



October 10, 2019

Consolidated Financial Results for the Six Months Ended August 31, 2019

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 First Section of the Tokyo Stock Exchange.

Submission date of quarterly securities report scheduled: October 11, 2019

Starting date of paying dividend: November 15, 2019

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. Business Results for the Six Months Ended August 31, 2019 (From March 1, 2019 to August 31, 2019)

(1) Results of Operations (Cumulative)

(Millions of yen, except per share amounts)

	Revenues from Operations		Operating Income		Ordinary Income	
Six Months Ended August 31, 2019	3,313,224	(0.9)%	205,127	2.8%	203,234	3.2%
Six Months Ended August 31, 2018	3,343,538	11.9%	199,610	2.6%	196,890	1.4%

	Net Income Attributable to Owners of Parent		Net Income per Share		Diluted Net Income per Share	
Six Months Ended August 31, 2019	110,647	9.2%	125.14	(yen)	125.04	(yen)
Six Months Ended August 31, 2018	101,355	13.3%	114.58	(yen)	114.50	(yen)

(Note) Comprehensive income:

Six Months Ended August 31, 2019: 95,730 million yen [13.0%]

Six Months Ended August 31, 2018: 84,737 million yen [3.8%]

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

Six Months Ended August 31, 2019: 5,997,499 million yen [0.8%]

Six Months Ended August 31, 2018: 5,950,391 million yen [8.2%]

(2) Financial Position

(Millions of yen, except per share amounts)

	Total Assets	Net Assets	Owners' Equity Ratio	Owners' Equity per Share
As of August 31, 2019	5,959,406	2,666,454	42.2%	2,851.33 (yen)
As of February 28, 2019	5,795,065	2,672,486	43.5%	2,850.42 (yen)

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

As of August 31, 2019: 2,517,284 million yen

As of February 28, 2019: 2,521,395 million yen

(Note) "Partial Amendments to the Accounting Standard for Tax Effect Accounting" (ASBJ No.28; February 16, 2018), have been applied from the beginning of the first quarter of the fiscal year ending February 29, 2020, and results for the fiscal year ended February 28, 2019 are those after retrospective application.

2. Dividends

Record Date	Dividends per Share (yen)				
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Year Ended February 28, 2019	-	47.50	-	47.50	95.00
Year Ending February 29, 2020	-	47.50			
Year Ending February 29, 2020 (Forecast)			-	47.50	95.00

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

3. Forecast of Business Results for the Fiscal Year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

(Millions of yen, except per share amounts)

	Revenues from Operations	Operating Income	Ordinary Income	Net Income Attributable to Owners of Parent	Net Income per Share
Entire Year	6,688,000 (1.5)%	420,000 2.0%	414,500 2.0%	210,000 3.4%	237.87 (yen)

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

*The forecast of Group's total sales includes the sales of SEVEN-ELEVEN JAPAN, SEVEN-ELEVEN OKINAWA and 7-Eleven, Inc. franchisees:

Entire Year: 12,051,800 million yen [0.3%]

<Reference>

Qualitative Information on Consolidated Financial Results Forecast for the Fiscal Year Ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

The Company has revised its consolidated financial results forecast for the fiscal year ending February 29, 2020 from the previous forecast announced on April 4, 2019.

Consolidated financial results forecast

(Millions of yen)

	Year ending February 29, 2020			
	Previously announced forecast	Revised forecast	Change	YOY Change
Revenues from operations	6,741,000	6,688,000	(53,000)	(1.5)%

Assumed exchange rates: U.S.\$1 = 110.00 yen 1yuan = 16.00 yen

Revenues from operations forecast by business segment

(Millions of yen)

	Year ending February 29, 2020			
	Previously announced forecast	Revised forecast	Change	YOY Change
Domestic convenience store operations	983,000	972,200	(10,800)	1.8%
Overseas convenience store operations	2,740,000	2,740,000	—	(2.9)%
Superstore operations	1,903,000	1,869,200	(33,800)	(1.8)%
Department store operations	595,000	590,600	(4,400)	(0.3)%
Financial services	221,000	221,000	—	2.8%
Specialty store operations	353,000	349,000	(4,000)	(1.8)%
Others	27,000	27,000	—	13.8%
Eliminations / corporate	(81,000)	(81,000)	—	—
Consolidated Total	6,741,000	6,688,000	(53,000)	(1.5)%

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

(Application of Financial Accounting Standards Board Accounting Standards Update (ASU) No.2014-09 “Revenue from Contracts with Customers (Topic606)”)

Subsidiaries in North America that adopt USGAAP have applied ASU No.2014-09 “Revenue from Contracts with Customers (Topic606)” from the first three months of the fiscal year ending February 29, 2020. Due to this application, the Company has revised the standard for revenue recognition, and recognizes revenue for all contracts at the expected amount of consideration for the promised goods and services at the time of transfer to the customer. In applying the accounting standard, retained earnings have been adjusted for the cumulative effects of the application at the beginning of the first three months of the fiscal year ending February 29, 2020. As a result, the balance of retained earnings at the beginning of the fiscal year ending February 29, 2020 decrease 43,794 million yen. The effect of this adjustment on the profits and losses for the six months ended August 31, 2019 is immaterial.

(Application of Financial Accounting Standards Board Accounting Standards Update (ASU) No.2016-18 “Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)”)

Subsidiaries in North America that adopt USGAAP have applied ASU No.2016-18 “Statement of Cash Flows Restricted Cash (a consensus of the FASB Emerging Issues Task Force)” from the first three months of the fiscal year ending February 29, 2020. This ASU requires an entity to report restricted cash and cash equivalents in cash and cash equivalents in the consolidated cash flow statement. As a result of adopting this standard, cash and cash equivalents in the quarterly consolidated cash flow statements for the six months ended August 31, 2019 and 2018 indicate cash and cash equivalents including restricted cash.

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, 2019: 886,441,983 shares

As of February 28, 2019: 886,441,983 shares

2. Number of treasury stock at the end of period

As of August 31, 2019: 3,597,891 shares

As of February 28, 2019: 1,873,384 shares

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

As of August 31, 2019: 884,167,217 shares

As of August 31, 2018: 884,566,647 shares

Note: Seven & i Holdings has introduced the BIP Trust and ESOP Trust from this consolidated cumulative second quarter. Seven & i Holdings' shares held by these Trusts are included in the number of treasury shares to be deducted when calculating the number of treasury shares at the end of the Fiscal term and the average number of shares during the term.

(5) Supplementary information

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc.)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Statement No.28, February 16, 2018), etc. have been applied from the beginning of the fiscal year ending February 29, 2020. Accordingly, deferred tax assets have been reclassified under investments and other assets, and deferred tax liabilities have been reclassified under non-current liabilities.

As a result, on the consolidated balance sheets for the fiscal year ended February 28, 2019, “deferred income taxes” in current assets, “other” in current liabilities, “deferred income taxes” in non-current liabilities decreased by 26,582 million yen, 31 million yen, 205 million yen, respectively, while “deferred income taxes” in investments and other assets increased by 26,345 million yen.

(Performance-Based Stock Compensation Plan for Directors)

The Company and certain consolidated subsidiaries (hereinafter the “Companies”) have introduced a Performance-Based Stock Compensation Plan (hereinafter the “Plan”) for the directors of the Companies (excluding non-executive Directors and Directors residing overseas, the same applies hereinafter) using the Directors’ Compensation BIP (Board Incentive Plan) Trust (hereinafter “BIP Trust”), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders.

The accounting treatment for the said trust agreement is in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF (Practical Issue Task Force) No. 30, March 26, 2015).

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Companies contribute an appropriate amount of money to the BIP Trust, which is used as funds to acquire Company’s shares. The Company’s shares are delivered to directors in accordance with Share Delivery Rules for directors stipulated by the Companies. Directors shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

(2) Company’s shares remaining in the BIP Trust

The Company’s shares remaining in the BIP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of August 31, 2019, the carrying amount and the number of Company’s shares remaining in the BIP Trust are 3,888 million yen and 1,018 thousand shares, respectively.

(Performance-Based Stock Compensation Plan for Executive Officers)

The Company and certain consolidated subsidiaries (hereinafter the “Companies”) have introduced a Performance-Based Stock Compensation Plan (hereinafter the “Plan”) for the executive officers of the Companies (excluding those residing overseas, the same applies hereinafter) using the Stock Grant Employee Stock Ownership Plan (ESOP) Trust (hereinafter “ESOP Trust”), mainly aiming to raise willingness to contribute to the improvement of medium-and long-term corporate value and to share interests with shareholders. The Companies adopted “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30, March 26, 2015) to account for the said trust agreement.

(1) Outline of the transaction

The plan is a performance-based stock compensation plan whereby the Companies contribute an appropriate amount of money to the ESOP Trust, which is used as funds to acquire Company’s shares. The Company’s shares are delivered to executive officers in accordance with Share Delivery Rules for executive officers stipulated by the Companies. Executive officers shall receive delivery of the Company’s shares, etc., in principle, upon their retirement.

(2) Company’s shares remaining in the ESOP Trust

The Company’s shares remaining in the ESOP Trust are recorded as treasury stock under net assets at their carrying amounts (excluding incidental expenses). As of August 31, 2019, the carrying amount and the number of Company’s shares remaining in the Trust are 2,813 million yen and 733 thousand shares, respectively.

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

1. The forecast for the year ending February 29, 2020 is based on Seven & i Holdings’ 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. Brief summary for the second quarter of FY2020 will be posted on the Company’s website (<https://www.7andi.com/en/ir/library/kh/202002.html>). The presentation materials related to financial results which will be used at the financial results presentation planned to be held on October 11, 2019, will be posted as soon as possible after the presentation.

Attached Materials

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5. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	February 28, 2019	August 31, 2019
	Amount	Amount
ASSETS		
Current assets	2,326,459	2,497,855
Cash and bank deposits	1,314,564	1,387,053
Notes and accounts receivable-trade	336,070	372,507
Trade accounts receivable-financial services	101,490	102,343
Merchandise and finished goods	178,178	180,821
Work in process	60	55
Raw materials and supplies	2,781	2,900
Prepaid expenses	55,867	55,698
ATM-related temporary payments	95,694	140,776
Other	247,497	261,875
Allowance for doubtful accounts	(5,747)	(6,176)
Non-current assets	3,468,504	3,458,865
Property and equipment	2,118,630	2,131,469
Buildings and structures, net	954,093	973,839
Furniture, fixtures and equipment, net	306,321	313,505
Land	751,616	746,300
Lease assets, net	6,858	7,529
Construction in progress	89,463	77,223
Other, net	10,277	13,071
Intangible assets	608,487	599,777
Goodwill	371,969	357,419
Software	85,475	91,452
Other	151,043	150,905
Investments and other assets	741,385	727,618
Investments in securities	191,985	187,028
Long-term loans receivable	14,415	14,262
Long-term leasehold deposits	372,348	366,331
Advances for store construction	548	449
Net defined benefit asset	43,666	45,678
Deferred income taxes	57,424	55,887
Other	63,878	60,768
Allowance for doubtful accounts	(2,881)	(2,788)
Deferred assets	101	2,686
Business commencement expenses	101	2,686
TOTAL ASSETS	5,795,065	5,959,406

(Millions of yen)

	February 28, 2019	August 31, 2019
	Amount	Amount
LIABILITIES		
Current liabilities	1,992,763	2,225,072
Notes and accounts payable-trade	411,602	488,326
Short-term loans	143,160	153,360
Current portion of bonds	50,000	80,000
Current portion of long-term loans	106,688	109,840
Income taxes payable	42,642	39,598
Accrued expenses	128,802	127,819
Deposits received	174,043	232,657
ATM-related temporary advances	43,530	56,439
Allowance for sales promotion expenses	19,467	19,691
Allowance for bonuses to employees	13,829	16,078
Allowance for bonuses to Directors and Audit & Supervisory Board Members	364	175
Allowance for loss on future collection of gift certificates	1,296	1,142
Provision for sales returns	98	77
Deposits received in banking business	588,395	613,549
Other	268,841	286,314
Non-current liabilities	1,129,814	1,067,880
Bonds	361,914	281,915
Long-term loans	443,425	426,108
Deferred income taxes	43,926	38,559
Allowance for retirement benefits to Directors and Audit & Supervisory Board Members	925	825
Allowance for stock payments	159	3,090
Net defined benefit liability	7,534	7,182
Deposits received from tenants and franchised stores	53,145	52,891
Asset retirement obligations	85,971	86,752
Other	132,811	170,554
TOTAL LIABILITIES	3,122,578	3,292,952
NET ASSETS		
Shareholders' equity	2,470,808	2,489,521
Common stock	50,000	50,000
Capital surplus	409,859	409,262
Retained earnings	2,015,630	2,041,576
Treasury stock, at cost	(4,680)	(11,318)
Total accumulated other comprehensive income	50,587	27,762
Unrealized gains (losses) on available-for-sale securities, net of taxes	26,150	23,904
Unrealized gains (losses) on hedging derivatives, net of taxes	(69)	(318)
Foreign currency translation adjustments	23,768	4,615
Remeasurements of defined benefit plans	737	(438)
Subscription rights to shares	2,805	333
Non-controlling interests	148,285	148,836
TOTAL NET ASSETS	2,672,486	2,666,454
TOTAL LIABILITIES AND NET ASSETS	5,795,065	5,959,406

**(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, 2018	Six Months Ended August 31, 2019
	Amount	Amount
Revenues from operations	3,343,538	3,313,224
Net sales	2,707,453	2,656,629
Cost of sales	2,173,075	2,120,628
Gross profit on sales	534,377	536,001
Operating revenues	636,085	656,595
Gross profit from operations	1,170,463	1,192,596
Selling, general and administrative expenses	970,852	987,469
Operating income	199,610	205,127
Non-operating income	5,953	5,962
Interest income	2,585	1,796
Equity in earnings of affiliates	500	2,188
Other	2,867	1,977
Non-operating expenses	8,673	7,855
Interest expenses	5,669	4,701
Interest on bonds	1,035	844
Other	1,968	2,310
Ordinary income	196,890	203,234
Special gains	5,233	2,398
Gain on sales of property and equipment	4,723	1,605
Gain on sales of property and equipment related to Restructuring	14	78
Other	495	713
Special losses	45,849	29,969
Loss on disposals of property and equipment	9,047	6,499
Impairment loss on property and equipment	21,864	10,481
Loss on digital and settlement services	-	6,524
Restructuring expenses	1,300	2,676
Amortization of goodwill	3,829	-
Loss on sales of shares of subsidiaries	3,320	-
Other	6,486	3,786
Income before income taxes	156,275	175,663
Total income taxes	53,687	56,989
Income taxes - current	45,051	43,884
Income taxes - deferred	8,636	13,105
Net income	102,587	118,673
Net income attributable to non-controlling interests	1,232	8,026
Net income attributable to owners of parent	101,355	110,647

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended August 31, 2018	Six Months Ended August 31, 2019
	Amount	Amount
Net income	102,587	118,673
Other comprehensive income (loss)		
Unrealized gains (loss) on available-for-sale securities, net of taxes	3,765	(2,219)
Unrealized gains (loss) on hedging derivatives, net of taxes	130	(249)
Foreign currency translation adjustments, net of taxes	(22,596)	(19,271)
Remeasurements of defined benefit plans, net of taxes	865	(1,185)
Share of other comprehensive income (loss) of entities accounted for using equity method, net of taxes	(15)	(16)
Total other comprehensive income (loss)	(17,849)	(22,943)
Comprehensive income (loss)	84,737	95,730
Comprehensive income (loss) attributable to owners of parent	84,108	87,823
Comprehensive income (loss) attributable to non-controlling interests	628	7,906

(3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six Months Ended August 31, 2018	Six Months Ended August 31, 2019
	Amount	Amount
Cash flows from operating activities:		
Income before income taxes	156,275	175,663
Depreciation and amortization	108,609	111,622
Impairment loss on property and equipment	22,943	15,276
Amortization of goodwill	15,158	11,789
Interest income	(2,585)	(1,796)
Interest expenses and interest on bonds	6,704	5,545
Equity in earnings (losses) of affiliates	(500)	(2,188)
Gain on sales of property and equipment	(4,738)	(1,684)
Loss on disposals of property and equipment	9,047	6,500
Loss on sales of shares of subsidiaries	3,320	-
Increase (decrease) in notes and accounts receivable, trade	(29,233)	(38,065)
Increase (decrease) in trade accounts receivable, financial services	455	(852)
Increase (decrease) in inventories	(502)	(4,484)
Increase (decrease) in notes and accounts payable, trade	78,132	79,841
Increase (decrease) in deposits received	(3,658)	58,415
Net increase (decrease) in loans in banking business	-	(10,000)
Net increase (decrease) in corporate bonds in banking business	(15,000)	(10,000)
Net increase (decrease) in deposits received in banking business	10,952	25,153
Net change in ATM-related temporary accounts	(2,760)	(32,171)
Other	761	(7,662)
Subtotal	353,381	380,901
Interest and dividends received	2,311	1,725
Interest paid	(6,416)	(5,585)
Income taxes paid	(40,873)	(47,975)
Net cash provided (used) by operating activities	308,403	329,065
Cash flows from investing activities:		
Acquisition of property and equipment	(329,590)	(150,397)
Proceeds from sales of property and equipment	71,316	5,234
Acquisition of intangible assets	(18,050)	(21,120)
Payment for purchase of investments in securities	(23,858)	(11,907)
Proceeds from sales of investments in securities	5,900	18,198
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	12
Payment for sales of shares in subsidiaries resulting in change in scope of consolidation	(127)	-
Payment for long-term leasehold deposits	(7,985)	(4,463)
Refund of long-term leasehold deposits	14,948	14,448
Proceeds from deposits from tenants	1,490	1,479
Refund of deposits from tenants	(1,866)	(2,043)
Payment for acquisition of business	(172,327)	(9,461)
Payment for time deposits	(9,562)	(1,824)
Proceeds from withdrawal of time deposits	6,810	2,408
Other	(2,034)	(6,297)
Net cash provided (used) in investing activities	(464,936)	(165,735)

(Millions of yen)

	Six Months Ended August 31, 2018	Six Months Ended August 31, 2019
	Amount	Amount
Cash flows from financing activities:		
Net increase (decrease) in short-term loans	74,339	10,200
Proceeds from long-term debts	110,103	35,200
Repayment of long-term debts	(42,327)	(31,833)
Proceeds from commercial paper	2,281	-
Payment for redemption of commercial paper	(2,281)	-
Payment for redemption of bonds	(60,000)	(40,000)
Proceeds from share issuance to non-controlling shareholders	0	416
Purchase of treasury shares	(9)	(6,708)
Dividends paid	(39,785)	(41,990)
Dividends paid to non-controlling interests	(3,939)	(4,694)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(3,857)
Other	(6,703)	(8,714)
Net cash provided (used) in financing activities	31,677	(91,982)
Effect of exchange rate changes on cash and cash equivalents	(6,886)	(2,306)
Net increase (decrease) in cash and cash equivalents	(131,742)	69,040
Cash and cash equivalents at beginning of period	1,300,917	1,310,729
Decrease in cash and cash equivalents due to deconsolidation	(7)	-
Cash and cash equivalents at end of period	1,169,167	1,379,770

(4) Doubts on the Premise of Going Concern

None

(5) Notes to Consolidated Quarterly Statements of Income

1. A breakdown of Loss on digital and settlement services is as follows. (Millions of yen)

	Six Months Ended August 31, 2018	Six Months Ended August 31, 2019
Impairment loss	-	4,575
Security expenses	-	865
Others	-	1,083
Total	-	6,524

2. A breakdown of Restructuring expenses is as follows. (Millions of yen)

	Six Months Ended August 31, 2018	Six Months Ended August 31, 2019
Early retirement benefit	12	2,108
Impairment loss	1,078	218
Store closing losses	203	213
Others	6	136
Total	1,300	2,676

3. The Company recorded amortization of goodwill of 3,829 million yen on valuation of stocks of subsidiaries and affiliates on FCTI, Inc.'s share on its financial statement of the second quarter of the consolidated fiscal year ended February 28, 2018, it is determined that there has been a decrease in its substantial value.

(6) Notes to Consolidated Quarterly Statements of Cash Flows

Reconciliation of Cash and cash equivalents as of August 31, 2018 and 2019 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, 2018	Six Months Ended August 31, 2019
Cash and bank deposits	1,187,513	1,387,053
Restricted cash	428	6,784
Time deposits with maturities and certificate deposits in excess of three months	(18,773)	(14,066)
Cash and cash equivalents	1,169,167	1,379,770

(7) Segment Information

I. Six Months ended August 31, 2018 (From March 1, 2018 to August 31, 2018)

1. Information on Revenues from Operations and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable segments							Total	Adjustments (Note 1)	Consolidated total (Note 2)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others			
Revenues from operations										
Revenues										
1. Customers	485,560	1,356,901	944,258	282,453	88,987	181,918	3,444	3,343,524	14	3,343,538
2. Intersegment	683	1,032	4,261	3,398	19,130	814	8,049	37,370	(37,370)	-
Total	486,243	1,357,934	948,520	285,851	108,117	182,733	11,493	3,380,895	(37,356)	3,343,538
Segment income	127,833	36,259	9,409	96	28,349	3,794	1,332	207,076	(7,465)	199,610

Notes:

- The adjustments on segment income of (7,465) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
- Segment income is reconciled with the operating income in the Consolidated Quarterly Statements of Income.

2. Impairment of Fixed Assets and Goodwill by Reportable Segment

(Significant changes in the amount of goodwill)

In the Overseas convenience store operations segment, the Company's consolidated subsidiary 7-Eleven, Inc. acquired stores and other assets constituting most of convenience store business and gasoline retail business of U.S. company Sunoco LP. As a result of the consolidation, the amount of goodwill increased by 154,116 million yen (US\$1,390,445 thousand) in the second quarter consolidated accounting period. The amount above is provisional since the purchase price allocation has not been finalized.

Note: The yen amounts were calculated using the January 23, 2018 rate (US\$1=110.84 yen).

By recording amortization of goodwill in "Financial services" in the second quarter of the consolidated fiscal year ended February 28, 2018, there has been a significant change in the amount of goodwill. In accordance with the application, the amount of goodwill was reduced by 3,829 million yen in "Financial services".

II. Six Months ended August 31, 2019 (From March 1, 2019 to August 31, 2019)

1. Information on Revenues from Operations and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable segments							Total	Adjustments (Note 1)	Consolidated total (Note 2)
	Domestic convenience store operations	Overseas convenience store operations	Superstore operations	Department store operations	Financial services	Specialty store operations	Others			
Revenues from operations										
Revenues										
1. Customers	486,624	1,363,621	918,894	279,868	89,606	171,016	3,569	3,313,202	22	3,313,224
2. Intersegment	1,439	1,027	4,056	3,479	18,188	738	8,446	37,376	(37,376)	-
Total	488,063	1,364,648	922,950	283,348	107,795	171,754	12,016	3,350,578	(37,353)	3,313,224
Segment income	133,397	40,660	6,996	(618)	27,100	4,065	796	212,398	(7,271)	205,127

Notes:

- The adjustments on segment income of (7,271) million yen are eliminations of intersegment transactions and certain expense items that are not allocated to reportable segments.
- Segment income is reconciled with the operating income in the Consolidated Quarterly Statements of Income.

2. Impairment of Fixed Assets and Goodwill by Reportable Segment

No significant items to be reported.

3. Matters concerning the change of Reportable Segment, etc.

(Application of Financial Accounting Standards Board Accounting Standards Update(ASU) No.2014-09 "Revenue from Contracts with Customers(Topic606)")

Subsidiaries in North America that adopt USGAAP have applied ASU No.2014-09 "Revenue from Contracts with Customers(Topic606)" from the first three months of the fiscal year ending February 29, 2020.

The effect of revenues and segment income(loss) for the six months ended August 31, 2019 is immaterial.

(Reference)

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

Six Months Ended August 31, 2018 (From March 1, 2018 to August 31, 2018) (Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
Revenues						
1. Customers	1,907,300	1,377,649	58,588	3,343,538	-	3,343,538
2. Intersegment	398	203	-	601	(601)	-
Total	1,907,699	1,377,853	58,588	3,344,140	(601)	3,343,538
Operating income	164,459	34,554	591	199,605	5	199,610

Six Months Ended August 31, 2019 (From March 1, 2019 to August 31, 2019) (Millions of yen)

	Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues from operations						
Revenues						
1. Customers	1,868,739	1,384,998	59,486	3,313,224	-	3,313,224
2. Intersegment	585	155	-	741	(741)	-
Total	1,869,324	1,385,154	59,486	3,313,966	(741)	3,313,224
Operating income	164,646	40,525	116	205,287	(160)	205,127

Notes:

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

(8) Notes on Significant Changes in the Amount of Shareholders' Equity

Effective from the first quarter of the current consolidated financial year (ending February 29, 2020), an accounting method has been applied of Financial Standards Board Accounting Standards Update (ASU) No.2014-09 "Revenue from Contracts with Customers (Topic606)". The effect of applying this standard is described in the "4. Others, (3) Changes in accounting policies, accounting estimates or restatements".