Items Disclosed on the Internet concerning Convocation Notice of the Extraordinary Shareholders' Meeting

Overview of the items stipulated in Articles 88 and 184 of the Ordinance for Enforcement of the Companies Act

Financial Statements (including the Audit Report and the Independent Auditor's Report thereon) and Business Report (including the Audit Report thereon) of Seven & i Holdings Co., Ltd. (the parent company of the Company) for the most recent fiscal year, and Financial Statements, etc. of Seven & i Net Media Co., Ltd. for the most recent fiscal year.

In accordance with the provisions of laws and regulations as well as the Articles of Incorporation of the Company, the items above are posted on the Company's website (http://www.nissen.info/ir/governance.htm).

Nissen Holdings, Co., Ltd.

<TRANSLATION FOR REFERENCE PURPOSES ONLY>

Attached Documents (Extract)

Business Report (March 1, 2015 to February 29, 2016)

1. Items Regarding Current Status of Corporate Group

(1) Business progress and results

In the 11th fiscal year, the operating environment in the retail industry underwent a moderate economic recovery, due in part to the government's economic stimulus measures and other factors. However, the sense of uncertainty such as the risk of a downturn in the global economy continued. In terms of consumer spending, customers are becoming even more selective with their purchasing, with a rising consumption trend that focuses on improved quality of life in Japan's mature society.

In this setting, based on the policy of "Management Focused on Quality," the Group proceeded with individual store management led by the stores by breaking free from the conventional concept of chain store management, and worked on developing high value-added products which capture changes in customer psychology, as well as product development and product lineups which match regional preferences, while striving to improve our customer service. As regards the
Group's shared Seven Premium private-brand products and Group companies' original products, we worked to improve quality and propose new value by promoting the development of new products and implementing a systematic renewal of existing products. Sales of Seven Premium products expanded to ¥1,001.0 billion in the 11th fiscal year (up 22.8% YOY), surpassing the annual plan of ¥1,000.0 billion.

Furthermore, the Group is pushing forward with our Omni-Channel Strategy in the form of cross-Group initiatives to achieve the "Second Stage of Growth." The Group aims to create a new retail environment by realizing an Omni-Channel that integrates the Internet with the Group's network of approximately 20,000 stores in Japan which contain various business formats including convenience stores, superstores, food supermarkets, department stores, specialty stores, and restaurants. Therefore, in the 11th fiscal year, in November 2015, based on the concept of "All types of stores are in the neighborhood," we held the grand opening of our integrated Group portal site "omni7." We are noticing a change in customer buying behavior, with a growing ratio of customers picking up products purchased on omni7 at Seven-Eleven stores.

Consequently, our consolidated results in the 11th fiscal year were as follows.

Revenues from operations were ¥6,045.7 billion (up 0.1% YOY), rising from the previous fiscal year, despite a ¥335.8 billion decline in gasoline sales in North American convenience store operations due mainly to the drop in gasoline prices resulting from lower crude oil prices.

Operating income was ¥352.3 billion (up 2.6% YOY), due mainly to robust results in convenience store operations making up for tough competition in superstore and other operations, and ordinary income was ¥350.1 billion (up 2.5% YOY), both reaching record highs. Net income was ¥160.9 billion (down 7.0% YOY) due mainly to an increase in special losses.

The exchange rate of the yen prevailing at the time of the consolidation of overseas subsidiaries in the 11th fiscal year increased revenues from operations by ¥249.0 billion and operating income by ¥8.2 billion. Furthermore, Group sales, which include the total store sales of Seven-Eleven Japan Co., Ltd., and 7-Eleven, Inc., were ¥10,703.0 billion (up 4.6% YOY).

Overview of business by segment

An overview of business by segment in the 11th fiscal year is as follows.

(i) Convenience store operations

Revenues from operations in convenience store operations were ¥2,675.8 billion (down 1.9% YOY), and operating income was ¥304.1 billion (up 9.9% YOY).

In Japan, Seven-Eleven Japan Co., Ltd. aggressively pursed expansion, opening 1,651 stores, including an expansion into Kochi Prefecture in March, Aomori Prefecture in June, and Tottori Prefecture in October 2015. As a result, there were 18,572 domestic stores (up 1,081 stores YOY) in 46 prefectures at the end of the 11th fiscal year. On the product front, we strived to further improve the quality of basic products including rice balls and sandwiches, and to enhance our development of products which match the preferences of regional customers. Introduced in October 2014, we completed our nationwide rollout of SEVEN CAFÉ Donut in September 2015, and implemented a complete renewal in January 2016 to further improve product quality. With the launch of omni7, we strived to enhance our in-store system for the efficient management of will-call products and delivery operations.

As a result of these initiatives, the rate of growth in sales at existing stores recorded positive growth for the 43rd consecutive month since August 2012. Total store sales in Japan, which comprise corporate and franchised store sales, were ¥4,291.0 billion (up 7.1% YOY).

In North America, as of the end of December 2015, 7-Eleven, Inc. had 8,500 stores (up 203 stores YOY). In terms of stores, we moved forward with store openings in urban areas, and in August 2015, we acquired 181 stores from Tedeschi Food Shops, Inc. to enhance our dominant position in areas with existing stores. In terms of sales, as a result of our continued focus on the development and sales of fresh food and 7-Select private-brand products, the rate of growth in merchandise sales at existing stores in the United States on a local currency basis in the 11th fiscal year largely exceeded the rate in the previous fiscal year. Total store sales, which comprise corporate and franchised store sales, were ¥2,950.4 billion (up 4.1% YOY) based on strong merchandise sales, despite a decline in gasoline sales due mainly to the drop in gasoline retail prices resulting from lower crude oil prices.

In China, as of December 31, 2015, we had 187 stores in Beijing, 70 stores in Tianjin, and 60 stores in Chengdu, Sichuan Province.

(ii) Superstore operations

Revenues from operations in superstore operations were ¥2,060.5 billion (up 2.4% YOY), and operating income was ¥7.2 billion (down 62.6% YOY).

Domestic superstore Ito-Yokado Co., Ltd. had 182 stores at the end of the 11th fiscal year (up 1 store YOY). In May 2015, we implemented organizational changes to break free from the concept of chain store management led by the headquarters, and to promote individual store management led by the stores, strengthening our product lineup tailored to the characteristics of each individual store and region. We also moved forward with our approach toward implementing business structural reforms, which was announced in October 2015, including store closings and optimized personnel assignment. In store operations, we attracted excellent tenants from inside and outside the Group, and remodeled sales areas in order to enhance delicatessen items and promote face-to-face sales of fresh food. Particularly among our regional stores, we enhanced our relationship with capital and operational partners, and expanded our product lineup tailored to regional preferences mainly in the food section. In sales, we focused on the development and sales of differentiated products utilizing the Group’s strength such as the Seven Premium and SEPT PREMIÈRES, the new private apparel brand items. With the launch of “omni7,” we saw the effects of “webrooming,” where customers confirming a product online visit a store to make their purchase. As a result of these initiatives, the rate of growth in sales at existing stores in the 11th fiscal year exceeded the previous fiscal year, with growth from April onward making up for the year on year fallback in demand in March occurring as a response to the rush demand associated with the consumption tax hike in the previous fiscal year. However, profitability was negatively affected by our efforts to reduce inventory focused on clothing items.

In domestic food supermarket operations, York-Benimaru Co., Ltd. had 205 stores as of the end of the 11th fiscal year (up 5 stores YOY), principally in the southern Tohoku region, and York Mart Co., Ltd. had 76 stores mainly in the Tokyo metropolitan area. York-Benimaru Co., Ltd. strived to realize “lifestyle proposal-type food supermarkets” by strengthening the sales of fresh food, and expanding its lineup of prepared foods to respond to demand for ready-to-serve and easy meals through its subsidiary Life Foods Co., Ltd. As a result of these initiatives, the rate of growth in sales at existing stores in the 11th fiscal year rose year on year.

Akachan Honpo Co., Ltd., which sells baby and maternity products, had 103 stores at the end of the 11th fiscal year (up 4 stores YOY).

In China, as of December 31, 2015, we had 6 superstores in Chengdu, Sichuan Province and 5 superstores in Beijing.

(iii) Department store operations

Revenues from operations in department store operations were ¥884.7 billion (up 1.1% YOY), and operating income was ¥3.8 billion (down 45.7% YOY).

Sogo & Seibu Co., Ltd. had 23 stores at the end of the 11th fiscal year (down 1 store YOY). In store operations, in August 2015, as a center for providing information to make trend-sensitive and refined-taste lifestyle proposals, we renovated the SEIBU Shibuya store for the first time in eight years. In sales, Sogo & Seibu Co., Ltd. reinforced its initiatives for promoting self-produced merchandise, centered on the Limited Edition brand, and self-arranged sales areas. In March 2015, we introduced a new private brand, Limited Edition Area Mode, tailored to regional characteristics. In November 2015, in line with the grand opening of omni7, we launched e.CASTEL, Japan’s first luxury brand specialty site carrying only genuine and authorized direct imports. At the same time, we reinforced the high-quality customer service that is the hallmark of department stores, while enhancing our total advisory service functions with specialist sales staff such as fashion advisors. As a result of these initiatives, the rate of growth in sales at existing stores in the 11th fiscal year rose year on year, despite the fallback in the demand occurring as a response to the rush demand associated with the consumption tax hike in the previous fiscal year.

The SEIBU Kasukabe store was closed on February 29, 2016.

THE LOFT CO., LTD., which operates miscellaneous goods specialty stores, had 102 stores at the end of the 11th fiscal year (up 8 stores YOY).

(iv) Food services operations

Revenues from operations in food service operations were ¥83.8 billion (up 3.5% YOY), and operating income was ¥0.9 billion, up ¥0.8 billion from the previous fiscal year.

The restaurant division of Seven & i Food Systems Co., Ltd. operated 469 restaurants at the end of the 11th fiscal year (down 5 restaurants YOY). The rate of growth in sales at existing restaurants in the 11th fiscal year increased year on year. This mostly reflected successfully enhanced sales of high value-added menus and improved customer service.

(v) Financial services operations

In financial services operations, revenues from operations were ¥192.4 billion (up 8.0% YOY), and operating income was ¥49.6 billion (up 5.3% YOY).

As of the end of the 11th fiscal year, the number of installed ATMs of Seven Bank, Ltd. had increased to 22,388 (up 1,449 ATMs YOY), due mainly to the aggressive opening of stores by Seven-Eleven Japan Co., Ltd. As a result, the amount of cash and bank deposits at Seven Bank, Ltd., including the cash loaded into ATMs, was ¥676.9 billion. The average daily transaction volume per ATM during the 11th fiscal year was 99.2 transactions (down 2.0 transactions YOY), mainly due to commencement of charging transaction fees on customers of some affiliated banks. However, the total number of transactions during the year increased from the previous fiscal year due to the increase in the number of installed ATMs. In July 2015, FCTI, Inc., a US subsidiary of Seven Bank, Ltd., entered into an agreement with 7-Eleven, Inc. to install and operate ATMs in US 7-Eleven stores from July 2017.

In credit card operations of the two card operating companies, the transaction volume of the Seven Card Plus credit cards issued by Seven Card Service Co., Ltd. and of the CLUB ON CARD SAISON and Millennium CARD SAISON credit cards issued by Seven CS Card Service Co., Ltd. increased year on year, mainly for shopping uses. In electronic money operations, Seven Card Service Co., Ltd. worked aggressively to expand the *nanaco* electronic money service inside and outside the Group. As a result, at the end of the 11th fiscal year, the total number of *nanaco* accounts issued was 45.42 million (up 8.25 million YOY), and the number of stores at which *nanaco* was usable was approximately 215,300 stores (up approximately 47,600 stores YOY).

(vi) Mail order services operations

Revenues from operations in mail order services operations were ¥158.7 billion (down 14.6% YOY), and an operating loss of ¥8.4 billion was incurred.

In August 2015, Nissen Holdings, Co., Ltd. announced management streamlining measures aimed at an early return to positive earnings, and strove to improve profitability and implemented measures to realize Group synergies.

(vii) Others

Revenues from operations in others were ¥61.5 billion (up 14.3% YOY), and operating income was ¥5.5 billion (up 51.5% YOY).

Barneys Japan Co., Ltd., which became a wholly-owned subsidiary of the Company in February 2015, is included in the “others” segment from the 11th fiscal year.

(viii) Eliminations and Company-related

An operating loss of ¥10.5 billion was incurred in Eliminations and Company-related (adjustments).

In the Omni-Channel Strategy being pursued by the Group, Group-wide costs such as sales promotion costs and software-related depreciation costs are included in Eliminations and Company-related.

Revenues from operations by segment

Business segment	Revenues from operations (Millions of yen)
Convenience stores	2,675,890
Superstores	2,060,516
Department stores	884,716
Food services	83,839
Financial services	192,487
Mail order services	158,732
Others	61,582
Eliminations and Company-related	(72,061)
Total	6,045,704

(Notes)

1. Group sales, which include the chain store sales of Seven-Eleven Japan Co., Ltd. and 7-Eleven, Inc., were ¥10,703.0 billion.
2. Eliminations and Company-related is a total of eliminated inter-segment transactions and revenues from operations of the Company.

(2) Capital expenditures and fundraising

Total capital expenditures in the 11th fiscal year were ¥399.2 billion. The funds required for these expenditures were appropriated from loans from financial institutions, from issuance of bonds and from funds on hand.

Furthermore, the Company issued ¥120.0 billion in unsecured bonds on June 17, 2015.

Business segment	Capital expenditures (Millions of yen)
Convenience stores	238,372
Superstores	81,354
Department stores	17,515
Food services	1,853
Financial services	33,422
Mail order services	4,766
Others	3,678
Corporate (shared)	18,240
Total	399,204

(Notes)

1. The amounts above include guaranty deposits and advances for store construction.
2. The amount for Corporate (shared) is the Company’s capital expenditures.

(3) Trends in assets and profit/loss in the 11th fiscal year and the most recent three fiscal years

(i) Trends in the corporate group's assets and profit/loss

Item	8th fiscal year (March 1, 2012 to February 28, 2013)	9th fiscal year (March 1, 2013 to February 28, 2014)	10th fiscal year (March 1, 2014 to February 28, 2015)	11th fiscal year (March 1, 2015 to February 29, 2016)
Revenues from operations	Millions of yen 4,991,642	Millions of yen 5,631,820	Millions of yen 6,038,948	Millions of yen 6,045,704
Net income	Millions of yen 138,064	Millions of yen 175,691	Millions of yen 172,979	Millions of yen 160,930
Net income per share	Yen 156.26	Yen 198.84	Yen 195.66	Yen 182.02
Total assets	Millions of yen 4,262,397	Millions of yen 4,811,380	Millions of yen 5,234,705	Millions of yen 5,441,691
Net assets	Millions of yen 1,994,740	Millions of yen 2,221,557	Millions of yen 2,430,917	Millions of yen 2,505,182
Net assets per share	Yen 2,140.45	Yen 2,371.92	Yen 2,601.23	Yen 2,683.11

(Note)

Net income per share is calculated on the basis of the average number of shares issued during the fiscal year, excluding the number of treasury stock. Net assets per share is calculated on the basis of the total number of shares issued at the end of the fiscal year (the number of shares excluding the number of treasury stock).

(ii) Trends in assets and profit/loss by segment

Business segment	Item	8th fiscal year (March 1, 2012 to February 28, 2013)	9th fiscal year (March 1, 2013 to February 28, 2014)	10th fiscal year (March 1, 2014 to February 28, 2015)	11th fiscal year (March 1, 2015 to February 29, 2016)
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Convenience stores	Revenues from operations	1,899,573	2,529,694	2,727,780	2,675,890
	Operating income	221,764	257,515	276,745	304,110
	Total assets	1,370,292	1,630,826	1,927,221	1,982,681
Superstores	Revenues from operations	1,994,588	2,009,409	2,012,176	2,060,516
	Operating income	25,491	29,664	19,340	7,234
	Total assets	967,887	1,000,318	1,040,068	1,047,824
Department stores	Revenues from operations	884,028	871,132	875,027	884,716
	Operating income	8,029	6,590	7,059	3,832
	Total assets	517,075	501,856	495,961	485,700
Food services	Revenues from operations	78,361	78,566	80,980	83,839
	Operating income	721	604	44	917
	Total assets	21,843	22,398	26,307	25,200
Financial services	Revenues from operations	144,355	158,826	178,221	192,487
	Operating income	37,425	44,902	47,182	49,697
	Total assets	1,716,745	1,798,059	1,871,705	1,929,839
Mail order services	Revenues from operations	--	--	185,802	158,732
	Operating income (loss)	--	--	(7,521)	(8,451)
	Total assets	--	103,437	105,717	81,941
Others	Revenues from operations	50,210	50,492	53,897	61,582
	Operating income	3,886	2,166	3,669	5,559
	Total assets	168,047	169,602	207,073	186,078

(Note)

The results of “mail order services” in the 9th fiscal year were consolidated only in the balance sheets because February 28, 2014 is the deemed acquisition date.

(4) Corporate reorganization measures, etc.

None.

(5) Status of major subsidiaries (as of February 29, 2016)

(i) Status of major subsidiaries

Business segment	Company name	Paid-in capital	Capital contribution ratio (%)
Convenience stores	Seven-Eleven Japan Co., Ltd.	¥17,200 million	100.0
	7-Eleven, Inc. (U.S.)	US$13 thousand	100.0
Superstores	Ito-Yokado Co., Ltd.	¥40,000 million	100.0
	York-Benimaru Co., Ltd.	¥9,927 million	100.0
Department stores	Sogo & Seibu Co., Ltd.	¥10,000 million	100.0
Food services	Seven & i Food Systems Co., Ltd.	¥3,000 million	100.0
Financial services	Seven Bank, Ltd.	¥30,514 million	45.8
Mail order services	Nissen Holdings Co., Ltd.	¥11,873 million	50.7

(Notes)

1. The capital contribution ratios in 7-Eleven, Inc., Seven Bank, Ltd., and Nissen Holdings Co., Ltd. are indirect holdings.
2. The status of specified wholly-owned subsidiaries as of the last day of the 11th fiscal year is as follows.

Name of specified wholly-owned subsidiaries	Address of specified wholly-owned subsidiaries	Book value of shares of specified wholly-owned subsidiaries held by the Company and its wholly-owned subsidiaries (Millions of yen)	Total assets of the Company (Millions of yen)
Seven-Eleven Japan Co., Ltd.	8-8, Nibancho, Chiyoda-ku, Tokyo	680,212	1,941,937
Ito-Yokado Co., Ltd.	8-8, Nibancho, Chiyoda-ku, Tokyo	585,961	

(ii) Status of other major business combinations

None.

(iii) Consolidated subsidiaries and equity-method affiliates

The Company has 120 consolidated subsidiaries and 26 equity-method affiliates.

(6) Issues to be addressed

(i) Outlook for the coming fiscal year

With respect to the outlook for the 12th fiscal year, although the effects of the government's economic stimulus measures, etc. are expected to continue, the future trend of consumer spending is expected to remain uncertain, partly due to the consumption tax rate hike scheduled for April 2017, etc.

Under this environment, the Group will take on new challenges breaking free from perceptions of the past, and strive to focus on quality by proposing high value-added products and services and improving customer service capabilities. At the same time, we will work to tailor our sales areas to each region and the characteristics of each individual store's catchment area, and aim to respond meticulously to our customers' needs. To this end, we will break free from the conventional concept of chain store management led by the headquarters, and implement individual store management led by the stores.

Furthermore, to maximize Group synergies, the Company will push forward with our Omni-Channel Strategy in the form of cross-Group initiatives to achieve the "Second Stage of Growth." We aim to provide new shopping experiences by utilizing the superiority of the Group, with its network of approximately 20,000 stores in Japan which contain various business formats. Through the integrated Group portal site "omni7," the Company and its operating companies will promote the sales of high value-added products and expanded services, further enhancing enterprise value. Plans also call for ¥1,200.0 billion in sales (up 19.9% YOY) of the Group's shared Seven Premium private-brand products.

In domestic convenience store operations, Seven-Eleven Japan Co., Ltd. will grasp as growth opportunities the various changes in the social structure, which include the aging population, an increase in single-person households, a decline in the number of small and medium-sized retail stores and an increase in working women. In order to fulfill the expected role of the convenience store, Seven-Eleven Japan will target the further evolution of its stores into "close-by, convenient stores." In terms of stores, in addition to enhancing store openings in existing coverage areas, we will aggressively promote the change in locations of existing stores to provide further convenience for our regional customers and to enhance our dominant position. In doing so, we will open a record-high 1,800 stores. Furthermore, on the product front, we will work to further increase the quality of fast food products, and we will also focus on developing new products that capture the customers' latent needs, and on developing products that match the preferences of consumers in each region.

In overseas convenience store operations, 7-Eleven, Inc., which operates in North America, will continue to focus on the development and sale of fast food products and 7-Select private-brand products. At the same time, we will continue to open new stores in areas where we have a dominant presence and convert corporate stores to franchised stores.

In superstore operations, Ito-Yokado Co., Ltd. will implement the business structural reforms announced in October 2015 and March 2016, breaking free from the conventional concept of chain store management, and promoting individual store management led by the stores. We will move forward with the transition centered on enhancing food products to tailor the structure of our sales areas to each individual store's catchment area, enhance sales capabilities by strengthening the development of private-brand products and face-to-face sales with customers, create product lineups that are responsive to regional characteristics, and reinvigorate existing stores. Furthermore, of the 40 stores planned to be closed going forward, we will close 20 stores in the fiscal year ending February 28, 2017, striving to improve profitability. Additionally, York-Benimaru Co., Ltd. will rigorously differentiate its fresh foods and delicatessen items in cooperation with subsidiary Life Foods Co., Ltd., and continue to strengthen its lineup of products that meet regional needs, while invigorating existing stores and continuing to open stores under its market dominance strategy.

In department store operations, Sogo & Seibu Co., Ltd. will strengthen its initiatives to promote self-produced merchandise and self-arranged sales areas and pursue differentiation by expanding products of value utilizing the Omni-Channel on the product front, further enhance sales capabilities at flagship stores including Seibu Ikebukuro main store in terms of stores, and strengthen its lineup of local products in regional stores, thus working to invigorate operations. Furthermore, based on the business structural reforms announced in March 2016, we will move forward with organizational reforms such as optimizing Head Office personnel and reviewing the organization of both the Merchandising Department and Sales Department, and strive to improve profitability by closing both SEIBU Asahikawa store and Sogo Kashiwa store on September 30, 2016, as neither store is expected to have improved results.

In food service operations, Seven & i Food Systems Co., Ltd. will continue to strengthen high value-added menus and improve profitability by enhancing customer service capabilities.

In mail order services operations, Nissen Holdings, Co., Ltd. will work to improve profitability by pushing ahead with management streamlining measures announced in August 2015 and implement initiatives that will capture Group synergies.

(ii) Management issues

Guided by the Group brand message "It's a New Day," the Company aims to provide new distribution services with unprecedented attractiveness which create and propose a new type of lifestyle, to respond quickly to changes in the social and economic environment, to promote the generation of new businesses and the invigoration of existing businesses using the collective capabilities of the retail group, which has various business formats, and to maximize our Group enterprise value. To achieve these goals, we have put forth the following action plan.

I. Pushing forward with our Omni-Channel Strategy which aims to fuse real stores and the Internet
  - i. Developing products with new value
  - ii. Sales areas which respond to changes in the market
  - iii. Providing high-quality customer service

II. Realizing product lineups and sales areas that are responsive to regional characteristics

III. Creating an operational structure led by individual stores

IV. Refining Group functions
  - i. Pursuing merchandising synergies in supply, logistics, product development and sales, etc.
  - ii. Integrating the administrative divisions, aiming to provide high value-added services and to reduce costs
  - iii. Unified management of intellectual property
  - iv. Ensuring thorough practice of business activities focusing on CSR

Especially in our pursuit of synergies, in the "Group MD Reform Project" which is working on the development of the Group's shared private-brand products, Seven Premium, we are challenging a new kind of merchandising which surpasses the differences in the business formats of the individual operating companies. By sharing information within the Group centered on these initiatives, we will strive to make costs more efficient, while increasing the precision of our merchandising and capturing greater economies of scale. We will also promote the Omni-Channel Strategy to realize large synergies as the driving force of the Group's "Second Stage of Growth."

At this point, the Company has not finalized its basic policy on persons who control the Company's decisions on financial matters and business policies (Article 118, Paragraph 3 of the Ordinance for Enforcement of the Companies Act). However, we aim to maximize the enterprise value of the Company and the Group through such means as further improving performance and bolstering corporate governance, and we believe that appropriate measures are needed for dealing with large-scale acquisitions of the Company's shares that could damage the enterprise value of the Company and the Group. We will continue to carefully consider our basic policy on this issue with consideration for developments in legal systems, court decisions and social trends.

(iii) CSR initiatives

Looking at social changes including the diversification of social issues and expansion of business fields, the Company has clarified the direction of the Group's CSR activities by means of evaluating past CSR activities and identifying material issues for the Company to focus on through dialogue with our stakeholders. In our core businesses, we aim for a sustainable society and sustainable growth through a proactive approach to these priority issues and "CSV" (Creating Shared Value), which creates value for both society and corporations.

Five material issues

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

(7) Scope of principal businesses (as of February 29, 2016)

The Group is centered on the retail industry and comprises 147 companies (including the Company itself), with the Company as a pure holding company. The Group's principal business activities are convenience store operations, superstore operations, department store operations, food services operations, financial services operations, and mail order services operations.

Business segments, names of major Group companies, and numbers of companies are as follows. This segmentation is the same as that used in the segment information section.

Business segments	Names of major Group companies
Convenience stores (52 companies)	Seven-Eleven Japan Co., Ltd. 7-Eleven, Inc. SEVEN-ELEVEN (CHINA) INVESTMENT CO., LTD. SEVEN-ELEVEN (BEIJING) CO., LTD. SEVEN-ELEVEN (TIANJIN) CO., LTD. SEVEN-ELEVEN (CHENGDU) CO., LTD. SEVEN-ELEVEN HAWAII, INC. SEJ Asset Management & Investment Company SHAN DONG ZHONG DI CONVENIENCE CO., LTD.*[1] TOWER BAKERY CO., LTD.*[1]
Superstores (28 companies)	Ito-Yokado Co., Ltd. York-Benimaru Co., Ltd. Marudai Co., Ltd. Hua Tang Yokado Commercial Co., Ltd. Chengdu Ito-Yokado Co., Ltd. York Mart Co., Ltd. K.K. Sanei Oshman's Japan Co., Ltd. Akachan Honpo Co., Ltd. Seven Bi no Garden Co., Ltd. IY Foods K.K. Life Foods Co., Ltd. Ito-Yokado (China) Investment Co., Ltd. Seven Farm Co., Ltd. DAIICHI CO., LTD.*[1] Tenmaya Store Co., Ltd.*[1]
Department stores (13 companies)	Sogo & Seibu Co., Ltd. THE LOFT CO., LTD. SHELL GARDEN CO., LTD. IKEBUKURO SHOPPING PARK CO., LTD. Yatsugatake Kogen Lodge Co., Ltd. GOTTSUO BIN CO., LTD. DISTRICT HEATING AND COOLING CHIBA CO., LTD.
Food services (1 company)	Seven & i Food Systems Co., Ltd.
Financial services (9 companies)	Seven Bank, Ltd. Seven Financial Service Co., Ltd. Seven Card Service Co., Ltd. Seven CS Card Service Co., Ltd. SEVEN & i Financial Center Co., Ltd. FCTI, Inc.*[2]

Business segments	Names of major Group companies
Mail order services (22 companies)	Nissen Holdings Co., Ltd. Nissen Co., Ltd. SHADDY CO., LTD. GE Nissen Credit Co., Ltd.*1
Others (21 companies)	Seven & i Netmedia Co., Ltd. Seven Net Shopping Co., Ltd. SEVEN & i Publishing Co., Ltd. IY Real Estate Co., Ltd. K.K. York Keibi Seven & i Asset Management Co., Ltd. 7dream.com Seven-Meal Service Co., Ltd. Trube Ltd. Mall & SC Development Inc. Seven Culture Network Co., Ltd. Barneys Japan Co., Ltd. I ing Co., Ltd.*1 PIA CORPORATION*1 Tower Records Japan Inc.*1 BALS CORPORATION*1

(Notes)

*1 SHAN DONG ZHONG DI CONVENIENCE CO., LTD., TOWER BAKERY CO., LTD., DAIICHI CO., LTD., Tenmaya Store Co., Ltd., GE Nissen Credit Co., Ltd., I ing Co., Ltd., PIA CORPORATION, Tower Records Japan Inc., and BALS CORPORATION are affiliates.

*2 On October 1, 2015, Financial Consulting & Trading International, Inc. changed its name to FCTI, Inc.

(8) Principal business locations (as of February 29, 2016)

(i) The Company

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo

(ii) Principal subsidiaries

(Convenience stores)

Seven-Eleven Japan Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 501 stores

7-Eleven, Inc.

- Head office: Texas, U.S.A.
- Corporate stores: 1,748 stores

(Note)
The number of corporate stores for 7-Eleven, Inc., is the number of stores as of the end of December 2015.

(Superstores)

Ito-Yokado Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 182 stores

York-Benimaru Co., Ltd.

- Head office: 18-2, 2-chome, Asahi, Koriyama, Fukushima
- Corporate stores: 205 stores

(Department stores)

Sogo & Seibu Co., Ltd.

- Head office: 5-25, Nibancho, Chiyoda-ku, Tokyo
- Corporate stores: 23 stores

(Food services)

Seven & i Food Systems Co., Ltd.

- Head office: 8-8, Nibancho, Chiyoda-ku, Tokyo
- Sumida office: 25-12, 1-chome, Yahiro, Sumida-ku, Tokyo
- Corporate stores: 851 stores

(Financial services)

Seven Bank, Ltd.

- Head office: 6-1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo

(Mail order services)

Nissen Holdings Co., Ltd.

- Head office: 26 Nishikujoinmachi, Minami-ku, Kyoto

(9) Status of employees (as of February 29, 2016)

(i) Status of employees of the corporate group

Business segment	Number of employees	Change from the previous fiscal year-end
Convenience stores	24,161 employees	382 employees (decrease)
Superstores	17,525 employees	368 employees (decrease)
Department stores	6,208 employees	24 employees (decrease)
Food services	1,416 employees	44 employees (increase)
Financial services	1,568 employees	120 employees (increase)
Mail order services	1,281 employees	144 employees (decrease)
Others	1,289 employees	8 employees (decrease)
Corporate (shared)	545 employees	90 employees (increase)
Total	53,993 employees	672 employees (decrease)

(Notes)

1. The number of employees is the number of workers (excluding people dispatched from the Group to outside the Group, but including people dispatched from outside the Group to the Group).
2. In addition to the number of employees listed above, the Company and its Group companies employ 91,467 part-time employees (monthly average based on a 163-hour working month).
3. The number of employees for Corporate (shared) is the number of employees of the Company.
4. The decrease in the number of employees in mail order services is primarily due to personnel reductions associated with business structural reform of Nissen Co., Ltd.

(ii) Status of employees of the Company

	Number of employees	Change from the previous fiscal year-end	Average age	Average number of years of continuous service
Male	395 employees	64 employees (increase)	45 years 9 months	19 years 10 months
Female	150 employees	26 employees (increase)	39 years 3 months	15 years 9 months
Total or average	545 employees	90 employees (increase)	43 years 11 months	18 years 8 months

(Notes)

1. Most of the Company’s employees have been transferred from Group companies. The average number of years of continuous service is the total of the number of years of continuous service at each company.
2. In addition to the number of employees listed above, the Company employs 24 part-time workers (monthly average based on a 163-hour working month).
3. The increase in the number of employees is primarily due to development of the Omni-Channel.

(10) Status of major lenders (as of February 29, 2016)

Lender	Amount borrowed (Millions of yen)
Sumitomo Mitsui Banking Corporation	144,752
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	128,229
Mizuho Bank, Ltd.	75,020

(11) Other important items regarding the current state of the corporate group

None.

2. Items Regarding Shares (as of February 29, 2016)

(1) Number of shares authorized to be issued: 4,500,000,000 shares

(2) Number of shares issued: 886,441,983 shares

(Note)
The number of shares issued includes 2,268,146 shares of treasury stock.

(3) Number of shareholders: 82,406

(4) Major shareholders (Top 10)

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

(Note)

Percentage of shares held is calculated using the total number of shares, excluding treasury stock.

3. Items Regarding Share Subscription Rights

(1) Overview, etc. of the share subscription rights held by Directors or Audit & Supervisory Board Members of the Company as compensation for the performance of their duties (as of February 29, 2016)

Name of share subscription rights issue		1st share subscription rights issue	2nd share subscription rights issue
Date of resolution for issue		July 8, 2008	July 8, 2008
Number of share subscription rights		159*[1]	958*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		15,900*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	95,800*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥307,000 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038
Exercise conditions		*[3]	*[3]
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 129 Class and number of corresponding shares: 12,900 common stock Number of Directors holding the share subscription rights: 3	Number of share subscription rights: 187 Class and number of corresponding shares: 18,700 common stock Number of Directors holding the share subscription rights: 7

Name of share subscription rights issue		3rd share subscription rights issue	4th share subscription rights issue
Date of resolution for issue		May 28, 2009	May 28, 2009
Number of share subscription rights		240*[1]	1,297*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		24,000*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	129,700*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥204,500 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2010 to June 15, 2029	From February 28, 2010 to June 15, 2039
Exercise conditions		*[4]	*[4]
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 183 Class and number of corresponding shares: 18,300 common stock Number of Directors holding the share subscription rights: 4	Number of share subscription rights: 229 Class and number of corresponding shares: 22,900 common stock Number of Directors holding the share subscription rights: 6

Name of share subscription rights issue		5th share subscription rights issue	6th share subscription rights issue
Date of resolution for issue		May 27, 2010	June 15, 2010
Number of share subscription rights		211*[1]	1,144*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		21,100*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	114,400*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥185,000 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2011 to June 16, 2030	From February 28, 2011 to July 2, 2040
Exercise conditions		*[4]	*[4]
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 161 Class and number of corresponding shares: 16,100 common stock Number of Directors holding the share subscription rights: 4	Number of share subscription rights: 104 Class and number of corresponding shares: 10,400 common stock Number of Directors holding the share subscription rights: 5

Name of share subscription rights issue		7th share subscription rights issue	8th share subscription rights issue
Date of resolution for issue		May 26, 2011	May 26, 2011
Number of share subscription rights		259*[1]	1,280*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		25,900*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	128,000*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥188,900 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 29, 2012 to June 15, 2031	From February 29, 2012 to June 15, 2041
Exercise conditions		*[4]	*[4]
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 243 Class and number of corresponding shares: 24,300 common stock Number of Directors holding the share subscription rights: 5	Number of share subscription rights: 113 Class and number of corresponding shares: 11,300 common stock Number of Directors holding the share subscription rights: 4

Name of share subscription rights issue		9th share subscription rights issue	10th share subscription rights issue
Date of resolution for issue		June 5, 2012	June 5, 2012
Number of share subscription rights		270*[1]	1,261*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		27,000*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	126,100*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥216,400 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2013 to July 6, 2032	From February 28, 2013 to July 6, 2042
Exercise conditions		*[4]	*[4]
Directors’ or Audit & Supervisory Board Members’ ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 254 Class and number of corresponding shares: 25,400 common stock Number of Directors holding the share subscription rights: 6	Number of share subscription rights: 104 Class and number of corresponding shares: 10,400 common stock Number of Directors holding the share subscription rights: 3

Name of share subscription rights issue		11th share subscription rights issue	12th share subscription rights issue
Date of resolution for issue		July 4, 2013	July 4, 2013
Number of share subscription rights		249*[1]	1,105*[2]
Class and number of shares to be acquired upon exercise of the share subscription rights		24,900*[1] common stock of the Company (with one share subscription right corresponding to 100 shares)	110,500*[2] common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥345,700 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2014 to August 7, 2033	From February 28, 2014 to August 7, 2043
Exercise conditions		*[4]	*[4]
Directors’ or Audit & Supervisory Board Members’ ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 234 Class and number of corresponding shares: 23,400 common stock Number of Directors holding the share subscription rights: 6	Number of share subscription rights: 96 Class and number of corresponding shares: 9,600 common stock Number of Directors holding the share subscription rights: 3

Name of share subscription rights issue		13th share subscription rights issue	14th share subscription rights issue
Date of resolution for issue		July 3, 2014	July 3, 2014
Number of share subscription rights		240*1	1,028*2
Class and number of shares to be acquired upon exercise of the share subscription rights		24,000*1 common stock of the Company (with one share subscription right corresponding to 100 shares)	102,800*2 common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥388,500 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 28, 2015 to August 6, 2034	From February 28, 2015 to August 6, 2044
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 226 Class and number of corresponding shares: 22,600 common stock Number of Directors holding the share subscription rights: 6	Number of share subscription rights: 90 Class and number of corresponding shares: 9,000 common stock Number of Directors holding the share subscription rights: 4

Name of share subscription rights issue		15th share subscription rights issue	16th share subscription rights issue
Date of resolution for issue		July 7, 2015	July 7, 2015
Number of share subscription rights		281*1	1,018*2
Class and number of shares to be acquired upon exercise of the share subscription rights		28,100*1 common stock of the Company (with one share subscription right corresponding to 100 shares)	101,800*2 common stock of the Company (with one share subscription right corresponding to 100 shares)
Amount to be paid for the share subscription rights		¥533,000 per subscription right	No payment is required in exchange for the share subscription rights
Amount of property contributed upon exercise of the share subscription rights		¥100 per subscription right (¥1 per share)	¥100 per subscription right (¥1 per share)
Exercise period		From February 29, 2016 to August 5, 2035	From February 29, 2016 to August 5, 2045
Exercise conditions		*4	*4
Directors' or Audit & Supervisory Board Members' ownership status	Directors (excluding Outside Directors)	Number of share subscription rights: 281 Class and number of corresponding shares: 28,100 common stock Number of Directors holding the share subscription rights: 8	Number of share subscription rights: 85 Class and number of corresponding shares: 8,500 common stock Number of Directors holding the share subscription rights: 3

(Notes)

*1. States the total number of share subscription rights at the time of granting to Directors of the Company.

*2. States the total number of share subscription rights at the time of granting to executive officers of the Company and Directors and executive officers of the Company's subsidiaries.

*3. Exercise conditions are as follows:

(i) A share subscription right holder may exercise the share subscription rights within ten (10) days from the day following the day he/she loses his/her position as a Director or executive officer of the Company, or as a Director or executive officer of a subsidiary of the Company.

(ii) If a share subscription right holder passes away, his/her successor may exercise such rights. The conditions for exercising the share subscription rights by the successor shall be as set forth in the agreement referred to in (iii) below.

(iii) Other conditions shall be as set forth in the “Agreement for First Allotment of Share Subscription Rights” entered into between the Company and the share subscription right holders based on a resolution of the Board of Directors.

*4. Exercise conditions are as follows:

(i) A share subscription right holder may exercise the share subscription rights within ten (10) days from the day following the day he/she loses his/her position as a Director or executive officer of the Company, or as a Director or executive officer of a subsidiary of the Company.

(ii) Regardless of the condition set forth in (i) above, in the event that a shareholders’ meeting of (if a resolution of the shareholders’ meeting is not required, then in the event that the Board of Directors) approves a resolution for approval of a merger agreement in which the Company is the dissolved company or a resolution for approval of a share exchange agreement or a share transfer plan resulting in the Company becoming a wholly-owned subsidiary of another company, then the share subscription right holder may exercise the share subscription rights within thirty (30) days from the day following the day on which the resolution was approved.

(iii) If the share subscription right holder is a Director or executive officer of a subsidiary of the Company, then regardless of the condition set forth in (i) above, in the event that the company in question ceases to be a subsidiary of the Company (including but not limited to circumstances resulting from internal reorganization or the transfer of shares), then the share subscription right holder may exercise the share subscription rights within thirty (30) days from the day following the day on which the company in question ceases to be a subsidiary of the Company.

(iv) The share subscription right holder is to collectively exercise all of the share subscription rights allotted.

(v) If a share subscription right holder passes away, his/her successor may exercise such rights. The conditions for exercising the share subscription rights by the successor shall be as set forth in the agreement referred to in (vi) below.

(vi) Other conditions shall be as set forth in the “Share Subscription Rights Allotment Agreement” entered into between the Company and the share subscription right holders based on a resolution of the Board of Directors.

(2) Overview, etc. of the share subscription rights granted to employees, etc. during the 11th fiscal year as compensation for the performance of their duties

Name of share subscription rights issue		16th share subscription rights issue
Status of grants to employees, etc.	Employees of the Company (excluding those concurrently serving as Directors or Audit & Supervisory Board Members of the Company)	Number of share subscription rights: 182 Class and number of corresponding shares: 18,200 common stock Number of recipients: 13
	Directors, Audit & Supervisory Board Members, and employees of subsidiaries of the Company (excluding those concurrently serving as Directors, Audit & Supervisory Board Members, or employees of the Company)	Number of share subscription rights: 751 Class and number of corresponding shares: 75,100 common stock Number of recipients: 98

(Note)

The overview of the details of the 16th share subscription rights issue is as shown above in “(1) Overview, etc. of the share subscription rights held by Directors or Audit & Supervisory Board Members of the Company as compensation for the performance of their duties (as of February 29, 2016).”

4. Items Regarding the Company's Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members (as of February 29, 2016)

Position in the Company	Name	Area of responsibility in the Company and important concurrent positions
Representative Director and Chairman	Toshifumi Suzuki	Chief Executive Officer (CEO) of the Company 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. Director of TOHAN CORPORATION
Representative Director and President	Noritoshi Murata	Chief Operating Officer (COO) of the Company
Director	Katsuhiro Goto	Chief Administrative Officer (CAO) of the Company Head of the Information Management & Security Office of the Company Director of Ito-Yokado Co., Ltd. Director of Sogo & Seibu Co., Ltd.
Director	Junro Ito	Senior Officer of the CSR Management Department of the Company Audit & Supervisory Board Member of York-Benimaru Co., Ltd.
Director	Kunio Takahashi	Chief Financial Officer (CFO) of the Company Senior Officer of the Finance Planning Department of the Company Representative Director and President of Seven & i Asset Management Co., Ltd. Representative Director and President of SEVEN & i Financial Center Co., Ltd.
Director	Akihiko Shimizu	Senior Officer of the Accounting Department of the Company Director of Seven Bank, Ltd. Audit & Supervisory Board of York Mart Co., Ltd.
Director	Yasuhiro Suzuki	Chief Information Officer (CIO) of the Company Representative Director and President of Seven & i Net Media Co., Ltd.
Director	Ryuichi Isaka	Representative Director and President and Chief Operating Officer (COO) of Seven-Eleven Japan Co., Ltd. Director of 7-Eleven, Inc.
Director	Takashi Anzai	Representative Director and Chairman of Seven Bank, Ltd.
Director	Zenko Ohtaka	Representative Director and Chairman and Chief Executive Officer (CEO) of York-Benimaru Co., Ltd.
Director	Joseph M. DePinto	President and Chief Executive Officer (CEO) of 7-Eleven, Inc. Director of Brinker International, Inc.
Director	Scott Trevor Davis	Professor of the Department of Global Business, College of Business, Rikkyo University Outside Audit & Supervisory Board Member of Nissen Holdings Co., Ltd. Outside Director of Bridgestone Corporation Outside Director of Sompo Japan Nipponkoa Holdings, Inc.
Director	Yoshio Tsukio	Representative Director, Tsukio Research Institute
Director	Kunio Ito	Research Professor, Graduate School of Commerce and Management, Hitotsubashi University Outside Director of Akebono Brake Industry Co., Ltd. Outside Director of Sumitomo Chemical Company, Limited Outside Director of KOBAYASHI PHARMACEUTICAL CO., LTD. Outside Director of Toray Industries, Inc.
Director	Toshiro Yonemura	Outside Director of UNIZO Holdings Company, Limited

Position in the Company	Name	Area of responsibility in the Company and important concurrent positions
Standing Audit & Supervisory Board Member	Masao Eguchi	Audit & Supervisory Board Member of Seven-Eleven Japan Co., Ltd. Audit & Supervisory Board Member of Ito-Yokado Co., Ltd.
Standing Audit & Supervisory Board Member	Tadao Hayakawa	
Audit & Supervisory Board Member	Yoko Suzuki	Attorney at Law Outside Audit & Supervisory Board Member of Ito-Yokado Co., Ltd.
Audit & Supervisory Board Member	Tsuguoki Fujinuma	Certified Public Accountant Outside Director of Nomura Holdings, Inc. Outside Director of Nomura Securities Co., Ltd. Outside Corporate Auditor of SUMITOMO CORPORATION Outside Corporate Auditor of Takeda Pharmaceutical Company Limited Outside Director of SUMITOMO LIFE INSURANCE COMPANY
Audit & Supervisory Board Member	Kazuko Rudy (Real name: Kazuko Kiriyama)	Representative Director of WITAN ACTEN LLC MBA course Professor of Ritsumeikan University Graduate School Outside Director of TOPPAN FORMS CO., LTD.

(Notes)

1. Mr. Hideo Nomura resigned from his position as an Audit & Supervisory Board Member upon the conclusion of the 10th Annual Shareholders' Meeting held on May 28, 2015.
2. Directors Scott Trevor Davis, Yoshio Tsukio, Kunio Ito, and Toshiro Yonemura are Outside Directors.
3. Audit & Supervisory Board Members Yoko Suzuki, Tsuguoki Fujinuma, and Kazuko Rudy are Outside Audit & Supervisory Board Members.
4. Standing Audit & Supervisory Board Member Masao Eguchi and Audit & Supervisory Board Member Tsuguoki Fujinuma have the following expertise with regard to finance and accounting:

・Standing Audit & Supervisory Board Member Masao Eguchi was engaged in operations relating to finance and accounting in the Accounting Management Headquarters of Seven-Eleven Japan Co., Ltd. for a total period of over ten (10) years.

・Audit & Supervisory Board Member Tsuguoki Fujinuma is a certified public accountant.

5. All Outside Directors and Outside Audit & Supervisory Board Members are independent Directors or Audit & Supervisory Board Members in accordance with the rules of the Tokyo Stock Exchange.
6. Executive officers of the Company as of February 29, 2016 were as follows:

Position	Name
Chief Executive Officer (CEO)	Toshifumi Suzuki
Chief Operating Officer (COO)	Noritoshi Murata
Managing Executive Officer Chief Administrative Officer (CAO)	Katsuhiro Goto
Executive Officer	Junro Ito
Executive Officer Chief Financial Officer (CFO)	Kunio Takahashi
Executive Officer	Akihiko Shimizu
Executive Officer Chief Information Officer (CIO)	Yasuhiro Suzuki
Managing Executive Officer	Atsushi Kamei
Managing Executive Officer	Ryu Matsumoto
Managing Executive Officer	Tsuneo Okubo
Executive Officer	Yoshihiro Tanaka

Position	Name
Executive Officer	Masataka Tosaya
Executive Officer	Kazuyo Sohda
Executive Officer	Katsutane Aihara
Executive Officer	Seiichiro Sato
Executive Officer	Shinobu Matsumoto
Executive Officer	Hisataka Noguchi
Executive Officer	Kimiyoshi Yamaguchi
Executive Officer	Fumihiko Nagamatsu

(2) Compensation, etc. of Directors and Audit & Supervisory Board Members

(i) Aggregate amount of compensation, etc. regarding the 11th fiscal year

Classification of Directors/Audit & Supervisory Board Members	Number of eligible Directors/Audit & Supervisory Board Members	Total amount of compensation (Millions of yen)	Total amount of compensation, etc., by type (Millions of yen)		
			Fixed compensation	Performance-linked compensation	
				Bonus	Stock options as stock-based compensation
Directors (excluding Outside Directors)	12	417	204	63	149
Outside Directors	4	46	46	–	–
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	3	34	34	–	–
Outside Audit & Supervisory Board Members	3	33	33	–	–

(Notes)

1. The Directors (excluding Outside Directors) include one (1) Director who resigned having completed his term of office at the conclusion of the 10th Annual Shareholders' Meeting held on May 28, 2015.
2. The Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) include one (1) member who resigned upon the conclusion of the 10th Annual Shareholders' Meeting held on May 28, 2015.
3. 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.
4. 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.
5. Stock options as stock-based compensation were issued to eight (8) Directors (excluding Outside Directors).

(ii) Aggregate amount of compensation, etc. of Outside Directors and Outside Audit & Supervisory Board Members from subsidiaries

During the 11th fiscal year, the aggregate amount of compensation, etc. paid to Outside Directors and Outside Audit & Supervisory Board Members for their services as executives from subsidiaries of the Company at which they hold concurrent executive positions is ¥10 million.

(3) Items related to Outside Directors and Outside Audit & Supervisory Board Members

(i) Relationship between the Company and other companies at which Outside Directors and Outside Audit & Supervisory Board Members hold important concurrent positions

There are no special relationships between the Company and other companies at which Outside Directors and Outside Audit & Supervisory Board Members hold important concurrent positions, except for the following two (2) companies.

・ Nissen Holdings Co., Ltd., at which Director Scott Trevor Davis holds a concurrent position, is a subsidiary of the Company through indirect equity holdings.

・ Ito-Yokado Co., Ltd, at which Audit & Supervisory Board Member Yoko Suzuki holds a concurrent position, is a subsidiary of the Company through 100% direct equity holdings.

(ii) Main activities during the 11th fiscal year

・Attendance and remarks at meetings of the Board of Directors and the Audit & Supervisory Board

(Outside Directors)

The Company's Board of Directors held fourteen (14) meetings during the 11th fiscal year, Mr. Scott Trevor Davis attended fourteen (14) of those meetings. Mr. Yoshio Tsukio, Mr. Kunio Ito, and Mr. Toshiro Yonemura attended twelve (12), twelve (12), and thirteen (13) of those meetings, respectively. These 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.

(Outside Audit & Supervisory Board Members)

The Company's Board of Directors held fourteen (14) meetings during the 11th fiscal year, Ms. Yoko Suzuki attended fourteen (14) of those meetings and Mr. Tsuguoki Fujinuma attended thirteen (13). Ms. Kazuko Rudy attended fourteen (14) of those meetings. Also, the Company's Audit & Supervisory Board held twenty-two (22) meetings during the 11th fiscal year, Ms. Yoko Suzuki attended twenty-two (22) of those meetings, Mr. Tsuguoki Fujinuma attended twenty (20), and Ms. Kazuko Rudy attended twenty (20). These Outside Audit & Supervisory Board Members asked questions and expressed their opinions as they deemed 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.

・Exchanges of opinions with Directors, etc.

The Outside Directors and Outside Audit & Supervisory Board Members have meetings with Representative Directors, Directors, and Standing Audit & Supervisory Board Members, etc., on a regular and as-needed basis in addition to meetings of the Board of Directors, and exchanged frank opinions regarding the Company's management, corporate governance, etc. The Outside Directors and Outside Audit & Supervisory Board Members also visited the places of business, etc. of major subsidiaries and exchanged opinions with the Directors and Audit & Supervisory Board Members, etc. of operating companies.

Through these activities, Outside Directors supervised operational execution, and Outside Audit & Supervisory Board Members performed audits of operational execution and accounting practices.

(iii) Summary of the liability limitation agreement

The Company has concluded an agreement with each of the Outside Directors and Outside Audit & Supervisory Board Members as per Article 427, Paragraph 1 of the Companies Act, limiting their liability for compensation for damage under Article 423, Paragraph 1 of the Companies Act.

These agreements limit the amount of their liability for compensation for damage to the minimum legally stipulated amounts.

5. Items Related to the Accounting Auditor

(1) Name: KPMG AZSA LLC

(2) Amount of compensation, etc.

	Amount paid (Millions of yen)
Amount of compensation, etc. for services as accounting auditor for the 11th fiscal year	802
Total amount of monies and other financial benefits to be paid to the accounting auditor by the Company and its subsidiaries	848

(Notes)

1. Under the audit contract concluded between the Company and the accounting auditor, the amounts of compensation, etc. for audits as per the Companies Act and the amounts of compensation, etc. for audits as per the Financial Instruments and Exchange Act are not clearly separated, and those amounts cannot practically be separated; therefore, the aggregate of those amounts is shown as the amount of compensation, etc. for services as an accounting auditor for the 11th fiscal year.
2. The Audit & Supervisory Board performed necessary verification to see whether the audit plan prepared by the accounting auditor, the status of the performance of their duties during the accounting audit, and the basis for calculating the estimated amount of compensation and the like were appropriate; thereafter, it decided to consent to the amount of compensation, etc. for services as accounting auditor, as stipulated in Article 399, Paragraph 1 of the Companies Act.

(3) Non-audit operations

The Company pays compensation to the accounting auditor for advisory services given regarding the Omni-Channel services.

(4) Policy for determining the dismissal or non-reappointment of the accounting auditor

In the event any of the reasons stipulated in the items in Article 340, Paragraph 1 of the Companies Act becomes applicable to the accounting auditor, the Company’s Audit & Supervisory Board will consider the dismissal of the accounting auditor, and if dismissal is deemed appropriate, the accounting auditor will be dismissed based on the unanimous consent of the Audit & Supervisory Board Members. In the event the Company’s Audit & Supervisory Board determines that circumstances related to the accounting auditor’s performance of its duties and the Company’s audit system necessitate a change in the accounting auditor, the Company’s Audit & Supervisory Board will make a decision to submit a proposal for the non-reappointment of the accounting auditor to a shareholders’ meeting.

The above describes the policy that was applied during the 11th fiscal year.

(5) Summary of the liability limitation agreement

None.

6. Systems for Ensuring Appropriate Operations

1. The Company has approved the following regarding "the development of systems for ensuring that the execution of duties by the Directors complies with laws, regulations, and the Articles of Incorporation and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation and by the corporate group comprised of the corporation and its subsidiaries," as stipulated by the Companies Act.

(1) Systems for ensuring that the execution of duties by the Company's and its subsidiaries' Directors and employees is compliant with laws, regulations, and the Articles of Incorporation

(i) The Company and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, the Company and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on the Company's CSR Management Committee; operate help lines; promote fair business practices; and disseminate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.

(ii) The Company and its Group companies will announce their commitment to not having any relationship whatsoever with antisocial groups and will clearly reject unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.

(iii) The Company's internal auditing division, which is independent from operating divisions, will internally audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.

(iv) The Company's and its Group companies' Audit & Supervisory Board Members will ensure that the execution of duties by the respective companies' Directors is compliant with laws, regulations, and the Articles of Incorporation and strive to enhance the effectiveness of the supervisory function.

(2) Systems for the storage and control of information related to the execution of duties by the Company's Directors and systems for reporting to the Company matters concerning the execution of duties by the subsidiaries' Directors

(i) In accordance with laws, regulations, and the Information Control Regulations, the Company and its Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as minutes of shareholders' meetings, minutes of Board of Directors' meetings (including electromagnetic records; hereafter the same shall apply), circular decision-making documents (*ringisho*), and other documents and information necessary to secure appropriate operational execution.

(ii) The Company and its Group companies shall appoint an information management supervisor at each company to be responsible for supervising management of business information and also controlling planning, development and facilitation of initiatives related to information management. The information management supervisor of the Company shall be then responsible for business information management of the overall Group with the Company's Information Management Committee as the core, ensuring enhanced effectiveness of timely and accurate information disclosure by the division responsible for comprehensively collecting and disclosing important information, and integrated information management in view of the safe management of such important information as trade secrets and personal information. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the Audit & Supervisory Board Members.

(iii) Directors and employees of the Company and its Group companies shall report to the information management supervisor of the Company in case of any important matter arising relating to each Group company.

(3) The Company's and its subsidiaries' regulations and systems for loss risk management

(i) In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, with the Risk Management Committee as the core, in order to properly analyze, evaluate, and accurately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.

(ii) In regard to risk management, a system for periodic reporting to the Board of Directors and Audit & Supervisory Board Members shall be established, maintained, and utilized. The Board of Directors, Directors, and people responsible for operating divisions shall conduct sufficient analysis and evaluation of risks associated with operational execution, and improvement measures shall be promptly implemented.

(iii) In the case where a business experiences a major disruption, a serious incident or accident, or a large-scale disaster, etc. in order to minimize damage to the Company and all Group companies, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

(4) The Company's and its subsidiaries' systems for ensuring the efficiency of the execution of duties by Directors

(i) The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations of decision-making authority, etc. In this way, the Company and its Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

(ii) To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as periodic reports from the Company's Directors and people responsible for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

(iii) The Company's Board of Directors, as a general rule, shall meet once each month. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

(5) The Company's Systems for ensuring the appropriateness of financial reporting

(i) In order to ensure the Company and its Group companies are able to provide shareholders, investors, creditors, and other stakeholders with highly reliable, timely financial reports in compliance with laws and regulations, the Company and its Group companies shall establish, maintain, and appropriately utilize internal control systems that ensure appropriate accounting procedures and financial reporting, in accordance with the relevant rules, such as rules on establishing internal controls for financial reporting.

(ii) The Company's internal auditing division, which is independent from operating divisions, shall check and assess the effectiveness of the development and operational status of internal controls for the financial reporting of the Company and its Group companies.

(iii) Directors, Audit & Supervisory Board Members, and the accounting auditor shall appropriately exchange information about matters recognized as highly likely to have a significant effect on financial standing.

(6) Matters related to the provision of support staff for the Company's Audit & Supervisory Board Members when so requested

The Company shall provide exclusive staff to support Audit & Supervisory Board Members.

(7) Matters related to the independence from the Company's Directors of the support staff for the Company's Audit & Supervisory Board Members and securing effectiveness of instructions

The selection (including subsequent replacements) of support staff to work exclusively for the Audit & Supervisory Board Members shall be subject to the approval of the Audit & Supervisory Board Members. In addition, the support staff shall comply with the Employment Rules of the Company. However, the Audit & Supervisory Board Members shall have the authority to provide directions and orders to the support staff and personnel matters such as working conditions and disciplinary actions shall be implemented upon prior consultation with the Audit & Supervisory Board Members.

(8) Systems for reporting to the Company's Audit & Supervisory Board Members

(i) Systems for Directors and employees of the Company to report to the Audit & Supervisory Board Members of the Company

Directors and employees of the Company shall promptly report to the Audit & Supervisory Board Members upon discovery of matters that could cause significant damage to the Company, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation committed by a Director or an employee.

(ii) Systems for Directors, Audit & Supervisory Board Members, and employees of the Company's subsidiaries, or persons who have received reporting from them to report to the Audit & Supervisory Board Members of the Company

Upon discovery of matters that could cause significant damage to the Group companies, or malfeasances or violations of laws, regulations, or the Articles of Incorporation in the Group companies, Directors, Audit & Supervisory Board Members and employees of the Group companies shall report to the Audit & Supervisory Board Members of the Company through the information management supervisor of the Company.

In addition, Directors and employees of the Group companies may report to the help lines, which should function as public-interest reporting mechanisms, at any time upon discovery of acts constituting a violation of laws and regulations, social norms, internal rules or the like and acts that could cause the Group to lose confidence of society with regard to the operations of the Group companies, and the CSR Management Committee of the Company shall provide regular reports to the Representative Director and President and to the Audit & Supervisory Board Members concerning the operation of the help lines.

(9) Systems for ensuring that persons who provided reports defined in the preceding item shall not suffer any disadvantageous treatment due to such reporting

The Company shall establish provisions in the internal rules to ensure that persons who provided reports defined in the preceding item shall not suffer any disadvantageous treatment due to such reporting, and shall appropriately enforce such provisions.

(10) Matters concerning policies for processing prepayment or repayment of costs incurred in relation to execution of duties of the Audit & Supervisory Board Members of the Company and other processing of costs or liabilities incurred in relation to execution of duties thereof

The Company shall bear the costs incurred in relation to the execution of duties by the Audit & Supervisory Board Members.

(11) Other systems for ensuring that the Company's Audit & Supervisory Board Members can conduct their activities effectively

(i) The Company's Audit & Supervisory Board Members shall meet regularly with the Representative Director and President, and exchange opinions concerning important audit matters.

(ii) The Company's Audit & Supervisory Board Members shall maintain close contact with the Company's internal auditing division, and may request the division to conduct inspections when necessary.

(iii) The Company's Audit & Supervisory Board Members shall meet regularly with the Audit & Supervisory Board Members of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.

(iv) The Company's Audit & Supervisory Board Members may consult with the accounting auditor and lawyers as needed, and the Company shall bear all of the costs of such consultation.

2. An overview of operational status of systems for ensuring appropriate operations is as follows.

(1) Status of the Company's corporate governance

The Company's Board of Directors is composed of 15 Directors (of whom four are independent Outside Directors). The Executive Officer system has been adopted for prompt decision making and operational execution under a rapidly changing management environment. The Board of Directors is responsible for formulating business strategies and supervising operational execution, and 19 Executive Officers, including those who also serve as Directors, execute business operations. The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area, etc. are clearly and appropriately defined in the regulations of decision-making authority, etc. In this way, the Company avoids administrative duplication and conducts flexible decision-making and administrative execution. The Company's Board of Directors held 14 meetings during the 11th fiscal year, and made decisions on such matters as important management objectives and budget allocations for the Company and its Group companies. Through such means as reports from the Company's Directors and people responsible for operating divisions, the Company addressed important management issues, including investigating and re-evaluating the efficiency and soundness of administrative execution.

The Audit & Supervisory Board is composed of 5 members (of whom three are independent Outside Audit & Supervisory Board Members), and monitors management based on the Audit & Supervisory Board Member system. In addition to attending Board of Directors' meetings and other important meetings, the Audit & Supervisory Board Members exchange opinions with the Representative Directors and periodically interview Directors regarding the status of operational execution, and they investigate the status of business operations and assets of the Company and its operating companies based on the audit plan. In addition, they share information with operating companies' Directors and Audit & Supervisory Board Members and strictly audit the Directors' performance of duties. Further, the Audit & Supervisory Board Members exchange information with the accounting auditor to maintain close ties with them with respect to accounting audits.

The Outside Directors and Outside Audit & Supervisory Board Members provide advice and suggestions to ensure the validity and appropriateness of decision-making and operational execution by the Board of Directors. They also supervise and audit the execution of operations by exchanging opinions regarding company management, corporate governance, and other matters at meetings with Directors and others.

(2) Initiatives at internal auditing divisions

In order to enhance and reinforce its internal auditing function, the Company has appointed, within the Auditing Office, the "operational auditing staff" and the "internal control evaluation staff," which are independent internal auditing divisions. The "operational auditing staff" have an oversight function to verify and provide guidance on internal auditing, including the status of the maintenance and utilization of the compliance systems, by core operating companies or to directly audit them, and an internal auditing function for auditing the holding company, Seven & i Holdings, and the "operational auditing staff" perform these operations. The "internal control evaluation staff" evaluate internal controls regarding the financial reporting of all Group companies.

(3) Mutual cooperation among the internal auditing divisions, Audit & Supervisory Board Members' audits, and accounting audits

In order to improve the overall quality of audits, the Company ensures that the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings. In the meeting, the Audit & Supervisory Board Members (including the Outside Audit &
Supervisory Board Members) receive reports from the auditing firm on the performance of accounting audits, etc., and reports from the Auditing Office on the performance of internal audits, etc., respectively, and request explanations as deemed necessary.

Further, the Company periodically holds reporting sessions for accounting audits, which are attended by Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members and the Auditing Office, etc. In the sessions, they receive reports from the auditing firm on the accounting audits, and confirm the results of the accounting audits, etc.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office hold meetings, as a general rule once each month. In the meetings, the Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc., and also proactively exchanges opinions with the Standing Audit & Supervisory Board Members regarding priority matters that should be examined in order to improve the quality of audits, etc. With these efforts, the two parties aim to ensure comprehensive sharing of audit information between each other.

In the Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the status of the reporting session for accounting audits and the contents of the meeting with the Auditing Office, respectively described above, and thereby share and discuss issues to be addressed and the like. Further, by providing the Auditing Office and the auditing firm with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that (i) audits by the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members; (ii) internal audits; and (iii) accounting audits cooperate with each other in a timely manner.

Further, the Auditing Office reports on the performance and the results of internal audits in the Audit & Supervisory Board meetings from time to time, and provides explanations in response to questions and so on from the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members).

At each audit, the Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office and the auditing firm receive reports and materials, etc. from the internal control divisions, and request explanations as deemed necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

(4) Efforts of each committee

The Company has established the “CSR Management Committee,” “Risk Management Committee,” “Information Management Committee,” and “Group Synergy Committee,” which report to the Representative Director. Each committee cooperates with the operating companies to determine Group policies and to manage and supervise their dissemination and execution with an eye to strengthening corporate governance.

●CSR Management Committee

The Company and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, the Company and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, with the Company’s CSR Management Committee as the core.

The CSR Management Committee endeavors to maintain compliance with the “Seven & i Holdings Corporate Action Guidelines,” following the corporate creed of “We aim to be a sincere company that our customers trust.” The Committee works to contribute to resolving social issues through business activities and aims for society and the Group to achieve sustainable growth. To achieve these objectives, the “Corporate Ethics and Culture Subcommittee,” “Consumer Affairs and Fair Business Practices Subcommittee,” and “Environment Subcommittee” have been established under the CSR Management Committee. Each subcommittee prioritizes main issues to be addressed from the standpoint of the Group’s business characteristics, and then develops and implements measures to resolve the issues. Each subcommittee endeavors to further enhance compliance such as by developing and operating help lines, for which an independent contact has been established outside the Company, promoting fair business practices, and developing and disseminating corporate action policies and guidelines for each company.

●Risk Management Committee

In accordance with the “basic rules for risk management,” the Company and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, with the Risk Management Committee as the core, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.

The Risk Management Committee regards all phenomena that threaten continuation of our businesses and hinder sustainable growth as risks, and strives to strengthen comprehensive and integrated risk management.

In the 11th fiscal year, the Committee focused on promoting collaboration between risk management and business management by establishing risk assessment standards and techniques that might form key indicators of business management. In addition, the Committee worked in collaboration with divisions concerned toward solving issues actually confronting the Group.

●Information Management Committee

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

In the 11th fiscal year, the Committee strengthened governance and compliance from the viewpoint of information management, while continuing to strengthen the information security system against a backdrop of heightened social interest in protection of customers’ personal information. Moreover, departments within the Group that handle customers’ personal information are working to acquire ISO 27001 information security management certification.

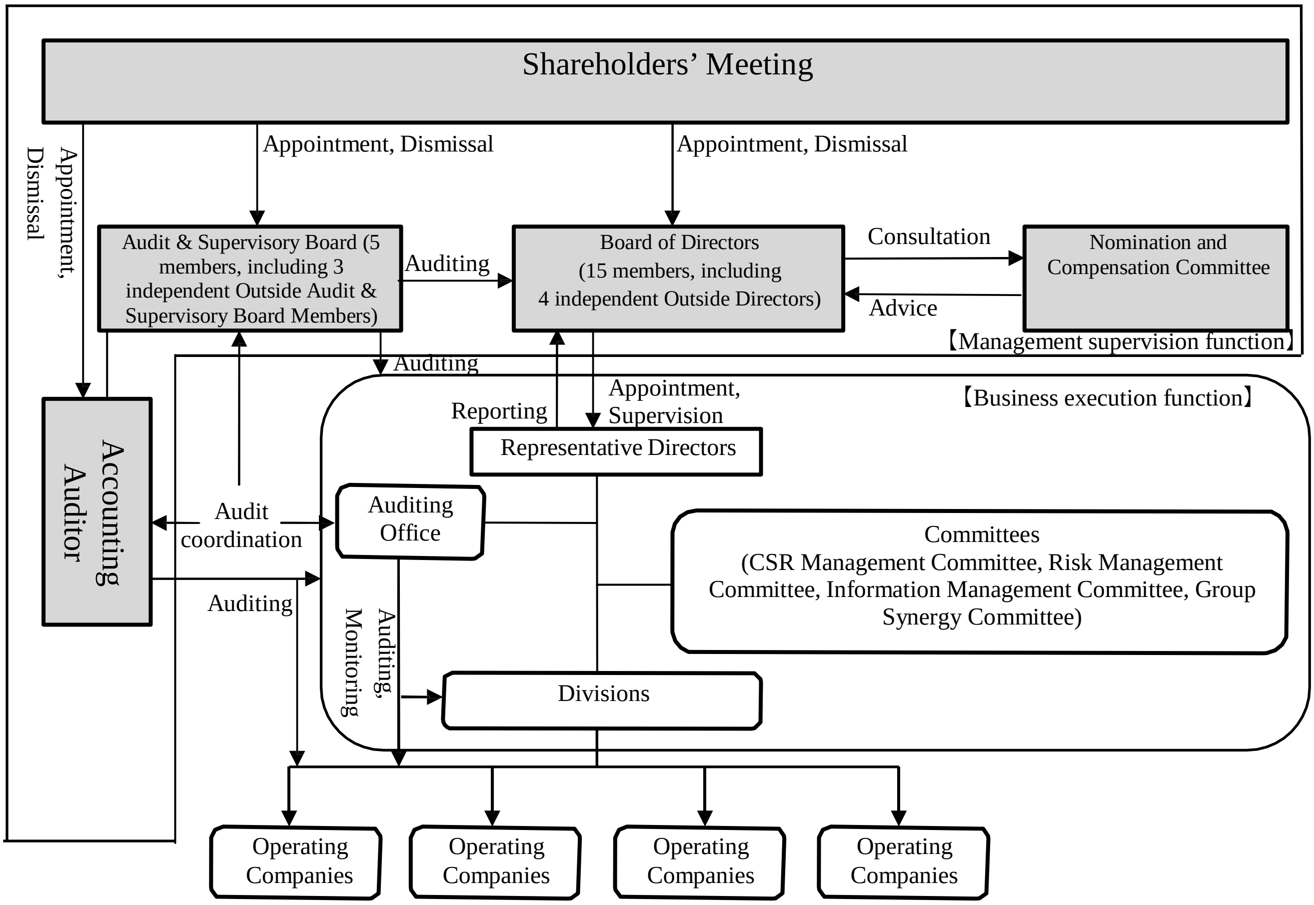
●Group Synergy Committee

The Group Synergy Committee is composed of five subcommittees on the Omni-Channel Strategy, systems, sales promotion, merchandising, and building equipment. By sharing and confirming progress on starting and developing the Group’s Omni-Channel Strategy while sharing the expertise in areas such as “product development” and “promotion” that each operating company has cultivated, our Group creates safe, reliable, and useful products and services of high quality; of which private-brand “*Seven Premium*” products are the leading example. Through the economies of scale of the Group, cost reductions have also been attempted through collaborative purchasing of goods, materials, equipment and so on.

Corporate Governance System

The Company's corporate governance system as of March 8, 2016 is as follows:

On March 8, 2016, the Company established a Nomination and Compensation Committee with an independent outside director as the Chair to be an advisory body to the Board of Directors and deliberating on the nomination and compensation of representative directors, directors, Audit & Supervisory Board members and executive officers ("officers"), to utilize the knowledge and advice of outside officers for ensuring procedural objectivity and transparency in deciding on officer nomination and compensation, thereby enhancing the supervisory functions of the Board of Directors and further substantiating corporate governance functions.



(Notes)

1. In this Business Report, the figures stated have been rounded down, and amounts less than the presented unit have been discarded. However, unless otherwise noted, percentages have been rounded off to the first decimal place, and net income per share and net assets per share have been rounded off to the nearest presented unit.

2. Consumption taxes, etc., is accounted for using the tax-exclusion method.

CONSOLIDATED BALANCE SHEETS (as of February 29, 2016)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**2,249,966**	**Current liabilities**	**1,880,903**
Cash and bank deposits	1,099,990	Notes and accounts payable, trade	413,582
Call loan	10,000	Short-term loans	130,782
Notes and accounts receivable – trade	354,554	Current portion of bonds	40,000
Trade accounts receivable – financial services	86,877	Current portion of long-term loans	101,329
Marketable securities	80,000	Income taxes payable	44,744
Merchandise and finished goods	208,580	Accrued expenses	108,696
Work in process	27	Deposits received	157,530
Raw materials and supplies	3,579	ATM-related temporary advances	48,366
Prepaid expenses	48,849	Allowance for sales promotion expenses	21,530
ATM-related temporary payments	91,725	Allowance for bonuses to employees	13,432
Deferred income taxes	38,866	Allowance for bonuses to Directors and Audit & Supervisory Board Members	362
Other	232,319		
Allowance for doubtful accounts	(5,404)	Allowance for loss on future collection of gift certificates	2,063
Non-current assets Property	**3,191,716**		
and equipment Buildings and	**1,972,355**	Provision for sales returns	142
structures Furniture, fixtures and	868,020	Deposits received in banking business	518,127
equipment Vehicles	302,482	Other	280,211
Land	838	**Non-current liabilities**	**1,055,605**
Lease assets	746,729	Bonds	399,994
Construction in progress	12,123	Long-term loans	360,864
	42,161	Deferred income taxes	64,859
Intangible assets	**545,670**	Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	2,010
Goodwill			
Software	313,667	Net defined benefit liability	8,564
Other	74,044		
Investments and other assets	157,959	Deposits received from tenants and franchised stores	56,574
Investments in securities Long-	**673,690**		
term loans receivable Long-term	141,371	Asset retirement obligations	72,034
leasehold deposits Advances for	15,795	Other	90,702
store construction Net defined	395,979	**TOTAL LIABILITIES**	**2,936,508**
benefit asset Deferred income	6,340	**NET ASSETS**	
taxes	26,059	**Shareholders' equity**	**2,289,557**
Other	27,636	Common stock	50,000
Allowance for doubtful accounts	64,852	Capital surplus	527,474
Deferred assets	(4,345)	Retained earnings	1,717,771
Business commencement expenses	**7**	Treasury stock, at cost	(5,688)
	7	**Total accumulated other comprehensive income**	**82,716**
		Unrealized gains (losses) on available-for-sale securities, net of taxes	20,655
		Unrealized gains (losses) on hedging derivatives, net of taxes	33
		Foreign currency translation adjustments	70,927
		Remeasurements of defined benefit plan	(8,900)
		Subscription rights to shares	**2,995**
		Minority interests in consolidated subsidiaries	**129,912**
		TOTAL NET ASSETS	**2,505,182**
TOTAL ASSETS	**5,441,691**	**TOTAL LIABILITIES AND NET ASSETS**	**5,441,691**

CONSOLIDATED STATEMENT OF INCOME (March 1, 2015 to February 29, 2016)

(Millions of yen)

Item	Amount	
Revenues from operations		**6,045,704**
Net sales		4,892,133
Cost of sales		3,803,968
Gross profit on sales		**1,088,164**
Operating revenues		1,153,571
Gross profit from operations		**2,241,736**
Selling, general and administrative expenses		1,889,415
Operating income		**352,320**
Non-operating income		
Interest and dividends income	6,360	
Equity in earnings of affiliates	1,958	
Other	3,975	12,293
Non-operating expenses		
Interest expenses	6,955	
Interest on bonds	2,604	
Foreign currency exchange losses	922	
Other	3,965	14,448
Ordinary income		**350,165**
Special gains		
Gain on sales of property and equipment	2,171	
Compensation income for expropriation	2,849	
Other	1,081	6,103
Special losses		
Loss on disposals of property and equipment	11,557	
Impairment loss on property and equipment	22,691	
Restructuring expenses	10,695	
Other	7,548	52,493
Income before income taxes and minority interests		**303,775**
Income taxes – current	124,031	
Income taxes – deferred	11,062	135,094
Income before minority interests		**168,681**
Minority interests in net income of consolidated subsidiaries		7,751
Net income		**160,930**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	**Total shareholders' equity**
Balance at March 1, 2015	**50,000**	**527,470**	**1,622,090**	**(5,883)**	**2,193,677**
Cumulative effects of changes in accounting policies			21		**21**
Restated balance	**50,000**	**527,470**	**1,622,111**	**(5,883)**	**2,193,698**
Increase (decrease) for the year					
Cash dividends			(66,309)		**(66,309)**
Net income			160,930		**160,930**
Purchase of treasury stock				(28)	**(28)**
Disposal of treasury stock		4		224	**228**
Other			1,039	(0)	**1,038**
Net changes of items other than shareholders' equity					
Net increase (decrease) for the year	**–**	**4**	**95,659**	**195**	**95,858**
Balance at February 29, 2016	**50,000**	**527,474**	**1,717,771**	**(5,688)**	**2,289,557**

	Accumulated other comprehensive income					**Subscription rights to shares**	**Minority interests in consolidated subsidiaries**	**TOTAL NET ASSETS**
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	**Total accumulated other comprehensive income**			
Balance at March 1, 2015	**21,571**	**557**	**80,342**	**3,512**	**105,985**	**2,427**	**128,827**	**2,430,917**
Cumulative effects of changes in accounting policies								**21**
Restated balance	**21,571**	**557**	**80,342**	**3,512**	**105,985**	**2,427**	**128,827**	**2,430,938**
Increase (decrease) for the year								
Cash dividends								**(66,309)**
Net income								**160,930**
Purchase of treasury stock								**(28)**
Disposal of treasury stock								**228**
Other								**1,038**
Net changes of items other than shareholders' equity	(916)	(523)	(9,414)	(12,413)	**(23,268)**	**567**	**1,085**	**(21,615)**
Net increase (decrease) for the year	**(916)**	**(523)**	**(9,414)**	**(12,413)**	**(23,268)**	**567**	**1,085**	**74,243**
Balance at February 29, 2016	**20,655**	**33**	**70,927**	**(8,900)**	**82,716**	**2,995**	**129,912**	**2,505,182**

NON-CONSOLIDATED BALANCE SHEETS (as of February 29, 2016)

(Millions of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES Current**	
Current assets	**46,471**	**liabilities** Current	**158,744**
Cash and bank deposits	426	portion of bonds	40,000
Prepaid expenses	563	Short-term loans payable to subsidiaries and affiliates	89,006
Deferred income taxes	100	Lease obligations	2,819
Accounts receivable, other	38,084	Accounts payable, other	7,827
Deposits held by subsidiaries and affiliates	6,108	Accrued expenses	751
Other	1,187	Income taxes payable	17,217
		Advance received	163
Non-current assets	**1,895,465**	Allowance for bonuses to employees	285
Property and equipment	**9,602**	Allowance for bonuses to Directors and Audit & Supervisory Board Members	60
Buildings and structures	2,809		
Fixtures, equipment and vehicles	4,080	Other	611
Land	2,712	**Non-current liabilities**	**302,609**
Intangible assets	**29,081**	Bonds	289,994
Software	20,691	Long-term loans payable to subsidiaries and affiliates	15
Lease assets	8,387		
Other	1	Deferred income taxes	3,421
Investments and other assets	**1,856,782**	Lease obligations	6,140
Investments in securities	32,320	Deposits received from tenants	1,485
Stocks of subsidiaries and affiliates	1,730,252	Provision for loss on guarantees	1,552
Prepaid pension cost	711	**TOTAL LIABILITIES**	**461,353**
Long-term leasehold deposits	2,640	**NET ASSETS**	
Long-term deposits paid in subsidiaries and affiliates	90,000	**Shareholders' equity**	**1,467,649**
Other	858	**Common stock Capital**	**50,000**
		surplus Additional paid-	**1,246,255**
		in capital Other capital	875,496
		surplus **Retained**	370,759
		earnings	**177,034**
		Other retained earnings	177,034
		Retained earnings brought forward	177,034
		Treasury stock, at cost	**(5,641)**
		Accumulated gains (losses) from valuation and translation adjustments	**10,484**
		Unrealized gains (losses) on available-for-sale securities, net of taxes	10,484
		Subscription rights to shares	**2,450**
		TOTAL NET ASSETS	**1,480,584**
TOTAL ASSETS	**1,941,937**	**TOTAL LIABILITIES AND NET ASSETS**	**1,941,937**

NON-CONSOLIDATED STATEMENT OF INCOME (March 1, 2015 to February 29, 2016)

(Millions of yen)

Item	Amount	
Revenues from operations		
Dividends income	102,279	
Management consulting fee income	4,623	
Commission fee income	2,991	
Other	114	110,008
General and administrative expenses		18,044
Operating income		**91,964**
Non-operating income		
Interest income	1,434	
Dividend income	482	
Other	67	1,985
Non-operating expenses		
Interest expenses	673	
Interest on bonds	2,604	
Amortization of bond issuance cost	320	
Other	9	3,608
Ordinary income		**90,341**
Special losses		
Loss on disposals of property and equipment	3	
Loss on valuation of investment securities	46	
Loss on valuation of stocks of subsidiaries and affiliates	15,558	
Provision for loss on guarantees	1,552	
Other	2,092	19,253
Income before income taxes		**71,088**
Income taxes – current	(1,726)	
Income taxes – deferred	11	(1,714)
Net income		**72,803**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings	Treasury stock, at cost	**Total shareholders' equity**
Balance at March 1, 2015	**50,000**	**875,496**	**370,754**	**1,246,251**	**170,541**	**170,541**	**(5,836)**	**1,460,955**
Increase (decrease) for the year								
Cash dividends					(66,309)	(66,309)		**(66,309)**
Net income					72,803	72,803		**72,803**
Purchase of treasury stock							(28)	**(28)**
Disposal of treasury stock			4	**4**			224	**228**
Net changes of items other than shareholders' equity								
Net increase (decrease) for the year	–	–	**4**	**4**	**6,493**	**6,493**	**195**	**6,693**
Balance at February 29, 2016	**50,000**	**875,496**	**370,759**	**1,246,255**	**177,034**	**177,034**	**(5,641)**	**1,467,649**

	Accumulated gains (losses) from valuation and translation adjustments		**Subscription rights to shares**	**TOTAL NET ASSETS**
	Unrealized gains (losses) on available-for-sale securities, net of taxes	**Total accumulated gains (losses) from valuation and translation adjustments**		
Balance at March 1, 2015	**11,028**	**11,028**	**1,977**	**1,473,961**
Increase (decrease) for the year				
Cash dividends				**(66,309)**
Net income				**72,803**
Purchase of treasury stock				**(28)**
Disposal of treasury stock				**228**
Net changes of items other than shareholders' equity	(543)	**(543)**	**472**	**(71)**
Net increase (decrease) for the year	**(543)**	**(543)**	**472**	**6,622**
Balance at February 29, 2016	**10,484**	**10,484**	**2,450**	**1,480,584**

Copy of Report of the Accounting Auditor on Consolidated Financial Statements

Independent Auditor's Report

April 13, 2016

The Board of Directors
Seven & i Holdings Co., Ltd.

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Sawaharu Kanai (Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Kenji Tanaka (Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masakuni Noguchi (Seal)

We have audited the consolidated financial statements, comprising the consolidated balance sheets, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Seven & i Holdings Co., Ltd. as at February 29, 2016 and for the year from March 1, 2015 to February 29, 2016 in accordance with Article 444, Paragraph 4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with auditing standards 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 the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we 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 judgment, 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 referred to above, which were prepared in accordance with auditing standards generally accepted in Japan, present fairly, in all material respects, the financial position and the results of operations of Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Notes to the Reader of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of Audit Report of the Accounting Auditor on Non-Consolidated Financial Statements

<u>Independent Auditor's Report</u>

April 13, 2016

The Board of Directors
Seven & i Holdings Co., Ltd.

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Sawaharu Kanai (Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Kenji Tanaka (Seal)
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masakuni Noguchi (Seal)

We have audited the non-consolidated financial statements, comprising the non-consolidated balance sheets, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the supplementary schedules of Seven & i Holdings Co., Ltd. as at February 29, 2016 and for the 11th fiscal year from March 1, 2015 to February 29, 2016 in accordance with Article 436, Paragraph 2, Item 1 of the Companies Act.

Management's Responsibility for the Non-consolidated financial statements and Others

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

Auditor's Responsibility

Our responsibility is to express an opinion on the non-consolidated financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplementary schedules, 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 non-consolidated financial statements and the supplementary schedules 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 non-consolidated financial statements and the supplementary schedules.

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 non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Seven & i Holdings Co., Ltd. for the period, for which the non-consolidated financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Notes to the Reader of Independent Auditor's Report

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Copy of Report of the Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board, having received a report from each Audit & Supervisory Board Member on the audit on the performance of duties of Directors during the 11th fiscal year from March 1, 2015 to February 29, 2016, and, as a result of discussion, hereby reports the results of audit as follows:

1. Method and details of audit conducted by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board formulated audit plans pursuant to the basic audit policy of ensuring sound and sustainable growth of the Company and its Group companies and establishing an excellent corporate governance system responding to the trust of society. In addition, the Audit & Supervisory Board set the establishment of internal control system and system for promoting legal compliance and risk management as priority audit items, received reports concerning the status and results of audits conducted by each Audit & Supervisory Board Member, as well as reports from Directors and the accounting auditor regarding the performance of their duties and sought explanations as necessary.

(2) Each Audit & Supervisory Board Member, in accordance with audit standards, policy and plans formulated by the Audit & Supervisory Board, sought to facilitate mutual understanding with Directors, Executive Officers, the Auditing Office and other employees, gathered information and worked to improve the environment for conducting audits. Accordingly, the Audit & Supervisory Board Members conducted the following audit:

1) In addition to attending meetings of the Board of Directors and other important meetings as well as periodic meetings with the Representative Director, the Audit & Supervisory Board Members received reports from Directors, Executive Officers and other employees regarding the performance of their duties, and sought explanations as necessary, inspected important resolution documents including circular decision-making documents (*ringisho*), and conducted examinations of conditions of operations and assets at the headquarters and other business offices. With respect to subsidiaries, the Audit & Supervisory Board Members sought to facilitate mutual understanding and exchange of information with the Directors and Audit & Supervisory Board Members of subsidiaries, visited their head offices, logistics centers and other business offices and conducted inquiries, and received reports concerning the business of subsidiaries based on the audit plans.

2) The Audit & Supervisory Board Members also periodically received reports from Directors, Executive Officers and other employees, sought explanations as necessary, and expressed their opinions regarding the contents of resolutions by the Board of Directors concerning the development of systems stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, which are necessary to ensure that Directors' performance of their duties is in conformity with laws and regulations and the Articles of Incorporation of the Company and to ensure the appropriateness of operations of the corporate group comprising the Company and its subsidiaries, as well as the status of the establishment and utilization of the system developed pursuant to such resolutions as described in the business report (internal control system).

3) The Audit & Supervisory Board Members monitored and examined the independence of the accounting auditor and the appropriateness of audits conducted, received reports from the accounting auditor concerning the performance of its duties, and sought their explanations as necessary. The Audit & Supervisory Board Members received notice from the accounting auditor that the "system for ensuring that an accounting auditor will properly perform his/her duties" (as stipulated in Article 131 of the Ordinance on Company Accounting) is developed in accordance with the "Quality Control Standards for Audit" (Business Accounting Council, October 28, 2005), etc., and sought their explanations as necessary.

Based on the above methods, the Audit & Supervisory Board Members conducted examinations of the Company's business report related to the fiscal year under review, the supplementary schedules and non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statement of income, non-consolidated statement of changes in net assets, and relevant notes), and the supplementary schedules and consolidated financial statements (consolidated balance sheets, consolidated statement of income, consolidated statement of changes in net assets, and relevant notes).

2. Results of Audit

(1) Results of audit of the business report, etc.

In the opinion of the Audit & Supervisory Board:

1) The contents of the business report and its supplementary schedules present fairly the position of the Company pursuant to laws and regulations and the Articles of Incorporation.

2) With regard to the performance of duties of Directors, no unfair conduct, nor any material breach of laws, regulations or the Company's Articles of Incorporation has been found.

3) The details of resolutions approved by the Board of Directors concerning the internal control system are proper and fair; in addition, no matters that necessitate comment have been found regarding the details defined in the Company's business report and performance of duties of Directors both with respect to the internal control system.

(2) Results of audit of the non-consolidated financial statements and the supplementary schedules

The method of audit employed by the accounting auditor KPMG AZSA LLC and the results thereof are proper and fair.

(3) Results of audit of the consolidated financial statements and the supplementary schedules

The method of audit employed by the accounting auditor KPMG AZSA LLC and the results thereof are proper and fair.

April 15, 2016

The Audit & Supervisory Board, Seven & i Holdings Co., Ltd.

Standing Audit & Supervisory Board Member	Tadao Hayakawa (Seal)
Standing Audit & Supervisory Board Member	Masao Eguchi (Seal)
Outside Audit & Supervisory Board Member	Yoko Suzuki (Seal)
Outside Audit & Supervisory Board Member	Tsuguoki Fujinuma (Seal)
Outside Audit & Supervisory Board Member	Kazuko Rudy (Seal)

May 4, 2016

To Our Shareholders,

Matters for Internet Disclosure on the Convocation Notice of the 11th Annual Shareholders' Meeting

Matters above are provided to shareholders by posting on the Company's website (URL: http://www.7andi.com/ir/stocks/general.html) pursuant to the provisions of laws, regulations and the Articles of Incorporation of the Company.

Seven & i Holdings Co., Ltd.

Notes to Consolidated Financial Statements

Notes relating to Significant Items for the Preparation of Consolidated Financial Statements

1. Items relating to scope of consolidation

(1) Status of consolidated subsidiaries

(i) Number of consolidated subsidiaries: 120

(ii) Names of major consolidated subsidiaries:

Seven-Eleven Japan Co., Ltd.

7-Eleven, Inc.

Ito-Yokado Co., Ltd.

York-Benimaru Co., Ltd.

Sogo & Seibu Co., Ltd.

Seven & i Food Systems Co., Ltd.

Seven Bank, Ltd.

Nissen Holdings Co., Ltd.

Consolidated subsidiaries increased by seven (7).

Following the acquisition of shares of TFS Newco LLC by 7-Eleven, Inc., a wholly owned subsidiary of the Company and other transactions, a total of six (6) companies became consolidated subsidiaries, including TFS Newco LLC.

FCTI Canada, Inc. was also newly established.

Consolidated subsidiaries decreased by five (5).

Dissolution due to merger:

Mail & e Business Logistics Service Co., Ltd.

Mary Ann Co., Ltd.

Liquidation:

Japan Product Distribution System Services Co., Ltd.

Seven & i Restaurant Management (Beijing) Co., Ltd.

WV ABC, Inc.

2. Items relating to application of the equity method

(1) Number of non-consolidated subsidiaries to which the equity method was applied: None

(2) Number of affiliates to which the equity method was applied: 26

Names of major affiliates:

PRIME DELICA CO., LTD.

PIA CORPORATION

Affiliates to which the equity method was applied increased by two (2).

Establishment:

Seven Farm Niigatashi Co., Ltd.

Trinity River Terminals, LLC

(3) Items regarding procedure for applying the equity method

(i) The affiliates which have different closing dates are included in the Consolidated Financial Statements based on their respective fiscal year-end.

(ii) When an affiliate is in a net loss portion, the Company's share of such loss is reduced from its loans receivable from the affiliate.

3. Items relating to accounting period of consolidated subsidiaries

The fiscal year-end of some consolidated subsidiaries is December 20 or 31. The financial statements of such subsidiaries as of such dates and for such period are used in preparing the Consolidated Financial Statements. All material transactions during the period from the closing date to February 28 or 29 are adjusted for in the consolidation process.

The closing date of Seven Bank, Ltd. etc. is March 31. These financial statements have been prepared using their financial statements prepared in a reasonable procedure substantially identical to official account closing methods carried out as of February 28 or 29.

4. Items relating to significant accounting policies

(1) Valuation basis and method for major assets

(i) Valuation basis and method for securities

Held-to-maturity debt securities are carried at amortized cost (straight-line method).

Available-for-sale securities are classified into two (2) categories, where: (a) the fair value is available; and (b) the fair value is not available.

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

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

(ii) Valuation basis and method for derivatives

Derivative financial instruments are stated at fair value.

(iii) Valuation basis and method for inventories

Merchandise:

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

Supplies:

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.

(2) Depreciation and amortization of significant assets

(i) Property and equipment (excluding lease assets)

Depreciation of property and equipment is computed using the straight-line method.

(ii) Intangible assets (excluding lease assets)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an estimated internal useful life of five (5) years in most cases.

(iii) Lease assets

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

Finance leases commenced on or before February 28, 2009, which do not transfer ownership of leased property to the lessee, are accounted for in the same manner as operating leases.

(3) Methods of accounting for significant allowances

(i) 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 with respect to general receivables.

(ii) 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 consolidated balance sheet date in accordance with the sales promotion point card program.

(iii) 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 consolidated balance sheet date.

(iv) Allowance for bonuses to Directors and Audit & Supervisory Board Members

Allowance for bonuses to Directors and Audit & Supervisory Board Members is provided at the amount estimated to be paid.

(v) 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 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.

(vi) Provision for sales returns

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

(vii) 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 at the end of the fiscal year in accordance with internal rules.

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

(4) Accounting method for retirement benefits

(i) Allocation method of estimated total retirement benefits:

In calculating retirement benefit obligation, the method for allocating the estimated total retirement benefits to periods up to the fiscal year-end is conducted on a benefit formula basis.

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

Actuarial differences are amortized on a straight-line basis over the period of ten (10) years from the fiscal year following the fiscal year in which they arise, within the average remaining years of service of the eligible employees.

Prior service cost is amortized on a straight-line basis over the periods of five (5) years or ten (10) years, within the average remaining years of service of the eligible employees.

(5) Significant hedge accounting methods

(i) Hedge accounting

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized.

However, forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria for the method, and interest rate swap contracts are accounted for by special hedging when they meet certain criteria for the method.

(ii) Hedge instruments and hedged items

(a) Hedge instruments – Forward foreign exchange contracts

Hedged items – Foreign currency-denominated monetary liability

(b) Hedge instruments – Interest rate swap

Hedged items – Loans payable

(iii) Hedging policies

The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency exchange rates and interest rates, reducing financing costs, or optimizing future cash flow. The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes.

(iv) Assessing hedge effectiveness

By comparing fluctuations in quotations of the hedge instruments and those of the hedged items, the hedge effectiveness is assessed quarterly based on their fluctuation amounts except for interest rate swap contracts that meet special hedging criteria.

(6) Other significant items that serve as the basis for preparation of the Consolidated Financial Statements

(i) Methods of accounting for deferred assets

Business commencement expenses:

Business commencement expenses are amortized using the straight-line method over five (5) years, or expensed as incurred if immaterial.

(ii) Goodwill and negative goodwill

Goodwill and negative goodwill which were generated on or before February 28, 2011 are amortized mainly over a period of twenty (20) years on a straight-line basis, or recognized as income or expenses as incurred if immaterial.

Negative goodwill arising on or after March 1, 2011 is recognized as income in the fiscal year it occurs.

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

(iii) Foreign currency translation for major assets and liabilities denominated in foreign currency

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

All balance sheets accounts of foreign subsidiaries are translated into Japanese yen at the relevant spot exchange rate in effect at the respective consolidated balance sheet dates. 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.”

(iv) Accounting for franchised stores in convenience store operations

Seven-Eleven Japan Co., Ltd. and its U.S. consolidated subsidiary, 7-Eleven, Inc., recognize franchise commission from their franchised stores as revenues and include it in “Operating revenues.”

(v) Accounting for consumption taxes and excise tax

Regarding the Company and its domestic consolidated subsidiaries, 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 U.S. and Canada is included in the revenues from operations.

(vi) Application of consolidated taxation system

The Company and some of its domestic consolidated subsidiaries have applied the consolidated taxation system.

Notes concerning changes in accounting policies

(Application of Accounting Standard for Retirement Benefits)

For the Accounting Standard for Retirement Benefits (the Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012; hereinafter the "Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015; hereinafter the "Guidance"), the Company has additionally applied the provisions stated in the main clauses of Paragraph 35 of the Standard and in the main clauses of Paragraph 67 of the Guidance from the 11th fiscal year, and reviewed the calculation method of retirement benefit obligation and service cost. Accordingly, the Company changed the method for allocating the estimated total retirement benefits for periods from the point basis and straight-line basis to the benefit formula basis, and changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to

the expected average remaining years of service of the eligible employees to one that uses a single weighted average discount rate reflecting the estimated period and amount for each such period of benefit payments.

Application of the Standard and Guidance is in line with the transitional treatment provided in Paragraph 37 of the Standard, and the effect of the revision to the calculation method for retirement benefit obligation and service cost has been added to or deducted from retained earnings as of March 1, 2015.

As a result of this change, as of March 1, 2015, net defined benefit asset decreased by ¥3 million and retained earnings decreased by ¥3 million. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the 11th fiscal year is immaterial.

Supplementary Information

(Revision of amounts of deferred tax assets and deferred tax liabilities due to change in the corporation tax rate, etc.)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. With this amendment, the rates of corporation taxes, etc. were changed effective from the fiscal years beginning on or after April 1, 2015.

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

As a result of these changes, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by ¥4,485 million. Income taxes - deferred, unrealized gains (losses) on available-for-sale securities and unrealized gains (losses) on hedging derivatives increased by ¥4,784 million, ¥539 million, and ¥17 million respectively, while remeasurements of defined benefit plans decreased by ¥258 million.

Notes to Consolidated Balance Sheets

1. Assets pledged as collateral and debts for which those assets are pledged as collateral

(1) Assets pledged as collateral

Buildings and structures:	¥893 million
Land:	¥2,070 million
Investments in securities:	¥30,622 million
Long-term leasehold deposits:	¥4,856 million
Total	¥38,442 million

(2) Debts for which above assets are pledged as collateral

Short-term loans:	¥1,900 million
Long-term loans: (including current portion of long-term loans):	¥11,206 million
Deposits received from tenants and franchised stores:	¥54 million

In addition, buildings (¥391 million) and land (¥1,368 million) are pledged as collateral for the loans (¥3,043 million) of affiliates.

Investments in securities (¥4,501 million) are pledged as collateral for exchange settlement transactions. Long-term leasehold deposits (¥55 million) is pledged as collateral under the Building Lots and Buildings Transaction Business Law. Long-term leasehold deposits (¥1,335 million) are pledged as collateral under the Installment Sales Law.

In addition, in accordance with the Act on Financial Settlements, long-term leasehold deposits (¥308 million) have been pledged as collateral.

2. Accumulated depreciation of property and equipment: ¥1,795,547 million

3. Contingent liabilities

Guarantees of borrowings from financial institutions by employees are ¥155 million.

4. Loan commitment

Certain finance-related subsidiaries conduct a cash loan business. Unused credit balance related to loan commitment in the cash loan business is as follows.

Credit availability of loan commitment:	¥890,170 million
Outstanding balance:	¥40,211 million
Unused credit balance	¥849,958 million

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 records. Those subsidiaries will suspend finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

5. Other

Government bonds and others held by Seven Bank, Ltd.

Seven Bank, Ltd., a consolidated subsidiary of the Company, holds government bonds and others to serve as collateral for exchange settlement transactions and overdraft transactions with the Bank of Japan. These government bonds and others are recorded in "investments in securities" in the Consolidated Balance Sheets due to their substantially restrictive nature, though they have redemption at maturity of less than one (1) year.

Notes to Consolidated Statement of Changes in Net Assets

1. Items relating to total number of shares issued

(Thousands of shares)

Type	As of March 1, 2015	Number of shares increased	Number of shares decreased	As of February 29, 2016
Common stock	886,441	–	–	886,441

2. Items relating to total number of treasury stock

(Thousands of shares)

Type	As of March 1, 2015	Number of shares increased	Number of shares decreased	As of February 29, 2016
Common stock	2,375	5	90	2,290

(Notes)

1. The 5 thousand increase in the number of common stock in treasury stock was due to the purchase of odd-lot shares.
2. The 90 thousand decrease in the number of common stock in treasury stock was due to a decrease of 90 thousand shares resulting from the exercise of stock options and a decrease of 0 thousand shares resulting from the sale of odd-lot shares.

3. Items relating to cash dividends

(1) Dividend payments, etc.

Resolution	Type	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 28, 2015; Annual Shareholders' Meeting	Common stock	32,269	36.50	February 28, 2015	May 29, 2015
October 8, 2015; Board of Directors' meeting	Common stock	34,040	38.50	August 31, 2015	November 13, 2015
Total		66,309			

(2) Dividends whose record date is within the 11th fiscal year but are to be effective during the 12th fiscal year

At the Annual Shareholders' Meeting to be held on May 26, 2016, the following proposal for resolution will be presented for matters concerning common stock dividends.

(i) Total amount of cash dividends:	¥41,114 million
(ii) Dividend per share:	¥46.50
(iii) Record date:	February 29, 2016
(iv) Effective date:	May 27, 2016

Dividends to are planned to be paid from retained earnings.

(Note)

The ¥46.50 dividends per share include an anniversary dividend of ¥8 to commemorate the Company’s Tenth Anniversary.

4. Items relating to subscription rights to shares at the end of the 11th fiscal year

Category	Breakdown of subscription rights to shares	Type of shares to be issued upon exercise of rights	Number of shares to be issued upon exercise of rights
The Company	First subscription to shares	Common stock	12,900 shares
	Second subscription to shares	Common stock	42,400 shares
	Third subscription to shares	Common stock	18,300 shares
	Fourth subscription to shares	Common stock	64,700 shares
	Fifth subscription to shares	Common stock	16,100 shares
	Sixth subscription to shares	Common stock	58,700 shares
	Seventh subscription to shares	Common stock	24,300 shares
	Eighth subscription to shares	Common stock	85,800 shares
	Ninth subscription to shares	Common stock	25,400 shares
	Tenth subscription to shares	Common stock	91,700 shares
	Eleventh subscription to shares	Common stock	23,400 shares
	Twelfth subscription to shares	Common stock	92,800 shares
	Thirteenth subscription to shares	Common stock	22,600 shares
	Fourteenth Subscription to shares	Common stock	91,300 shares
	Fifteenth Subscription to shares	Common stock	28,100 shares
	Sixteenth Subscription to shares	Common stock	101,000 shares
Consolidated subsidiary (Seven Bank, Ltd.)	First subscription to shares (1)	Common stock	157,000 shares
	First subscription to shares (2)	Common stock	7,000 shares
	Second subscription to shares (1)	Common stock	171,000 shares
	Second subscription to shares (2)	Common stock	16,000 shares
	Third subscription to shares (1)	Common stock	423,000 shares
	Third subscription to shares (2)	Common stock	13,000 shares
	Fourth subscription to shares (1)	Common stock	440,000 shares
	Fourth subscription to shares (2)	Common stock	90,000 shares
	Fifth subscription to shares (1)	Common stock	363,000 shares
	Fifth subscription to shares (2)	Common stock	67,000 shares
	Sixth subscription to shares (1)	Common stock	216,000 shares
	Sixth subscription to shares (2)	Common stock	34,000 shares
	Seventh subscription to shares (1)	Common stock	193,000 shares
	Seventh subscription to shares (2)	Common stock	44,000 shares
	Eighth subscription to shares (1)	Common stock	138,000 shares
	Eighth subscription to shares (2)	Common stock	39,000 shares

Notes relating to financial instruments

1. Items relating to the status of financial instruments

For the management of surplus funds, the Group gives priority to safety, liquidity, and efficiency and limits the management of such funds to management through deposits with banks. The Group mainly procures funds through bank loans and bond issuance.

The Group's risk management is conducted pursuant to the "basic rules for risk management," stipulating The department in control by type of risk and the department in control of overall risk.

The Group reduces credit risk relating to notes and accounts receivable, trade, and leasehold deposits by continuously monitoring the credit ratings of business partners while undertaking due date control and balance control for each business partner for notes and accounts receivable, trade. Also, marketable securities are mainly negotiable certificates of deposit, while investments in securities are mainly shares and government bonds. In relation to these securities, the Group periodically checks fair values and the financial standing of issuers while continuously reviewing the status of securities holdings in light of the Group's relationship with business partner companies.

The Group uses forward exchange contracts to hedge the risk of currency exchange rate fluctuations in relation to certain notes and accounts payable, trade, that are denominated in foreign currencies. Further, among loans, short-term loans are mainly for fund procurement related to sales transactions, while long-term loans and bonds are mainly for fund procurement related to capital investment. In relation to these loans, the Group undertakes comprehensive asset-liability management (ALM). For certain long-term loans with variable interest rates, the Group uses interest rate swap contracts to hedge the risk of interest rate fluctuations. In addition, the Group uses derivative instruments to mitigate the risk of fluctuations in interest rates and currency exchange rates as well as to optimize cash flows for future interest payments. The Group does not hold or issue derivative instruments for trading or speculative purposes.

2. Items relating to the fair values of financial instruments

The amounts recorded on the Consolidated Balance Sheets on February 29, 2016, the fair values, and the difference between these amounts are as follows. Furthermore, notes have been omitted for minor items. Also, the following table does not include items for which fair values are very difficult to determine. (Please see page 53 note 2.)

	Consolidated Balance Sheets (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and bank deposits	1,099,990	1,099,990	–
(2) Notes and accounts receivable, trade	354,554		
Allowance for doubtful accounts*1	(3,013)		
	351,540	355,048	3,507
(3) Marketable securities and investments in securities	178,483	178,176	(306)
(4) Long-term leasehold deposits*2	291,394		
Allowance for doubtful accounts*3	(677)		
	290,716	310,832	20,115
Total assets	1,920,730	1,944,047	23,316
(1) Notes and accounts payable, trade	413,582	413,582	–
(2) Deposits received in banking business	518,127	518,830	703
(3) Bonds*4	439,994	451,491	11,497
(4) Long-term loans*5	462,193	464,960	2,767
(5) Deposits received from tenants and franchised stores*6	26,896	26,504	(392)
Total liabilities	1,860,794	1,875,370	14,575
Derivative instruments*7	656	656	–

(Notes)

*1 Net of allowance for doubtful accounts for notes and accounts receivable, trade.

*2 Including current portion of long-term leasehold deposits.

*3 Net of allowance for doubtful accounts for long-term leasehold deposits.

*4 Including current portion of bonds.

*5 Including current portion of long-term loans.

*6 Including current portion of deposits received from tenants and franchised stores.

*7 Net credit or liabilities arising from derivative instruments.

Notes

1. Items relating to the method of calculation of the fair value of financial instruments and derivative instruments

Assets

(1) Cash and bank deposits

The relevant book values are used because fair values approximate book values due to the short settlement periods of these items.

(2) Notes and accounts receivable, trade

For notes and accounts receivable, traded with short settlement periods, the relevant book values are used because fair values approximate book values. The fair value of items with long settlement periods is the present value, which is calculated by discounting the total of principal and interest by the corresponding yield on government bonds over the remaining period, reflecting credit risk.

(3) Marketable securities and investments in securities

For the fair value of shares, exchange prices are used. For bonds, exchange prices or the prices quoted by correspondent financial institutions are used. For negotiable certificates of deposit, etc., the relevant book values are used because fair values approximate book values due to the short settlement periods of these items.

(4) Long-term leasehold deposits

The fair value of long-term leasehold deposits is the present value, which is calculated by discounting future cash flows—reflecting collectability—by the corresponding yield on government bonds over the remaining period.

Liabilities

(1) Notes and accounts payable, trade

The relevant book values are used because fair values approximate book values due to the short settlement periods of these items.

(2) Deposits received in banking business

For demand deposits, the fair value is regarded as the amount payable (book value) if demands were received on the consolidated balance sheet date. Time deposits are classified according to certain periods, and the fair value of time deposits is the present value, which is calculated by discounting future cash flows. The discount rate used is the interest rate used when new deposits are received. For time deposits with short remaining periods (within one (1) year), the fair value is the relevant book value because the fair value approximates the book value.

(3) Bonds

The fair value of bonds that have market prices is based on these prices. The fair value of bonds that do not have market prices is the present value, which is calculated by discounting the total of principal and interest by an interest rate reflecting the remaining period of the said bonds and credit risk.

(4) Long-term loans

The fair value of long-term loans is the present value, which is calculated by discounting the total of principal and interest by the interest rate assumed to be applied if a same loan were to be newly carried out.

(5) Deposits received from tenants and franchised stores

The fair value of deposits received from tenants is the present value, which is calculated by discounting future cash flows by the corresponding yield on government bonds over the remaining period.

Derivative instruments

These are calculated based on the prices quoted by correspondent financial institutions. However, because interest rate swap contracts meeting special hedging criteria are recognized together with the hedged long-term loans, the fair value of interest rate swap contracts is included in the fair value of the relevant long-term loans. Further, forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria for the method.

2. Financial instruments for which fair values are very difficult to determine

Classification	Consolidated Balance Sheets (Millions of yen)
Investments in securities*[1]	
Unlisted shares	13,453
Shares of subsidiaries and affiliates	27,369
Other	2,065
Long-term leasehold deposits*[2]	115,820
Deposits received from tenants and franchised stores*[2]	32,618

(Notes)

*1 These are not included in Assets “(3) Marketable securities and investments in securities” because they do not have market prices, and future cash flows with regard thereto cannot be estimated; therefore, it is very difficult to determine fair values.

*2 These are not included in Assets “(4) Long-term leasehold deposits” and Liabilities “(5) Deposits received from tenants and franchised stores” because the timing of repayment cannot be reasonably estimated and it is very difficult to determine fair values.

Notes concerning real estate for lease

Notes on real estate for lease have been omitted because the total amount thereof is immaterial.

Notes concerning per share information

1. Net assets per share: ¥2,683.11
2. Net income per share: ¥182.02

Notes concerning significant subsequent events

None.

Other notes

In the Consolidated Balance Sheets, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements, figures have been rounded down to the nearest presented unit.

Notes to Non-Consolidated Financial Statements

Notes concerning matters relating to significant accounting policies

1. Valuation basis and method for securities

(1) Shares of subsidiaries and affiliates:

Stated at cost by the moving-average method.

(2) Available-for-sale securities

Fair value is available

Securities whose fair value is available are stated at the quoted market price prevailing at the end of the 11th fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

Fair value is not available

Securities whose fair value is not available are stated at cost, determined using the moving-average method.

2. Methods of depreciation for non-current assets

(1) Property and equipment (excluding lease assets):

Amortized using the straight-line method.

(2) Intangible assets (excluding lease assets):

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over an internal useful life of five (5) years.

(3) Lease assets

For depreciation of lease assets, the useful life is based on the duration of the lease period, and straight-line depreciation is applied with an assumed residual value of zero.

3. Method of processing deferred assets

Bond issuance expenses

Whole amount will be charged to expenses as incurred.

4. Methods of accounting for allowances

(1) 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.

(2) Allowance for bonuses to Directors and Audit & Supervisory Board Members

Allowance for bonuses to Directors and Audit & Supervisory Board Members is provided at the amount estimated to be paid.

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

Allowance for accrued pension and severance costs is provided based on the estimated present value of the retirement benefit obligation and pension plan assets at the end of the fiscal year. In calculating retirement benefit obligation, the method for allocating the estimated total retirement benefits to periods up to the fiscal year-end is conducted on a benefit formula basis.

Actuarial differences are amortized on a straight-line basis over a certain period (ten (10) years) from the fiscal year following the fiscal year in which they arise, within the average remaining years of service of the eligible employees.

(4) Provision for loss on guarantees

Provision for loss on guarantees is provided to cover losses related to guarantees offered to subsidiaries and affiliates. The estimated loss amount is recorded, taking into account the financial position and other factors of the guaranteed parties.

5. Significant hedge accounting methods

(1) Hedge accounting

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized.

However, forward foreign exchange contracts are accounted for by the short-cut method when they meet certain criteria for the method.

(2) Hedge instruments and hedged items

Hedge instruments - Forward foreign exchange contracts

Hedge items - Foreign currency-denominated monetary liability

(3) Hedging policies

The Company has policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in foreign currency exchange rates and interest rates and optimizing future cash flow. The Company does not hold or issue derivative instruments for trading or speculative purposes.

(4) Assessing hedge effectiveness

By comparing fluctuations in quotations of the hedge instruments and those of the hedged items, the hedge effectiveness is assessed quarterly based on their fluctuation amounts.

6. Other significant items that form the basis of the preparation of financial statements

(1) Accounting method related to retirement benefits

The method for accounting for unrecognized actuarial differences related to retirement benefits differs from that in the Consolidated Financial Statements.

(2) Accounting for consumption taxes, etc.

Exclusive of consumption taxes, etc.

(3) Application of the consolidated taxation system

The Company has applied the consolidated taxation system.

Notes concerning changes in accounting policies

(Application of Accounting Standard for Retirement Benefits)
For the Standard and the Guidance, the Company has applied from the 11th fiscal year, and reviewed the calculation method of retirement benefit obligation and service cost. Accordingly, the Company changed the method of allocating estimated total retirement benefits to periods from the point basis to the benefit formula basis, and changed the method for determining the discount rate from one that uses a discount rate based on a period approximate to
the expected average remaining years of service of the eligible employees to one that uses a single weighted average discount rate reflecting the estimated period and amount for each such period of benefit payments.
These changes in accounting policies have no impact on prepaid pension costs and retained earnings, as of March 1, 2015, as well as operating income and ordinary income and income before income taxes for the 11th fiscal year.

Notes to Non-Consolidated Balance Sheets

1. Accumulated depreciation of property and equipment: ¥1,619 million

2. Monetary claims and monetary obligations in regard to subsidiaries and affiliates (excluding items listed elsewhere)

(1) Short-term receivables:	¥37,271 million
(2) Short-term payables:	¥10,008 million
(3) Long-term payables:	¥7,608 million

Notes to Non-Consolidated Statement of Income

Items relating to transactions with subsidiaries and affiliates

(1) Operating transactions

Revenues from operations:	¥110,003 million
General and administrative expenses:	¥1,320 million
(2) Non-operating transactions:	¥5,512 million

Notes to Non-Consolidated Statement of Changes in Net Assets

Shares of treasury stock at the end of the fiscal year	Common stock	2,268,146 shares

Notes regarding tax effect accounting

Deferred tax assets and deferred tax liabilities by cause of occurrence

Deferred tax assets

Allowance for bonuses to employees:	¥94 million
Accrued enterprise taxes and business office taxes:	¥34 million
Subscription rights to shares:	¥790 million
Tax loss carried forward:	¥2,579 million
Valuation loss on shares of subsidiaries and affiliates:	¥28,974 million
Provision for loss on guarantees:	¥500 million
Other:	¥32 million
Sub-total:	¥33,005 million
Less: Valuation allowance:	(¥32,891 million)
Total:	¥114 million

Deferred tax liabilities

Prepaid pension cost:	(¥168 million)
Unrealized losses on available-for-sale securities, net of taxes:	(¥3,266 million)
Total:	(¥3,435 million)
Deferred tax assets, net:	(¥3,321 million)

(Supplementary Information)

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015. With this amendment, the rates of corporation taxes, etc. were changed effective from the fiscal years beginning on or after April 1, 2015.

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

The effect of this change on gain or loss for the 11th fiscal year is immaterial.

Notes concerning non-current assets utilized through leases

Operating leases

Future lease payments

Due within one year:	¥475 million
Due after one year:	¥3,007 million
Total:	¥3,483 million

Notes concerning transactions with related parties

Subsidiaries and affiliates, etc.

(Millions of yen)

Attribution	Name of company, etc.	Voting rights held by the Company (%)	Relationship with related party	Details of transaction	Amount of transaction	Account title	Year-end balance
Subsidiary	SEVEN & i Financial Center Co., Ltd.	Ownership Direct: 100	Financial support Concurrently serving corporate officers	Deposit of funds (Note 1)	555,265	Deposits held by subsidiaries and affiliates	6,108
				Interest on deposits (Note 1)	1,434	Long-term deposits paid to subsidiaries and affiliates	90,000
						Other current assets	223
				Borrowing of funds (Note 1)	423,000	Short-term loans payable to subsidiaries and affiliates	89,000
				Interest on borrowed funds (Note 1)	598	Accrued expenses	0
Subsidiary	Seven-Eleven Japan Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Business management (Note 2)	2,900	Accounts receivable	32,208
				Operational consignment (Note 3)	1,444		
				Tax payment under consolidated taxation	57,030		
Subsidiary	Ito-Yokado Co., Ltd.	Ownership Direct: 100	Concurrently serving corporate officers	Operational consignment (Note 3)	1,136	Accounts receivable	163

(Notes)

1. Transactions are conducted based on interest rates for deposits to subsidiaries and affiliates and loans from subsidiaries and affiliates that are reasonably determined by taking into account market interest rates.
2. Business management fees are determined proportionately according to the size of each subsidiary's business in line with the Group's rules.
3. Operational consignment fees are determined based on negotiations between the relevant parties.
4. The amount of transaction are exclusive of consumption taxes, etc. However, the year-end balance includes consumption taxes, etc.

Notes concerning per share information

1. Net assets per share: ¥1,671.77
2. Net income per share: ¥82.34

Notes concerning significant subsequent events

None.

Other notes

In the Non-Consolidated Balance Sheets, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements, figures have been rounded down to the nearest presented unit.

Business Report
for the 8th Fiscal Year

From March 1, 2015
to February 29, 2016

Yasuhiro Suzuki, Representative Director and President
Seven & i Net Media Co., Ltd.

<TRANSLATION FOR REFERENCE PURPOSES ONLY>

Business Report (March 1, 2015 to February 29, 2016)

1. Items Regarding the Status of the Company

(1) Business overview for the fiscal year under review

The Japanese economy in the fiscal year under review underwent a gentle recovery reflecting improvement in corporate earnings and the employment situation, due in part to the government’s various measures. However, uncertainty over the economy continued against a backdrop of a decline in crude oil prices, weak stock market, and concern over economic downturn of emerging countries in Asia including China.

In this business environment, the Company underwent corporate restructuring under which the EC business division was split off and transferred to Seven-Eleven Japan Co., Ltd. As a result of this transfer, the EC business division has become Seven Net Shopping Co., Ltd. (previously esbooks Research Co., Ltd.), a wholly-owned subsidiary of Seven-Eleven Japan Co., Ltd. Meanwhile, the Company, as a member of Seven & i Holdings Group, has promoted the Omni-Channel Strategy to respond to the information revolution led by recent permeation of the Internet and to contribute in system development and operation.

As a result, in the fiscal year ended February 29, 2016, the Company’s net sales were ¥29,887,195 thousand (¥33,677,888 thousand for the previous year), operating income was ¥287,038 thousand (operating loss of ¥473,476 thousand for the previous year), ordinary income was ¥262,034 thousand (ordinary loss of ¥501,586 thousand for the previous year) and net loss was ¥9,736,004 thousand (net loss of ¥6,358,193 thousand for the previous year).

(2) Trends in assets and profit/loss

	4th fiscal year (March 1, 2011 to February 29, 2012)	5th fiscal year (March 1, 2012 to February 28, 2013)	6th fiscal year (March 1, 2013 to February 28, 2014)	7th fiscal year (March 1, 2014 to February 28, 2015)	8th fiscal year (March 1, 2015 to February 29, 2016)
Revenues from operations (Thousands of yen)	31,958	34,996	45,364	33,677,888	29,887,195
Net loss (Thousands of yen)	1,496,757	71,758	99,150	6,358,193	9,736,004
Net loss per share (Yen)	6,949.96	234.20	323.60	20,750.89	31,775.47
Total assets (Thousands of yen)	15,259,377	17,443,842	31,221,672	30,057,533	13,901,268
Net assets (Thousands of yen)	15,226,844	15,400,217	15,485,850	9,395,064	(1,551,332)

(Notes) 1. Net loss per share is calculated on the basis of the average number of shares issued during the fiscal year.
2. Presented amounts (excluding those of net loss per share) are rounded down to the nearest thousand yen.
3. Consumption taxes are not included in the above amounts.

(3) Status of parent company and major subsidiaries

(i) Status of parent company

The Company’s parent company is Seven & i Holdings Co., Ltd. that holds 306,400 shares of the Company’s stock (capital contribution ratio: 100%).

(ii) Transactions with the parent company

a. Matters noted in order not to impair interests of the Company in conducting the transactions

The Company receives revenue from the parent company for system development. The Company conducts transactions in a fair and appropriate manner based on reasonable judgments, on the grounds that transactions are necessary and terms and conditions do not deviate significantly from those of ordinary transactions with third parties.

b. Decisions by the Board of Directors on whether transactions impair interests of the Company and reasons thereof

The Company makes decisions on whether or not to conduct transactions in view of ensuring independence from the parent company by having multifaceted discussions at the Board of Directors in advance. Regarding business operations, the Company executes businesses based on independent decision-making mainly by the Company's Board of Directors, and appropriately carries out management and business activities while ensuring independence of its management.

[Status of major subsidiaries] (as of February 29, 2016)

Company name	Paid-in capital	Capital contribution ratio
Nissen Holdings Co., Ltd.	¥11,218 million	50.7%
Seven Culture Network Co., Ltd.	¥1,650 million	94.0%

Issues to be resolved

Issues to be resolved are as follows:

- With the launch of Omni-Channel, the Company will promote and provide further convenience to customers in the Seven & i Group and reinforce function of the IT/service area from the perspective of optimization of the Group.
- The Company will, as a member of the Seven & i Group, contribute to development and operation of systems such as Omni-Channel System to respond to the information revolution led by recent penetration of the Internet.
- The Company will reduce outsourcing by securing human resources and enhancing personnel education, and by promoting in-house system development and operation.
- The Company will ensure corporate governance and compliance with laws and regulations under the basic policy on internal control of Seven & i Holdings Co., Ltd.

(5) Principal business location

Name	Address
Head office	5-4, Kojimachi, Chiyoda-ku, Tokyo

(6) Status of employees

	Number of employees	Change from the previous fiscal year-end	Average age	Average number of years of continuous service
Total/Average	91	90 (decrease)	33 years 9 months	3 years 6 months

(Note) The decrease in the number of employees is due to the divestiture of the Company's EC business division resulting in secondment of employees to Seven Net Shopping Co., Ltd. (previously esbooks Research Co., Ltd.).

2. Items Regarding Current Status of the Company

(1) Items regarding shares

(i) Number of shares authorized to be issued: 400,000 shares

(ii) Number of shares issued: 306,400 shares

(iii) Number of shareholders: 1

(iv) Shareholder

Name of shareholder	Number of shares	Percentage of shares held
Seven & i Holdings Co., Ltd.	306,400	100%

3. Items Regarding the Company's Directors and Corporate Auditors

(1) Name of Directors and Corporate Auditors, etc. (as of February 29, 2016)

Name	Position in the Company	Important concurrent positions
Yasuhiro Suzuki	Representative Director and President	Director, Executive Officer and Chief Information Officer (CIO) of Seven & i Holdings Co., Ltd.
Ryoji Harada	Director	Director of Seven Culture Network Co., Ltd. Director of NitteleSeven Co., Ltd.
Hiroto Taguchi	Director	—
Akio Matsunaga	Director	Director of 7dream.com Director of PIA CORPORATION
Katsutane Aihara	Director	Executive Officer of Seven & i Holdings Co., Ltd.
Seiichiro Sato	Corporate Auditor	Executive Officer of Seven & i Holdings Co., Ltd. Director of Seven Culture Network Co., Ltd.

4. Items Related to the Accounting Auditor

(1) Name: KPMG AZSA LLC

(2) Amount of compensation, etc.

	Amount paid (Millions of yen)
Amount of compensation, etc. for services as accounting auditor for the fiscal year under review	29

5. Systems for Ensuring Appropriate Operations

The Company has approved the following regarding "the development of systems for ensuring that the execution of duties by the Directors complies with laws, regulations, and the Articles of Incorporation and other systems required by the Ministry of Justice Ordinance for ensuring the compliance of operations performed by a corporation and by the corporate group comprised of the corporation and its subsidiaries," as stipulated by the Companies Act, and operates the system.

[Details of the resolution]

(1) Systems for ensuring that the execution of duties by Directors and employees of the corporate group comprised of the Company, its parent company and subsidiaries is compliant with laws, regulations, and the Articles of Incorporation

(i) The Company and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, the Company and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the Company shall establish, maintain, and utilize compliance systems, centered on Seven & i Holdings Co., Ltd.'s CSR Management Committee; operate help lines; promote fair trade; and disseminate the *Corporate Action Guidelines* and the guidelines of each company. In these ways, compliance shall be further enhanced.

(ii) The Company and its Group companies will announce their commitment to not having any contact with antisocial groups and will clearly refuse unreasonable requests. Through cooperation with outside specialists, such as the police and lawyers, we will rapidly implement legal countermeasures, both civil and criminal.

(iii) The Company's or Seven & i Holdings Co., Ltd.'s internal auditing division, which is independent from operating divisions, will internally audit and confirm the status of the maintenance and operation of the compliance systems of all Group companies.

(iv) The Company's and its Group companies' Corporate Auditors will ensure that the execution of duties by their respective companies' Directors is compliant with laws, regulations, and the Articles of Incorporation and work to raise the effectiveness of the supervisory function.

(2) Systems for the storage and control of information related to the execution of duties by the Company's Directors and systems for reporting to the parent company related to the matters concerning the execution of duties by the subsidiaries' Directors

(i) In accordance with laws, regulations, and the Information Control Regulations, the Company and its Group companies shall properly produce, store, and manage documents for which production and storage are legally required, such as minutes of shareholders' meetings, minutes of Board of Directors' meetings (including electromagnetic records; hereafter the same), circular decision-making documents (*ringisho*), and other documents and information necessary to secure appropriate operational execution.

(ii) The Company and its Group companies shall appoint an information management supervisor at each company to be responsible for supervising management of business information and also controlling planning, development and facilitation of initiatives related to the information management. The information management supervisor of Seven & i Holdings Co., Ltd. shall be then responsible for business information management of the overall Group by setting the company's Information Management Committee as the core function for the purpose, ensuring enhanced effectiveness of timely and accurate information disclosure by the function responsible for comprehensively collecting and disclosing important information, and integrated information management in view of the safe management of such important information as trade secrets and personal information. In addition, reports on such matters as the status of information management shall be made periodically to the Board of Directors and the Corporate Auditor.

(iii) Directors and employees of the Company and its Group companies shall report to the information management supervisor of Seven & i Holdings Co., Ltd. where any important matter relating to each Group company arises.

(3) Regulations and systems for loss risk management

(i) In accordance with the "basic rules for risk management," the Company and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business of the Company, with consideration for changes in the management environment and risk factors relevant to the Company and its Group companies.

(ii) In regard to risk management, a system for periodic reporting to the Board of Directors and the Corporate Auditor shall be established, maintained, and utilized. The Board of Directors, Directors, and people responsible for operating divisions shall conduct sufficient analysis and evaluation of risks associated with operational execution, and improvement measures shall be implemented rapidly.

(iii) In the case where a business experiences a major disruption, a serious incident or accident, or a large-scale disaster, etc. to minimize damage to the Company and all Group companies when risk events occur, a Crisis Management Headquarters shall be established, and measures to facilitate the continuation of operations shall be implemented immediately.

(4) Systems of the corporate group comprised of the Company, its parent company and subsidiaries for ensuring the efficiency of the execution of duties by Directors

(i) The details of the decision-making authority of the Directors and executive officers and the divisions with responsibility for each administrative area shall be clearly and appropriately defined in the regulations on segregation of duties and administrative authority, etc. In this way, the Company and its Group companies shall avoid administrative duplication and conduct flexible decision-making and administrative execution.

(ii) To secure the sustained growth of the Company, the Company's Board of Directors shall make decisions on such matters as important management objectives and budget allocations for the Company. Through such means as periodic reports from the Company's Directors and people responsible for operating divisions, the efficiency and soundness of administrative execution shall be investigated and appropriate reevaluations shall be conducted.

(iii) The Company's Board of Directors, as a general rule, shall meet once every three months. In addition, when necessary, extraordinary meetings of the Company's Board of Directors shall be held or resolutions of the Company's Board of Directors shall be adopted through documents. Rapid decision making will be implemented and efficient administrative execution will be promoted. The Company shall comply with the Articles of Incorporation, Rules of the Board of Directors, etc. of the Company concerning specific operations of the Board of Directors.

(5) Systems of the corporate group comprised of the Company, its parent company and subsidiaries for ensuring the appropriateness of financial reporting

(i) In order to ensure the Company and its Group companies are able to provide shareholders, investors, creditors, and other stakeholders with highly reliable, timely financial reports in compliance with laws and regulations, the Company and its Group companies shall build, develop, and appropriately operate internal control systems that ensure appropriate accounting procedures and financial reporting, in accordance with the relevant rules, such as rules on establishing internal controls for financial reporting.

(ii) Seven & i Holdings Co., Ltd.'s internal auditing division, which is independent from operating divisions, shall check and assess the effectiveness of the development and operational status of internal controls for the financial reporting of the Company and its Group companies.

(iii) Directors, the Corporate Auditor, and the accounting auditor shall appropriately exchange information about matters recognized as highly likely to have a significant effect on financial standing.

(6) Matters related to the provision of support staff for the Company's Corporate Auditor when so requested

When the Corporate Auditor asks for full-time staff to provide support for duties, the Company shall provide such staff accordingly.

(7) Matters related to the independence from the Company's Directors of the support staff for the Company's Corporate Auditor and securing effectiveness of instructions

The selection (including subsequent replacements) of support staff to work exclusively for the Corporate Auditor shall be subject to the approval of the Corporate Auditor. In addition, the support staff shall comply with the Employment Rules of the Company. However, the Corporate Auditor shall have the authority to provide directions and orders to the support staff and personnel matters such as working conditions and disciplinary actions shall be implemented upon prior consultation with the Corporate Auditor.

(8) Systems for Directors and employees to report to Corporate Auditor and systems for other reports to Corporate Auditor

(i) Systems for Directors and employees of the Company to report to the Corporate Auditor of the Company

Directors and employees of the Company shall promptly report to the Corporate Auditor when matters that could cause significant damage to the Company, as well as malfeasances or violations of laws, regulations, or the Articles of Incorporation committed by a Director or an employee are found.

(ii) Systems for Directors, Corporate Auditors, and employees of the Company and the Company's subsidiaries, or persons who have received reporting from these people to report to the Audit & Supervisory Board Members of Seven & i Holdings Co., Ltd.

When matters that could cause significant damage to the Group companies, or malfeasances or violations of laws, regulations, or the Articles of Incorporation in the Group companies are found, Directors, Corporate Auditors and employees of the Company and the Company's subsidiaries shall report to the Audit & Supervisory Board Members of Seven & i Holdings Co., Ltd. through the information management supervisor of the Company.

In addition, Directors and employees of the Group companies may report to the help lines, which should function as public-interest reporting mechanisms, at any time when acts constituting a violation of laws and regulations, social norms, internal rules or the like and acts that could cause the Group to lose confidence of society are found in the operations of the Group companies, and the CSR Management Committee of Seven & i Holdings Co., Ltd. shall provide regular reports to the Representative Director and President and to the Audit & Supervisory Board Members of the company concerning the operation of the help lines.

(9) Systems for ensuring that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made

The Company shall establish provisions in the internal rules to ensure that no one providing such reports defined in the preceding item shall suffer any disadvantageous treatment due to such reporting made, and shall appropriately enforce such provisions.

(10) Matters concerning policies for processing prepayment or repayment of costs incurred in relation to execution of duties of the Corporate Auditor of the Company and other processing of costs or liabilities incurred in relation to execution of duties thereof

The Company shall bear the costs incurred in relation to the execution of duties by the Corporate Auditor.

(11) Other systems for ensuring that the Company's Corporate Auditor can conduct their activities effectively

(i) The Company's Corporate Auditor shall meet regularly with the Representative Director and President, and exchange opinions concerning important audit matters.

(ii) The Company's Corporate Auditor shall maintain close contact with the internal auditing division, and may request the division to conduct inspections when necessary.

(iii) The Company's Corporate Auditor shall meet regularly with the Corporate Auditors of all Group companies and work together from time to time in order to conduct appropriate audits of all Group companies.

(iv) The Company's Corporate Auditor may consult with the accounting auditor and lawyers as needed, and the Company shall bear all of the costs of such consultation.

[An overview of operational status]

(1) Status of the Company's corporate governance

The Company's Board of Directors is composed of 5 Directors. The Executive Officer system has been adopted for prompt decision making and operations under a rapidly changing management environment. The Board of Directors is responsible for formulating business strategies and supervising operations, and 6 Executive Officers, including those who also serve as Directors, execute business operations. The details of the decision-making authority of the Directors and Executive Officers and the divisions with responsibility for each administrative area, etc. are clearly and appropriately defined in the regulations on segregation of duties and administrative authority, etc. In this way, the Company avoids administrative duplication and conducts flexible decision-making and administrative execution. The Company's Board of Directors made decisions on such matters as important management objectives and budget allocations for the Company. Through such means as reports from the Company's Directors and people responsible for operating divisions, the Company addressed important management issues, including investigating and re-evaluating the efficiency and soundness of administrative execution.

One Corporate Auditor monitors management based on the Corporate Auditor system. In addition to attending Board of Directors' meetings and other important meetings, the Corporate Auditor exchanges opinions with the Representative Directors and periodically interviews Directors regarding the status of business execution, and investigates the status of business operations and assets of the Company and its operating companies based on the audit plan.

(2) Initiatives at internal auditing divisions

In order to enhance and reinforce its internal auditing function, Seven & i Holdings Co., Ltd. has appointed the "operational auditing staff" and the "internal control evaluation staff." The "operational auditing staff" have an oversight function to verify and provide guidance on internal auditing, including the status of the maintenance and operation of the compliance systems, by core operating companies including the Company or to directly audit them, and an internal auditing function for auditing the holding company, Seven & i Holdings Co., Ltd., and the "operational auditing staff" perform these operations. The "internal control evaluation staff" evaluate internal controls regarding the financial reporting of all Group companies of Seven & i Holdings Co., Ltd.

(3) Mutual cooperation among the internal auditing divisions, Audit & Supervisory Board Members' audits, and accounting audits

In order to improve the overall quality of audits, Seven & i Holdings Co., Ltd. ensures that the company's Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm proactively exchange information and endeavor to maintain close ties with each other, by such means as periodically holding tri-partite meetings. In the meeting, the company's Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members) receive reports from the auditing firm on, among other matters, the performance of accounting audits, and reports from the company's Auditing Office on, among other matters, the performance of internal audits, respectively, and request explanations as deemed necessary.

Further, the company periodically holds reporting sessions for accounting audits, which are attended by Representative Directors and other officers, as well as the Standing Audit & Supervisory Board Members and the Auditing Office, etc. of the company. In the sessions, they receive reports from the auditing firm on the accounting audits, and confirm, among other matters, the results of the accounting audits.

Furthermore, the Standing Audit & Supervisory Board Members and the Auditing Office of the company hold meetings, basically once a month. In the meetings, the company's Auditing Office reports on the results of operational audits and the progress of internal control evaluations, etc., and also proactively exchanges opinions with the Standing Audit & Supervisory Board Members regarding, among other matters, priority matters that should be examined in order to improve the quality of audits. With these efforts, the two parties aim to ensure comprehensive sharing of audit information between each other.

In the company's Audit & Supervisory Board meetings and other meetings, the Standing Audit & Supervisory Board Members report to the Outside Audit & Supervisory Board Members on, inter alia, the status of the reporting session for accounting audits and the contents of the meeting with the company's Auditing Office, respectively described above, and thereby share and discuss issues to be addressed and the like. Further, by providing the Auditing Office and the auditing firm with feedback on the matters thus discussed, the Standing Audit & Supervisory Board Members aim to ensure that (i) audits by the Audit & Supervisory Board Members, including the Outside Audit & Supervisory Board Members; (ii) internal audits; and (iii) accounting audits are linked with each other in a timely manner.

Further, the company's Auditing Office reports on the performance and the results of internal audits in the company's Audit & Supervisory Board meetings from time to time, and provides explanations in response to questions and so on from the company's Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members).

At each audit, the company's Audit & Supervisory Board Members (including the Outside Audit & Supervisory Board Members), the Auditing Office, and the auditing firm receive reports and materials, etc. from the internal control divisions, and request explanations as deemed necessary, and the internal control divisions cooperate in the appropriate performance of these audits.

(4) Efforts of each committee

Seven & i Holdings Co., Ltd. has established the "CSR Management Committee," "Risk Management Committee," "Information Management Committee," and "Group Synergy Committee," which report to the Representative Director of the company. Each committee cooperates with the operating companies including the Company to determine Group policies and to manage and supervise their dissemination and execution with an eye to strengthening corporate governance.

●CSR Management Committee

Seven & i Holdings Co., Ltd. and its Group companies shall comply with the *Corporate Creed* and the *Corporate Action Guidelines*, etc. In order to continue to be trusted and known for integrity, Seven & i Holdings Co., Ltd. and its Group companies shall implement ethical corporate activities; strictly observe laws, regulations, and social norms; and announce their fulfillment of corporate social responsibilities. On that basis, the company shall establish, maintain, and utilize compliance systems, centered on the company's CSR Management Committee.

The CSR Management Committee endeavors to maintain compliance with the "Seven & i Holdings Corporate Action Guidelines," following the corporate creed of "We aim to be a sincere company that our customers trust." The Committee works to contribute to resolving social issues through business activities and aims for society and the Group to achieve sustainable growth. To achieve these objectives, the "Corporate Ethics and Culture Subcommittee," "Consumer Affairs and Fair Business Practices Subcommittee," and "Environment Subcommittee" have been established under the CSR Management Committee. Each subcommittee prioritizes main issues to be addressed from the standpoint of the Group's business characteristics, and then develops and implements measures to resolve the issues. Each subcommittee endeavors to further enhance compliance such as by developing and operating help lines, for which an independent contact has been established outside the company, promoting fair business practices, and developing and disseminating corporate behavior policies and guidelines for each company.

●Risk Management Committee

In accordance with the "basic rules for risk management," Seven & i Holdings Co., Ltd. and its Group companies shall establish, maintain, and utilize comprehensive risk management systems, centered on the Risk Management Committee, in order to properly analyze, evaluate, and appropriately respond to risks associated with each business, with consideration for changes in the management environment and risk factors relevant to the company and its Group companies.

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

In the fiscal year ended February 29, 2016, the Committee focused on promoting collaboration between risk management and business management by establishing risk assessment standards and techniques that might form key indicators of business management. In addition, the Committee worked in collaboration with divisions concerned toward solving issues actually confronting the Group.

●Information Management Committee

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

In the fiscal year ended February 29, 2016, the Committee strengthened governance and compliance from the viewpoint of information management, while continuing to strengthen the information security system against a backdrop of heightened social interest in protection of customers' personal information. Moreover, departments within the Group that handle customers' personal information are working to acquire ISO 27001 information security management certification.

●Group Synergy Committee

The Group Synergy Committee is composed of five subcommittees on the Omni-Channel Strategy, systems, sales promotion, merchandising, and building equipment. By sharing and confirming progress on starting and developing the Group's Omni-Channel Strategy while sharing the expertise in areas such as "product development" and "promotion" that each operating company has cultivated, our Group creates safe, reliable, and useful products and services of high quality; of which private-brand "Seven Premium" products are the leading example. Making use of the scale merit brought about for the Group, cost reductions have also been attempted through collaborative purchasing of goods, materials, equipment and so on.

Non-Consolidated Financial Statements for the 8th Fiscal Year

From March 1, 2015
to February 29, 2016

1. Non-Consolidated Balance Sheet
2. Non-Consolidated Statement of Income
3. Non-Consolidated Statement of Changes in Net Assets
4. Notes to Non-Consolidated Financial Statements

Yasuhiro Suzuki, Representative Director and President
Seven & i Net Media Co., Ltd.

NON-CONSOLIDATED BALANCE SHEET (as of February 29, 2016)

(Thousands of yen)

Item	Amount	Item	Amount
ASSETS		**LIABILITIES**	
Current assets	**6,513,938**	**Current liabilities**	**15,200,331**
Cash and bank deposits	3,714,114	Accounts payable, trade	1,497,844
Accounts receivable, trade	545,775	Short-term loans payable	13,400,000
Work in process	1,167,937	Current portion of long-term loans payable	1,827
Advance payments, trade	327,572	Accounts payable, other	190,055
Prepaid expenses	34,900	Accrued bonuses	27,532
Refunded consumption taxes receivable	653,310	Accrued expenses	25,583
Deferred income taxes	15,327	Income taxes payable	27,723
Accounts receivable, other	52,675	Allowance for bonuses to Directors and Corporate Auditors	2,000
Other	2,324		
		Lease obligations	6,289
Non-current assets	**7,387,329**	Other	21,474
Property and equipment	**66,553**		
Facilities attached to buildings	29,084	**Non-current liabilities**	**252,270**
Equipment	37,468	Long-term loans payable	2,771
		Lease obligations	4,707
Intangible assets	**95,188**	Deferred income taxes	244,790
Software	84,695		
Lease assets	10,348		
Other	144	**TOTAL LIABILITIES**	**15,452,601**
		NET ASSETS	
Investments and other assets	**7,225,588**		
Investments in securities	1,531,431	**Shareholders' equity**	**(2,068,788)**
Stocks of subsidiaries and affiliates	5,566,348	**Common stock**	**7,665,000**
Guarantee deposits	121,711	**Capital surplus**	**8,110,241**
Long-term prepaid expenses	3,324	Additional paid-in capital	7,655,000
Other	2,771	Other capital surplus	455,241
		Retained earnings	**(17,844,030)**
		Other retained earnings	(17,844,030)
		Retained earnings brought forward	(17,844,030)
		Accumulated gains (losses) from valuation and translation adjustments	**517,455**
		Unrealized gains (losses) on available-for-sale securities, net of taxes	517,455
		TOTAL NET ASSETS	**(1,551,332)**
TOTAL ASSETS	**13,901,268**	**TOTAL LIABILITIES AND NET ASSETS**	**13,901,268**

NON-CONSOLIDATED STATEMENT OF INCOME (March 1, 2015 to February 29, 2016)

(Thousands of yen)

Item	Amount	
Net sales		29,887,195
Cost of sales		27,413,735
Gross profit on sales		**2,473,459**
Dividends income		35,360
Gross profit from operations		**2,508,819**
Selling, general and administrative expenses		2,221,780
Operating income		**287,038**
Non-operating income		
Interest income	605	
Dividend income	16,080	
Miscellaneous income	90,099	106,785
Non-operating expenses		
Interest expenses	60,315	
Miscellaneous loss	71,473	131,789
Ordinary income		**262,034**
Special losses		
Loss on retirement of non-current assets	14,207	
Loss on valuation of investment securities	105,340	
Loss on valuation of stocks of subsidiaries and affiliates	9,280,774	
Impairment loss on property and equipment	798,591	
Other	26,484	10,225,398
Loss before income taxes		**9,963,364**
Income taxes – current	(246,448)	
Income taxes – deferred	19,089	**(227,359)**
Net loss		**9,736,004**

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (March 1, 2015 to February 29, 2016)

(Thousands of yen)

	Shareholders' equity						
	Common stock	Capital surplus			Retained earnings		Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings	
					Retained earnings brought forward		
Balance at March 1, 2015	7,665,000	7,655,000	1,571,249	9,226,249	(8,108,025)	(8,108,025)	8,783,223
Increase (decrease) for the year							
Decrease by corporate division - split-off type			(1,116,007)	(1,116,007)			(1,116,007)
Net loss					(9,736,004)	(9,736,004)	(9,736,004)
Net changes of items other than shareholders' equity							
Net increase (decrease) for the year			(1,116,007)	(1,116,007)	(9,736,004)	(9,736,004)	(10,852,012)
Balance at February 29, 2016	7,665,000	7,655,000	455,241	8,110,241	(17,844,030)	(17,844,030)	(2,068,788)

	Accumulated gains (losses) from valuation and translation adjustments		TOTAL NET ASSETS
	Unrealized gains (losses) on available-for-sale securities, net of taxes	Total accumulated gains (losses) from valuation and translation adjustments	
Balance at March 1, 2015	611,841	611,841	9,395,064
Increase (decrease) for the year			
Decrease by corporate division - split-off type			(1,116,007)
Net loss			(9,736,004)
Net changes of items other than shareholders' equity	(94,385)	(94,385)	(94,385)
Net increase (decrease) for the year	(94,385)	(94,385)	(10,946,397)
Balance at February 29, 2016	517,455	517,455	(1,551,332)

Notes to Non-Consolidated Financial Statements

1. Notes concerning matters pertaining to significant accounting policies

(1) Valuation basis and method for assets

(a) Valuation basis and method for securities

(i) Stock of subsidiaries and affiliates
Valued at cost by the moving-average method.

(ii) Available-for-sale securities

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

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

(b) Valuation basis and method for inventories
Work in process
Valued at cost determined using the identified cost method, with book value written down to the net realizable value.

(2) Methods of depreciation for non-current assets

Property and equipment
Depreciated using the straight-line method.

Useful lives:	Facilities attached to buildings	15 years
	Equipment	2 to 10 years

Intangible assets
Amortized using the straight-line method.
Software for internal use is amortized using the straight-line method over a usable period of five (5) years.

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

(3) Methods of accounting for allowances

(a) Allowance for doubtful accounts
Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection of notes and accounts receivable - trade. 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 with respect to general receivables.

(b) Allowance for bonuses to Directors and Corporate Auditors
Allowance for bonuses to Directors and Corporate Auditors is provided at the amount accrued during the fiscal year.

(4) Other significant items that form the basis of the preparation of financial statements

(i) Accounting for consumption taxes
Consumption taxes withheld and consumption taxes paid are not included in the accompanying Non-Consolidated Statement of Income.
(ii) Application of the consolidated taxation system
The Company has applied the consolidated taxation system.

2. Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property and equipment: ¥79,277 thousand

(2) Contingent liabilities
The Company provides guarantee for the following obligations:

Operating debt of Seven Culture Network Co., Ltd. (subsidiary of the Company):
¥36,500 thousand

(3) Monetary claims and obligations in regard to subsidiaries and affiliates

Short-term receivables: ¥235,738 thousand

Short-term payables: ¥90,994 thousand

3. Notes to Non-Consolidated Statement of Income

(1) Transactions with subsidiaries and affiliates
(i) Operating transactions

Net sales	¥19,786,213 thousand
Dividends income	¥35,360 thousand
Cost of sales	¥56,119 thousand
Selling, general and administrative expenses:	¥43,074 thousand
(ii) Non-operating transactions:	¥688,962 thousand

4. Notes to Non-Consolidated Statement of Changes in Net Assets

Type and total number of outstanding shares at the end of the fiscal year
Common stock 306,400 shares

5. Notes regarding tax effect accounting

Deferred tax assets were recognized primarily due to loss on valuation of shares. The amount of valuation allowance deducted from deferred tax assets was ¥5,200,339 thousand. Deferred tax liabilities were recognized primarily due to valuation difference on available-for-sale securities.

6. Notes relating to financial instruments

(1) Items relating to the status of financial instruments
The Company raises funds with borrowings from Group companies. Investment securities held by the Company are mainly equities and market values of listed equities are determined on a quarterly basis.
The Company manages risk by determining the department that has overall control of risk pursuant to the “basic rules for risk management” of the parent company group.

(2) Items relating to the market values of financial instruments

The amounts recorded on the Non-Consolidated Balance Sheet on February 29, 2016, the market values and the difference between these amounts are as follows. The following table does not include items for which market values are extremely difficult to determine. (Please see (Note 2)).

(Thousands of yen)

	Non-Consolidated Balance Sheet	Market value	Difference
(1) Cash and bank deposits	3,714,114	3,714,114	-
(2) Accounts receivable, trade	545,775	545,775	-
(3) Refunded consumption taxes receivable	653,310	653,310	-
(4) Investments in securities Available-for-sale securities	1,501,011	1,501,011	-
(5) Stocks of subsidiaries and affiliates	4,307,472	4,307,472	-
(6) Accounts payable, trade	1,497,844	1,497,844	-
(7) Accounts payable, other	190,055	190,055	-
(8) Short-term loans payable	13,400,000	13,400,000	-

(Notes) 1. Calculation method of market value of financial instruments

(1) Cash and bank deposits, (2) Accounts receivable, trade, (3) Refunded consumption taxes receivable, (6) Accounts payable, trade, (7) Accounts payable, other and (8) Short-term loans payable

The relevant book values are used because the short settlement periods of these items result in market values and book values being equivalent.

(4) Investments in securities and (5) Stocks of subsidiaries and affiliates

The market value of these items is based on a price quoted on a market.

2. Since there are no quoted market prices for some investment securities (carried at ¥30,420 thousand on the Balance Sheet) and some stocks of subsidiaries and affiliates (carried at ¥1,258,875 thousand on the Balance Sheet), and it is not possible to estimate their future cash flows, it is considered to be extremely difficult to measure their market values. Therefore, the Company does not disclose market values for such instruments.

7. Notes concerning transactions with related parties

(1) Parent company

(Thousands of yen)

Attribution	Name of company, etc.	Voting rights held by the company	Relationship with related party	Details of transaction	Amount of transaction	Account title	Year-end balance
Parent company	Seven & i Holdings Co., Ltd.	Owned Direct: 100.0%	Business management Operational consignment	Related to system development	19,668,110	Accounts receivable, trade	214,216
				Sale of non-current assets	683,405	-	-

(Notes) 1. The amount of transaction does not include consumption taxes. However, the year-end balance includes consumption taxes.

2. Terms and conditions and policy on terms and conditions of transactions with Seven & i Holdings Co., Ltd. are determined based on each agreement.

(2) Fellow subsidiaries

(Thousands of yen)

Attribution	Name of company, etc.	Voting rights held by the company	Relationship with related party	Details of transaction	Amount of transaction	Account title	Year-end balance
				Consignment of collection of accounts receivable, trade	3,940,084		
				Settlement fees	94,831		
				Assets transferred in corporate division	639,028		
Subsidiary of the parent company	Seven Net Shopping Co., Ltd.	None	Credit collection agency, etc.	Credit collection agency	816,935		
				Debt payment agency	1,021,537		
				Assets transferred in corporate division	1,616,525		
				Liabilities transferred in corporate division	1,139,546		
Subsidiary of the parent company	SEVEN & i Financial Center Co., Ltd.	None	Borrowing of funds	Borrowing of funds	13,400,000	Short-term loans payable	13,400,000
				Interest payment	63,548	Accrued expenses	5,706

(Notes) 1. The amount of transaction does not include consumption taxes. However, the year-end balance includes consumption taxes.

2. Terms and conditions and policies on terms and conditions of transactions with Seven-Eleven Japan Co., Ltd. are determined based on negotiations for each agreement. Amounts of assets and liabilities transferred in corporate division are determined based on the appropriate book values measured on the date prior to the corporate division.

3. Terms and conditions and policies on terms and conditions of transactions with Seven Net Shopping Co., Ltd. are determined based on negotiations for each agreement. Amounts of assets and liabilities transferred in corporate division are determined based on the appropriate book values measured on the date prior to the corporate division.

4. The interest rate for borrowings from SEVEN & i Financial Center Co., Ltd. is the rate determined in reference to the market interest rate.

8. Notes concerning per share information

(1) Net assets per share: ¥(5,063.10)
(2) Net loss per share: ¥31,775.47

9. Significant subsequent event

None.

10. Other notes

Supplementary information

(Corporate division of online retail business)

Transactions under common control, etc.

1. Overview of the transaction

(1) Name and content of the business subject to the transaction

Online retail business (mail order services of books, comic books, magazines, CDs, DVDs and games)

(2) Date of corporate division

September 1, 2015

(3) Legal form of the corporate division

Absorption-type split under which the Company be the splitting company and Seven Net Shopping Co., Ltd. and Seven-Eleven Japan Co., Ltd. be the successor company.

(4) Name of the company after the division

Seven Net Shopping Co., Ltd. and Seven-Eleven Japan Co., Ltd.

(5) Other matters related to the overview of the transaction

To restructure the online retail business, the Company split the business division and transferred it to the Company's fellow subsidiaries, Seven Net Shopping Co., Ltd. and Seven-Eleven Japan Co., Ltd.

2. Outline of the accounting treatment

The transaction is accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 16, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 16, 2008).

(For Translation Purposes Only)

Audit report of the Accounting Auditor concerning the Non-Consolidated Financial Statements

Independent Auditor's Report

April 12, 2016

The Board of Directors
Seven & i Net Media Co., Ltd.:

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masakuni Noguchi
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Miho Kawabata

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements of Seven & i Net Media Co., Ltd. for the 8th fiscal year from March 1, 2015 to February 29, 2016, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, notes to non-consolidated financial statements, and the non-consolidated supplemental schedules.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplemental schedules. The procedures selected and applied depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplemental schedules, 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 non-consolidated financial statements and the supplemental schedules 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 non-consolidated financial statements and the supplemental schedules.

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 non-consolidated financial statements and the supplemental schedules referred to above present fairly, in all material respects, the non-consolidated financial position of Seven & i Net Media Co., Ltd. as of February 29, 2016 and its non-consolidated financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

(For Translation Purposes Only)

Report of the Corporate Auditor

Audit Report

I, the Corporate Auditor, prepared this audit report regarding the Directors' execution of their duties during the 8th fiscal year from March 1, 2015 to February 29, 2016, and hereby report as follows:

1. Auditing Method Employed by the Corporate Auditor and the Details thereof

I attempted communication with Directors, Executive Officers, the Auditing Office and other employees, etc. and worked to gather information and establish an auditing environment, as well as participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, Executive Officers and other employees, etc. regarding the execution of their duties, requested explanations as necessary, inspected documents, etc. related to important decisions, and examined the operations and assets at the Company's head office and principal offices. I also received regular reports, requested explanations as necessary, and expressed opinions on the status of implementation of the internal control system described in the Business Report (the content of the resolutions of the Board of Directors concerning the development of the system stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, and the system developed based on said resolution of the Board of Directors). Based on the above methods, I examined the Business Report and the related supplementary schedules for the fiscal year under review.

I also monitored and verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports, and sought explanations as necessary, from the Accounting Auditor regarding the execution of its duties. I also received notification from the Accounting Auditor to the effect that "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), etc., and requested explanations as necessary. Based on the above methods, I examined the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and the notes to non-consolidated financial statements) and the related supplementary schedules for the fiscal year under review.

2. Result of Audit

(1) Results of Audit of Business Report, etc.

1. In my opinion, the Business Report and the supplementary schedules are in accordance with laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
3. I found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. I also found no matters requiring note with respect to the description of the Business Report and the execution of duties by Directors concerning the said internal control system.

(2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules

I found that the methods and the results of the audit conducted by Accounting Auditor, KPMG AZSA LLC, are appropriate.

April 20, 2016

Corporate Auditor, Seven & i Net Media Co., Ltd.

Seiichiro Sato