



Consolidated Financial Results for the Six Months Ended August 31, 2023

October 12, 2023

Seven & i Holdings Co., Ltd. (URL <https://www.7andi.com/en>)

Securities Code No. 3382

President, Representative Director and CEO: Ryuichi Isaka

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

Submission date of the quarterly securities report scheduled: October 13, 2023

Starting date of paying dividend: November 15, 2023

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 Six Months Ended August 31, 2023 (from March 1, 2023 to August 31, 2023)

(1) Results of operations (cumulative)

(Millions of yen)

	Revenues from Operations		Operating Income		Ordinary Income	
Six Months Ended August 31, 2023	5,547,013	(1.8) %	241,115	2.7 %	226,867	3.2 %
Six Months Ended August 31, 2022	5,651,505	55.0 %	234,767	26.1 %	219,763	26.7 %
	Net Income Attributable to Owners of Parent		Net Income per Share		Diluted Net Income per Share	
Six Months Ended August 31, 2023	80,228	(41.0) %	90.83	(yen)	90.83	(yen)
Six Months Ended August 31, 2022	136,089	27.8 %	154.09	(yen)	154.09	(yen)

(Notes) 1. Comprehensive income:

Six Months Ended August 31, 2023: 320,692 million yen [(37.7) %]

Six Months Ended August 31, 2022: 514,771 million yen [115.4%]

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 fiscal year ended February 28, 2023.

(Reference) Group's total sales:

Six Months Ended August 31, 2023: 8,693,839 million yen

Six Months Ended August 31, 2022: 8,590,700 million yen

EBITDA:

Six Months Ended August 31, 2023: 496,467 million yen

Six Months Ended August 31, 2022: 468,346 million yen

EPS before amortization of goodwill:

Six Months Ended August 31, 2023: 156.06 yen

Six Months Ended August 31, 2022: 214.19 yen

*Group's total sales include the sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc.

*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 August 31, 2023	10,838,971	3,907,975	34.3 %	4,209.54 (yen)
As of February 28, 2023	10,550,956	3,648,161	32.9 %	3,933.93 (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 fiscal year ended February 28, 2023.

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

As of August 31, 2023: 3,718,411 million yen As of February 28, 2023: 3,474,547 million yen

2. Dividends

Record Date	Dividends per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended February 28, 2023	-	49.50	-	63.50	113.00
Year Ending February 29, 2024	-	56.50			
Year Ending February 29, 2024 (forecast)			-	56.50	113.00

(Notes) 1. Revision of dividends forecast during the current quarterly period: None

2. Breakdown of year-end dividend for the fiscal year ended February 28, 2023:

Commemorative dividend 10.00 yen

3. Forecast of Business Results for the Fiscal Year ending February 29, 2024 (From March 1, 2023 to February 29, 2024)

(Millions of yen, YOY change %)

	Revenues from Operations	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Entire Year	11,432,000 (3.2)%	525,000 3.6%	490,000 3.0%	230,000 (18.1)%	260.39 (yen)

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

(Reference) Group's total sales: 17,773,000 million yen

EBITDA: 1,040,600 million yen

EPS before amortization of goodwill: 393.52 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 August 31, 2023: 886,441,983 shares As of February 28, 2023: 886,441,983 shares
 2. Number of treasury stock at the end of period
As of August 31, 2023: 3,112,384 shares As of February 28, 2023: 3,217,271 shares
 3. Average number of shares during the period (Cumulative quarterly consolidated period)
As of August 31, 2023: 883,267,936 shares As of August 31, 2022: 883,153,402 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 by certified public accountants or audit corporations.

FORWARD LOOKING STATEMENTS

1. 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.
2. 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.
3. Other materials related in the financial results are available on the Company's website.
(<https://www.7andi.com/en/ir/library>)

Attached Materials

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1. Qualitative Information on Results for the Six Months Ended August 31, 2023

(1) Qualitative information on consolidated results

I. Overview

In the six months ended August 31, 2023, the Japanese economy showed signs of improvement in consumer spending due to the normalization of economic activity as further progress was made on the easing of activity restrictions, including reclassification of COVID-19's category to Class 5 under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases.

In North America, the economy showed some signs of improvement, such as a recovery in employment conditions. However, the effects of continued inflation and monetary tightening fueled concerns about an economic slowdown, making the outlook uncertain.

In this environment, the Seven & i Group aims to be "a world-class retail group centered around its 'food' that leads retail innovation through global growth strategies centered on the 7-Eleven business and proactive utilization of technology." To achieve this goal, the Group has been pushing ahead with the business strategies and Group strategy laid out in the updated Medium-Term Management Plan (announced on March 9, 2023).

Our consolidated results for the six months ended August 31, 2023 are summarized below.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. have been applied since the fiscal year ended February 28, 2023.

(Millions of yen)

	Six months ended August 31, 2022		Six months ended August 31, 2023	
		YOY		YOY
Revenues from operations	5,651,505	155.0%	5,547,013	98.2%
Operating income	234,767	126.1%	241,115	102.7%
Ordinary income	219,763	126.7%	226,867	103.2%
Net income attributable to owners of parent	136,089	127.8%	80,228	59.0%

Exchange rates	U.S.\$1 = ¥123.14	U.S.\$1 = ¥135.00
	1yuan = ¥18.97	1yuan = ¥19.46

Group's total sales (including sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd. and 7-Eleven, Inc.) amounted to ¥8,693,839 million (101.2% year on year). For the six months ended August 31, 2023, revenues from operations and operating income increased by ¥353.8 billion, and ¥9.7 billion, respectively, as a result of exchange rate fluctuations.

II. Overview by operating segment

The Company changed its classification of reportable segments since the first quarter of the fiscal year ending February 29, 2024. Figures for the six months ended August 31, 2022 in the table below have been revised to reflect the new classification.

(Revenues from operations by operating segment)

(Millions of yen)

	Six months ended August 31, 2022		Six months ended August 31, 2023	
		YOY		YOY
Domestic convenience store operations	446,776	-	470,786	105.4%
Overseas convenience store operations	4,184,549	-	4,026,853	96.2%
Superstore operations	715,034	-	729,091	102.0%
Financial services	95,753	-	102,876	107.4%
Others	237,203	-	248,408	104.7%
Total	5,679,316	-	5,578,015	98.2%
Adjustments (Eliminations/corporate)	(27,811)	-	(31,001)	-
Consolidated Total	5,651,505	155.0%	5,547,013	98.2%

(Operating income by operating segment)

(Millions of yen)

	Six months ended August 31, 2022		Six months ended August 31, 2023	
		YOY		YOY
Domestic convenience store operations	126,710	-	138,503	109.3%
Overseas convenience store operations	115,598	-	112,832	97.6%
Superstore operations	4,304	-	4,430	102.9%
Financial services	19,357	-	19,990	103.3%
Others	176	-	2,444	-
Total	266,146	-	278,202	104.5%
Adjustments (Eliminations/corporate)	(31,379)	-	(37,086)	-
Consolidated Total	234,767	126.1%	241,115	102.7%

Domestic convenience store operations

In Domestic convenience store operations, revenues from operations amounted to ¥470,786 million (105.4% year on year), and operating income amounted to ¥138,503 million (109.3% year on year).

SEVEN-ELEVEN JAPAN CO., LTD. ("SEJ") is focusing on addressing changes in customers' purchasing behavior that emerged from the COVID-19 pandemic, in addition to population aging and increases in single-person households and working women. Accordingly, SEJ has been implementing activities including strengthening the development of original merchandise such as fast food and *Seven Premium*, changing store layouts in order to increase the number of items carried, and conducting sales promotions that produce an event-like sense of excitement. In addition, SEJ has been enhancing measures to achieve a nationwide roll-out of the "7NOW" delivery service. These measures include establishing a system to increase the number of stores handling the service.

In the six months ended August 31, 2023, we benefited from the success of various measures such as proactively conducting limited-time sales promotions, setting themes based on region, menu, etc., and offering a varied assortment of merchandise for each theme, and conducting sales promotion

initiatives leveraging our app. We also benefited from a recovery in customer traffic brought on by the resumption of special exhibitions and events in each region and favorable weather, while some concerns still remained about the COVID-19 pandemic. As a result, existing store sales increased year on year. Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥2,720,442 million (105.1% year on year). Operating income was ¥138,960 million (109.7% year on year), despite various cost increases such as utilities costs.

SEJ marked its 50th anniversary in 2023. Looking ahead, SEJ will seek to foster the well-being of all its stakeholders not only through its traditional strength of “convenience”, but also through a four-part vision encompassing health, community, the environment, and human resources, in order to contribute to the solution of social issues.

Overseas convenience store operations

In Overseas convenience store operations, revenues from operations amounted to ¥4,026,853 million (96.2% year on year), and operating income amounted to ¥112,832 million (97.6% year on year).

In North America, 7-Eleven, Inc. (“SEI”) sought to achieve sustained business growth and improved business efficiency, even as concerns emerged about continued inflation and monetary tightening causing an economic recession. To achieve these goals, SEI endeavored to expand the development and distribution of its high quality and highly profitable proprietary products (fresh foods, proprietary beverages, and private brands), step up efforts focused on the “7NOW” delivery service, and enhance customer loyalty through the use of digital technology.

As a result, in the six months ended June 30, 2023, merchandise sales at existing stores in the U.S. increased year on year in U.S. dollars. Moreover, total store sales (the sum of sales from directly operated stores and franchisees) amounted to ¥4,820,878 million (98.3% year on year) due to lower gasoline prices and lower sales volume, despite growth in merchandise sales. Meanwhile, operating income amounted to ¥166,629 million (100.3% year on year) due to factors such as an improvement in the merchandise gross profit margin and a result of exchange rate fluctuations.

In addition, the integration process with the Speedway business acquired in May 2021 is proceeding smoothly, with synergies amounting to U.S.\$800 million expected to be generated in the fiscal year ending December 31, 2023.

7-Eleven International LLC has plans to establish a store network of 50,000 stores in areas outside Japan and North America by the fiscal year ending December 31, 2025, and to open stores in 30 countries and regions worldwide, including Japan and North America by the fiscal year ending December 31, 2030. Based on these goals, it will advance growth strategies both in countries where it already has stores and those where it will open stores for the first time. As for existing countries, 7-Eleven International LLC decided in February 2023 to invest in and finance the Vietnam business. And for new countries, the first store was opened in Israel in January, 2023 and in Laos in September, 2023. As a result, 7-Eleven has the stores in 20 countries and regions worldwide.

Superstore operations

In Superstore operations, revenues from operations amounted to ¥729,091 million (102.0% year on year), and operating income amounted to ¥4,430 million (102.9% year on year).

Ito-Yokado Co., Ltd. has been demonstrating the accomplishments of the structural reforms which have been implemented through the fiscal year ended February 28, 2023. Concurrently, it has been executing fundamental reform measures aimed at improving the profitability of Superstore operations. As part of these efforts, Peace Deli Nagareyama Kitchen, which is the Seven & i Group’s first shared infrastructure site, started supplying fresh food and meal kits processed at the plant to stores in the Tokyo metropolitan area on March 28, 2023. In addition, the Ito-Yokado Net Super Shin-Yokohama Center began operating in August 2023. Additionally, Ito-Yokado is working to revitalize existing stores through remodeling.

In the six months ended August 31, 2023, existing store sales (including tenants) rose year on year, as sales of tenants and other merchants rebounded mainly due to a recovery in customer traffic. However, the operating loss amounted to ¥2,834 million (operating loss of ¥1,669 million for the same period of the previous fiscal year), mainly owing to an increase in utilities costs due to higher energy costs and other expenses.

Furthermore, on September 1, 2023, Ito-Yokado, Co., Ltd. and York Co., Ltd. completed a merger with Ito-Yokado Co., Ltd. being the surviving company and York Co., Ltd. being the dissolved company. This merger seeks to maximize synergies and operational efficiency of Superstore operations in the Tokyo metropolitan area.

For York-Benimaru Co., Ltd., we are furthering initiatives to revitalize existing stores, enhance development and sales of delicatessen merchandise in order to realize its concept of “making the daily meals of customers in local areas more enjoyable, plentiful, and convenient.” In the six months ended August 31, 2023, existing store sales increased year on year, as it benefited from the success of suitable price increases in response to soaring raw material prices, and sales promotion initiatives, in addition to a recovery in customer traffic. As a result, York-Benimaru’s operating income amounted to ¥9,239 million (103.4% year on year), despite a continued increase in utilities costs due to higher energy costs and other expenses. 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.

Financial services

In Financial services, revenues from operations amounted to ¥102,876 million (107.4% year on year), and operating income amounted to ¥19,990 million (103.3% year on year).

As of August 31, 2023, the number of domestic ATMs operated by Seven Bank, Ltd. stood at 27,071, up 182 from the previous fiscal year-end. The average number of transactions per day per ATM amounted to 104.6 (up 4.9 year on year), owing to improvement in the number of transactions at deposit-taking institutions in step with a rebound in customer traffic and an increase in non-banking transactions such as consumer finance in line with increased demand for funds, as well as a sustained high level of cash charge transactions as consumers opted for various cashless payments. As a result, total transactions of Seven Bank’s ATMs during the three months ended August 31, 2023 increased year on year. As of August 31, 2023, Seven Bank had cash and deposits (including cash for ATM loading) of ¥840.2 billion.

In addition, on July 1, 2023, we transferred all shares of Seven Card Services Co., Ltd. owned by Seven Financial Service Co., Ltd., a consolidated subsidiary of the Company, to Seven Bank, Ltd. Through this transaction, we aim to capture synergies by integrating the management of banking and non-banking businesses.

Others

In Others, revenues from operations amounted to ¥248,408 million (104.7% year on year), and operating income amounted to ¥2,444 million (¥176 million for the same period of the previous fiscal year).

Both revenues and income increased mainly due to sales growth benefited from a recovery in customer traffic.

Additionally, on August 31, 2023, the Company resolved to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to Sugi Godo Kaisha, a special purpose company which is a related entity of Fortress Investment Group LLC on September 1, 2023.

Adjustments (eliminations/corporate)

The operating loss from adjustments totaled ¥37,086 million (operating loss of ¥31,379 million for the same period of the previous fiscal year).

This operating loss mainly reflected expenses related to the construction of the Group's shared infrastructure system for purposes such as enhancing operating efficiency and bolstering security. Moreover, we will continue to work on measures to realize the Ideal Group Image for 2030, including the development of the 7iD membership platform to expand customer interfaces, and the evolution of the "7NOW" delivery service and the Last Mile DX Platform for Ito-Yokado's *Net Supermarket* (online supermarket) and other such services to provide new experiences and value.

(2) Qualitative information on consolidated financial position

I. Assets, liabilities and net assets

(Millions of yen)

	February 28, 2023	August 31, 2023	Change
Total assets	10,550,956	10,838,971	288,015
Total liabilities	6,902,794	6,930,995	28,201
Net assets	3,648,161	3,907,975	259,813

Exchange rates	U.S.\$1 = ¥132.70	U.S.\$1 = ¥144.99
	1yuan = ¥19.01	1yuan = ¥19.94

Total assets amounted to ¥10,838,971 million, up ¥288,015 million from the previous fiscal year-end. Current assets decreased ¥201,874 million from the previous fiscal year-end, mainly due to a decrease in cash and bank deposits due to repayment of interest-bearing debt including redemption of bonds despite an increase in other current assets such as an increase in accounts receivable. Non-current assets increased ¥490,259 million, mainly due to an increase in tangible fixed assets resulting from foreign currency translation.

Total liabilities increased ¥28,201 million from the previous fiscal year-end to ¥6,930,995 million, mainly due to a loss on transfer of department store despite a decrease in interest-bearing debt from redemption of bonds.

Net assets increased ¥259,813 million from the previous fiscal year-end to ¥3,907,975 million, mainly due to an increase in foreign currency translation adjustments.

II. Cash flows

(Consolidated cash flows)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023	Change
Cash flows from operating activities	366,450	192,993	(173,457)
Cash flows from investing activities	(184,232)	(223,140)	(38,908)
Cash flows from financing activities	(185,471)	(295,290)	(109,819)
Cash and cash equivalents at end of the period	1,442,548	1,372,116	(70,432)

Net cash provided by operating activities amounted to ¥192,993 million. This was mainly due to income before income taxes of ¥75,795 million.

Net cash used in investing activities amounted to ¥223,140 million, mainly due to acquisition of property and equipment and acquisition of intangible assets, which were partly offset by proceeds from sales of investments in securities.

Net cash used in financing activities amounted to ¥295,290 million, mainly due to redemption of bonds.

As a result of the above, cash and cash equivalents for the six months ended August 31, 2023 totaled ¥1,372,116 million.

(3) Qualitative information on forecasts

The forecasts for the fiscal year ending February 29, 2024 has been revised from those announced on September 1, 2023.

(Millions of yen)

	Year ending February 29, 2024		
	Newly revised forecasts	YOY	YOY change (amount)
Revenues from operations	11,432,000	96.8%	(379,303)
Operating income	525,000	103.6%	18,478
Ordinary income	490,000	103.0%	14,112
Net income attributable to owners of parent	230,000	81.9%	(50,976)

* Assumed exchange rates: U.S.\$1 = ¥137.00; 1 yuan = ¥19.00 (No changes)

* Group's total sales forecasts including sales of franchisees of SEVEN-ELEVEN JAPAN CO., LTD., SEVEN-ELEVEN OKINAWA Co., Ltd., and 7-Eleven, Inc.: ¥17,773,000 million

(Revenues from operations and operating income by operating segment)

(Millions of yen)

	Year ending February 29, 2024			
	Revenues from operations		Operating income	
		YOY		YOY
Domestic convenience store operations	937,000	105.2%	244,000	105.2%
Overseas convenience store operations	8,445,000	95.5%	310,000	107.0%
Superstore operations	1,484,000	102.4%	14,500	117.0%
Financial services	208,000	107.1%	33,500	90.2%
Others	424,000	86.8%	100	3.9%
Total	11,498,000	96.9%	602,100	104.9%
Adjustments (Eliminations/corporate)	(66,000)	-	(77,100)	-
Consolidated Total	11,432,000	96.8%	525,000	103.6%

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 the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021, hereinafter the "Implementation Guidance on Accounting Standard for Fair Value Measurement") from the beginning of the first quarter of the fiscal year ending February 29, 2024, and it has applied the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement, prospectively in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

There is no impact on the quarterly consolidated financial statements.

(4) Supplementary information

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have transferred from the Consolidated Taxation System to the Group Tax Sharing System from the beginning of the first quarter of the fiscal year ending February 29, 2024. Accordingly, the accounting and disclosure of corporate and local income taxes and deferred income taxes are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021, hereinafter referred to as "PITF 42"). In addition, in accordance with PITF 42, Section 32(1), the Company does not expect the adoption of PITF 42 to have any impact on the changes in accounting policies.

3. Consolidated Quarterly Financial Statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	February 28, 2023	August 31, 2023
	Amount	Amount
ASSETS		
Current assets	3,060,653	2,858,779
Cash and bank deposits	1,670,872	1,369,714
Call loan	23,000	35,000
Notes and accounts receivable - trade, and contract assets	422,635	444,823
Trade accounts receivable - financial services	93,490	96,449
Merchandise and finished goods	280,044	308,660
Work in process	119	132
Raw materials and supplies	2,216	2,532
Prepaid expenses	78,588	78,060
ATM-related temporary payments	102,755	90,510
Other	397,288	445,347
Allowance for doubtful accounts	(10,356)	(12,450)
Non-current assets	7,489,195	7,979,455
Property and equipment	4,341,750	4,599,777
Buildings and structures, net	1,614,830	1,681,964
Furniture, fixtures and equipment, net	463,518	495,094
Land	1,196,007	1,255,581
Lease assets, net	6,264	5,287
Right-of-use assets, net	885,645	974,350
Construction in progress	156,842	167,640
Other, net	18,640	19,858
Intangible assets	2,364,673	2,517,272
Goodwill	1,913,017	2,035,022
Software	265,638	287,703
Other	186,016	194,545
Investments and other assets	782,772	862,406
Investments in securities	243,215	275,916
Long-term loans receivable	14,903	14,705
Long-term leasehold deposits	321,945	312,632
Advances for store construction	770	615
Net defined benefit asset	87,088	89,364
Deferred income taxes	57,186	109,215
Other	60,627	62,940
Allowance for doubtful accounts	(2,965)	(2,984)
Deferred assets	1,106	736
Business commencement expenses	773	483
Bond issuance cost	332	253
TOTAL ASSETS	10,550,956	10,838,971

(Millions of yen)

	February 28, 2023	August 31, 2023
	Amount	Amount
LIABILITIES		
Current liabilities	3,265,089	3,470,986
Notes and accounts payable, trade	536,173	605,683
Short-term loans	143,568	154,055
Current portion of bonds	355,823	475,778
Current portion of long-term loans	145,605	203,143
Income taxes payable	25,549	24,058
Accrued expenses	276,771	258,770
Contract liabilities	211,356	200,020
Deposits received	165,501	140,244
ATM-related temporary advances	61,772	52,892
Lease obligations	121,472	134,369
Allowance for related loss on transfer of department store	-	130,310
Allowance for sales promotion expenses	1,104	789
Allowance for bonuses to employees	14,389	16,213
Allowance for bonuses to Directors and Audit & Supervisory Board Members	483	274
Deposits received in banking business	810,139	790,861
Call money	110,000	-
Other	285,377	283,520
Non-current liabilities	3,637,704	3,460,009
Bonds	1,394,728	1,169,764
Long-term loans	936,070	868,448
Deferred income taxes	184,242	215,243
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	526	509
Allowance for stock payments	4,555	4,742
Net defined benefit liability	13,584	13,103
Deposits received from tenants and franchised stores	50,322	50,102
Lease obligations	834,913	917,288
Asset retirement obligations	155,137	158,920
Other	63,623	61,886
TOTAL LIABILITIES	6,902,794	6,930,995
NET ASSETS		
Shareholders' equity	2,981,545	2,993,978
Common stock	50,000	50,000
Capital surplus	408,926	397,285
Retained earnings	2,532,491	2,556,166
Treasury stock, at cost	(9,873)	(9,474)
Total accumulated other comprehensive income	493,001	724,433
Unrealized gains (losses) on available-for-sale securities, net of taxes	34,823	44,871
Unrealized gains (losses) on hedging derivatives, net of taxes	4,799	5,123
Foreign currency translation adjustments	444,478	666,643
Remeasurements of defined benefit plans	8,899	7,795
Subscription rights to shares	49	49
Non-controlling interests	173,565	189,514
TOTAL NET ASSETS	3,648,161	3,907,975
TOTAL LIABILITIES AND NET ASSETS	10,550,956	10,838,971

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

Consolidated quarterly statements of income

(Millions of yen)

	Six Months Ended August 31, 2022	Six Months Ended August 31, 2023
	Amount	Amount
Revenues from operations	5,651,505	5,547,013
Net sales	4,897,411	4,722,936
Cost of sales	4,084,052	3,873,366
Gross profit on sales	813,359	849,570
Operating revenues	754,094	824,077
Gross profit from operations	1,567,453	1,673,647
Selling, general and administrative expenses	1,332,685	1,432,531
Operating income	234,767	241,115
Non-operating income	5,210	10,494
Interest income	1,440	4,988
Equity in earnings of affiliates	1,439	1,403
Other	2,331	4,102
Non-operating expenses	20,214	24,742
Interest expenses	6,108	10,878
Interest on bonds	9,717	9,859
Other	4,388	4,005
Ordinary income	219,763	226,867
Special gains	7,908	8,538
Gain on sales of property and equipment	6,323	4,571
Gain on sales of investments in securities	261	2,841
Other	1,322	1,126
Special losses	29,224	159,611
Loss on disposals of property and equipment	7,097	6,691
Impairment loss	10,175	10,594
Loss on transfer of department store	-	130,321
Loss on transfer of subsidiary	-	4,866
Restructuring expenses	404	800
Other	11,547	6,336
Income before income taxes	198,447	75,795
Total Income taxes	56,343	(11,243)
Income taxes - current	38,588	30,564
Income taxes - deferred	17,755	(41,808)
Net income	142,103	87,038
Net income attributable to non-controlling interests	6,014	6,810
Net income attributable to owners of parent	136,089	80,228

Consolidated quarterly statements of comprehensive income

(Millions of yen)

	Six Months Ended August 31, 2022	Six Months Ended August 31, 2023
	Amount	Amount
Net income	142,103	87,038
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities, net of taxes	5,328	10,106
Unrealized gains (losses) on hedging derivatives, net of taxes	931	319
Foreign currency translation adjustments	367,952	224,381
Remeasurements of defined benefit plans, net of taxes	(1,797)	(1,009)
Share of other comprehensive income (loss) of entities accounted for using equity method, net of taxes	253	(144)
Total other comprehensive income (loss)	372,667	233,654
Comprehensive income (loss)	514,771	320,692
Comprehensive income (loss) attributable to owners of parent	506,287	311,659
Comprehensive income (loss) attributable to non-controlling interests	8,484	9,033

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six Months Ended August 31, 2022	Six Months Ended August 31, 2023
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	198,447	75,795
Depreciation and amortization	180,503	197,735
Impairment loss	10,283	10,884
Amortization of goodwill	53,075	57,615
Interest income	(1,440)	(4,988)
Interest expenses and interest on bonds	15,826	20,737
Equity in losses (earnings) of affiliates	(1,439)	(1,403)
Gain on sales of property and equipment	(6,323)	(4,571)
Loss on disposals of property and equipment	7,097	6,691
Loss on transfer of department store	-	130,321
Loss on transfer of subsidiary	-	4,866
Loss (gain) on sales of investments in securities	(261)	(2,841)
Decrease (increase) in notes and accounts receivable, trade	(50,221)	(11,863)
Decrease (increase) in trade accounts receivable, financial services	1,392	(2,958)
Decrease (increase) in inventories	(48,261)	(15,064)
Increase (decrease) in notes and accounts payable, trade	120,898	50,298
Increase (decrease) in deposits received	(64,966)	(25,528)
Net increase (decrease) in bonds in banking business	-	(20,000)
Net increase (decrease) in deposits received in banking business	(3,307)	(19,278)
Net decrease (increase) in call loan in banking business	(10,000)	(12,000)
Net increase (decrease) in call money in banking business	-	(110,000)
Net decrease (increase) in ATM-related temporary accounts	(3,407)	3,587
Other	11,413	(85,307)
Subtotal	409,309	242,729
Interest and dividends received	1,634	5,342
Interest paid	(16,171)	(20,741)
Insurance income received	-	1,046
Income taxes paid	(43,262)	(54,175)
Income taxes refund	14,940	18,792
Net cash provided by operating activities	366,450	192,993
Cash flows from investing activities		
Acquisition of property and equipment	(142,884)	(158,697)
Proceeds from sales of property and equipment	13,313	12,764
Acquisition of intangible assets	(48,537)	(54,856)
Payment for purchase of investments in securities	(22,139)	(36,910)
Proceeds from sales of investments in securities	12,667	24,744
Payment for purchase of shares in subsidiaries resulting in change in scope of consolidation	-	(776)
Proceeds from sales of shares in subsidiaries resulting in change in scope of consolidation	938	-
Payment for sales of shares in subsidiaries resulting in change in scope of consolidation	-	(2,687)
Payment for long-term leasehold deposits	(5,159)	(7,910)
Refund of long-term leasehold deposits	10,042	9,677
Proceeds from deposits from tenants	1,280	995
Refund of deposits from tenants	(1,405)	(982)
Payment for acquisition of business	(209)	-
Payment for time deposits	(1,013)	(5,629)
Proceeds from withdrawal of time deposits	1,281	2,967
Other	(2,406)	(5,839)
Net cash used in investing activities	(184,232)	(223,140)

(Millions of yen)

	Six Months Ended	Six Months Ended
	August 31, 2022	August 31, 2023
	Amount	Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans	(3,899)	8,732
Proceeds from long-term debts	140,202	35,700
Repayment of long-term debts	(201,156)	(86,089)
Payment for redemption of bonds	(60,000)	(188,750)
Proceeds from share issuance to non-controlling shareholders	-	2,368
Purchase of treasury stock	(7)	(7)
Dividends paid	(45,998)	(56,139)
Dividends paid to non-controlling interests	(4,297)	(4,039)
Payment for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(948)	(717)
Other	(9,365)	(6,349)
Net cash used in financing activities	(185,471)	(295,290)
Effect of exchange rate changes on cash and cash equivalents	30,911	22,766
Net increase (decrease) in cash and cash equivalents	27,658	(302,671)
Cash and cash equivalents at beginning of period	1,414,890	1,674,787
Cash and cash equivalents at end of period	1,442,548	1,372,116

(4) Doubts on the premise of going concern

None

(5) Notes to consolidated quarterly statements of income

A breakdown of restructuring expenses is as follows:

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Impairment loss	108	290
Early retirement benefit	92	38
Others	203	471
Total	404	800

(6) Notes to consolidated quarterly statements of cash flows

Reconciliation of Cash and cash equivalents as of August 31, 2022 and 2023 between the amounts shown in the consolidated balance sheets and the consolidated statements of cash flows is as follows.

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash and bank deposits	1,438,746	1,369,714
Restricted cash	18,931	20,862
Time deposits with maturities and certificate deposits in excess of three months	(15,129)	(18,461)
Cash and cash equivalents	1,442,548	1,372,116

(7) Segment information

I. Six months ended August 31, 2022 (From March 1, 2022 to August 31, 2022)

(i) Information on revenues from operations and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Revenues from operations								
1. Customers	445,754	4,183,273	712,787	80,808	228,611	5,651,234	270	5,651,505
2. Intersegment	1,022	1,275	2,247	14,945	8,591	28,082	(28,082)	-
Total	446,776	4,184,549	715,034	95,753	237,203	5,679,316	(27,811)	5,651,505
Segment income (loss)	126,710	115,598	4,304	19,357	176	266,146	(31,379)	234,767

Notes:

1. Others represent the businesses which are not included in any of the reportable segments and consist of the department store operations, specialty store operations and real estate operations, etc.
2. The adjustments on segment income (loss) of (31,379) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to operating segments.
3. 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.

II. Six months ended August 31, 2023 (From March 1, 2023 to August 31, 2023)

(i)Information on revenues from operations and income (loss) by reportable segment

(Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Financial services				
Revenues from operations								
1. Customers	469,732	4,025,508	726,903	87,286	237,280	5,546,710	303	5,547,013
2. Intersegment	1,054	1,344	2,188	15,590	11,128	31,305	(31,305)	-
Total	470,786	4,026,853	729,091	102,876	248,408	5,578,015	(31,001)	5,547,013
Segment income (loss)	138,503	112,832	4,430	19,990	2,444	278,202	(37,086)	241,115

Notes:

1. Others represent the businesses which are not included in any of the reportable segments and consist of the department store operations, specialty store operations and real estate operations, etc.
2. The adjustments on segment income (loss) of (37,086) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to operating segments.
3. 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)Changes in classification of reportable segments

At a meeting of the Board of Directors held on April 6, 2023, the Company resolved to change the classification of operating segments. The details of the change in the segment classification due to this change are as follows.

- "Department and specialty store operations" is classified as "Others" operating segment.
- A part of the "Superstore operations" (Peace Deli Co., Ltd.) is classified as "Others" operating segment as a group functional company.

Segment information for the second quarter ended August 31, 2022 has been reclassified into the new segment classification.

(Reference)

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

Six months ended August 31, 2022 (From March 1, 2022 to August 31, 2022)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
1. Customers	1,441,519	4,174,597	35,388	5,651,505	–	5,651,505
2. Intersegment	15,084	233	37	15,355	(15,355)	–
Total revenues	1,456,604	4,174,831	35,425	5,666,860	(15,355)	5,651,505
Operating income (loss)	134,042	115,244	(9)	249,277	(14,509)	234,767

Six months ended August 31, 2023 (From March 1, 2023 to August 31, 2023)

(Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
1. Customers	1,493,570	4,015,602	37,839	5,547,013	–	5,547,013
2. Intersegment	13,946	302	61	14,310	(14,310)	–
Total revenues	1,507,517	4,015,905	37,901	5,561,324	(14,310)	5,547,013
Operating income (loss)	142,579	110,739	934	254,253	(13,137)	241,115

Notes:

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

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

None

(9) Subsequent event

1. Business divestiture

(Transfer of subsidiary shares)

The Company entered into an agreement (the "Agreement") to transfer all of the issued shares of Sogo & Seibu Co., Ltd. held by the Company to a special purpose company, which is a related entity of Fortress Investment Group LLC, Sugi Godo Kaisha (the "Transferee Company") (the "Transfer") on November 11, 2022, and had continued negotiations to meet the prescribed conditions. The Company resolved to enter into an amendment (the "Amendment") related to the Agreement at a meeting of its Board of Directors held on August 31, 2023, and entered into the Amendment as of the same date. Since the prescribed conditions in the Agreement and the Amendment had been satisfied, the share transfer was completed on September 1,

2023.

As a result, Sogo & Seibu Co., Ltd., and its subsidiaries* will be excluded from the scope of consolidation.

*IKEBUKURO SHOPPING PARK CO., LTD., GOTTSUOBIN CO., LTD., Yatsugatake Kogen Lodge Co., Ltd., DISTRICT HEATING AND COOLING CHIBA CO., LTD., and Sogo Co., Ltd.

I. Outline of the business divestiture

(i) Name of the successor entity

Sugi Godo Kaisha

(ii) Description of the divested businesses

Department store business, and operation of shopping centers, large-scale commercial facilities, etc.

(iii) Main objectives of the business divestiture

For the Company, the Transfer is one initiative that aligns with the Group strategy announced on March 9, 2023, and the Company determined that the execution of the Transfer suits the best interest of the Company and its stakeholders including the shareholders.

(iv) Date of the business divestiture

September 1, 2023

(v) Outline of the business divestiture including the legal form thereof

Share transfers for which the consideration to be received is assets such as cash only.

II. Overview of the accounting treatment

(i) Amount of loss on the transfer (forecast)

¥130,321 million

The loss amount includes other costs related to the business transfer.

Additionally, the amount is tentatively calculated since it fluctuates based on the price adjustment clause and indemnity clause after the closing as per the share transfer agreement.

(ii) Appropriate carrying amounts of assets and liabilities related to the transferred business and major breakdown thereof

Current assets	¥86,441 million
Non-current assets	¥325,583 million
Total assets	¥412,024 million
Current liabilities	¥293,511 million
Non-current liabilities	¥22,654 million
Total liabilities	¥316,166 million

(iii) Accounting treatment

The business divestiture will be accounted for pursuant to the Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, January 16, 2019).

Provision for allowance of loss on the transfer is included in special losses as "Loss on transfer of department store" in the consolidated quarterly statements of income for the six months ended August 31, 2023.

III. Name of the reporting segment in which the divested business was included in the segment information disclosure

Others

IV. Approximate amount of profit or loss related to the divested business recorded in the consolidated quarterly statements of income for the six months ended August 31, 2023

Revenues from operations	¥91,959 million
Operating income	¥412 million

2. Issuance of bonds

At a meeting of its Board of Directors held on September 7, 2023, a comprehensive resolution regarding the issuance of unsecured domestic straight bond was passed. A summary of this issuance is as follows.

- (I) Principal amount: ¥250 billion or less (Multiple issuance within this scope is allowed.)
- (II) Estimated issue term: From October 1, 2023 to December 31, 2023
(However, it contains what is offered during the term.)
- (III) Interest rate: Market yield of Japanese government bonds with nearly the same maturities plus 1.0% or less
- (IV) Issue price: The bonds shall be issued at 100 yen per face value of 100 yen.
- (V) Redemption date: 10 years or less
- (VI) Redemption method: Lump-sum redemption at maturity (However, callable clause may be included.)
- (VII) Security: Unsecured and without guarantee
- (VIII) Financial covenants: Negative pledge clause and other covenants which are required for issuance of bonds
- (IX) Use of funds: Funds for bond redemption, funds for repayment of loans, investment funds and working capital
- (X) Other: It will be subject to the “Act on Book-Entry Transfer of Corporate Bonds and Shares”. Decisions regarding matters listed in the items of Article 676 of the Companies Act and any other items necessary for the issuance of bonds will be made at the discretion of the Director, Managing Executive Officer and Chief Financial Officer (CFO). It will be reported at a meeting of its Board of Directors, first held after the decision.