1,168)
Payment for acquisition of shares	¥ 6,373	$ 53,554

Fiscal year ended February 28, 2014:

Nissen Holdings Co., Ltd. and its subsidiaries

	Millions of yen
	2014
Current assets	¥ 63,604
Non-current assets	38,329
Current liabilities	(55,465)
Non-current liabilities	(21,126)
Subscription rights to shares	(16)
Goodwill	194
Minority interests in consolidated subsidiaries	(13,241)
Acquisition cost	12,278
Cash and cash equivalents	(5,694)
Payment for acquisition of shares	¥ 6,584

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

Fiscal year ended February 28, 2015:

APIX INTERNATIONAL CO., LTD.

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Current assets	¥ 744	$ 6,252
Non-current assets	40	336
Current liabilities	(545)	(4,579)
Non-current liabilities	(37)	(310)
Minority interests in consolidated subsidiaries	75	630
Profit from sales of stocks	116	974
Sales amount of shares	394	3,310
Cash and cash equivalents	(16)	(134)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	¥ 377	$ 3,168

(3) Major non-cash transactions

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Finance lease obligation for property and equipment recorded in the Consolidated Balance Sheets for the fiscal year	¥5,239	¥10,571	$44,025
Asset retirement obligations recorded in the Consolidated Balance Sheets for the fiscal year	6,633	10,408	55,739

(4) Acquisition of business

For the fiscal year ended February 28, 2015, 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)
	2015	2015
Inventories	¥ 24	$ 201
Goodwill	668	5,613
Other	216	1,815
Subtotal	909	7,638
Property and equipment	617	5,184
Total	¥1,526	$12,823

The property and equipment set out above at an amount of ¥617 million ($5,184 thousand) are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2015.

For the fiscal year ended February 28, 2014, 7-Eleven, Inc. acquired businesses. The acquired assets and liabilities from acquisition of business are as follows:

	Millions of yen
	2014
Inventories	¥ 766
Goodwill	5,904
Current liabilities	(153)
Non-current liabilities	(6)
Other	1,304
Subtotal	7,816
Property and equipment	6,180
Total	¥13,996

The property and equipment set out above at an amount of ¥6,180 million are included in acquisition of property and equipment in the Consolidated Statement of Cash Flows for the fiscal year ended February 28, 2014.

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 35.6% for the fiscal year ended February 28, 2015 and 38.0% for the fiscal year ended February 28, 2014.

(1) The significant components of deferred tax assets and liabilities as of February 28, 2015 and February 28, 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Deferred tax assets:			
Allowance for bonuses to employees	¥ 4,574	¥ 5,584	$ 38,436
Allowance for sales promotion expenses	6,999	6,244	58,815
Accrued payroll	8,714	7,604	73,226
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	731	753	6,142
Allowance for accrued pension and severance costs	1,597	1,360	13,420
Allowance for loss on future collection of gift certificates	928	1,096	7,798
Depreciation and amortization	15,623	15,053	131,285
Tax loss carried forward	32,945	34,674	276,848
Valuation loss on available-for-sale securities	1,029	1,098	8,647
Allowance for doubtful accounts	2,465	3,625	20,714
Unrealized loss on property and equipment	13,447	13,762	113,000
Impairment loss on property and equipment valuation and loss on land	41,542	40,156	349,092
Accrued enterprise taxes and business office taxes	5,264	6,336	44,235
Accrued expenses	16,539	13,740	138,983
Asset retirement obligations	18,304	16,519	153,815
Rights of trademark	5,419	6,958	45,537
Other	23,005	23,931	193,319
Subtotal	199,134	198,501	1,673,394
Less: Valuation allowance	(74,767)	(78,202)	(628,294)
Total	124,366	120,298	1,045,092
Deferred tax liabilities:			
Unrealized gains on property and equipment	(58,236)	(52,034)	(489,378)
Royalties, etc.	(19,820)	(14,707)	(166,554)
Reserve for advanced depreciation of property and equipment	(934)	(953)	(7,848)
Unrealized gains on available-for-sale securities	(8,465)	(4,030)	(71,134)
Net defined benefit asset	(14,475)	(11,243)	(121,638)
Unrealized intercompany profit	(5,346)	(5,346)	(44,924)
Removal cost related to asset retirement obligations	(6,771)	(5,874)	(56,899)
Other	(5,075)	(4,155)	(42,647)
Total	(119,126)	(98,345)	(1,001,058)
Net deferred tax assets[a]	¥ 5,240	¥ 21,952	$ 44,033

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Current assets—Deferred income taxes	¥ 41,499	¥ 40,812	$ 348,731
Other assets—Deferred income taxes	28,382	32,836	238,504
Current liabilities—Other	(1,105)	(475)	(9,285)
Non-current liabilities—Deferred income taxes	(63,536)	(51,220)	(533,915)

(2) The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2015 and February 28, 2014 is as follows:

	2015	2014
Statutory tax rate	38.0%	38.0%
Adjustments:		
Equity in earnings of affiliates	0.0	(0.3)
Amortization of goodwill	2.3	2.3
Non-deductible items, such as entertainment expenses	0.2	0.2
Decrease in valuation allowance	0.4	(1.0)
Inhabitant taxes per capital	0.5	0.5
Elimination of gain on sales of subsidiaries' stock for consolidation	—	0.0
Other	(0.3)	(0.1)
Effective tax rate	41.1%	39.6%

(3) Effect of change in rates of income taxes
On March 31, 2014, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was enacted and the corporate tax rate will change from the fiscal years beginning on or after April 1, 2014.

In accordance with this revision, for temporary differences expected to be reversed in the fiscal year beginning on March 1, 2015, the effective statutory tax rate used to calculate deferred tax assets and liabilities changed from 38.0% to 35.6%.

The impact of this change is immaterial.

(4) Note on change in rates of income taxes subsequent to the Consolidated Balance Sheets
On March 31, 2015, the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were enacted and the corporate tax rate will change from the fiscal years beginning on or after April 1, 2015.

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

The impact of this change is immaterial.

11. RETIREMENT BENEFITS

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

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

(2) Defined benefit plans, including a plan applying a simplified method
(a) Change in retirement benefit obligations

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Balance at beginning of year	¥224,779	$1,888,899
Service cost	10,110	84,957
Interest cost	3,540	29,747
Actuarial differences	16,152	135,731
Benefits paid	(10,288)	(86,453)
Other	722	6,067
Balance at end of year	¥245,016	$2,058,957

(b) Change in plan assets

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Balance at beginning of year	¥244,665	$2,056,008
Expected return on plan assets	6,096	51,226
Actuarial differences	25,348	213,008
Employer contribution	11,028	92,672
Benefits paid	(9,902)	(83,210)
Balance at end of year	¥277,237	$2,329,722

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

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Funded retirement benefit obligations	¥ 236,347	$ 1,986,109
Plan assets	(277,237)	(2,329,722)
	(40,889)	(343,605)
Unfunded retirement benefit obligations	8,669	72,848
	¥ (32,220)	$ (270,756)
Net defined benefit liability	¥ 8,669	$ 72,848
Net defined benefit asset	(40,889)	(343,605)
	¥ (32,220)	$ (270,756)

(d) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Service cost	¥10,110	$ 84,957
Interest cost	3,540	29,747
Expected return on plan assets	(6,096)	(51,226)
Amortization of actuarial differences	2,428	20,403
Amortization of prior service cost	66	554
Additional retirement benefits	160	1,344
Total retirement benefit costs	¥10,209	$ 85,789

(e) Remeasurements of defined benefit plans (pretax)

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2015	2015
Unrecognized prior service cost	¥ 1	$ 8
Unrecognized actuarial differences	(5,244)	(44,067)
Total	¥(5,243)	$(44,058)

(f) Plan assets
1. The asset allocation for the plans

	2015
Bonds	48%
Equity	40%
Other	12%
Total	100%

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

(g) Actuarial assumptions
Principal actuarial assumptions as of February 28, 2015

Discount rate	mainly 1.0% (consolidated subsidiaries in the U.S. 4.2%)
Long-term expected rate of return on plan assets	mainly 2.5%

(3) Defined contribution plans
Contribution made to the defined contribution plans by some of the Company's domestic consolidated subsidiaries and consolidated subsidiaries in the U.S. amounted to ¥3,189 million ($26,798 thousand) for the fiscal year ended February 28, 2015.

Information as of and for the fiscal year ended February 28, 2014

(1) Projected retirement benefit obligations

	Millions of yen
	2014
Projected benefit obligations[a]	¥(224,779)
Fair value of plan assets (including employee retirement benefit trust)	244,665
Unrecognized actuarial differences	5,015
Unrecognized prior service cost	67
Prepaid pension cost, net of allowance for accrued pension and severance costs	24,969
Prepaid pension cost	31,822
Allowance for accrued pension and severance costs	¥ (6,853)

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

(2) Net periodic benefit cost

	Millions of yen
	2014
Service cost[a]	¥11,818
Interest cost	3,390
Expected return on plan assets	(5,460)
Amortization of actuarial differences	3,545
Amortization of prior service cost	140
Additional retirement benefits	2,695
Net periodic benefit cost[b]	¥16,129

Notes:
(a) The net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥498 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the U.S. was recorded for the fiscal year ended February 28, 2014.

(3) Assumptions used in accounting for retirement benefit obligations

	2014
Allocation method of estimated total retirement benefits	Mainly point basis
Discount rate:	
Mainly	1.5%
Consolidated subsidiaries in the U.S.	5.1%
Expected rate of return on plan assets:	
Mainly	2.5%
Periods over which the prior service cost is amortized	5 years or 10 years
Periods over which the actuarial differences are amortized[a]	10 years

Note:
(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 eligible 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)
	2015	2014	**2015**
Outstanding balance at fiscal year-end:			
Short-term bank loans[a]	**¥130,780**	¥116,147	**$1,098,991**
Weighted-average interest rate at year-end:			
Short-term bank loans	**0.3%**	0.3%	**0.3%**

Note:
(a) The total amounts of short-term loans with collateral as of February 28, 2015 and February 28, 2014 were ¥2,200 million ($18,487 thousand) and ¥3,400 million, respectively (Note 18).

Long-term debt as of February 28, 2015 and February 28, 2014 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Outstanding balance as of fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2014 to 2029 with interest rates ranging from 0.1% to 7.0%[b]	¥ 437,480	¥ 433,261	$ 3,676,302
Lease obligations	48,103	49,300	404,226
Seven & i Holdings Co., Ltd.:			
1.68% unsecured straight bonds, due June 19, 2015	29,999	29,997	252,092
1.94% unsecured straight bonds, due June 20, 2018	29,992	29,989	252,033
0.541% unsecured straight bonds, due June 19, 2015	30,000	30,000	252,100
0.852% unsecured straight bonds, due June 20, 2017	20,000	20,000	168,067
1.399% unsecured straight bonds, due June 19, 2020	60,000	60,000	504,201
0.258% unsecured straight bonds, due June 20, 2016	40,000	40,000	336,134
0.383% unsecured straight bonds, due June 20, 2019	40,000	40,000	336,134
0.671% unsecured straight bonds, due March 20, 2023	20,000	20,000	168,067
Seven Bank, Ltd.:			
1.038% unsecured straight bonds, due June 20, 2014	—	20,000	—
0.398% unsecured straight bonds, due June 20, 2017	30,000	30,000	252,100
0.613% unsecured straight bonds, due June 20, 2019	10,000	10,000	84,033
0.243% unsecured straight bonds, due March 20, 2018	15,000	15,000	126,050
0.46% unsecured straight bonds, due March 19, 2020	20,000	20,000	168,067
0.803% unsecured straight bonds, due March 20, 2023	20,000	20,000	168,067
0.536% unsecured straight bonds, due December 20, 2024	15,000	—	126,050
	865,575	867,549	7,273,739
Current portion of long-term debt	(146,509)	(135,705)	(1,231,168)
	¥ 719,066	¥ 731,844	$ 6,042,571

(b) The total amounts of long-term debt with collateral as of February 28, 2015 and February 28, 2014 were ¥13,103 million ($110,109 thousand) and ¥12,288 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)
2016	¥146,509	$1,231,168
2017	133,969	1,125,789
2018	186,272	1,565,310
2019	88,963	747,588
2020	124,777	1,048,546
Thereafter	185,082	1,555,310
	¥865,575	$7,273,739

13. LEASES

Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, which are non-cancelable, including the interest portion, as of February 28, 2015 and February 28, 2014 are as follows:

As lessee:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Due within one year	¥ 86,164	¥ 80,052	$ 724,067
Due after one year	497,549	480,396	4,181,084
Total	¥583,714	¥560,448	$4,905,159

As lessor:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Due within one year	¥2,246	¥2,236	$18,873
Due after one year	4,775	5,467	40,126
Total	¥7,021	¥7,704	$59,000

14. ASSET RETIREMENT OBLIGATIONS

Fiscal years ended February 28, 2015 and February 28, 2014:

(1) Summary of asset retirement obligations

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

(2) Calculation method of the asset retirement obligations

In the calculation process of asset retirement obligations, the Companies estimate terms of use between 1 and 50 years and use a discount rate between 0.01% and 8.3%

(3) Changes in the total amounts of applicable asset retirement obligations for the fiscal years ended February 28, 2015 and February 28, 2014

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Balance at beginning of year	¥61,166	¥52,220	$514,000
Increase due to acquisition of property and equipment	5,432	7,258	45,647
Adjustment due to passage of time	1,260	1,256	10,588
Decrease due to settlement of asset retirement obligations	(1,667)	(2,112)	(14,008)
Increase due to new consolidation	271	353	2,277
Others	1,719	2,189	14,445
Balance at end of year	¥68,183	¥61,166	$572,966

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).

15. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income including reclassification adjustments and tax (expense) or benefits for the fiscal years ended February 28, 2015 and February 28, 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities, net of taxes:			
Increase (decrease) during the fiscal year	¥15,917	¥ 4,686	$133,756
Reclassification adjustments	(399)	120	(3,352)
Amount before tax	15,518	4,807	130,403
Tax (expense) or benefit	(4,497)	(1,562)	(37,789)
Subtotal	11,020	3,244	92,605
Unrealized gains (losses) on hedging derivatives, net of taxes:			
Increase (decrease) during the fiscal year	1,769	(0)	14,865
Reclassification adjustments	—	—	—
Amount before tax	1,769	(0)	14,865
Tax (expense) or benefit	(636)	–	(5,344)
Subtotal	1,132	(0)	9,512
Foreign currency translation adjustments:			
Increase (decrease) during the fiscal year	77,684	85,768	652,806
Share of other comprehensive income of associates accounted for using equity method:			
Increase (decrease) during the fiscal year	192	114	1,613
Total other comprehensive income	¥90,030	¥89,127	$756,554

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 28, 2015, the shareholders approved cash dividends amounting to ¥32,269 million ($271,168 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2015 because those are recognized in the period in which they are approved by the shareholders.

17. STOCK OPTIONS

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of Income for the fiscal years ended February 28, 2015 and February 28, 2014 amounted to ¥581 million ($4,882 thousand) and ¥532 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

	Eleventh grant	Twelfth grant
Title and number of grantees	7 directors of the Company	108 executive officers of the Company and directors and executive officers of subsidiaries of the Company
Number of stock options(a)	24,900 common shares	110,500 common shares
Grant date	August 7, 2013	August 7, 2013
Exercise condition	(b)	(b)
Intended service period	No provisions	No provisions
Exercise period	From February 28, 2014 to August 7, 2033	From February 28, 2014 to August 7, 2043

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

Notes:
(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) Within 10 days from the day following the day that a subscription holder loses their position as a director or executive officer of the Company or of its subsidiaries.

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2015. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2015:
Number of stock options

	First grant	Second grant	Third grant	Fourth grant
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	12,900	53,400	19,800	81,400
Vested	—	—	—	—
Exercised	—	2,200	—	4,400
Forfeited	—	—	—	—
Outstanding	12,900	51,200	19,800	77,000

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	17,500	74,300	25,900	104,300
Vested	—	—	—	—
Exercised	—	4,300	—	5,700
Forfeited	—	—	—	—
Outstanding	17,500	70,000	25,900	98,600

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	27,000	110,800	24,900	110,500
Vested	—	—	—	—
Exercised	—	6,300	—	6,000
Forfeited	—	—	—	—
Outstanding	27,000	104,500	24,900	104,500

	Thirteenth grant	Fourteenth grant
Before vested:		
As of February 28, 2014	—	—
Granted	24,000	102,800
Forfeited	—	—
Vested	24,000	102,800
Outstanding	—	—
After vested:		
As of February 28, 2014	—	—
Vested	24,000	102,800
Exercised	—	—
Forfeited	—	—
Outstanding	24,000	102,800

Price information

	First grant	Second grant	Third grant	Fourth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	¥403,300 ($3,389) per subscription to share	—	¥399,800 ($3,359) per subscription to share
Fair value at the grant date[(a)]	¥307,000 ($2,579) per subscription to share	¥311,300 ($2,615) per subscription to share	¥204,500 ($1,718) per subscription to share	¥211,100 ($1,773) per subscription to share

	Fifth grant	Sixth grant	Seventh grant	Eighth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	¥399,300 ($3,355) per subscription to share	—	¥398,700 ($3,350) per subscription to share
Fair value at the grant date[(a)]	¥185,000 ($1,554) per subscription to share	¥168,900 ($1,419) per subscription to share	¥188,900 ($1,587) per subscription to share	¥185,300 ($1,557) per subscription to share

	Ninth grant	Tenth grant	Eleventh grant	Twelfth grant
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1($0.008) per share
Average exercise price	—	¥398,100 ($3,345) per subscription to share	—	¥398,300 ($3,347) per subscription to share
Fair value at the grant date[(a)]	¥216,400 ($1,818) per subscription to share	¥206,400 ($1,734) per subscription to share	¥345,700 ($2,905) per subscription to share	¥330,600 ($2,778) per subscription to share

	Thirteenth grant	Fourteenth grant
Exercise price	¥1 ($0.008) per share	¥1($0.008) per share
Average exercise price	—	—
Fair value at the grant date[(a)]	¥388,500 ($3,264) per subscription to share	¥383,700 ($3,224) per subscription to share

Note:
(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

The valuation method used for valuating fair value of Thirteenth grant of subscription rights to shares and Fourteenth grant of subscription rights to shares during the fiscal year ended February 28, 2015 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

	Thirteenth grant	Fourteenth grant
Expected volatility of the underlying stock price[(a)]	30.23%	30.74%
Remaining expected life of the option[(b)]	5.89 years	6.67 years
Expected dividends on the stock[(c)]	¥68 ($0.57) per share	¥68 ($0.57) per share
Risk-free interest rate during the expected option term[(d)]	0.187%	0.227%

Notes:
(a) The Thirteenth grant is calculated based on the actual stock prices during the five years and eleven months from September 16, 2008 to August 6, 2014.
The Fourteenth grant is calculated based on the actual stock prices during the six years and eight months from December 6, 2007 to August 6, 2014.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from valuation date to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended February 28, 2015.
(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 8, 2041	From August 9, 2011 to August 8, 2041

	Fifth grant-1	Fifth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options[a]	363,000 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

	Sixth grant-1	Sixth grant-2
Title and number of grantees	6 directors of Seven Bank, Ltd.	7 executive officers of Seven Bank, Ltd.
Number of stock options[a]	216,000 common shares	43,000 common shares
Grant date	August 5, 2013	August 5, 2013
Exercise condition	(b)	(c)
Intended service period	No provisions	No provisions
Exercise period	From August 6, 2013 to August 5, 2043	From August 6, 2013 to August 5, 2043

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

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

B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended February 28, 2015. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2015:

Number of stock options

	First grant-1	First grant-2	Second grant-1	Second grant-2
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	157,000	7,000	171,000	23,000
Vested	—	—	—	—
Exercised	—	—	—	7,000
Forfeited	—	—	—	—
Outstanding	157,000	7,000	171,000	16,000

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	423,000	25,000	440,000	104,000
Vested	—	—	—	—
Exercised	—	12,000	—	14,000
Forfeited	—	—	—	—
Outstanding	423,000	13,000	440,000	90,000

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Before vested:				
As of February 28, 2014	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Outstanding	—	—	—	—
After vested:				
As of February 28, 2014	363,000	77,000	216,000	43,000
Vested	—	—	—	—
Exercised	—	10,000	—	9,000
Forfeited	—	—	—	—
Outstanding	363,000	67,000	216,000	34,000

	Seventh grant-1	Seventh grant-2
Before vested:		
As of February 28, 2014	—	—
Granted	193,000	44,000
Forfeited	—	—
Vested	193,000	44,000
Outstanding	—	—
After vested:		
As of February 28, 2014	—	—
Vested	193,000	44,000
Exercised	—	—
Forfeited	—	—
Outstanding	193,000	44,000

Price information

	First grant-1	First grant-2	Second grant-1	Second grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	—	—	¥416,000 ($3,495) per subscription to share
Fair value at the grant date[a]	¥236,480 ($1,987) per subscription to share	¥236,480 ($1,987) per subscription to share	¥221,862 ($1,864) per subscription to share	¥221,862 ($1,864) per subscription to share

	Third grant-1	Third grant-2	Fourth grant-1	Fourth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	¥416,000 ($3,495) per subscription to share	—	¥416,000 ($3,495) per subscription to share
Fair value at the grant date[a]	¥139,824 ($1,174) per subscription to share	¥139,824 ($1,174) per subscription to share	¥127,950 ($1,075) per subscription to share	¥127,950 ($1,075) per subscription to share

	Fifth grant-1	Fifth grant-2	Sixth grant-1	Sixth grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	¥416,000 ($3,495) per subscription to share	—	¥416,000 ($3,495) per subscription to share
Fair value at the grant date[a]	¥175,000 ($1,470) per subscription to share	¥175,000 ($1,470) per subscription to share	¥312,000 ($2,621) per subscription to share	¥312,000 ($2,621) per subscription to share

	Seventh grant-1	Seventh grant-2
Exercise price	¥1 ($0.008) per share	¥1 ($0.008) per share
Average exercise price	—	—
Fair value at the grant date[a]	¥370,000 ($3,109) per subscription to share	¥370,000 ($3,109) per subscription to share

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

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

The valuation method used for valuating fair value of Seventh grant-1 of subscription rights to shares and Seventh grant-2 of subscription rights to shares during the fiscal year ended February 28, 2015 is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	Seventh grant-1	Seventh grant-2
Expected volatility of the underlying stock price[a]	31.013%	31.013%
Remaining expected life of the option[b]	6.39 years	6.39 years
Expected dividends on the stock[c]	¥7.5 ($0.06) per share	¥7.5 ($0.06) per share
Risk-free interest rate during the expected option term[d]	0.217%	0.217%

Notes:
(a) Seventh grant-1 and Seventh grant-2 are calculated based on the actual stock prices during the five years and four months from March 17, 2008 to August 4, 2014.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted-average period from June 2014 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended March 31, 2015.
(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.

(3) Nissen Holdings Co., Ltd.

A. Outline of stock options

	Resolution on July 20, 2012
Title and number of grantees	39 employees (including transferring employees) of Nissen Holdings Co., Ltd., 14 directors of subsidiaries (including subsidiaries of subsidiaries) of Nissen Holdings Co., Ltd. and 468 employees of subsidiaries (including subsidiaries of subsidiaries) of Nissen Holdings Co., Ltd.
Number of stock options[a]	778,000 common shares
Grant date	August 6, 2012
Exercise condition	[b]
Intended service period	From August 6, 2012 to August 5, 2014
Exercise period	From August 6, 2014 to August 5, 2015

Notes:
(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.
(b) It is required to fulfill the following working and stock price conditions.
1. Stock option holder must be a director, auditor or employee of Nissen Holdings Co., Ltd. or its subsidiaries at the time they exercise the stock options unless they retire due to the expiration of their term of office or retirement age, or for any other justifiable reason.
2. Stock price average (fractions less than ¥1 are rounded up) in the last month just before the exercise period must be over ¥482 ($4.05).

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, 2015. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2015:
Number of stock options

	Resolution on July 20, 2012
Before vested	
As of February 28, 2014	748,000
Granted	—
Forfeited	748,000
Vested	—
Outstanding	—
After vested	
As of February 28, 2014	—
Vested	—
Exercised	—
Forfeited	—
Outstanding	—

Price information

	Resolution on July 20, 2012
Exercise price	¥373 ($3.13) per share
Average exercise price	—
Fair value at the grant date[a]	¥3,100 ($26) per subscription to share

Note:
(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of Nissen Holdings Co., Ltd.

C. 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, 2015
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥221 million ($1,857 thousand).

As of February 28, 2014
The Companies are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥266 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, 2015 and February 28, 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Buildings and structures	¥ 2,867	¥ 3,204	$ 24,092
Land	7,395	7,461	62,142
Investments in securities	63,019	90,065	529,571
Long-term leasehold deposits	5,005	3,655	42,058
Total	¥78,288	¥104,387	$657,882

Debts for the pledged assets above as of February 28, 2015 are as follows: short-term loans, ¥2,200 million ($18,487 thousand); long-term loans (including current portion), ¥13,103 million ($110,109 thousand); long-term accounts payable, ¥442 million ($3,714 thousand); and long-term deposits received from tenants and franchised stores, ¥34 million ($285 thousand).

Debts for the pledged assets above as of February 28, 2014 are as follows: short-term loans, ¥3,400 million; long-term loans (including current portion), ¥12,288 million; long-term accounts payable, ¥552 million; and long-term deposits received from tenants and franchised stores, ¥87 million.

B. The amount of assets pledged as collateral for the debts of affiliates as of February 28, 2015 and February 28, 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Buildings	¥ 412	¥ 433	$ 3,462
Land	1,368	1,368	11,495
Total	¥1,780	¥1,801	$14,957

Debts of affiliates for the pledged assets above as of February 28, 2015 and February 28, 2014 are ¥3,151 million ($26,478 thousand) and ¥3,243 million, respectively.

C. Other

As of February 28, 2015

The amounts of assets pledged as collateral for fund transfer and real estate business are ¥4,502 million ($37,831 thousand) and ¥55 million ($462 thousand), respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million ($11,218 thousand). In addition, ¥447 million ($3,756 thousand) of assets are pledged as collateral to secure the amount of prepaid tickets issued.

As of February 28, 2014

The amount of assets pledged as collateral for fund transfer and real estate business are ¥6,001 million and ¥54 million, respectively. The amount of assets pledged as collateral for installment sales is ¥1,335 million. In addition, ¥323 million of assets are pledged as collateral to secure the amount of prepaid tickets issued.

(3) Cash loan business

Some financial subsidiaries conduct a cash loan business that is associated with their credit card business. Unused credit balance related to the cash loan business as of February 28, 2015 and February 28, 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Credit availability of cash loan business	¥934,876	¥987,001	$7,856,100
Outstanding balance	(35,685)	(27,035)	(299,873)
Unused credit balance	¥899,190	¥959,966	$7,556,218

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

19. NOTES AND ACCOUNTS PAYABLE, TRADE FOR FRANCHISED STORES

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

20. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

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

Seven-Eleven Japan Co., Ltd.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Franchise commission from franchised stores	¥ 628,867	¥ 579,073	$ 5,284,596
Net sales of franchised stores	3,905,369	3,685,095	32,818,226

7-Eleven, Inc.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Franchise commission from franchised stores	¥ 198,282	¥172,720	$1,666,235
Net sales of franchised stores	1,118,497	965,765	9,399,134

(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)
	2015	2014	2015
Buildings and structures	¥1,507	¥ 662	$12,663
Land	974	277	8,184
Others	220	359	1,848
Total	¥2,702	¥1,299	$22,705

(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)
	2015	2014	2015
Buildings and structures	¥ 4,840	¥3,182	$ 40,672
Furniture, fixtures and equipment	6,028	1,470	50,655
Others	2,480	4,015	20,840
Total	¥13,349	¥8,667	$112,176

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

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2015	2014	2015
Advertising and decoration expenses	¥165,645	¥127,099	$1,391,974
Salaries and wages	438,849	415,964	3,687,806
Provision for allowance for bonuses to employees	12,680	14,539	106,554
Legal welfare expenses	57,515	50,704	483,319
Land and building rent	318,485	297,815	2,676,344
Depreciation and amortization	164,020	140,573	1,378,319
Utility expenses	126,726	116,091	1,064,924
Store maintenance and repair expenses	67,671	62,818	568,663

21. RELATED PARTIES TRANSACTIONS

Fiscal year ended February 28, 2015

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

Attribution	Name	Address	Capital and investments	Business or title	Voting interest (held)	Business relation-ship	Detail of transaction	Transaction amount	Account	Year-end balance
Close relative of a Director	Yasuhiro Suzuki	—	—	A Director of the Company's subsidiary	Directly 0.0%	—	Exchange of shares	¥238 million ($2,000 thousand)	—	—

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

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 seven segments which are "Convenience store operations," "Superstore operations," "Department store operations," "Food services," "Financial services," "Mail order services," and "Others," according to the nature of products, services and sales operations.

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

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

The accounting treatment of each reportable segment is in line with the "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, 2015

Millions of yen

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

Fiscal year ended February 28, 2014

Millions of yen

	Reportable segments									
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	¥2,529,245	¥2,000,389	¥869,140	¥77,716	¥ 133,913	¥ —	¥ 21,413	¥5,631,820	¥ —	¥5,631,820
Intersegment	449	9,019	1,991	850	24,912	—	29,078	66,301	(66,301)	—
Total revenues	2,529,694	2,009,409	871,132	78,566	158,826	—	50,492	5,698,122	(66,301)	5,631,820
Segment income (loss)	¥ 257,515	¥ 29,664	¥ 6,590	¥ 604	¥ 44,902	¥ —	¥ 2,166	¥ 341,443	¥ (1,784)	¥ 339,659
Segment assets	¥1,630,826	¥1,000,318	¥501,856	¥22,398	¥1,798,059	¥103,437	¥169,602	¥5,226,498	¥(415,117)	¥4,811,380
Segment liabilities (interest-bearing debt)	¥ 115,955	¥ 19,245	¥180,345	¥ —	¥ 331,768	¥ 17,093	¥ —	¥ 664,409	¥ 269,987	¥ 934,396
Other items										
Depreciation	¥ 91,256	¥ 18,472	¥ 13,460	¥ 438	¥ 20,198	¥ —	¥ 2,524	¥ 146,349	¥ 1,029	¥ 147,379
Amortization of goodwill	¥ 8,387	¥ 3,129	¥ 5,290	¥ —	¥ 1,747	¥ —	¥ 142	¥ 18,697	¥ —	¥ 18,697
Investment in associates accounted for using the equity method	¥ 13,643	¥ 5,673	¥ 528	¥ —	¥ —	¥ 3,500	¥ 18,096	¥ 41,442	¥ —	¥ 41,442
Impairment loss	¥ 4,322	¥ 6,814	¥ 3,128	¥ 606	¥ 29	¥ —	¥ 192	¥ 15,094	¥ —	¥ 15,094
Net increase in property and equipment, and intangible assets	¥ 174,795	¥ 64,809	¥ 13,493	¥ 2,057	¥ 34,305	¥ —	¥ 7,452	¥ 296,913	¥ 7,588	¥ 304,502

Fiscal year ended February 28, 2015

Thousands of U.S. dollars (Note 3)

	Reportable segments									
	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Adjustments	Consolidated total
Revenues from operations:										
Customers	$22,917,058	$16,838,529	$7,333,193	$674,025	$ 1,231,873	$1,559,033	$ 193,722	$50,747,462	$ —	$50,747,462
Intersegment	5,462	70,504	19,966	6,470	265,781	2,327	259,193	629,722	(629,722)	—
Total revenues	22,922,521	16,909,042	7,353,168	680,504	1,497,655	1,561,361	452,915	51,377,193	(629,722)	50,747,462
Segment income (loss)	$ 2,325,588	$ 162,521	$ 59,319	$ 369	$ 396,487	$ (63,201)	$ 30,831	$ 2,911,932	$ (26,789)	$ 2,885,134
Segment assets	$16,195,134	$ 8,740,067	$4,167,739	$221,067	$15,728,613	$ 888,378	$1,740,109	$47,681,142	$(3,692,025)	$43,989,117
Segment liabilities (interest-bearing debt)	$ 1,114,554	$ 135,554	$1,465,504	$ —	$ 2,740,605	$ 203,008	$ 40,420	$ 5,699,663	$ 2,268,831	$ 7,968,504
Other items										
Depreciation	$ 867,621	$ 173,915	$ 112,596	$ 5,957	$ 212,042	$ 32,285	$ 22,596	$ 1,427,042	$ 20,327	$ 1,447,369
Amortization of goodwill	$ 73,184	$ 26,386	$ 44,386	$ —	$ 13,109	$ 75	$ 1,613	$ 158,773	$ —	$ 158,773
Investment in associates accounted for using the equity method	$ 118,773	$ 34,689	$ 4,705	$ —	$ —	$ 25,025	$ 102,428	$ 285,638	$ —	$ 285,638
Impairment loss	$ 48,226	$ 59,756	$ 14,815	$ 3,957	$ —	$ 756	$ 369	$ 127,899	$ —	$ 127,899
Net increase in property and equipment, and intangible assets	$ 1,447,218	$ 521,436	$ 113,478	$ 27,764	$ 259,823	$ 29,966	$ 45,218	$ 2,444,932	$ 126,941	$ 2,571,882

Notes:
1. The adjustments of ¥(3,188) million ($(26,789) thousand) and ¥(1,784) million for segment income (loss) are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments for the fiscal years ended February 28, 2015 and February 28, 2014, respectively.
2. The adjustments of ¥(439,351) million ($(3,692,025) thousand) and ¥(415,117) million for segment assets are eliminations of intersegment transactions and corporate assets for the fiscal years ended February 28, 2015 and February 28, 2014, respectively.
3. The adjustments of ¥269,991 million ($2,268,831 thousand) and ¥269,987 million for segment liabilities are corporate liabilities and the Company's bonds for the fiscal years ended February 28, 2015 and February 28, 2014, respectively. The amount of each segment liability does not include intersegment transactions.
4. Segment income (loss) is reconciled with the operating income in the Consolidated Statements of Income.

(Reference)

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

Millions of yen

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

Millions of yen

Fiscal year ended February 28, 2014	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	¥3,681,318	¥1,831,294	¥119,207	¥5,631,820	¥ —	¥5,631,820
Intersegment	824	187	—	1,012	(1,012)	—
Total revenues	¥3,682,143	¥1,831,482	¥119,207	¥5,632,833	¥(1,012)	¥5,631,820
Operating income	¥ 299,653	¥ 41,519	¥ (1,545)	¥ 339,627	¥ 32	¥ 339,659

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2015	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations:						
Customers	$33,112,092	$16,543,537	$1,091,823	$50,747,462	$ —	$50,747,462
Intersegment	8,386	1,445	9,495	19,336	(19,336)	—
Total revenues	$33,120,478	$16,544,991	$1,101,327	$50,766,806	$(19,336)	$50,747,462
Operating income	$ 2,484,588	$ 418,697	$ (18,159)	$ 2,885,117	$ 8	$ 2,885,134

Notes:

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

Related Information

Fiscal Years ended February 28, 2015 and February 28, 2014

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, 2015

Millions of yen

Japan	North America	Others	Total
¥3,940,339	¥1,968,681	¥129,927	¥6,038,948

Fiscal year ended February 28, 2014

Millions of yen

Japan	North America	Others	Total
¥3,681,318	¥1,831,294	¥119,207	¥5,631,820

Fiscal year ended February 28, 2015

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$33,112,092	$16,543,537	$1,091,823	$50,747,462

(2) Property and equipment

Fiscal year ended February 28, 2015

Millions of yen

Japan	North America	Others	Total
¥1,387,023	¥486,955	¥2,963	¥1,876,941

Fiscal year ended February 28, 2014

Millions of yen

Japan	North America	Others	Total
¥1,281,622	¥425,913	¥2,453	¥1,709,990

Fiscal year ended February 28, 2015

Thousands of U.S. dollars (Note 3)

Japan	North America	Others	Total
$11,655,655	$4,092,058	$24,899	$15,772,613

3. Information about major customers

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

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

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

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

Millions of yen

Fiscal year ended February 28, 2015	Reportable segments: Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill										
Amortization	¥ 8,709	¥ 3,140	¥ 5,282	¥ —	¥ 1,560	¥ 9	¥ 192	¥ 18,894	¥—	¥ 18,894
Balance at the end of current year	176,238	36,277	59,101	—	17,275	186	8,374	297,454	—	297,454
Negative Goodwill										
Amortization	—	23	—	4	—	40	—	68	—	68
Balance at the end of current year	—	187	—	33	—	—	—	220	—	220

Millions of yen

Fiscal year ended February 28, 2014	Reportable segments: Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill										
Amortization	¥ 8,387	¥ 3,129	¥ 5,290	¥ —	¥ 1,747	¥ —	¥142	¥ 18,697	¥—	¥ 18,697
Balance at the end of current year	155,585	39,213	64,383	—	17,865	201	941	278,191	—	278,191
Negative Goodwill										
Amortization	—	23	0	4	—	—	—	28	—	28
Balance at the end of current year	—	210	—	37	—	—	—	248	—	248

Thousands of U.S. dollars (Note 3)

Fiscal year ended February 28, 2015	Reportable segments: Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Mail order services	Others	Total	Eliminations/ Corporate	Consolidated total
Goodwill										
Amortization	$ 73,184	$ 26,386	$ 44,386	$ —	$ 13,109	$ 75	$ 1,613	$ 158,773	$—	$ 158,773
Balance at the end of current year	1,480,991	304,848	496,647	—	145,168	1,563	70,369	2,499,613	—	2,499,613
Negative Goodwill										
Amortization	—	193	—	33	—	336	—	571	—	571
Balance at the end of current year	—	1,571	—	277	—	—	—	1,848	—	1,848

6. Information regarding gain on negative goodwill by reportable segment

None

23. SUBSEQUENT EVENTS

Subsequent to February 28, 2015, the Company's Board of Directors declared a year-end cash dividend of ¥32,269 million ($271,168 thousand) to be payable on May 29, 2015 to shareholders on record as of February 28, 2015.

The dividend declared was approved by the shareholders at the meeting held on May 28, 2015.

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at February 28, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries as at February 28, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 (18) to the consolidated financial statements. Seven & i Holdings Co., Ltd. and its consolidated subsidiaries, excluding certain domestic and foreign consolidated subsidiaries, changed its method of accounting for calculating depreciation of certain property and equipment from the fiscal year ended February 28, 2014.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2015 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, 2015
Tokyo, Japan

INVESTOR INFORMATION

As of February 28, 2015

Head Office

8-8, Nibancho, Chiyoda-ku, Tokyo 102-8452, Japan
Tel: +81-3-6238-3000
Fax: +81-3-3263-0232
URL: www.7andi.com/en/

Date of Establishment

September 1, 2005

Number of Employees

54,665 (Consolidated)
455 (Non-consolidated)

Paid-in Capital

¥50,000 million

Number of Common Stock

Issued: 886,441,983 shares

Number of Shareholders

82,988

Stock Listing

Tokyo Stock Exchange

Transfer Agent and Registrar

Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
10-11, Higashisuna 7-chome,
Koto-ku, Tokyo 137-8081, Japan

Annual Shareholders' Meeting

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

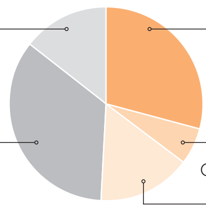
Auditors

KPMG AZSA LLC

PRINCIPAL SHAREHOLDERS

	Investment by each major shareholder in the Company	
	Number of shares held (Thousand shares)	Percentage of shares held
Ito-Kogyo Co., Ltd.	68,901	7.8%
Japan Trustee Services Bank, Ltd. (Trust account)	40,660	4.6%
The Master Trust Bank of Japan, Ltd. (Trust account)	38,540	4.3%
Nippon Life Insurance Company	17,777	2.0%
Masatoshi Ito	16,799	1.9%
MITSUI & CO., LTD.	16,222	1.8%
JP Morgan Chase Bank 380055	13,351	1.5%
Nomura Securities Co., Ltd.	13,305	1.5%
State Street Bank and Trust Company 505225	11,761	1.3%
The Bank of New York Mellon SA/NV 10	11,516	1.3%

CLASSIFICATION OF SHAREHOLDERS BY NUMBER OF SHARES HELD



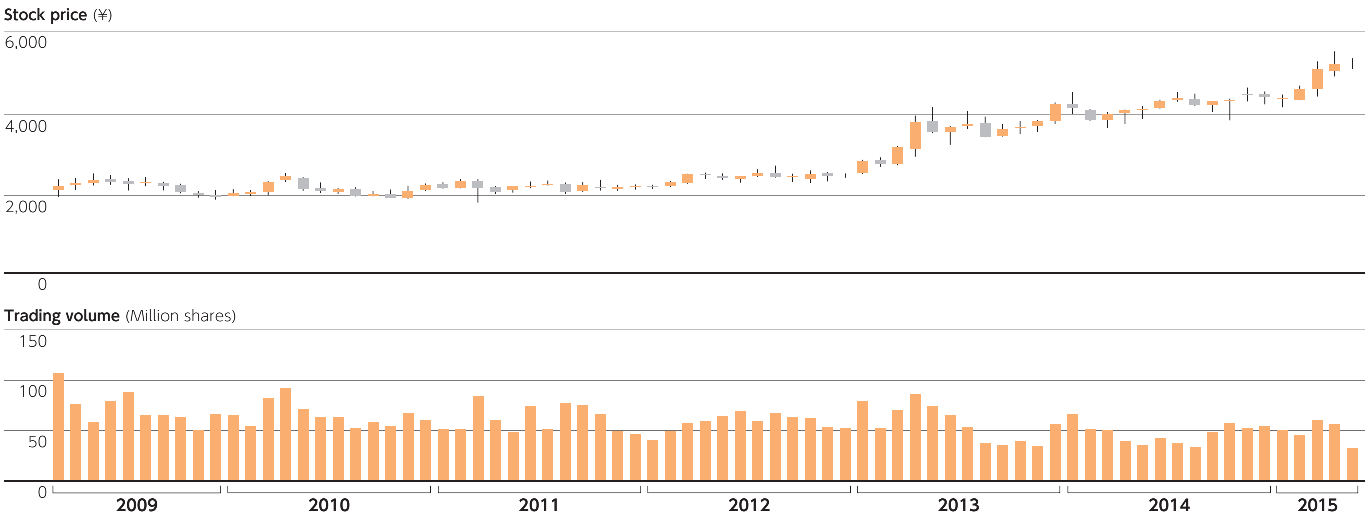
RATINGS

(As of May 31, 2015)

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

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

STOCK PRICE CHART (MONTHLY)



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This annual report uses vegetable oil inks that include few volatile organic compounds.

This annual report was printed using waterless printing, which releases no harmful materials.

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