

Consolidated Financial Results for the Three Months Ended May 31, 2022

July 7, 2022



Seven & i Holdings Co., Ltd.

(URL <https://www.7andi.com/en>)

Securities Code No.: 3382

President: Ryuichi Isaka

The Company's shares are listed on the Prime Market of the Tokyo Stock Exchange.

Submission date of quarterly securities report scheduled: July 14, 2022

Starting date of paying dividend: -

Preparation of brief summary materials for quarterly financial results: Yes

Holding of quarterly financial results presentation: Yes

(Notes) 1. Percentages represent increase (decrease) from the corresponding period in the prior fiscal year.

2. All amounts less than one million yen have been truncated.

1. Results for the Three Months Ended May 31, 2022 (from March 1, 2022 to May 31, 2022)

(1) Results of operations (cumulative)

(Millions of yen)

	Revenues from Operations		Operating Income		Ordinary Income	
Three Months Ended May 31, 2022	2,447,317	57.3 %	102,367	32.1 %	95,519	36.7 %
Three Months Ended May 31, 2021	1,555,371	11.8 %	77,512	8.6 %	69,869	0.6 %

	Net Income Attributable to Owners of Parent		Net Income per Share		Diluted Net Income per Share	
Three Months Ended May 31, 2022	65,039	51.2 %	73.65	(yen)	73.65	(yen)
Three Months Ended May 31, 2021	43,018	208.7%	48.72	(yen)	48.72	(yen)

(Notes) 1. Comprehensive income:

Three Months Ended May 31, 2022: 194,367 million yen [17.0%] Three Months Ended May 31, 2021: 166,080 million yen [-%]

2. "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. Revenues from operations based on the previous accounting standard is 2,615,812 million yen [68.2%].

(Reference) Group's total sales:

Three Months Ended May 31, 2022: 3,839,756 million yen Three Months Ended May 31, 2021: 2,871,482 million yen

EBITDA:

Three Months Ended May 31, 2022: 214,408 million yen Three Months Ended May 31, 2021: 145,669 million yen

EPS before amortization of goodwill:

Three Months Ended May 31, 2022: 101.82 yen Three Months Ended May 31, 2021: 55.92 yen

*Group's total sales include the sales of Seven-Eleven Japan, Seven-Eleven Okinawa and 7-Eleven, Inc. franchisees

*For EBITDA and EPS before amortization of goodwill, see "4.Others (5) Formula of various management indicators."

(2) Financial position

(Millions of yen)

	Total Assets	Net Assets	Owners' Equity Ratio	Net Assets per Share
As of May 31, 2022	9,959,256	3,314,126	31.6 %	3,564.32 (yen)
As of February 28, 2022	8,739,279	3,147,732	34.1 %	3,375.50 (yen)

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023.

(Reference) Owners' equity (net assets excluding non-controlling interests and subscription rights to shares) :

As of May 31, 2022: 3,147,826 million yen As of February 28, 2022: 2,980,956 million yen

2. Dividends

Record Date	Dividends per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended February 28, 2022	-	48.00	-	52.00	100.00
Year Ending February 28, 2023	-				
Year Ending February 28, 2023 (forecast)		49.50	-	53.50	103.00

(Note) Revision of dividends forecast during the current quarterly period: None

3. Forecast of Business Results for the Fiscal Year ending February 28, 2023 (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Revenues from Operations		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share	
Interim Period	5,032,000	38.0%	222,500	19.5%	207,500	19.6%	123,000	15.5%	139.28	(yen)
Entire Year	10,413,000	19.0%	445,000	14.8%	413,500	15.3%	247,000	17.2%	279.68	(yen)

(Note) Revision of business results forecast during the current quarterly period: Yes

The forecasts of gross revenues from operations (Revenues from operations based on the previous accounting standard) are 5,383,000 million yen (47.6%) and 11,134,000 million yen (27.2%) for the six months ending August 31, 2022 (cumulative) and for the consolidated fiscal year ending February 28, 2023, respectively.

(Reference) Group's total sales:

Interim Period: 7,994,000 million yen Entire Year: 16,402,000 million yen

EBITDA:

Interim Period: 455,100 million yen Entire Year: 927,900 million yen

EPS before amortization of goodwill:

Interim Period: 198.38 yen Entire Year: 401.63 yen

4. Others

(1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries accompanying change in scope of consolidation): None

Added: None Excluded: None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates or restatements

1. Changes due to amendment of accounting standards: Yes

2. Changes due to other reasons other than 1: None

3. Changes in accounting estimates: None

4. Restatements: None

(4) Number of shares outstanding (Common stock)

1. Number of shares outstanding at the end of period (Including treasury stock)

As of May 31, 2022: 886,441,983 shares

As of February 28, 2022: 886,441,983 shares

2. Number of treasury stock at the end of period

As of May 31, 2022: 3,292,383 shares

As of February 28, 2022: 3,325,685 shares

3. Average number of shares during the period (Cumulative quarterly consolidated period)

As of May 31, 2022: 883,118,369 shares

As of May 31, 2021: 882,969,270 shares

(Note) The Company has introduced the BIP Trust and ESOP Trust, and its shares held by these Trusts are included in the

number of treasury stock to be deducted when calculating the number of treasury stock at the end of the fiscal period and the average number of shares during the period.

(5) Formula of various management indicators

1. EBITDA: Operating income + Depreciation and amortization + Amortization of goodwill

2. EPS before amortization of goodwill: (Net income attributable to owners of parent + Amortization of goodwill) / Average number of shares during the period.

NOTICE REGARDING QUARTERLY REVIEW PROCEDURES FOR THE QUARTERLY FINANCIAL RESULTS

This quarterly financial results statement is exempt from the quarterly review procedures based upon the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results statement, the quarterly review procedure based upon the Financial Instruments and Exchange Act has not been completed.

FORWARD LOOKING STATEMENTS

- The forecast of the business results is based on the Company's hypotheses, plans and estimates at the date of publication. It is possible that some uncertain factors will cause the Company's future performance to differ significantly from the contents of the forecast.
- This translation is to be used solely as a reference. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
- Other materials related in the financial results are available on the Company's website.
(<https://www.7andi.com/en/ir/library.html>)

Attached Materials

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1. Qualitative Information on Results for the Three Months Ended May 31, 2022

(1) Qualitative information on consolidated results

I. Overview

In the three months ended May 31, 2022, the Japanese economy continued to recover as the severe situation by the COVID-19 pandemic eased. However, with signs of uncertainty emerging due to the Ukraine situation and other factors, downside risks to the economy, such as a rise in raw material prices, supply constraints and financial and capital market movements, warranted close attention.

In North America, amid the resurgence of the Omicron strain and the continuation of historically high levels of inflation, there were growing concerns for the outlook of the real economy, which had been performing strongly, mainly due to labor shortages and supply constraints caused by logistics disruptions.

In this environment, to evolve into a world-class global retailer group, the Seven & i Group overhauled its governance structure with the aim of conducting integrated and diversified management of a wide range of business fields. Looking ahead, the Group will continue to focus on generating medium-to-long term corporate value and realizing sustainable business growth under its Medium-Term Management Plan 2021-2025, which has entered its second year.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition"), etc., are applied from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023.

Our consolidated results for the three months ended May 31, 2022 are summarized below.

(Millions of yen)

	Three months ended May 31, 2021		Three months ended May 31, 2022	
		YOY change		YOY change
Gross revenues from operations (reference)	—	—	2,615,812	68.2%
Revenues from operations	1,555,371	11.8%	2,447,317	57.3%
Operating income	77,512	8.6%	102,367	32.1%
Ordinary income	69,869	0.6%	95,519	36.7%
Net income attributable to owners of parent	43,018	208.7%	65,039	51.2%
Exchange rates	U.S.\$1 = ¥106.09		U.S.\$1 = ¥116.34	
	1 yuan = ¥16.38		1 yuan = ¥18.31	

* Revenues from operations based on the previous accounting standard are presented as gross revenues from operations (reference).

Group's total sales (including sales of franchisees of Seven-Eleven Japan, Seven-Eleven Okinawa and 7-Eleven, Inc.) amounted to ¥3,839.756 billion (up 33.7% year-on-year). In the three months ended May 31, 2022, revenues from operations and operating income increased by ¥153.3 billion, and ¥3.8 billion, respectively, as a result of exchange rate fluctuations.

II. Overview by operating segment

The Company changed its classification of reportable segments since the second quarter of the consolidated fiscal year ended February 28, 2022. Figures for three months ended May 31, 2021 in the table below have been revised to reflect the new classification.

(Revenues from operations, by operating segment)

(Millions of yen)

	Three months ended May 31, 2021		Three months ended May 31, 2022	
		YOY change		YOY change
Domestic convenience store operations	217,536	6.4%	215,243	(1.1)%
Overseas convenience store operations	679,296	12.5%	1,723,889	153.8%
Superstore operations	451,684	5.5%	355,772	(21.2)%
Department and specialty store operations	166,636	42.1%	112,904	(32.2)%
Financial services	49,101	(0.5)%	47,560	(3.1)%
Others	4,771	31.9%	5,829	22.2%
Total	1,569,027	11.5%	2,461,201	56.9%
Adjustments (Eliminations/corporate)	(13,655)	—	(13,884)	—
Consolidated Total	1,555,371	11.8%	2,447,317	57.3%

(Operating income, by operating segment)

(Millions of yen)

	Three months ended May 31, 2021		Three months ended May 31, 2022	
		YOY change		YOY change
Domestic convenience store operations	60,573	16.0%	59,282	(2.1)%
Overseas convenience store operations	12,136	11.1%	43,981	262.4%
Superstore operations	5,843	(43.7)%	3,517	(39.8)%
Department and specialty store operations	(3,442)	—	1,086	—
Financial services	10,431	(9.2)%	9,205	(11.8)%
Others	291	—	(90)	—
Total	85,832	11.4%	116,982	36.3%
Adjustments (Eliminations/corporate)	(8,320)	—	(14,614)	—
Consolidated Total	77,512	8.6%	102,367	32.1%

Domestic convenience store operations

The impact of COVID-19 has caused commercial areas to shrink in size and highlighted growing differences in customer needs among individual stores. In this environment, Seven-Eleven Japan (SEJ) continued to implement activities that integrate three initiatives, specifically expanding its assortment of high-value-added merchandise, changing store layouts as part of efforts to increase the number of items carried and conducting sales promotions that produce an event-like sense of excitement. The goal of these initiatives is to increase the number of customers visiting 7-Eleven stores to find the merchandise they seek. To address growing demand for delivery services, SEJ increased steadily the number of stores handling “7NOW,” a service that allows customers to order items via smartphone for delivery to a designated location in as little as 30 minutes. We will continue to open the next door of convenience by constantly providing new experiences and values, from the customer’s point of view, and continue working to realize sustainable growth throughout the value chain, including franchisees and business partners.

In the three months ended May 31, 2022, there was a rebound from the previous year when consumers refrained from going out to prevent the spread of COVID-19. In addition, we benefited from an increase in the number of stores carrying new fast food and DAISO merchandise to broaden the customer base and from the success of proactive sales promotion initiatives such as the “Kyushu Fair” in March, the “Karei Naru Curry Party” (Splendid Curry Party) in April and the “Italian Fair” in May. As a result, existing store sales increased year on year, however, operating income decrease 1.2% to ¥59.656 billion mainly due to higher utilities costs resulting from higher fuel adjustment costs. Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥1,256.742 billion, up 2.0% year on year.

Overseas convenience store operations

In North America, 7-Eleven, Inc. strove for stable store management even as certain problems emerged, such as labor shortages and supply constraints caused by logistics disruptions in the U.S. market. It continued to implement measures such as expanding its assortment of exclusive merchandise, such as high quality and highly profitable fresh food and proprietary beverages and stepping up efforts focused on the “7NOW” delivery service, which is available at approximately 4,000 stores.

As a result, in the three months ended May 31, 2022, merchandise sales at existing stores in the U.S. on a U.S. dollar basis increased year on year. In yen terms, operating income rose 283.0% to ¥67.891 billion. Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥2,038.430 billion, up 114.2% year on year.

The integration process with the Speedway business acquired in May 2021 has proceeded smoothly. Synergies amounting to U.S.\$450 million are expected to be generated in the fiscal year ending December 31, 2022.

Moreover, 7-Eleven International LLC, which was established through a joint investment by SEJ and 7-Eleven, Inc., will strengthen co-creation through collaboration between the 7-Eleven businesses in Japan and the U.S. under the company’s direction, with a view to accelerate its global strategy. By the fiscal year ending December 31, 2025, 7-Eleven International LLC plans to establish a store network of 50,000 stores in areas outside Japan and North America. And by the fiscal year ending December 31, 2030, it plans to open stores in 30 countries and regions worldwide, including Japan and North America. With these plans in mind, 7-Eleven International LLC is now formulating a more finely tuned strategic roadmap.

Superstore operations

Ito-Yokado, an operator of general merchandise stores, will continue to promote its regrowth strategy to achieve, including further differentiation and monetization. This will be accomplished by completing business structural reforms by the end of the

fiscal year ending February 28, 2023, transforming its online supermarket service into large-scale centers, concentrating on the metropolitan area and other major cities, and converting food to an SPA (Specialty Retailer of Private Label Apparel)-like business model with vertically integrated operations from planning to production and sales.

In the three months ended May 31, 2022, existing store sales (including tenants) rose year on year mainly due to a recovery in customer traffic, and the rebound from the previous year's shortened opening hours and limited number of visitors. Additionally, selling, general and administrative expenses were curtailed owing to efforts to conduct efficient management, and as a result, operating income increased 18.3% year on year to ¥0.77 billion.

In addition, existing store sales at York-Benimaru, a food supermarket operator, declined year on year, primarily due to a downturn in food sales, which had been firm since the start of the COVID-19 pandemic. However, the merchandise gross profit margin improved owing to the effects of its merger with Life Foods, which was implemented on March 1, 2022. York-Benimaru's operating income increased 26.1% year on year to ¥4.462 billion. York-Benimaru will continue enhancing its high-growth integrated delicatessen production and sales business model, and to target sustainable growth as a supermarket operator that proposes lifestyle solutions.

The Group companies in Superstore operations, centered on Ito-Yokado, have expansive procurement capabilities spanning fresh food, processed food and other items, a wide range of knowledge, information gathering capacity and relationships of trust with suppliers that have been fostered over many years. Meanwhile, SEJ possesses a merchandise development process created independently and dominant sales capabilities. By integrating these strengths, we will continue to roll out competitive private brands and implement last mile initiatives, and thereby promote our Group food strategy.

Department and specialty store operations

In Department Store operations, existing store sales increased year on year, primarily due to a recovery in mainstay apparel sales and solid sales of luxury brands. Those trends reflected a rebound from the previous year, which saw shortened operating hours and restrictions on the number of customers entering stores. In restaurant operations, existing store sales also increased year on year, mainly due to a rebound from shortened operating hours and restrictions on the serving of alcoholic beverages, along with a recovery in demand for eating out.

As a result, operating income in the Department and Specialty Store operations was ¥1.086 billion, an increase of ¥4.529 billion year on year.

Based on the approach to the business portfolio that was presented in our Medium-Term Management Plan 2021-2025, effective March 1, 2022, the Company transferred to ABC-MART, INC. all issued shares of Oshman's Japan held by the Company.

In addition, we are currently conducting a strategic review of Sogo & Seibu, following the appointment of a financial adviser.

Financial services

As of May 31, 2022, the number of domestic ATMs operated by Seven Bank stood at 26,331, up 137 from the previous fiscal year-end. The average number of transactions per day per ATM amounted to 99.4 (up 1.7 year on year), owing to continued growth in the number of cash charge transactions at ATMs as consumers opted for various cashless payments, as well as improvement in the number of transactions at deposit-taking financial institutions. As a result, total transactions of Seven Bank's ATMs during the three months ended May 31, 2022 increased year on year. As of May 31, 2022, Seven Bank had cash and deposits (including cash for ATM loading) of ¥978.8 billion.

Under the Group financial strategy, we seek to develop distinctive financial services based on 7iD, an ID that customers can use across the Group, and to provide new experiences and values that span retailing and finance. Currently, the Financial Business Strategy Office is taking the lead in considering specific strategies.

Adjustments (eliminations/corporate)

The operating loss from adjustments totaled ¥14.614 billion, up ¥6.294 billion year on year. This operating loss mainly reflected expenses related to measures to realize the Ideal Group image for 2030, including the development of the 7iD membership platform to expand customer interfaces, the evolution of the "7NOW" delivery service and the Last Mile DX Platform for online supermarkets and other such services to provide new experiences and value, and the construction of the Group's shared infrastructure system for purposes such as enhancing operating efficiency and bolstering security.

(2) Qualitative information on consolidated financial position

I. Assets, liabilities and net assets

(Millions of yen)

	February 28, 2022	May 31, 2022	YOY change (amount)
Total assets	8,739,279	9,959,256	1,219,977
Total liabilities	5,591,546	6,645,130	1,053,583
Net assets	3,147,732	3,314,126	166,393

Exchange rates	U.S.\$1=¥115.02	U.S.\$1=¥122.39
	1yuan=¥18.06	1yuan=¥19.26

Total assets amounted to ¥9,959.256 billion, up ¥1,219.977 billion from the previous consolidated fiscal year-end. Current assets increased ¥232.287 billion from the previous consolidated fiscal year-end, mainly due to an increase in cash and deposits. Non-current assets increased ¥987.874 billion, mainly due to an increase in right-of-use assets as a result of the application of "Accounting Standards Updates" ("ASU") 2016-02, Leases (Topic842) in the Overseas convenience store operations.

Total liabilities increased ¥1,053.583 billion from the previous consolidated fiscal year-end, to ¥6,645.130 billion, mainly due to an increase in lease obligations as a result of the application of ASU2016-02, Leases (Topic842) in the Overseas convenience store operations.

Net assets increased ¥166.393 billion from the previous consolidated fiscal year-end, to ¥3,314.126 billion, mainly due to an increase in net income attributable to owners of parent and foreign currency translation adjustments.

The application of the "Accounting Standard for Revenue Recognition", etc. resulted in a decrease of ¥11.948 billion and the application of ASU2016-02, Leases (Topic842) resulted in an increase of ¥35.032 billion in retained earnings at the beginning of the period.

II. Cash flows

(Consolidated cash flows)

(Millions of yen)

	Three months ended May 31, 2021	Three months ended May 31, 2022	YOY change (amount)
Cash flows from operating activities	249,904	280,155	30,251
Cash flows from investing activities	(84,881)	(92,829)	(7,948)
Cash flows from financing activities	1,099,428	(86,031)	(1,185,460)
Cash and cash equivalents at end of the year	3,562,416	1,527,092	(2,035,323)

Net cash provided by operating activities amounted to ¥280.155 billion. This was mainly due to income before income taxes of ¥94.203 billion and increase in amortization of goodwill and notes and accounts payable, trade.

Net cash used in investing activities totaled ¥92.829 billion. Main factors included investments in new store openings, acquisition of property, plant and equipment in connection with investments in existing stores and acquisition of intangible assets through DX investment.

Net cash used in financing activities was ¥86.031 billion. Main inflows were due to cash dividends paid and repayment of long-term debt.

From the above results, cash and cash equivalents as of May 31, 2022 totaled ¥1,527.092 billion.

(3) Qualitative information on forecasts

The Company has revised its forecasts for the consolidated fiscal year ending February 28, 2023 from the previous forecasts announced on April 7, 2022.

(Millions of yen)

	Year ending February 28, 2023			
	Newly revised forecasts	YOY change	YOY change (amount)	Change from the previous forecasts
Gross revenues from operations (reference)	11,134,000	27.2%	2,384,247	760,000
Revenues from operations	10,413,000	19.0%	1,663,247	760,000
Operating income	445,000	14.8%	57,346	15,000
Ordinary income	413,500	15.3%	54,928	11,500
Net income attributable to owners of parent	247,000	17.2%	36,225	7,000

* Assumed exchange rates: U.S.\$1 = ¥127.00; 1 yuan = ¥19.00

* Group's total sales forecasts (including sales of franchisees of Seven-Eleven Japan, Seven-Eleven Okinawa, and 7-Eleven, Inc.): ¥16,402,000 million

* Reflecting the impact of the application of the "Accounting Standard for Revenue Recognition", etc. Revenues from operations based on the previous accounting standard, is presented as "Gross revenues from operations (reference)."

Revenues from operations forecasts by operating segment

(Millions of yen)

	Year ending February 28, 2023			
	Newly revised forecasts	YOY change	YOY change (amount)	Change from the previous forecasts
Domestic convenience store operations	855,000	(2.1)%	(18,239)	—
Overseas convenience store operations	7,410,000	42.7%	2,215,672	760,000
Superstore operations	1,495,000	(17.4)%	(315,728)	—
Department and specialty store operations	487,000	(31.6)%	(225,282)	—
Financial services	200,000	2.9%	5,600	—
Others	24,000	18.0%	3,659	—
Total	10,471,000	18.9%	1,665,680	760,000
Adjustments (Eliminations/corporate)	(58,000)	—	(2,432)	—
Consolidated Total	10,413,000	19.0%	1,663,247	760,000

Gross revenues from operations (reference) forecasts by operating segment

(Millions of yen)

	Year ending February 28, 2023			
	Newly revised forecasts	YOY change	YOY change (amount)	Change from the previous forecasts
Domestic convenience store operations	886,000	1.5%	12,760	—
Overseas convenience store operations	7,410,000	42.7%	2,215,672	760,000
Superstore operations	1,850,000	2.2%	39,271	—
Department and specialty store operations	817,000	14.7%	104,717	—
Financial services	209,000	7.5%	14,600	—
Others	25,000	22.9%	4,659	—
Total	11,197,000	27.2%	2,391,680	760,000
Adjustments (Eliminations/corporate)	(63,000)	—	(7,432)	—
Consolidated Total	11,134,000	27.2%	2,384,247	760,000

Operating income forecasts by operating segment

(Millions of yen)

	Year ending February 28, 2023			
	Newly revised forecasts	YOY change	YOY change (amount)	Change from the previous forecasts
Domestic convenience store operations	230,300	3.1%	6,903	—
Overseas convenience store operations	238,500	49.2%	78,633	24,500
Superstore operations	21,700	15.5%	2,908	—
Department and specialty store operations	5,500	—	13,653	—
Financial services	35,000	(6.8)%	(2,549)	—
Others	800	—	915	—
Total	531,800	23.3%	100,465	24,500
Adjustments (Eliminations/corporate)	(86,800)	—	(43,118)	(9,500)
Consolidated Total	445,000	14.8%	57,346	15,000

2. Related to Summary Information (Others)

(1) Changes in significant subsidiaries during the period: None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates or restatements

(Application of Accounting Standard for Revenue Recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020, hereinafter the "Accounting Standard for Revenue Recognition") and relevant revised ASBJ regulations are applied from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023, it has recognized revenue at the time the control promised goods or services is transferred to customers at the amount that is expected to be received upon exchange of said goods or services.

The main changes due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations are as follows:

I. Revenue recognition for transactions as an agent

Previously, revenue related to commission fees for the sales on wholesaler owned goods and merchandise sales by tenants was recognized at the total amount of consideration received from customers. However, after determining the role (principal or agent) in providing goods or services to customers, the Company has changed to a method of recognizing revenue on the net amount by subtracting payments to suppliers from the total amount. These revenues are included in "Operating revenues".

II. Revenue recognition related to the Company's point system

Based on the point card system, which is designed to promote sales, the Company grants points in accordance with the amount of purchase by members and provide goods or services equivalent to the points used.

Previously, in order to prepare for the use of points granted, the amount expected to be used in the future was recorded as a "Provision for sales promotion", and the provision of sales promotion expenses was recorded as "Selling, general and administrative expenses". However, the Company changed to the method in which the granted points are identified as performance obligations, and the transaction price is allocated based on the stand-alone selling price calculated considering the estimated future forfeitures, etc., and revenue is deferred as a "Contract liabilities".

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023 was added to or deducted from the opening balance of retained earnings of the first quarter of the consolidated fiscal year ending February 28, 2023, and thus the new accounting policy was applied from such opening balance.

As a result, "Retained earnings" were reduced by 11,948 million yen at the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023.

In addition, "Net sales" for the first quarter of the consolidated fiscal year ending February 28, 2023 decreased by 188,533 million yen, "Cost of sales" decreased by 157,324 million yen, "Operating revenues" increased by 20,038 million yen, "Selling, general and administrative expenses" decreased by 10,717 million yen, and "Operating income", "Ordinary income", and "Income before income taxes" decreased by 453 million yen, respectively.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable-trade," which was presented in "Current assets" in the consolidated balance sheets for the previous consolidated fiscal year, is included in "Notes and accounts receivable-trade and contract assets" from the first quarter of the consolidated fiscal year ending February 28, 2023, and "Deposits received", "Allowance for sales promotion expenses", "Allowance for loss on future collection of gift certificates" and a portion of "Other," which was presented in "Current liabilities," are included in "Contract liabilities" from the first quarter of the consolidated fiscal year ending February 28, 2023.

For "Provision for sales returns," which was presented in "Current liabilities," refund liabilities are included in "Other" under "Current liabilities," and returned assets are included in "Other" under "Current assets" from the first quarter of the consolidated fiscal year ending February 28, 2023.

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Accounting Standard for Fair Value Measurement ") and other standards from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023, and it has applied the new accounting policy prescribed

by the Accounting Standard for Fair Value Measurement, etc., prospectively in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

There is no impact on the quarterly consolidated financial statements.

(Application of ASU2016-02, Leases (Topic842))

The Company's overseas subsidiaries that adopted U.S. GAAP have applied the ASU2016-02, Leases (Topic842) effective from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. Lessees are in principle required to recognize all leases as assets and liabilities on their balance sheets. In applying this accounting standard, the accepted method for the transitional treatment which the cumulative effect of a change in accounting policy is recognized at the date of application have been adopted.

As a result of the application of this accounting standard, mainly "Right-of-use assets" increased by 759,486 million yen, "Lease obligations" increased by 783,572 million yen, and "Retained earnings" at the beginning of the consolidated fiscal year ending February 28, 2023 increased by 35,032 million yen, respectively.

(4) Supplementary information

(Adoption of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System)

With respect to items subject to the review of the Non-Consolidated Taxation System conducted to coincide with transition from the Consolidated Taxation System to the Group Tax Sharing System, which was created under the Act on Partial Revision of the Income Tax Act, etc. (Act No. 8 of 2020), the Company and some of its domestic consolidated subsidiaries have not applied the provisions of Paragraph 44 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set out in Paragraph 3 of Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No.39 issued March 31, 2020) and the amounts of deferred tax liabilities and deferred tax assets are based on the provisions of tax laws before the revision.

(Accounting estimates associated with the spread of novel coronavirus (COVID-19))

On the Group's assumption that the spread of novel coronavirus infection will have the business impact for a certain period after this consolidated fiscal year, accounting estimates are reflected in accounting treatment including those used to determine impairment losses.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	February 28, 2022	May 31, 2022
	Amount	Amount
ASSETS		
Current assets	2,604,774	2,837,061
Cash and bank deposits	1,420,653	1,533,231
Notes and accounts receivable - trade, and contract assets	365,746	415,267
Trade accounts receivable - financial services	91,662	92,246
Merchandise and finished goods	246,571	279,998
Work in process	51	37
Raw materials and supplies	2,193	2,130
Prepaid expenses	71,249	81,902
ATM-related temporary payments	107,883	89,768
Other	306,593	351,372
Allowance for doubtful accounts	(7,829)	(8,894)
Non-current assets	6,132,658	7,120,533
Property and equipment	3,232,347	4,111,640
Buildings and structures, net	1,527,898	1,574,311
Furniture, fixtures and equipment, net	436,377	451,039
Land	1,119,796	1,154,359
Lease assets, net	7,240	7,167
Right-of-use assets, net	10,801	789,843
Construction in progress	110,725	116,032
Other, net	19,506	18,887
Intangible assets	2,140,002	2,236,551
Goodwill	1,741,604	1,831,898
Software	213,462	225,458
Other	184,935	179,194
Investments and other assets	760,308	772,341
Investments in securities	220,615	226,400
Long-term loans receivable	14,633	14,363
Long-term leasehold deposits	330,285	323,862
Advances for store construction	542	410
Net defined benefit asset	86,217	87,154
Deferred income taxes	43,539	49,256
Other	67,499	73,909
Allowance for doubtful accounts	(3,024)	(3,016)
Deferred assets	1,846	1,661
Business commencement expenses	1,353	1,208
Bond issuance cost	492	452
TOTAL ASSETS	8,739,279	9,959,256

(Millions of yen)

	February 28, 2022	May 31, 2022
	Amount	Amount
LIABILITIES		
Current liabilities	2,480,725	3,043,403
Notes and accounts payable, trade	483,908	564,826
Short-term loans	140,146	132,160
Current portion of bonds	60,000	252,610
Current portion of long-term loans	121,280	121,628
Income taxes payable	22,716	10,974
Accrued expenses	235,274	224,342
Contract liabilities	-	176,583
Deposits received	223,146	263,114
ATM-related temporary advances	73,901	48,652
Lease obligations	20,409	113,957
Allowance for sales promotion expenses	17,649	1,092
Allowance for bonuses to employees	13,937	24,107
Allowance for bonuses to Directors and Audit & Supervisory Board Members	349	47
Allowance for loss on future collection of gift certificates	602	-
Provision for sales returns	34	-
Deposits received in banking business	787,879	763,273
Call money	-	70,000
Other	279,489	276,030
Non-current liabilities	3,110,820	3,601,727
Bonds	1,582,906	1,459,803
Long-term loans	994,399	994,180
Deferred income taxes	109,825	137,667
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	569	504
Allowance for stock payments	4,272	4,360
Net defined benefit liability	12,702	13,180
Deposits received from tenants and franchised stores	51,422	51,294
Lease obligations	36,527	747,837
Asset retirement obligations	130,456	135,902
Other	187,738	56,996
TOTAL LIABILITIES	5,591,546	6,645,130
NET ASSETS		
Shareholders' equity	2,767,517	2,808,864
Common stock	50,000	50,000
Capital surplus	408,645	408,645
Retained earnings	2,319,155	2,360,375
Treasury stock, at cost	(10,282)	(10,155)
Total accumulated other comprehensive income	213,438	338,961
Unrealized gains (losses) on available-for-sale securities, net of taxes	37,696	34,815
Unrealized gains (losses) on hedging derivatives, net of taxes	4,270	4,683
Foreign currency translation adjustments	157,570	286,409
Remeasurements of defined benefit plans	13,901	13,053
Subscription rights to shares	56	56
Non-controlling interests	166,719	166,242
TOTAL NET ASSETS	3,147,732	3,314,126
TOTAL LIABILITIES AND NET ASSETS	8,739,279	9,959,256

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
Consolidated quarterly statements of income

(Millions of yen)

	Three Months Ended May 31, 2021	Three Months Ended May 31, 2022
	Amount	Amount
Revenues from operations	1,555,371	2,447,317
Net sales	1,241,517	2,087,947
Cost of sales	990,659	1,709,660
Gross profit on sales	250,857	378,286
Operating revenues	313,854	359,370
Gross profit from operations	564,712	737,657
Selling, general and administrative expenses	487,200	635,289
Operating income	77,512	102,367
Non-operating income	2,447	2,740
Interest income	924	679
Equity in earnings of affiliates	-	559
Other	1,522	1,500
Non-operating expenses	10,089	9,588
Interest expenses	2,447	2,999
Interest on bonds	2,670	4,563
Equity in losses of affiliates	582	-
Commitment fee	2,902	116
Other	1,487	1,909
Ordinary income	69,869	95,519
Special gains	7,322	6,234
Gain on sales of property and equipment	3,069	5,030
Gain on sales of property and equipment related to restructuring	1,814	-
Other	2,438	1,204
Special losses	12,479	7,550
Loss on disposals of property and equipment	3,448	3,063
Impairment loss	2,075	1,988
Restructuring expenses	492	181
Loss related to novel coronavirus(COVID-19)	5,436	-
Other	1,026	2,317
Income before income taxes	64,713	94,203
Total Income taxes	18,976	26,378
Income taxes - current	17,834	18,986
Income taxes - deferred	1,141	7,392
Net income	45,736	67,824
Net income attributable to non-controlling interests	2,717	2,785
Net income attributable to owners of parent	43,018	65,039

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Three Months Ended May 31, 2021	Three Months Ended May 31, 2022
	Amount	Amount
Net income	45,736	67,824
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities net of taxes	1,054	(2,826)
Unrealized gains (losses) on hedging derivatives, net of taxes	2,590	412
Foreign currency translation adjustments, net of taxes	117,284	129,616
Remeasurements of defined benefit plans, net of taxes	(720)	(884)
Share of other comprehensive income (loss) of entities accounted for using equity method, net of taxes	135	224
Total other comprehensive income (loss)	120,344	126,542
Comprehensive income (loss)	166,080	194,367
Comprehensive income (loss) attributable to owners of parent	163,032	190,562
Comprehensive income (loss) attributable to non-controlling interests	3,048	3,805

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Three Months Ended May 31, 2021	Three Months Ended May 31, 2022
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	64,713	94,203
Depreciation and amortization	61,802	87,164
Impairment loss	2,252	2,092
Amortization of goodwill	6,353	24,876
Interest income	(924)	(679)
Interest expenses and interest on bonds	5,117	7,563
Equity in losses (earnings) of affiliates	582	(559)
Gain on sales of property and equipment	(4,884)	(5,030)
Loss on disposals of property and equipment	3,448	3,063
Decrease (increase) in notes and accounts receivable, trade	(23,918)	(43,608)
Decrease (increase) in trade accounts receivable, financial services	156	(580)
Decrease (increase) in inventories	(5,513)	(23,693)
Increase (decrease) in notes and accounts payable, trade	28,358	68,252
Increase (decrease) in deposits received	78,856	40,115
Net increase (decrease) in deposits received in banking business	(18,009)	(24,606)
Net increase (decrease) in call money in banking business	50,000	70,000
Net decrease (increase) in ATM-related temporary accounts	45,557	(7,086)
Other	(11,611)	32,900
Subtotal	282,339	324,386
Interest and dividends received	792	633
Interest paid	(2,601)	(11,423)
Proceeds from settlement of interest rate swaps	5,786	-
Income taxes paid	(36,411)	(35,680)
Income taxes refund	-	2,240
Net cash provided by operating activities	249,904	280,155
Cash flows from investing activities		
Acquisition of property and equipment	(86,142)	(66,606)
Proceeds from sales of property and equipment	20,577	9,705
Acquisition of intangible assets	(17,721)	(26,068)
Payment for purchase of investments in securities	(1,100)	(5,376)
Proceeds from sales of investments in securities	500	119
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation	-	938
Payment for long-term leasehold deposits	(2,512)	(2,284)
Refund of long-term leasehold deposits	6,523	5,281
Proceeds from deposits from tenants	1,021	750
Refund of deposits from tenants	(1,341)	(974)
Payment for acquisition of business	(2,121)	(198)
Payment for time deposits	(764)	(213)
Proceeds from withdrawal of time deposits	1,529	91
Other	(3,329)	(7,993)
Net cash used in investing activities	(84,881)	(92,829)

(Millions of yen)

	Three Months Ended May 31, 2021	Three Months Ended May 31, 2022
	Amount	Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans	2,660	(8,172)
Proceeds from long-term debts	15,500	11,400
Repayment of long-term debts	(19,829)	(37,176)
Proceeds from issuance of bonds	1,151,516	-
Purchase of treasury stock	(7)	(3)
Dividends paid	(44,659)	(45,581)
Dividends paid to non-controlling interests	(361)	(455)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,722)	(183)
Other	(3,667)	(5,859)
Net cash used in financing activities	1,099,428	(86,031)
Effect of exchange rate changes on cash and cash equivalents	114,126	10,908
Net increase (decrease) in cash and cash equivalents	1,378,579	112,202
Cash and cash equivalents at beginning of period	2,183,837	1,414,890
Cash and cash equivalents at end of period	3,562,416	1,527,092

(4) Doubts on the premise of going concern

None

(5) Notes to consolidated quarterly statements of income**I. Restructuring expenses**

A breakdown of restructuring expenses is as follows:

(Millions of yen)

	Three Months ended May 31, 2021	Three Months ended May 31, 2022
Impairment loss	177	103
Early retirement benefit	73	-
Others	241	77
Total	492	181

Note: The "Gain on sales of property and equipment related to restructuring" of 1,814 million yen has been recorded separately under "Special gains" for the three months ended May 31, 2021.

II. Loss related to novel coronavirus (COVID-19)

A breakdown of loss related to novel coronavirus (COVID-19) is as follows:

(Millions of yen)

	Three Months ended May 31, 2021	Three Months ended May 31, 2022
Fixed cost during temporary closure (Salaries and wages, Land and building rent, etc.)	3,793	-
Cost of support to franchisees	1,510	-
Others	132	-
Total	5,436	-

Note: The "Loss related to novel coronavirus (COVID-19)" was recorded as "Special losses" for the three months ended May 31, 2021, because it was extraordinary expenses. However, it has been considered to be recurring expenses and has been recorded as "Selling, general and administrative expenses" for the three months ended May 31, 2022.

(6) Notes to consolidated quarterly statements of cash flows

Reconciliation of Cash and cash equivalents as of May 31, 2021 and 2022 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows is as follows.

(Millions of yen)

	Three Months ended May 31, 2021	Three Months ended May 31, 2022
Cash and bank deposits	3,567,071	1,533,231
Restricted cash	7,651	8,584
Time deposits with maturities and certificate deposits in excess of three months	(12,306)	(14,723)
Cash and cash equivalents	3,562,416	1,527,092

(7) Segment information**I. Three months ended May 31, 2021 (From March 1, 2021 to May 31, 2021)****(i) Information on revenues from operations and income (loss) by reportable segment**

(Millions of yen)

	Reportable segment						Total	Adjustments (Note 1)	Consolidated total (Note 2)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Revenues from operations									
1. Customers	217,107	678,802	450,012	165,934	41,925	1,589	1,555,371	-	1,555,371
2. Intersegment	429	494	1,672	701	7,176	3,181	13,655	(13,655)	-
Total	217,536	679,296	451,684	166,636	49,101	4,771	1,569,027	(13,655)	1,555,371
Segment income (loss)	60,573	12,136	5,843	(3,442)	10,431	291	85,832	(8,320)	77,512

Notes:

- The adjustments on segment income (loss) of (8,320) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to operating segments.
- Segment income (loss) is reconciled with the operating income in the consolidated quarterly statements of income.

(ii) Impairment of fixed assets and goodwill by operating segment

No significant items to be reported.

II. Three months ended May 31, 2022 (From March 1, 2022 to May 31, 2022)**(i) Information on revenues from operations and income (loss) by reportable segment**

(Millions of yen)

	Reportable segment						Total	Adjustments (Note 1)	Consolidated total (Note 2)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department and specialty store operations	Financial services	Others			
Revenues from operations									
1. Customers	214,801	1,723,317	354,673	112,204	40,074	2,149	2,447,220	96	2,447,317
2. Intersegment	442	571	1,099	700	7,486	3,680	13,980	(13,980)	-
Total	215,243	1,723,889	355,772	112,904	47,560	5,829	2,461,201	(13,884)	2,447,317
Segment income (loss)	59,282	43,981	3,517	1,086	9,205	(90)	116,982	(14,614)	102,367

Notes:

- The adjustments on segment income (loss) of (14,614) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to operating segments.
- Segment income (loss) is reconciled with the operating income in the consolidated quarterly statements of income.

(ii) Impairment of fixed assets and goodwill by reportable segment

No significant items to be reported.

(iii) Information on reportable segment change

The Company resolved to change the operating segment classification from the second quarter ended August 31, 2021.

Segment information for the three months ended May 31, 2021, which was disclosed as comparative information for the three months ended May 31, 2022, has been described based on the revised reportable segments, and there are differences between the reportable segments for the three months ended May 31, 2021, which was disclosed in the previous consolidated fiscal year.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in "Change in Accounting Policies", "Accounting Standard for Revenue Recognition" and relevant revised ASBJ regulations are applied from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. Due to the change in the accounting method for revenue recognition, the method of calculating income or loss for operating segments has been changed.

As a result of this change, compared with the previous method, for the three months ended May 31, 2022, "Revenues from operations" in the "Domestic convenience store operations" decreased by 6,286 million yen, segment income increased by 181 million yen, "Revenues from operations" in the "Superstore operations" decreased by 83,917 million yen, segment income decreased by 594 million yen, "Revenues from operations" in the "Department and specialty store operations" decreased by 75,563 million yen, segment income increased by 56 million yen, "Revenues from operations" in the "Financial services" decreased by 3,120 million yen, segment income decreased by 80 million yen, and the impact on the "Others" did not have a significant impact, respectively. There is no impact on "Revenues from operations" or segment income in the "Overseas convenience store operations".

(Reference)

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

Three months ended May 31, 2021 (From March 1, 2021 to May 31, 2021)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
1. Customers	851,927	674,743	28,701	1,555,371	-	1,555,371
2. Intersegment	417	87	18	524	(524)	-
Total revenues	852,345	674,831	28,719	1,555,896	(524)	1,555,371
Operating income (loss)	64,791	12,881	10	77,683	(170)	77,512

Three months ended May 31, 2022 (From March 1, 2022 to May 31, 2022)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
1. Customers	710,407	1,719,320	17,588	2,447,317	-	2,447,317
2. Intersegment	14,759	-	18	14,778	(14,778)	-
Total revenues	725,167	1,719,320	17,606	2,462,095	(14,778)	2,447,317
Operating income (loss)	72,899	44,064	(82)	116,882	(14,514)	102,367

Notes:

1. The classification of geographic area segments is determined according to geographical distances.
2. "Others" consist of the results in the P.R.C., etc.

(8) Business combination

Three months ended May 31, 2022 (From March 1, 2022 to May 31, 2022)

Purchase price allocation adjustments

As of August 3, 2020, the Company's consolidated subsidiary, 7-Eleven, Inc. executed an agreement with U.S. company Marathon Petroleum Corporation ("MPC"), to acquire the shares and other interests of the companies operating the convenience store and fuel retail businesses of MPC mainly under the Speedway brand (excluding certain fuel retail operations with direct dealers and other certain businesses). 7-Eleven, Inc. acquired the shares and other interests of the companies as of May 14, 2021 through SEI Speedway Holdings, LLC established as the Company's wholly-owned subsidiary, and made provisional acquisition accounting in the consolidated fiscal year ended February 28, 2022.

The Company continues provisional acquisition accounting for the three months ended May 31, 2022. However, the Company recognized purchase price allocation adjustments to reflect new information about facts and circumstances in existence as of the acquisition date. As a result, the amount of goodwill has been revised as follows:

Goodwill [before revision]	\$12,267,329 thousand	¥1,357,134 million
Revised amount of goodwill		
Decrease (increase) in property and equipment	\$7,142 thousand	¥790 million
<u>Other</u>	<u>\$191 thousand</u>	<u>¥21 million</u>
Total	\$7,333 thousand	¥811 million
Goodwill [after revision]	\$12,274,663 thousand	¥1,357,945 million

Note: Converted at the rate of \$1 = ¥110.63 (as of May 13, 2021).

An acquirer, SEI Speedway Holdings, LLC and its parent company, 7-Eleven, Inc., a subsidiary of the Company, follows U.S. GAAP and has adopted ASU 2015-16. As ASU 2015-16 requires that an acquirer recognize adjustments to provisional acquisition accounting that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, adjustments of the purchase price allocation are not reflected in comparative information.

The impact of these adjustments did not have a significant impact on the Company's operating income, ordinary income, and income before income taxes for the three months ended May 31, 2022.

(9) Notes on significant changes in the amount of shareholders' equity

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. The impact of this change is described in "2. Others (3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatements."

(Application of ASU2016-02, Leases (Topic842))

The Company has applied the ASU2016-02, Leases (Topic842) from the beginning of the first quarter of the consolidated fiscal year ending February 28, 2023. The impact of this change is described in "2. Related to Summary Information (Others) (3) Changes in accounting policies, changes in accounting estimates, and restatements."

(10) Subsequent event

None