Flash Report on the Consolidated Result

for the Fiscal Year Ended February 29, 2016

April 13, 2016

Listed Company Name: Lawson, Inc. Tokyo Stock Exchange (First Section)
Code No.: 2651 (URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Genichi Tamatsuka, Representative Director, President and CEO
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Scheduled date for the ordinary general meeting of shareholders: May 24, 2016
Scheduled date for payment of dividend: May 25, 2016
Scheduled date for submission of annual report: May 25, 2016
Supplementary documents annual results: Yes
Presentation of annual results: Yes (for institutional investors and analysts)

(Amounts below one million yen are truncated)

1. Consolidated performance for 2015 fiscal year (from March 1, 2015, to February 29, 2016)

(1) Consolidated operating results

Note: Percentages for gross operating revenue, operating income, ordinary income and net income show increase (decrease) compared to previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2015 fiscal year	583,452	17.2	72,541	2.9	69,622	(2.9)	31,381	(4.0)
2014 fiscal year	497,913	2.6	70,482	3.5	71,714	4.1	32,686	(13.9)

Note: Comprehensive income: 2015 fiscal year 32,928 million yen (6.5%)
2014 fiscal year 35,224 million yen (11.5%)

	Net income per share	Fully diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to gross operating revenue
	¥	¥	%	%	%
2015 fiscal year	313.81	313.57	12.0	8.9	12.4
2014 fiscal year	327.08	326.65	13.0	10.4	14.2

Reference: Equity in net income of affiliates: 2015 fiscal year 292 million yen
2014 fiscal year 365 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ Million	¥ Million	%	%
2015 fiscal year	803,212	272,997	32.9	2,643.97
2014 fiscal year	764,614	263,797	33.5	2,561.25

Reference: Shareholders' equity: 2015 fiscal year 264,392 million yen
2014 fiscal year 256,122 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	¥ Million	¥ Million	¥ Million	¥ Million
2015 fiscal year	112,205	(68,657)	(50,201)	69,793
2014 fiscal year	110,567	(100,433)	(3,289)	76,754

2. Dividends status

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	1H	3Q	Year-end dividend	Total			
	¥	¥	¥	¥	¥	¥ Million	%	%
2014 fiscal year	―	120.00	―	120.00	240.00	23,989	73.4	9.6
2015 fiscal year	―	122.50	―	122.50	245.00	24,499	78.1	9.4
2016 fiscal year (forecast)	―	125.00	―	125.00	250.00		70.4	

3. Forecast consolidated performance for 2016 fiscal year（from March 1, 2016 to February 28, 2017）

Note: Percentages for gross operating revenue, operating income, ordinary income and net income show increase (decrease) compared to previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
1H of 2016 fiscal year	313,000	8.2	39,500	(6.1)	38,100	(6.6)	21,300	7.5	213.00
2016 fiscal year	648,000	11.1	76,000	4.8	73,000	4.9	35,500	13.1	355.00

4. Notes

(1) Change in important subsidiaries during this consolidated period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None

Added: None　　Excluded: None

(2) Changes in accounting policies, changes in accounting estimates, retrospective restatements

1. Changes of accounting policies associated with revision in accounting standards: Yes
2. Other changes: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(3) Number of issued shares:

1. The number of the stocks issued in the end of term

February, 2016: 100,300,000　　February, 2015: 100,300,000

2. The number of treasury shares in the end of term

February, 2016: 301,897　　February, 2015: 301,084

3. Average number of shares during the term

February, 2016: 99,998,346　　February, 2015: 99,931,714

Note: Implementation status of audit procedures

This flash report is exempt from audit procedures under the Financial Instruments and Exchange Act. As of the time of disclosure of this report, audit procedures for the financial statements are incomplete.

Note: Descriptions on appropriate use of financial performance forecasts and other special notes

Forward-looking statements presented in this material such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. They are not intended to guarantee the Company’s achievement. Actual results may differ significantly from these forecasts due to many factors. For preconditions of these financial forecasts and notes concerning their use, please refer to “Analysis of Operating Results and Financial Position; Outlook for Fiscal 2016” on page 7.

Contents of Attachments

1. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

During the consolidated fiscal year under review, or fiscal 2015 ended February 29, 2016, the Lawson Group (hereinafter, the "Group") implemented business activities with the aim of realizing the Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities." In particular, we reinforced the foundation of our convenience store business, for example, by enhancing our retail space, merchandise assortment, and relationship with franchise store owners. In addition, while addressing changes in each neighborhood such as an increase in the number of working women, the declining birth rate and the aging population, we also focused on areas unique to Lawson, including over-the-counter fast food, health-oriented products, home convenience, and entertainment.

Furthermore, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2015 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

[Merchandising and Service Strategies]

On the merchandise front, in June 2015, we launched commemorative items focusing in mainstay category to celebrate LAWSON 40th anniversary. Furthermore, we launched "Honkide Oishii Project (delicious in earnest project)" in serious pursuit of palatability in order to review our product development process and paid increased attention to ingredients, production methods and taste. Under this project, we introduced and kept selling products that was made carefully with special ingredients and a special recipe such as "Sockeye Salmon Lunchbox with Niigata Koshihikari Rice", and they were all received well by customers. Furthermore, we have started selling "Doughnuts" over the counter since April, and have expanded it in around 9,700 stores by the end of February 2016. Furthermore, with the aim of supporting customers' overall daily life, we worked on expanding our merchandise assortment of ready-made dishes and frozen products under our "Lawson Select" private brand.

Moreover, as a "Health Station in Town," we also placed emphasis on selling health-oriented products. In particular, the "Green Smoothie" sold under the NATURAL LAWSON brand and made with a full meal's worth of vegetables was well received by female customer and health-conscious customers. Its series has become hit products as total sales has reached over 27 million units sale in 10 months. In additional, there are currently 23 Lawson Farms in which Lawson, Inc. holds equity stakes. The farms assume the role of supplying safe and fresh fruits and vegetables to the Group's stores and factories that produce LAWSON's original products.

In addition to thus strengthening our product lineup, in September 2015, we began to accept China UnionPay cards for payment at our stores and, in November 2015, we launched our prepaid Ponta card service dubbed "Osaifu (wallet) Ponta." Furthermore, starting December 2015, functions offered by "d Point Card" and "WAON" will be partially integrated in an effort to offer more convenience to our customers.

On the sales promotion front, we rolled out some highly effective measures for attracting customers, including a "100-yen rice ball sale," and a "speed lottery" themed on "Sandaime J Soul Brothers from EXILE TRIBE", which demonstrated our strength in the entertainment field.

[Breakdown of Sales by Merchandise Category at Chain Stores in Domestic Convenience Store Business]

Fiscal period / Product group	Previous fiscal year From March 1, 2014 to February 28, 2015		Current fiscal year From March 1, 2015 to February 29, 2016		YoY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,034,355	53.5	1,033,448	52.7	99.9
Fast foods	429,212	22.2	463,431	23.7	108.0
Daily delivered foods	277,210	14.4	276,886	14.1	99.9
Nonfood products	192,020	9.9	186,499	9.5	97.1
Total	1,932,798	100.0	1,960,266	100.0	101.4

[Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean, strengthened guidance to franchise store owners and revised order placement methods as a way of reforming operations in order to create stores that could grasp customers' satisfactions and supports. We have put semi-automated ordering system for our ready-made meal category in most of all stores. In addition, we also have concluded new franchise agreements with existing stores ahead of schedule to offer enhanced support to franchise store owners. Thus, it is beginning to appear good effects such as increase of sales in those stores which applied well these initiatives. We will keep striving to create retail spaces that stimulate potential demand from customers and offer what they need at any time.

[Store Development]

In opening new stores, the Group continued to focus on developing profitable store.

In November 2015, we remodeled two Poplar stores operated by Poplar Co., Ltd. into Lawson Poplar stores based on our capital and business alliance agreement. In February 2016, a mega-franchise agreement was concluded with Save On Corp. Under the agreement, around 50 of the Save On convenience stores operated in Yamagata, Fukushima and Ibaraki Prefectures will be remodeled into LAWSON stores in and after April 2016. Furthermore, by building partnerships such as with dispensing pharmacy and drug store chains, in addition of healthcare items including OTC pharmaceuticals, cosmetics, and daily necessities, the stores offer a merchandise assortment of around 5,500 items, twice as many as conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 136 stores (included 38 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2016. Moreover, we also engage in establishing next-generation convenience store models that address social changes such as the ageing population and increased health awareness. The number of LAWSON stores housing a nursing care hub center offering nursing care consultation services and a lounge space, which we began rolling out from the fiscal year, has increased to 5 as of the end of the fiscal year.

Regarding to LAWSON STORE100, we promoted to close unprofitable stores under the business revitalization plan. During current fiscal 2015, 345 LAWSON STORE100 (included stores which were transformed into LAWSON stores) stores were closed. With regard to the remaining 809 stores, we increased the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value, and strengthened our popular fruit and vegetable lineup. As a result, sales at these stores gradually improved, with existing-store sales for current fiscal 2015 exceeding those for the same period of the previous fiscal year.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during current fiscal year stood at 967 and 859 stores, respectively, with the total number of stores in Japan reaching 11,880 as of the end of February 2016. In addition to the above, Lawson Kochi, Inc. operates 132 LAWSON chain stores in Kochi prefecture, Lawson Minamikyushu, Inc. operates 192 LAWSON chain stores in Kagoshima prefecture and Lawson Okinawa, Inc. operates 191 LAWSON chain stores in Okinawa prefecture as of the end of February 2016.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2015	Change during fiscal year	Total stores as of February 29, 2016
LAWSON	10,633	304	10,937
NATURAL LAWSON	116	18	134
LAWSON STORE100／LAWSON MART	1,151	(342)	809
Total	11,900	(20)	11,880

Note: For change during fiscal year, it includes a decrease of 128 stores which were transferred into Lawson Kochi, Inc. from Lawson, Inc. on April 1, 2015.

[Number of LAWSON stores by prefecture (February 29, 2016)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	628	Ibaraki	158	Kyoto	322	Ehime	212
Aomori	219	Tokyo	1,535	Shiga	154	Tokushima	134
Akita	184	Kanagawa	835	Nara	128	Fukuoka	447
Iwate	165	Shizuoka	236	Wakayama	134	Saga	66
Miyagi	208	Yamanashi	119	Osaka	1,010	Nagasaki	105
Yamagata	81	Nagano	171	Hyogo	640	Oita	169
Fukushima	107	Aichi	581	Okayama	155	Kumamoto	140
Niigata	139	Gifu	156	Hiroshima	186	Miyazaki	103
Tochigi	147	Mie	121	Yamaguchi	123	Total (domestic)	11,880
Gunma	101	Ishikawa	104	Tottori	115		
Saitama	532	Toyama	189	Shimane	120		
Chiba	464	Fukui	106	Kagawa	131		

[Other]

With regards to our efforts in Home Convenience, in June 2015, Lawson, Inc. jointly established an operating company with SG Holdings Co., Ltd., which owns Sagawa Express Co., Ltd. as the core operating company, and started to offer delivery and order-taking service with LAWSON stores serving as hubs. Furthermore, we started "Convenience Store Pick-up Service" for items purchased at "Rakuten Ichiba", an Internet shopping mall in September 2015. We will strive to enhance customer convenience by additionally partnering with other companies to establish an "Open Platform" based on the networks of LAWSON stores that offer a range of services encompassing ordering, collection, and home delivery.

As a result, Domestic Convenience Store Business posted gross operating revenue of 398,637 million yen (up 0.8% year on year) and segment profit of 59,993 million yen (down 6.1%).

(**Seijo Ishii Business**)

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 120 as of the end of February 2016. Performance was strong, driven by sales of coconut oil and chia seed that became popular after their positive health effects were introduced on television and other media. Collaborations between SEIJO ISHII and our Domestic Convenience Store Business were promoted, such as expanding Seijo Ishii's selection of wine offered at NATURAL LAWSON stores, jointly importing confectionery, and rolling out jointly developed products including nuts and cup soup. We will continue to enhance the brand image and corporate value of SEIJO ISHII Co., Ltd., while absorbing the company's product development expertise, knowhow acquired as a manufacturing retailer, and sales methods, to strengthen our Domestic Convenience Store Business.

As a result, Seijo Ishii Business posted gross operating revenue of 68,993 million yen (up 285.9% year on year) and segment profit of 5,037 million yen (up 270.9%).

(Entertainment-related Business)

With regards to Entertainment-related Business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales and continued to secure top position in the ticketing industry. Besides HMV's largest entertainment complex store, "HMV&BOOKS TOKYO", that combines selling music and books, was opened in November 2015 in Shibuya, the number of HMV stores that sell music CDs and DVDs totaled 53 as of the end of February 2016. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our ticketing business. Furthermore, United Cinemas Co., Ltd. operates a total of 38 sites with 342 screens (includes management contract) at its cinemas nationwide.

As a result, Entertainment-related business posted gross operating revenue of 75,040 million yen (up 44.0% year on year) and segment profit of 4,076 million yen (up 57.5%).

(Other Business)

In addition to Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, the Group also involved in Overseas Business, Financial Services-related Business and other businesses.

With regards to overseas business, the Group's operating companies opened LAWSON stores in the People's Republic of China (Shanghai, Chongqing, Dalian, and Beijing), Thailand, United States of America (Hawaii), Indonesia and Philippines. In addition, we have invested in Puregold Price Club, Inc., a major retailer in Philippines, and PG Lawson Company, Inc., a merged company, and started open stores in Philippines since March 2015.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2015)	Change during fiscal year	Number of stores (As of February 29, 2016)
China　Shanghai and surrounding area	354	104	458
China　Chongqing	104	6	110
China　Dalian	30	23	53
China　Beijing	19	15	34
Thailand	32	15	47
Indonesia	48	(10)	38
Philippines	―	16	16
United States of America　Hawaii	3	(1)	2
Total	590	168	758

Lawson ATM Networks, Inc., which operates a financial services-related business, continued contributing to consolidated results owing to an increase in the number of ATMs installed. In this fiscal 2015, starting in September 2015, we sequentially installed new ATM that is capable of withdrawing Japanese Yen by China UnionPay cards. Now, All LAWSON stores accept payments by China Unionpay cards. Moreover, we strengthened partnership with new financial institution bringing the total number of our financial institution partners to 80 nationwide (up 9 year on year), including online banks, and the number of ATMs installed nationwide to 11,201 (up 434 year on year) as of the end of February 2016.

As a result, other businesses posted gross operating revenue of 46,921 million yen (up 23.3% year on year) and segment profit of 3,427 million yen (up 28.7%).

[Environmental and Social Contribution Activities]

The Company's Social Contribution Division promoted environmental protection and social contribution activities, working together with franchise store owners and Group employees.

Furthermore, as part of our initiative to reduce environmental impact on the entire supply chain, we will endeavor to save energy, resources and promote waste reduction not only at LAWSON stores but also throughout the entire supply chain.

In particular, we promoted the introduction of a state-of-the-art energy-saving chlorofluorocarbon-free (CO_2 refrigerant) refrigerator/freezer system with the aim of reducing electricity consumption at our stores. As of the end of February 2016, the system was installed in approximately 1,300 stores. Compared to conventional equipment used in our stores, the new system reduces annual CO_2 emissions per store by around 50%, and electricity consumption per store by around 12%. By putting into practical use an energy-saving package model centered on this system, the Group will aim to achieve target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. We received the 2015 Environment Minister's Award for Global Warming Prevention Activities in recognition of our initiative in Indonesia to save energy by leveraging cutting-edge technologies. Furthermore, in February 2016, we opened a pilot store focusing on environmental friendliness in Himeji-shi, Hyogo Prefecture. This is the first convenience store to adopt a biomass power generation system.

In our efforts to undertake social contribution activities at our stores, we continued activity named "Happiness in Communities", and also supported through fund-raising activities for disaster that occurred in foreign countries.

In addition, the Group issues the Lawson Integrated Report, which incorporates both financial and non-financial information for all stakeholders, while also making efforts to disclose on its website an increasingly wider scope of information in the social and environmental fields.

As a member of society, the Group will continue to make unified group-wide efforts to implement initiatives that aim to address social and environmental issues together with franchised stores, its customers and business partners.

(2) Profit and Loss

In terms of operating results for the fiscal year, gross operating revenue increased to ¥583,452 million (up 17.2% from last year), operating income increased to ¥72,541 million (up 2.9% from last year), and ordinary income decreased to ¥69,622 million (down 2.9% from last year). Net income decreased to ¥31,381 million (down 4.0% from last year).

(3) Outlook for Fiscal 2016

Outlook for the next fiscal year

	1H of 2016 fiscal year		2016 fiscal year	
	Forecast (¥ Million)	YoY (%)	Forecast (¥ Million)	YoY (%)
Total operating revenue	313,000	108.2	648,000	111.1
Operating income	39,500	93.9	76,000	104.8
Ordinary income	38,100	93.4	73,000	104.9
Net income	21,300	107.5	35,500	113.1

(4) Analysis of Financial Position

① Total assets, total liabilities, total net assets analysis

Total current assets stood at ¥224,209 million, climbed ¥566 million from February 28, 2015, the end of the previous fiscal year. This reflected an increase of ¥9,069 million in accounts receivable-other and a decrease of ¥6,961 million in cash and deposits. Non-current assets grew ¥38,031 million from February 28, 2015 to ¥579,002 million, mainly owing to an increase of ¥28,325 million in property and store equipment. Consequently, total assets climbed ¥38,598 million from the end of the previous fiscal year to ¥803,212 million.

Total current liabilities increased by ¥18,537 million from the end of the previous fiscal year to ¥319,607 million, mainly reflecting an increase of ¥13,696 million in accounts payable-other. Non-current liabilities stood at ¥210,607 million, growing ¥10,860 million from February 28, 2015, mainly owing to an increase of ¥11,886 million in lease obligations. Consequently, total liabilities increased by ¥29,398 million from the end of the previous fiscal year to ¥530,215 million.

Total net assets stood at ¥272,997 million, increased by ¥9,199 million from February 28, 2015. This was mainly due to an increase of ¥7,431 million in retained earnings. Consequently, shareholders' equity ratio amounted to 32.9%, down from 33.5% as of the end of the previous fiscal year.

② Cash flow analysis

Cash and cash equivalents at the end of the fiscal year amounted to ¥69,793 million, ¥6,961 million lower year on year.

Net cash provided in (used in) operating activities amounted to ¥112,205 million, ¥1,637 million up year on year, mainly due to an increase of operating income.

Net cash provided in (used in) investing activities amounted to ¥(68,657) million, ¥31,776 million higher year on year, due to no purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash provided in (used in) financing activities amounted to ¥(50,201) million, ¥46,911 million lower year on year, due to no proceeds from long-term loans payable.

(Reference) Trends in cash flow indicators

	2014 fiscal year	2015 fiscal year	2016 fiscal year
Shareholders’ equity ratio (%)	39.5	33.5	32.9
Shareholders’ equity ratio on market value basis (%)	113.6	102.3	108.3
Interest-bearing debt/cash flow ratio (years)	1.0	1.4	1.5
Interest coverage ratio (times)	63.2	75.3	57.5

(Note) Shareholders’ equity ratio: Shareholders’ equity/Total assets

Shareholders’ equity ratio on market value basis: Market capitalization/Total assets

Interest-bearing debt/cash flow ratio: Interest-bearing debts/Cash flow provided by operating activities

Interest coverage ratio: Cash flow provided by operating activities/Interest expense

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated by multiply closing share price at the end of period with the number of shares outstanding at the end of period (excluding treasury stock)
3. The figure for net cash provided by operating activities in the consolidated statements of cash flows is used as cash flow provided by operating activities. Interest-bearing debts refer to the sum for all liabilities in the consolidated balance sheets on which interest is paid. The figure for interest paid in the consolidated statements of cash flows is used as interest expense.

2. Management Policy

(1) Basic Management Policy

The Company has formulated its corporate philosophy as the basis for all its corporate activities.

[Corporate Philosophy]

"Creating Happiness and Harmony in Our Communities"

Furthermore, under corporate philosophy, the Company set a new vision in order to clarifies goal image and orient all business activities toward its goal image.

[Vision]

"To be a leading execution-driven company.

We think through the changing needs of our customers, execute strategy with speed and become an essential part of our communities."

At the same time, in order to succeed this vision, we also have revised code of conducts to clarify the actions required for the individual and to move forward with everyone united.

[Code of Conduct]

1. Everything starts with our customers, our communities and our stores.
2. Master the basics and strive to innovate.
3. Improve quality and speed of the PDCA (Plan-Do-Check-Act) cycle.
4. Act with discipline, take initiative and succeed as a team.
5. Pursue growth as individuals and support the growth of others.

(2) Performance Indicators (Target)

From the perspective of medium-and-long-term management strategy, the Group believes that investing in businesses with high return on investment (ROI) will maximize efficiency in the use of shareholders' equity, which will in turn enhance shareholder value. The Group regards return on equity (ROE) as the best measure of optimal utilization of shareholders' equity. Accordingly, the Group is targeting an ROE of 20% on a consolidated basis over the medium term.

(3) Medium-and-Long-Term Management Strategies

The business environment facing convenience stores is defined by several factors, including: population decline arising from Japan's declining birthrate and aging society; deflation; and stronger environmental awareness. Never before has the convenience store industry experienced such an environment. Against this backdrop, the Group recognizes the following as priority issues ahead. The Group believes that its core business strategies must address these priority issues.

(4) Priority Issues of the Group

① Provide customers with enhanced support in their daily life

In an effort to become an indispensable part of customers' lives in local communities, we will strive to further expand our merchandise assortment to include a wider variety of daily necessities and ready-made dishes in addition to products and services offered by conventional convenience stores.

② Evolve into a manufacturing retailer targeting small catchment areas

By evolving into a manufacturing retailer deeply engaged in activities across the entire value chain, from procurement of raw materials and ingredients to manufacturing, logistics and sales, we will strive to achieve cost reduction and quality improvement in our products to further strengthen our product appeal.

③ Take on challenges in future growth areas

We will continue to take on challenges to establish new business models in future growth areas not only in our domestic convenience store business, the core business of the Group, but also in various other fields such as Seijo Ishii Business, Entertainment-related Business, Overseas Business, Financial-related Business. We will also work hard to make maximum use of each Group company's distinctive features to generate synergistic effects.

④ Promote internal control systems and address operating risks

In order to ensure business continuity, it is imperative to foster the Group's internal control in its entirety and address operating risks. In addition, we believe that taking a proactive approach to corporate governance is not only strongly desired by all the stakeholders of the Group, but also the right way to enhance corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

(5) Other Important Managerial Matters

① Improving New Merchandise Development Capabilities

While strengthening our ability to develop healthy, safe and reliable original merchandise, we will expand our range of products that serve as alternatives to those offered by supermarkets to better support the customers' overall daily life. Furthermore, the Group will proactively develop merchandise suited to regional preferences by focusing on such aspects as taste and price. We will also rebuild our value chain spanning from merchandise development to procurement of ingredients, production, and logistics and leverage the Ponta card data to best effect. In this process, the Group aims to raise its original added value and develop merchandise that garners a strong customer response.

② Improving Store Operation Capabilities

With the aim of creating stores tailored to local customers in each neighborhood, we will promote merchandise assortments from the customers' perspective by continuing to utilize Ponta card data. In addition, by increasing our use of the core IT system, we will strive to improve ordering precision in order to reduce sales opportunity losses and product disposal losses.

③ Reinforcing Store-Development Capabilities

With a view to creating stores that achieve high ROI, we will prioritize customer convenience and profitability for both franchise store owners and headquarters in opening new stores by following the Group's proprietary store development standard focused on ROI. Furthermore, we will strive further to expand store network by building alliances with other companies.

④ Tailoring Store Formats to Suit Local Characteristics

Conscious that market needs are becoming increasingly complex and diversified, the Group provides store formats that offer retail spaces and merchandise assortments to suit the location. As for the Group's store development strategy, regular LAWSON stores will be opened to target customers seeking new merchandise, famous brand goods, and convenient services; and NATURAL LAWSON stores will be opened to target customers seeking beauty, health, and amenity. LAWSON STORE 100 stores will be opened to target customers seeking perishables packaged in small quantities and easy-to-understand, standardized prices.

⑤ Enhance convenience by fostering a variety of services

For the purpose of enhancing customer convenience, we will offer a wider variety of services based on the Ponta card program, Loppi multimedia terminals, and ATM services. In addition, we will expand our e-payment services in an effort to allow customers to make payments more conveniently.

⑥ Reviewing the Franchise Package to Promote Co-existence and Co-prosperity for Franchise Store Owners and Headquarters

In our endeavor to address changes occurring in the retail industry, we will promote co-existence and co-prosperity for both franchise store owners and headquarters by increasing earnings on a stable and ongoing basis through the Group's proprietary initiatives, such as expanding the customer base and reducing opportunity loss, and by revising franchise agreements.

⑦ Accelerating Business Reform through Capital and Business Alliances

The Group continues to effectively respond to the rapidly changing social environment and the needs of customers through capital and business alliances that enable it to improve profitability for both franchise store owners and the Group by seeking maximum benefit and efficiency from the alliances.

3. Basic approach to selection of accounting standards

The Group has used Japanese accounting standards, and has no plan to apply International Financial Reporting Standards (IFRS) for the time being. The Group intends to respond appropriately to the application of the International Financial Reporting Standards (IFRS) by considering the situation prevailing in Japan and abroad.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

As of February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Assets		
Current assets:		
Cash and deposits	76,758	69,797
Accounts receivable-due from franchised stores	37,052	30,547
Merchandise	17,044	17,976
Accounts receivable-other	58,666	67,736
Deferred tax assets	5,299	4,524
Other	31,400	33,635
Allowance for doubtful accounts	(2,578)	(8)
Total current assets	223,642	224,209
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	153,375	167,098
Tools, furniture and fixtures, net	14,825	16,307
Land	9,640	9,794
Lease assets, net	91,661	101,546
Construction in progress	4,810	7,870
Other, net	123	143
Total property and store equipment	274,436	302,761
Intangible assets:		
Software	18,800	26,377
Goodwill	48,189	46,309
Right of trademark	11,989	11,381
Other	550	527
Total intangible assets	79,530	84,595
Investments and other assets:		
Investments securities	18,118	22,325
Long-term loans receivable	37,232	40,886
Guarantee deposits	93,205	92,495
Deferred tax assets	26,251	22,016
Other	13,316	14,782
Allowance for doubtful accounts	(1,121)	(860)
Total investments and other assets	187,004	191,645
Total non-current assets	540,971	579,002
Total assets	764,614	803,212

(Millions of yen)

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Liabilities		
Current liabilities:		
Accounts payable-trade	103,458	112,225
Short-term loans payable	1,740	1,990
Current portion of long-term loans payable	575	575
Lease obligations	19,948	23,898
Accounts payable-other	43,518	57,214
Income taxes payable	13,301	8,500
Deposits received	103,634	101,908
Provision for bonuses	2,976	3,832
Other	11,916	9,462
Total current liabilities	301,069	319,607
Non-current liabilities:		
Long-term loans payable	58,425	57,562
Lease obligations	76,174	88,060
Provision for retirement benefits to executive officers and audits & supervisory board members	367	413
Net defined benefit liability	12,958	12,186
Asset retirement obligations	21,530	24,664
Other	30,290	27,719
Total non-current liabilities	199,746	210,607
Total liabilities	500,816	530,215
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,696	47,697
Retained earnings	147,177	154,608
Treasury shares	(1,272)	(1,280)
Total shareholders' equity	252,107	259,532
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(393)	801
Revaluation reserve for land	(566)	(566)
Foreign currency translation adjustment	5,492	5,531
Remeasurements of defined benefit plans	(518)	(906)
Total accumulated other comprehensive income	4,014	4,860
Subscription rights to shares	223	307
Minority interests	7,452	8,296
Total net assets	263,797	272,997
Total liabilities and net assets	764,614	803,212

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

For the fiscal years ended February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Gross operating revenue	497,913	583,452
Net sales	174,044	227,606
Cost of sales	128,116	155,949
Gross profit	45,928	71,656
Operating revenue:		
Income from franchised stores	247,681	261,681
Other	76,188	94,165
Total operating revenue	323,869	355,846
Operating gross profit	369,797	427,503
Selling, general and administrative expenses	299,315	354,961
Operating income	70,482	72,541
Non-operating income:		
Interest income	830	759
Compensation income	365	646
Share of profit of entities accounted for using equity method	365	292
Store equipment related income	118	318
Foreign exchange gains	1,585	—
Other	1,481	837
Total non-operating income	4,746	2,853
Non-operating expenses:		
Interest expense	1,520	1,903
Loss on cancel of lease contracts	1,168	1,953
Foreign exchange losses	—	914
Other	825	1,002
Total non-operating expenses	3,514	5,772
Ordinary income	71,714	69,622
Extraordinary income:		
Gain on sales of investment securities	369	—
Gain on change in equity	756	892
Total extraordinary income	1,126	892
Extraordinary losses:		
Loss on sales of non-current assets	249	228
Loss on retirement of non-current assets	2,966	4,342
Impairment loss	8,263	10,542
Loss on liquidation of business	1,519	—
Other	1,469	—
Total extraordinary losses	14,469	15,112
Income before income taxes and minority interests	58,370	55,402
Income taxes-current	24,938	19,233
Income taxes-deferred	312	4,031
Income taxes	25,250	23,265
Income before minority interests	33,120	32,136
Minority interests in income	433	755
Net income	32,686	31,381

Consolidated Statement of Comprehensive Income

For the fiscal years ended February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Income before minority interests	33,120	32,136
Other comprehensive income		
Valuation difference on available-for-sale securities	(299)	1,195
Revaluation reserve for land	1	—
Foreign currency translation adjustment	961	(15)
Remeasurements of defined benefit plans	—	(387)
Share of other comprehensive income of associates accounted for using equity method	1,441	—
Total other comprehensive income	2,104	792
Comprehensive income	35,224	32,928
Comprehensive income attributable to		
Owners of the parent	34,762	32,227
Minority interests	461	701

(3) Consolidated Statement of Changes in Net Assets

For the fiscal year ended February 2015 (From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	58,506	47,741	138,141	(1,556)	242,832
Cumulative effects of changes in accounting policies					—
Restated balance	58,506	47,741	138,141	(1,556)	242,832
Changes of items during period					
Dividends from surplus			(22,979)		(22,979)
Change of scope of equity method			(608)		(608)
Net income			32,686		32,686
Purchase of treasury stock				(289)	(289)
Disposal of treasury stock		0		0	0
Reversal of revaluation reserve for land			(1)		(1)
Exercise of subscription rights to shares (Delivery of treasury shares)		(44)	(63)	573	465
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(44)	9,035	284	9,274
Balance at end of current period	58,506	47,696	147,177	(1,272)	252,107

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(93)	(567)	3,118	—	2,456	557	4,650	250,497
Cumulative effects of changes in accounting policies								—
Restated balance	(93)	(567)	3,118	—	2,456	557	4,650	250,497
Changes of items during period								
Dividends from surplus								(22,979)
Change of scope of equity method								(608)
Net income								32,686
Purchase of treasury stock								(289)
Disposal of treasury stock								0
Reversal of revaluation reserve for land								(1)
Exercise of subscription rights to shares (Delivery of treasury shares)								465
Net changes of items other than shareholders' equity	(299)	1	2,374	(518)	1,557	(334)	2,801	4,024
Total changes of items during period	(299)	1	2,374	(518)	1,557	(334)	2,801	13,299
Balance at end of current period	(393)	(566)	5,492	(518)	4,014	223	7,452	263,797

Consolidated fiscal year ended February 2016 (From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	58,506	47,696	147,177	(1,272)	252,107
Cumulative effects of changes in accounting policies			1,411		1,411
Restated balance	58,506	47,696	148,588	(1,272)	253,519
Changes of items during period					
Dividends from surplus			(24,249)		(24,249)
Change of scope of consolidation			(1,111)		(1,111)
Net income			31,381		31,381
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during period	―	0	6,020	(7)	6,013
Balance at end of current period	58,506	47,697	154,608	(1,280)	259,532

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(393)	(566)	5,492	(518)	4,014	223	7,452	263,797
Cumulative effects of changes in accounting policies								1,411
Restated balance	(393)	(566)	5,492	(518)	4,014	223	7,452	265,209
Changes of items during period								
Dividends from surplus								(24,249)
Change of scope of consolidation								(1,111)
Net income								31,381
Purchase of treasury stock								(8)
Disposal of treasury stock								1
Net changes of items other than shareholders' equity	1,195	―	38	(387)	845	84	844	1,774
Total changes of items during period	1,195	―	38	(387)	845	84	844	7,788
Balance at end of current period	801	(566)	5,531	(906)	4,860	307	8,296	272,997

(4) Consolidated Statement of Cash Flows

For the fiscal year ended February 28, 2015 and February 29, 2016

(Millions of yen)

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Net cash provided by (used in) operating activities:		
Income before income taxes and minority interests	58,370	55,402
Depreciation and amortization	41,825	49,293
Impairment loss	8,263	10,542
Increase (decrease) in allowance for doubtful accounts	(170)	(311)
Interest income	(830)	(759)
Interest expenses	1,520	1,903
Loss on retirement of non-current assets	2,966	4,342
Decrease (increase) in notes and accounts receivable-trade	(4,584)	6,307
Decrease (increase) in accounts receivable-other	(3,439)	(12,619)
Increase (decrease) in notes and accounts payable-trade	8,278	9,548
Increase (decrease) in accounts payable-other	12,288	12,620
Increase (decrease) in deposits received	15,609	(1,724)
Increase (decrease) in provision for retirement benefits	(11,275)	—
Increase (decrease) in net defined benefit liability	12,958	696
Other	(4,385)	2,140
Subtotal	137,397	137,380
Interest income received	814	759
Interest expenses paid	(1,467)	(1,950)
Income taxes paid	(26,176)	(23,985)
Net cash provided by (used in) operating activities	110,567	112,205
Net cash provided by (used in) investing activities:		
Payments into time deposits	(11,204)	(1,301)
Proceeds from withdrawal of time deposits	19,204	1,301
Purchase of property and store equipment	(41,052)	(40,883)
Purchase of intangible assets	(7,901)	(15,609)
Purchase of shares of subsidiaries and associates	(3,335)	(3,361)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(41,381)	—
Decrease (increase) in long-term loans receivable - net	(4,633)	(3,631)
Other	(10,129)	(5,171)
Net cash provided by (used in) investing activities	(100,433)	(68,657)
Net cash provided by (used in) financing activities:		
Proceeds from long-term loans payable	59,000	—
Repayments of long-term loans payable	(21,590)	(862)
Repayments of lease obligations	(20,531)	(25,302)
Proceeds from share issuance to minority shareholders	2,000	—
Cash dividends paid	(22,979)	(24,249)
Other	811	213
Net cash provided by (used in) financing activities	(3,289)	(50,201)
Effect of exchange rate change on cash and cash equivalents	1,150	(451)
Net increase (decrease) in cash and cash equivalents	7,995	(7,105)
Cash and cash equivalents at beginning of period	68,759	76,754
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	144
Cash and cash equivalents at end of period	76,754	69,793

(5) Notes to Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

None

(Basis of Presenting the Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 18

(Domestic)	Lawson HMV Entertainment, Inc.
	Lawson ATM Networks, Inc.
	BestPractice, Inc.
	SCI, Inc.
	Lawson Mart, Inc.
	Lawson HMV Entertainment United Cinemas Holdings, Inc.
	United Entertainment Holdings Co., Ltd.
	United Cinemas Co., Ltd.
	SEIJO ISHII CO., LTD.
(Foreign)	Chongqing Lawson, Inc.
	Shanghai Hualian Lawson, Inc.
	Dalian Lawson, Inc.
	Lawson (China) Holdings, Inc.
	Lawson Asia Pacific Holdings Pte. Ltd.
	Saha Lawson Co., Ltd.
	Shanghai Le Song Trading Co., Ltd.
	Shang Hai Gong Hui Trading Co., Ltd.
	Zhejiang Lawson, Inc.

Among the companies mentioned above, Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd. and Zhejiang Lawson, Inc. have been included in the scope of consolidation due to increasing materiality.

(2) Names of non-consolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc.
	HATS UNLIMITED CO., LTD.
	Food Marketing Japan, Inc.
	Seikaken, Inc.
	Lawson Syuhan, Inc.
	TOKYO EUROPE TRADE CO., LTD.
	SG Lawson, Inc.
	Success Tours, Inc.
	Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc.
	Beijing Lawson, Inc.
	BEIJING LUOSONG Co., Ltd

(Reasons for exclusion from the scope of consolidation)

The above non-consolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) and others have no material influence on the consolidated financial statements.

2. Application of the equity method

(1) Affiliated companies to which the equity method is applied: 3

(Domestic) Lawson Okinawa, Inc.
Lawson Minamikyushu, Inc.
Lawson Kochi, Inc.

Lawson Kochi, Inc., which was established during the current fiscal year and 49% of the shares of which the Company owns, has been included in the scope of the equity method.

(2) The Company excluded from the scope of the equity method affiliate non-consolidated subsidiaries

LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., SG Lawson, Inc., Success Tours, Inc., Lawson Digital Innovation Inc. and Lawson USA Hawaii, Inc., Beijing Lawson, Inc., BEIJING LUOSONG Co., Ltd. and affiliated companies Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Loyalty Marketing, Inc., MC Retail Energy Co., Ltd., Lawson Staff, Inc., AUGUSARENA CORPORATION., Lawson System Labo LLP, Theatre VR LLP, PG Lawson Company, Inc., Lawson Farm Chiba and others were excluded from the scope of the equity-method affiliate because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these nonconsolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of SEIJO ISHII CO., LTD., Chongqing Lawson, Inc., Shanghai Hualian Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc. and Saha Lawson Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial informations prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

From this current consolidated fiscal year, the balance sheet date of Lawson HMV Entertainment United Cinema Holdings, Inc., United Entertainment Holdings Co., Ltd. and United Cinemas Co., Ltd. have been changed from March to February and become the same with consolidated balance sheet date. Thus, their accounting period is 14 months in this current consolidated fiscal year.

The fiscal year end date for the other consolidated subsidiaries corresponds with the balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Other:

Stated at cost determined by the moving-average method.

② Merchandise inventories:

Merchandise:

Stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability) and by the gross-average method (the book value in the balance sheet is written down based on the decline in profitability).

(2) Depreciation method of depreciable assets

① Property and store equipment (except for lease assets):

Mainly computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

② Intangible assets (except for lease assets):

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the estimated useful life. Furthermore, for right of trademark, amortization is mainly computed using the straight-line method over 20 years.

③ Lease assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of 0 yen.

(3) Accounting standard for important reserves

① Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables and on estimated recoverability for specific doubtful receivables.

② Provision for bonuses:

Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.

③ Provision for retirement benefits to executive officers and audit & supervisory board members:

Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries is recorded under internal regulations.

(4) Accounting method for retirement benefits:

① Period attributable method of estimated amount of retirement benefits

In calculating retirement benefit obligation, in order to attribute estimated amount of retirement benefits in the period up to the end of the current fiscal year, it is based on the straight-line attribution basis.

② Cost treatment method of actuarial difference and prior service cost

Prior service cost is amortized starting the fiscal year incurred mainly on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.

(5) Important foreign currency transactions and foreign currency financial statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The consolidated balance sheet accounts as well as revenue and expense accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" and "minority interests", a separate component of net assets.

(6) Amortization method and period of Goodwill

Goodwill is amortized on a straight-line basis over the relevant years, depending on the reason for the occurrence of goodwill, with a maximum of 20 years.

(7) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, demand deposits and short-term investments due within 3 months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

(8) Other significant items related to the preparation of consolidated financial statements

Accounting for consumption tax:

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

(Changes in Accounting Policies)

Changes in accounting policies

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter “Accounting Standard Retirement Benefits”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter “Guidance Retirement Benefits”) from this consolidated fiscal year included stipulations stated in the main clause of paragraph 35 of Accounting Standard Retirement Benefits, and the main clause of paragraph 67 of Guidance Retirement Benefits. The Company reviewed the calculation method of retirement benefit liabilities and service cost, changed the standard of payment period of retirement benefits estimated amounts from period straight-line basis recorded to benefit formula basis. The method for calculating the discount rate was changed from the method in which bond duration, a base used for calculating the discount rate, was decided based on the number of years that approximates the average remaining service period of the employees, to the method in which multiple discount rates are calculated in accordance with the expected payment period of retirement benefits.

The application of such as accounting standards for retirement benefits has followed the transitional treatment stipulated in paragraph 37 of Accounting Standard Retirement Benefits, and the impact due to change of calculation method of retirement benefit liabilities and service cost was charged to Retained earnings at the beginning of this consolidated fiscal year.

As a result, net defined benefit liability as of the beginning of this consolidated fiscal year decreased ¥2,130 million, while retained earnings increased ¥1,411 million. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for this consolidated fiscal year is immaterial.

The impact on information per share date is described in the relevant section.

(Accounting Standards Issued but not yet Effective)

・ "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Implementation Guidance No.26, December 28, 2015)

(1) Outline

With regard to treatments concerning the recoverability of deferred tax assets, necessary reviews of the following have been made, basically following the framework of Auditing Standards Board Report No.66 of the Japanese Institute of Certified Public Accountants, the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets," which classifies companies into five groups and estimates the recorded amount of deferred tax assets in accordance with said classifications.

① The treatment of companies that do not fulfill any of the requirements of classifications pertaining to (Classification 1) to (Classification 5)

② Requirements of classifications pertaining to (Classification 2) and (Classification 3)

③ Treatment related to deductible temporary difference that cannot be scheduled at companies that fall under (Classification 2)

④ Treatment related to the reasonable period when estimation of deductible temporary difference and other taxable income before addition or subtraction is possible at companies that fall under (Classification 3)

⑤ For companies that fulfill the requirements of classification pertaining to (Classification 4), the treatment in cases where they fall under (Classification 2) or (Classification 3)

(2) Scheduled implementation date

Implementation is scheduled from the beginning of the fiscal year ending February 2017.

(3) Impact of the application of said accounting standards, etc.

The amount of impact is being evaluated at the time of preparation of these consolidated financial statements.

・ "Accounting Standard for Business Combinations" (Accounting Standard No. 21, September 13, 2013)
・ "Accounting Standard for Consolidated Financial Statements" (Accounting Standard No. 22, September 13, 2013)
・ "Accounting Standard for Business Divestitures" (Accounting Standard No. 7, September 13, 2013)
・ "Accounting Standard for Earnings Per Share" (Accounting Standard No. 2, September 13, 2013)
・ "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Implementation Guidance No.10, September 13, 2013)
・ "Implementation Guidance on Accounting Standard for Earnings Per Share" (Accounting Standards Implementation Guidance No.4, September 13, 2013)

(1) Outline

This Accounting Standard has been amended mainly in: ① the treatment of change in equity interest of the parent company in a subsidiary in additional acquisition of subsidiary shares when control is continued; ② treatment of acquisition-related costs; ③ the representation of net profit and the change from minority interest to no controlling interest; and ④ temporary accounting treatment.

(2) Scheduled application date

Implementation is scheduled from the beginning of the fiscal year ending February 2017.

(3) Influence from the application of the relevant Accounting Standards

The amount of impact is being evaluated at the time of preparation of these consolidated financial statements. Influence on the financial statements in its preparation is under evaluation.

(Changes in Presentation)

(Consolidated Balance Sheets)

In the “Current assets” section, “Prepaid expenses” were presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Prepaid expenses” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Current assets” section, 12,235 million yen that had previously been presented as “Prepaid expenses” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In the “Property and store equipment” section, contra assets of each asset account, which are “Accumulated depreciation”, were presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, each asset account is now presented after offsetting their balances with contra assets while the balances of contra assets are now presented in notes of “Accumulated depreciation of property and store equipment”. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Property and store equipment” section, 313,867 million yen of “Building and structures” and (160,491) million yen of its contra asset “Accumulated depreciation”, 74,270 million yen of “Tools, furniture and fixtures” and (59,445) million yen of its contra asset “Accumulated depreciation”, 154,932 million yen of “Lease assets” and (63,270) million yen of its contra asset “Accumulated depreciation”, and 572 million yen of “Other” and (448) million yen of its contra asset “Accumulated depreciation”, are now presented as “Building and structures, net”, “Tools, furniture and fixtures, net”, “Lease assets, net” and “Other, net”.

In the “Intangible assets” section, “Software in progress” were presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Software in progress” is now presented in “Software.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Intangible assets” section, 6,993 million yen that had previously been presented as “Software in progress” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Software.”

In the “Investments and other assets” section, “Long-term prepaid expenses” were presented separately in the previous fiscal year. Due to a decline in financial materiality, “Long-term prepaid expenses” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Investments and other assets” section, 9,912 million yen that had previously been presented as “Long-term prepaid expenses” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In the “Current liabilities” section, “Accounts payable-trade for franchised stores” were presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Accounts payable-trade for franchised stores” is now presented in “Accounts payable-trade.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Current liabilities” section, 83,385 million yen that had previously been presented as “Accounts payable-trade for franchised stores” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Accounts payable-trade.”

In the “Current liabilities” section, “Due to franchised stores” were presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Due to franchised stores” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Current liabilities” section, 1,507 million yen that had previously been presented as “Due to franchised stores” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In the “Non-current liabilities” section, “Long-term guarantee deposited” were presented separately in the previous fiscal year. Due to a decline in financial materiality, “Long-term guarantee deposited” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Non-current liabilities” section, 29,992 million yen that had previously been presented as “Long-term guarantee deposited” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

(Consolidated Statement of Income)

In the “Non-operating income” section, “Compensation income” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Compensation income” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Non-operating income” section, the 365 million yen that had previously been presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as “Compensation income.”

In the “Non-operating income” section, “Share of profit of entities accounted for using equity method” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Share of profit of entities accounted for using equity method” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Non-operating income” section, the 365 million yen that had previously been presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as “Share of profit of entities accounted for using equity method.”

In the “Non-operating income” section, “Store equipment related income” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Store equipment related income” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Non-operating income” section, the 118 million yen that had previously been presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as “Store equipment related income.”

In the “Non-operating income” section, “Penalty income” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Penalty income” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Non-operating income” section, the 618 million yen that had previously been presented as “Penalty income” in the Consolidated Statement of Income for the previous fiscal year is now included in “Other”.

In the “Extraordinary losses” section, “Loss on sales of non-current assets” was included in “Other” in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Loss on sales of non-current assets” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Extraordinary losses” section, the 249 million yen that had previously been presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as “Loss on sales of non-current assets.”

(Consolidated Statement of Cash Flows)

In the “Cash flow from operating activities” section, “Decrease (increase) in inventories” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Decrease (increase) in inventories” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from operating activities” section, (2,588) million yen that had previously been presented as “Decrease (increase) in inventories” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from operating activities” section, “Increase (decrease) in accrued consumption taxes” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Increase (decrease) in accrued consumption taxes” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from operating activities” section, 5,721 million yen that had previously been presented as “Increase (decrease) in accrued consumption taxes” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from operating activities” section, “Increase (decrease) in guarantee deposits received” was presented separately in the previous fiscal year. In order to increase clarity of consolidated financial statements from the current fiscal year, “Increase (decrease) in guarantee deposits received” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from operating activities” section, (2,307) million yen that had previously been presented as “Increase (decrease) in guarantee deposits received” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from investing activities” section, “Purchase of investment securities” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Purchase of investment securities” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from investing activities” section, (6,507) million yen that had previously been presented as “Purchase of investment securities” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from investing activities” section, “Decrease (increase) in short-term loans receivable” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Decrease (increase) in short-term loans receivable” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from investing activities” section, 3,135 million yen that had previously been presented as “Decrease (increase) in short-term loans receivable” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from investing activities” section, “Purchase of long-term prepaid expenses” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Purchase of long-term prepaid expenses” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from investing activities” section, (3,806) million yen that had previously been presented as “Purchase of long-term prepaid expenses” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

(Notes to Consolidated Balance Sheet)

*1. Accumulated depreciation of property and store equipment

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Accumulated depreciation	¥283,656 million	¥291,655 million

*2. Investment in non-consolidated subsidiaries and affiliated companies

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Investments securities (stock)	¥9,784 million	¥12,205 million
(Investment amount for jointly-controlled companies)	—	(¥1,017million)
Investments securities (bond)	¥233 million	¥272 million
Other (other equity investments)	¥1,662 million	¥3,394 million
(Investment amount for jointly-controlled companies)	—	(¥47 million)

*3. Revaluation of land used for business

Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as land revaluation difference.

Revaluation method:

The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.

Date of revaluation: February 28, 2002

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
The difference between book value and market value of the revalued land as of balance sheet date	¥314 million	¥308 million

*4. Collateral assets and liabilities collateralized

Assets with collateral pledged as collateral are as follows.

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Cash and deposits	¥416 million	¥2,399 million

In addition to the above, consolidated subsidiary shares to be pledged as collateral are as follows.

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Shares of consolidated subsidiaries (Amount before elimination)	¥16,614 million	¥14,364 million

Collateral liabilities are as follows.

	Previous fiscal year As of February 28, 2015	Current fiscal year As of February 29, 2016
Short-term loans payable	¥1,000 million	¥1,000 million
Current portion of long-terms loans payable	¥575 million	¥575 million
Long-term loans payable	¥8,425 million	¥7,562 million
Total	¥10,000 million	¥9,137 million

(Notes to Consolidated Statement of Income)

*1 Major items and amounts of selling, general and administrative expenses, are as follows.

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Employees' salaries and allowances	¥45,187 million	¥48,722 million
Provision for bonuses	¥2,056 million	¥3,362 million
Retirement benefit expenses	¥2,065 million	¥2,215 million
Rents	¥96,877 million	¥108,795 million
Depreciation	¥41,788 million	¥49,156 million

*2 Distribution of loss on sales of non-current assets

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Buildings and structures	¥72 million	¥223 million
Tools, furniture and fixtures	¥177 million	¥5 million
Others	—	¥0 million
Total	¥249 million	¥228 million

*3 Distribution of loss on retirement of non-current assets

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Buildings and structures	¥1,708 million	¥3,284 million
Tools, furniture and fixtures	¥355 million	¥294 million
Lease assets	¥570 million	¥679 million
Software	¥332 million	¥83 million
Others	—	¥0 million
Total	¥2,966 million	¥4,342 million

*4 Impairment loss

The Group recognized an impairment loss mainly for each stores as the smallest category bear cash flows.

The carrying value of asset groups with significantly decreased profitability was written down to a recoverable amount, with the decreased amount recognized as extraordinary loss. In view of the increasingly rapid changes occurring in the business environment, we have clarified in detail the decrease in profitability for the fiscal year.

Previous fiscal year (From March 1, 2014 to February 28, 2015)

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	1,307
	Osaka	Buildings; Tools, furniture and fixtures; and others	770
	Others	Buildings; Tools, furniture and fixtures; and others	4,240
Others	—	Land	29
	—	Software	17
	—	Goodwill	1,897
Total	—	—	8,263

Category by non-current assets

Buildings and structures	¥3,658 million
Tools, furniture and fixtures	¥464 million
Land	¥29 million
Lease assets	¥2,172 million
Software	¥17 million
Goodwill	¥1,897 million
Other	¥24 million

Recoverable value of the assets of the Group is the higher of net selling price or value in use. Net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.8% was mainly applied.

Current fiscal year (From March 1, 2015 to February 29, 2016)

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	1,904
	Osaka	Buildings; Tools, furniture and fixtures; and others	1,621
	Others	Buildings; Tools, furniture and fixtures; and others	6,508
Others	—	Software	507
Total	—	—	10,542

Category by non-current assets

Buildings and structures	¥5,976 million
Tools, furniture and fixtures	¥607 million
Land	¥57 million
Lease assets	¥3,131 million
Software	¥680 million
Other	¥88 million

Recoverable value of the assets of the Group is the higher of net selling price or value in use. Net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.8% was mainly applied.

(Notes to Consolidated Statement of Comprehensive Income)

* Reclassification adjustments to gain or loss and income tax relating to other comprehensive income

(Millions of yen)

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	(431)	1,587
Reclassification adjustments to profit or loss	(22)	238
Amount before income tax effect	(454)	1,825
Income tax effect	154	(630)
Valuation difference on available-for-sale securities	(299)	1,195
Revaluation reserve for land		
Gain or loss arising during the period	1	―
Revaluation reserve for land	1	―
Foreign currency translation adjustment		
Gain or loss arising during the period	2,089	(15)
Reclassification adjustments to profit or loss	(1,127)	―
Foreign currency translation adjustment	961	(15)
Retirement benefits adjustment		
Gain or loss arising during the period	―	(662)
Reclassification adjustments to profit or loss	―	99
Amount before income tax effect	―	(562)
Income tax effect	―	174
Retirement benefits adjustment	―	(387)
Share of other comprehensive income of associates accounted for using equity method:		
Gain or loss arising during the period	(31)	―
Reclassification adjustments to profit or loss	1,472	―
Share of other comprehensive income of associates accounted for using equity method	1,441	―
Total other comprehensive income	2,104	792

(Notes to Consolidated Statement of Changes in Net Assets)

Previous fiscal year (From March 1, 2014 to February 28, 2015)

1. Number of shares of outstanding stock and treasury stock

	Number of shares at the beginning of the period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury stock Common stock (*)	395	40	135	301

(*) The 40 thousand shares increase in treasury stock resulted from 40 thousand shares increase by acquisitions of treasury stock due to the purchase request of dissenting shareholders against merger and 0 thousand share by purchases of stock of less than one share unit.
The 135 thousand shares decrease in treasury stock resulted from 135 thousand shares decrease due to exercise of a right for stock acquisition and 0 thousand share decrease due to requests for additional purchases of stock of less than one share unit.

2. Subscription rights to shares and Treasury subscription rights to shares

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	223
Total		—	—	—	—	—	223

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 27, 2014)	Common stock	10,989	110.00	As of February 28, 2014	As of May 28, 2014
Directors' meeting (October 7, 2014)	Common stock	11,989	120.00	As of August 31, 2014	As of November 10, 2014

2) Dividends for which effective date is after balance sheet date of year-ended, among dividends attributed in the current period

Date of resolution	Class of shares	Reserve of dividend	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 26, 2015)	Common stock	Retained earnings	11,999	120.00	As of February 28, 2015	As of May 27, 2015

Current fiscal year (From March 1, 2015 to February 29, 2016)

1. Number of shares of outstanding stock and treasury stock

	Number of shares at the beginning of the period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury stock Common stock (*)	301	0	0	301

(*) The 0 thousand share increase in treasury stock resulted from purchases of stock of less than one share unit.
The 0 thousand share decrease in treasury stock resulted from requests for additional purchases of stock of less than one share unit.

2. Subscription rights to shares and Treasury subscription rights to shares

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	307
Total		—	—	—	—	—	307

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 26, 2015)	Common stock	11,999	120.00	As of February 28, 2015	As of May 27, 2015
Directors' meeting (October 7, 2015)	Common stock	12,249	122.50	As of August 31, 2015	As of November 10, 2015

2) Dividends for which effective date is after balance sheet date of year-ended, among dividends attributed in the current period

Date of resolution	Class of shares	Reserve of dividend	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 24, 2016)	Common stock	Retained earnings	12,249	122.50	As of February 29, 2016	As of May 25, 2016

(Notes to Consolidated Statement of Cash Flows)

*1. Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Cash and deposits	¥76,758 million	¥69,797 million
Time deposits for which the deposit period exceeds three months	¥(4) million	¥(4) million
Cash and cash equivalents	¥76,754 million	¥69,793 million

*2. Breakdown of assets and liabilities of a newly consolidated subsidiary acquired through purchase of shares in this consolidated fiscal year.

Previous fiscal year (From March 1, 2014 to February 28, 2015)

The following is a breakdown of assets and liabilities at the time SEIJO ISHII Co., Ltd. was newly consolidated through purchase of shares, and the difference between the cost of purchase of SEIJO ISHII Co., Ltd. shares and proceeds from the purchase.

Current assets	¥14,441 million
Non-current assets	¥27,417 million
Goodwill	¥28,743 million
Current liabilities	¥(28,218) million
Non-current liabilities	¥(6,113) million
Purchase cost of shares of newly consolidated subsidiaries	¥36,269 million
Cash and cash equivalents of consolidated subsidiaries	¥(5,803) million
Difference: Purchase of shares in consolidated subsidiaries	¥30,466 million

The following is a breakdown of assets and liabilities at the time United Entertainment Holdings Co., Ltd. and its subsidiary United Cinema Co., Ltd. was newly consolidated through purchase of shares, and the difference between the cost of purchase of United Entertainment Holdings Co., Ltd. shares and proceeds from the purchase.

Current assets	¥3,947 million
Non-current assets	¥7,307 million
Goodwill	¥9,563 million
Current liabilities	¥(4,764) million
Non-current liabilities	¥(3,035) million
Purchase cost of shares of newly consolidated subsidiaries	¥13,017 million
Cash and cash equivalents of consolidated subsidiary	¥(2,102) million
Difference: Purchase of shares in consolidated subsidiaries	¥10,914 million

Current fiscal year (From March 1, 2015 to February 29, 2016)

Not applicable.

3. Description of significant non-fund transactions

1) Assets and liabilities related to finance lease transactions are as below.

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Assets and liabilities related to finance lease transactions	¥33,682 million	¥38,158 million

2) Important asset retirement obligations are as below.

	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Important asset retirement obligations	¥1,711 million	¥4,604 million

(Segment Information)

1. Outline of reporting segments

The Company’s financial information is provided separately by reporting segment and is subject to regular review by the board of directors with regard to the allocation of managerial resources and performance evaluation.

The Group operates primary businesses Domestic Convenience Store Business, Seijo Ishii Business and Entertainment-related Business while incorporating other related businesses.

Therefore, the Group has made the Domestic Convenience Store Business, Seijo Ishii Business and Entertainment-related Business unit its main reporting segments, based on consideration of financial characteristics and the nature of the services provided.

Regarding to Domestic Convenience Store Business, Lawson. Inc. operates a franchise system as well as undertaking the direct management of stores in Japan as the parent company of LAWSON, NATURAL LAWSON, and LAWSON STORE100. Lawson Mart, Inc. undertakes the direct management of LAWSON STORE100 stores. SCI, Inc. performs the increase in efficiency and optimization of the whole process as a subsidiary which manages the process from supply to sale synthetically.

Regarding to Seijo Ishii Business, SEIJO ISHII Co., Ltd. operates SEIJO ISHII supermarket.

Regarding to Entertainment-related Business, Lawson HMV Entertainment, Inc. manages to sell concert tickets at LAWSON stores and others, music and video soft at HMV stores and others. In addition, United Cinemas Co., Ltd. operates a multiplex movie theatres.

Due to its rise in importance, Seijo Ishii Business, which was included in Others, has been recorded as reporting segment from this current consolidated fiscal year. Based on this change, for segment information of previous fiscal year, it stated by classification after the change and [3. Information related to amounts of sales, profit and loss by segment] of previous fiscal year.

2. Computation method of the amount of sales, profit and loss, assets and liabilities, and other items by reporting segment

The segment accounting policies are the same as those described in the “Basis of Presenting the Consolidated Financial Statements.” Segment profit is based on operating income. Internal earnings and transfers between segments are based on market value.

As stated in changes in accounting policies, due to change of calculation method of retirement benefit liabilities and service cost, the calculation method of retirement benefit liabilities and service cost for reporting segments are changed from this consolidated fiscal year.

The impact of this change on segment profit for this consolidated fiscal year is immaterial.

3. Information related to the amount of sales, profit and loss by segment
Previous fiscal year (from March 1, 2014, to February 28, 2015)

	Reporting segment			Others (Note 1)	Total	Adjusted Amount (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Gross operating revenue							
Sales to external customers	392,462	17,879	50,688	36,882	497,913	―	497,913
Internal sales or transfers between segments	2,917	1	1,412	1,168	5,499	(5,499)	―
Total	395,380	17,880	52,101	38,050	503,412	(5,499)	497,913
Segment profit	63,863	1,358	2,587	2,663	70,472	9	70,482
Segment asset	707,339	69,568	58,323	46,395	881,626	(117,012)	764,614
Other							
Depreciation	36,926	447	838	2,219	40,432	―	40,432
Goodwill amortization	408	359	433	191	1,392	―	1,392
Investment for affiliates	3,805	―	―	―	3,805	―	3,805
Increase of non-current assets	45,038	306	1,085	2,523	48,954	―	48,954

(Note)
1. The “others” category refers to business segments that do not fall under the main reporting segment and includes Financial Services-related Business operated by Lawson ATM Networks, Inc. and Overseas Business operated by Shanghai Hualian Lawson, Inc. and others.
2. The segment profit, adjusted by segment assets and amortization of goodwill, is balance of elimination of intra-segment transactions
3. The segment profit is adjusted against the consolidated operating income.

Current fiscal year (from March 1, 2015, to February 29, 2016)

(Millions of Yen)

	Reporting segment			Others (Note 2)	Total	Adjusted Amount (Note 3)	Total (Note 4)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business (Note 1)				
Gross operating revenue							
Sales to external customers	395,057	68,993	73,639	45,763	583,452	—	583,452
Internal sales or transfers between segments	3,579	—	1,401	1,158	6,139	(6,139)	—
Total	398,637	68,993	75,040	46,921	589,592	(6,139)	583,452
Segment profit	59,993	5,037	4,076	3,427	72,534	7	72,541
Segment asset	738,875	65,016	64,559	53,679	922,131	(118,918)	803,212
Other							
Depreciation	40,768	1,756	1,375	2,590	46,490	—	46,490
Goodwill amortization	596	1,437	664	103	2,802	—	2,802
Investment for affiliates	4,745	—	—	—	4,745	—	4,745
Increase of non-current assets	48,467	521	4,346	3,157	56,492	—	56,492

(Note)

1. Name of Entertainment & Home Convenience Business has been changed into Entertainment-related Business.
2. The “others” category refers to business segments that do not fall under the main reporting segment and includes Financial Services-related Business operated by Lawson ATM Networks, Inc. and Overseas Business operated by Shanghai Hualian Lawson, Inc. and others.
3. The segment profit, adjusted by segment assets and amortization of goodwill, is balance of elimination of intra-segment transactions
4. The segment profit is adjusted against the consolidated operating income.

(Related information)

Previous fiscal year (March 1, 2014 to February 28, 2015)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statement of income, this information is omitted.

(2) Property and store equipment

Since property and store equipment in Japan exceed 90% of property and store equipment on the consolidated balance sheet, this information is omitted.

(3) Information by Major Customer

Information about major customers has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.

Current fiscal year (March 1, 2015 to February 29, 2016)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statement of income, this information is omitted.

(2) Property and store equipment

Since property and store equipment in Japan exceed 90% of property, plant and store equipment on the consolidated balance sheet, this information is omitted.

(3) Information by Major Customer

Information about major customers has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.

(Information on impairment loss in non-current assets by reported segment)

Previous consolidated fiscal year (from March 1, 2014 to February 28, 2015)

The Group groups its assets mainly with stores as the basic minimum unit that generates cash flow. For asset groups whose profit/loss from operating activities have continuously been negative, the book value of such assets has been written down to a recoverable amount, with the reduced amount recorded as impairment loss under extraordinary losses. The Group recognizes as an impairment loss a part of the unamortized goodwill in the offset difference between the investment and capital that was produced when acquiring the shares of consolidated subsidiaries whose profitability have deteriorated. The recognized loss for the year amounted to 1,897 million yen, which was recorded for the related segment.

The amount recorded for each reporting segment is as follows.

(Millions of yen)

	Reporting segment			Others	Total	Adjusted amount	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Impairment loss	5,831	—	237	2,193	8,263	—	8,263

Current fiscal year (from March 1, 2015 to February 29, 2016)

The Group groups its assets mainly with stores as the basic minimum unit that generates cash flow. For asset groups whose profit/loss from operating activities have continuously been negative, the book value of such assets has been written down to a recoverable amount, with the reduced amount recorded as impairment loss under extraordinary losses.

The amount recorded for each reporting segment is as follows.

(Millions of yen)

	Reporting segment			Others	Total	Adjusted amount	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Impairment loss	9,155	80	570	737	10,542	—	10,542

(Information on amortization of goodwill and amortized balance by reported segment)
Previous fiscal year (From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Reporting segment			Others	Total	Adjusted amount	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Balance at end of fiscal year	8,788	28,384	9,856	1,159	48,189	—	48,189

Note: Amortization of goodwill is not indicated since the information is disclosed in “Segment Information.”

Current fiscal year (From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Reporting segment			Others	Total	Adjusted amount	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Balance at end of fiscal year	8,589	26,946	9,192	1,581	46,309	—	46,309

Note: Amortization of goodwill is not indicated since the information is disclosed in “Segment Information.”

(Information on gain on negative goodwill by reported segment)

Not applicable.

(Per Share Information)

Previous fiscal year From March 1,2014 to February 28, 2015		Current fiscal year From March 1,2015 to February 29, 2016	
Net assets per share	2,561.25 yen	Net assets per share	2,643.97 yen
Net income per share	327.08 yen	Net income per share	313.81 yen
Net income per share after full dilution	326.65 yen	Net income per share after full dilution	313.57 yen

(Note) 1. As stated in "(Changes in accounting policies)," the Accounting Standards for Retirement Benefits, etc., were applied in accordance with the transitional treatment set forth in Article 37 of the Accounting Standards for Retirement Benefits. As a result, the net assets per share for the fiscal year has increased by 14.11 yen. There is no significant impact on the net income per share and net income per share after full dilution for the fiscal year under evaluation.

2. The basis for the calculation of net income per share and net income per share after full dilution is as follows:

Item	Previous fiscal year From March 1,2014 to February 28, 2015	Current fiscal year From March 1,2015 to February 29, 2016
Net income per share		
Net income (million yen)	32,686	31,181
Amount not attributable to common stockholders (million yen)	―	―
Net income attributable to common stock (million yen)	32,686	31,181
Average number of common stock during the fiscal year (thousand shares)	99,931	99,998
Net income per share after full dilution		
Net income adjustment value (million yen)	―	―
Increase in number of outstanding common shares (thousand shares)	133	78
(Stock acquisition rights) (thousand shares)	(133)	(78)
Summary of issuable shares not included in the computation of net income per share after full dilution, since these securities are not dilutive.	―	―

(Significant Subsequent Events)

Not applicable.