Flash Report on the Consolidated Result

for the year Ended February 28, 2014

April 10, 2014

Listed Company Name: Lawson, Inc.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Takeshi Niinami, Representative Director, CEO
Contact: Tomoki Takanishi, Financial & Accounting Office General Manager Tel.: +81-3-5435-2773
Scheduled date for the ordinary general meeting of shareholders: May 27, 2014
Scheduled date for payment of dividend: May 28, 2014
Scheduled date for submission of annual report: May 28, 2014
Supplementary Documents for annual results: Yes
Presentation of annual results: Yes (for institutional investors and analysts)

1. Consolidated Performance for the 2013 fiscal year (from March 1, 2013, to February 28, 2014)
(1) Consolidated operating results

Notes:
1. Amounts below one million yen are truncated.
2. Percentages for total operating revenues, operating income, ordinary income and net income show increase (decrease) from previous year.

	Gross operating revenue		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
2013 fiscal year	485,247	(0.5)	68,126	2.8	68,880	4.5
2012 fiscal year	487,445	1.8	66,246	7.2	65,926	6.8

	Net income		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
	¥ Million	%	¥	¥	%	%	%
2013 fiscal year	37,965	14.4	380.04	379.35	16.1	11.5	14.0
2012 fiscal year	33,182	33.3	332.20	331.69	15.2	11.9	13.6

Notes: Comprehensive income:
2013 fiscal year: 39,807 million yen (14.2%) 2012 fiscal year: 34,871 million yen (36.2%)
Equity in net income of affiliates:
2013 fiscal year: 393 million yen 2012 fiscal year: 394 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2013 fiscal year	620,992	250,497	39.5	2,455.25
2012 fiscal year	579,809	230,181	39.1	2,267.17

Notes: Shareholders' equity:
2013 fiscal year: 245,289 million yen 2012 fiscal year: 226,475 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
2013 fiscal year	81,503	(47,924)	(39,650)	68,759
2012 fiscal year	85,188	(54,196)	(31,979)	72,766

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	%	%
2012 fiscal year	—	100	—	100	200	19,978	60.2	9.1
2013 fiscal year	—	110	—	110	220	21,978	57.9	9.3
2014 fiscal year (Forecast)	—	120	—	120	240	—	61.6	—

3. Forecast Consolidated Performance for 2014 fiscal year（from March 1, 2014 to February 28, 2015）

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2014 1H (accumulated)	252,000	1.5	37,900	6.4	37,200	4.7	19,400	1.8
2014 fiscal year	498,000	2.6	75,000	10.1	73,900	7.3	38,900	2.5

References:
Forecast net profit per share for the 2014 half year: 194.18 yen
Forecast net profit per share for the 2014 fiscal year: 389.37 yen

4. Others
(1) Change in important subsidiaries during the 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: Yes
4. Retrospective restatements: None

(3) Number of issued shares:
i) The number of the stocks issued in the end of term
February, 2014: 100,300,000 February, 2013: 100,300,000
ii) The number of treasury shares in the end of term
February, 2014: 395,953 February, 2013: 406,853
iii) Average number of shares during the term
February, 2014: 99,898,281 February, 2013: 99,887,245

Note: Implementation of audit procedures
This Flash Report on the Consolidated Results 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: Remarks on appropriate use of financial performance forecasts and other special notes
Financial performance forecasts and other forward-looking statements included this report are based on currently available information and certain preconditions deemed to be reasonable, and do not in any way guarantee that they will be achieved. Actual financial and other performances may differ materially from the forward-looking statements owing to various factors. For details concerning preconditions for and appropriate use of our financial forecasts, please see “Analysis of Operating Results and Financial Position; Outlook for Fiscal 2014” on page 6 of the attached material.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

During the consolidated fiscal year under review, or fiscal 2013 ended February 28, 2014, the Lawson Group (hereinafter, the "Group") implemented measures to reinforce its social infrastructure function that provides essential items and services at the local level with the aim of realizing the Group's corporate philosophy of "Creating Happiness and Harmony in our Communities." Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM) and supply chain management (SCM) in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.
Operating results by business segment were as follows:

(Domestic Convenience Store Business)

[Merchandising Strategies]
On the merchandise front, we strengthened our evening and nighttime merchandise assortment throughout the year by expanding our lineup of ready-made meals, including carbohydrate-based foods such as lunch boxes, rice balls and sandwiches, and over-the-counter fast foods, in order to enhance satisfaction of customers visiting our stores, especially in and after evening hours.
In our mainstay rice category, our Furusato-no-umai! line offering lunch boxes and rice balls was tremendously popular for its high-value-added products using ingredients specific to different regions across Japan. We also strengthened our merchandise assortment of fresh foods centered on pre-cut vegetables and processed foods that tend to be purchased in combination with fresh foods.
In the over-the-counter fast foods category, new products such as "Genkotsumenchi" (fried minced meat balls) and "Ohgon-Chicken" (tender and juicy fried chicken with a golden crispy crust) were highly received, achieving robust sales. In addition, we expanded the number of stores equipped with MACHI café, an in-store café first launched in fiscal 2011 offering freshly ground and brewed coffee, to 7,776 as of the end of the fiscal year under review, successfully increasing profitability while deepening communication with customers and improving customer service. We have also steadily installed an in-store kitchen facility Machikado Chubo in more stores, aiming to offer freshly prepared dishes such as "Katsu sandwiches." The number of stores with Machikado Chubo has reached 2,076 as of the end of the fiscal year under review, and they are becoming increasingly popular among customers. In the dessert category, we launched pancakes and waffle-cone ice cream products under our UCHI café SWEETS brand, as well as the Frozen Sweets series frozen cupped dessert served by thawing in the microwave oven, all of which were extremely popular.

In May 2013, we strengthened product development with the aim of not only responding to customers' health concerns, but also promoting health. Of note, bran[1] bread, a low-carbohydrate product we began to fully promote this fiscal year ended February 2014, has been well-received by many customers who are health conscious or need to limit their intake of carbohydrates. We have also expanded our merchandise assortment of pre-cut vegetables made with vegetables produced based on the Nakashima Farming Method[2], one of the most prominent mineral farming methods in Japan. By thus highlighting health-consciousness in our products and in-store presentation, we have boosted Lawson's corporate brand image as a health-promoting convenience store. Furthermore, we have been implementing rigorous initiatives to manage the health condition of our employees since last year as part of our corporate drive to promote good health. Our focus on health will be further strengthened as an approach adopted throughout the entire Lawson chain including franchised stores.
As of the end of February 2014, we are now operating 15 Lawson Farms. The farms were established with the aim of supplying the Group's stores with fruits and vegetables as fresh food products on a stable basis as well as providing produce for use as ingredients in LAWSON's original products. In sales promotions, we implemented a point-reward campaign targeting Ponta members to encourage purchasing with the aim of increasing the rate of repeat visits.
Total Ponta members reached 60 million as of the end of February 2014, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 49%.

[*1] Bran: The external layer of wheat. Contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrate.
[*2] Nakashima Farming Method: A cultivation method that supplies appropriate nutrients in accordance with the growth status of crops and the nutritional balance of the soil (mineral balance). Uses techniques for developing healthy soil based on diagnosis of soil conditions in conjunction with techniques to control

the growth process of crops to maintain healthy growth. In August 2013, Lawson, Inc. acquired a 70% stake in Eisai Co., Ltd. (currently, Seikaken Inc.), which owns soil condition diagnosis techniques and manufactures and supplies soil fertilizers that optimize mineral balance in soil and crops.

[Store Operations]

In store operations, we continued to reinforce 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, in addition to expanding our lineup of health-conscious products that are safe, reliable, and delicious. Notably, with the increasing number of stores equipped with MACHI café, store employees are more capable of offering products and services in a caring manner through better communication with customers. We strived to further improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them.

In store operations, by using the store-by-store analysis reports formulated based on Ponta members' data, which we started distributing to franchised stores in March, we encouraged sharing of initiatives and knowledge among all stores and continued striving to achieve merchandise assortment and store features tailored to each store.

Furthermore, we have also continued implementing measures to streamline our order placement procedures and reduce lost opportunities. Going forward, we will further push forward with our efforts to achieve merchandise assortment that suits customers visiting each store by leveraging Ponta members' data and implementing shelf allocation tailored to the locational characteristics of each store.

[Store Development and Store Format Strategy]

In opening new stores, the Group prioritized profitability based on its proprietary return-on-investment (ROI)-focused store development standard. As a result, the total number of stores operated by the Group reached 11,337 as of the end of the fiscal year under review. With regard to store format strategy, in addition to LAWSON and NATURAL LAWSON, we opened our first LAWSON MART store in February 2014. Developed based on LAWSON STORE 100, LAWSON MART is a convenience store tailored more closely to each locality. We will make maximum use of these store formats and promote a store format strategy that responds specifically to the needs of customers in each neighborhood.

As of February 1, 2014, Lawson, Inc. (the "Company") acquired Ninety-nine Plus, Inc., along with its store-related assets including its franchise agreements with LAWSON STORE 100 fresh foods convenience stores. As a result, the Group centralized all Lawson chain store administrative functions, including store asset management and franchise promotion, thus enabling it to further advance its efficient area-targeted strategies tailored more closely to the needs of local customers. As of the same day, the operational functions of Ninety-nine Plus, Inc., including store management and product development, were succeeded by Lawson Mart, Inc. based on an absorption-type company split. The functions that were succeeded will be further enhanced going forward.

In an effort to reinforce stores that cater to healthcare needs, we increased the number of Pharmacy LAWSON (pharmaceutical convenience stores), a store format that integrates drug-dispensing pharmacies operated by Qol Co., Ltd. with LAWSON and NATURAL LAWSON, to 36, and the number of stores offering over-the-counter pharmaceuticals to 87 as of the end of February 2014.

In May 2013, Lawson, Inc. established Lawson Minamikyushu, Inc. with the aim of reinforcing store operations in Kagoshima Prefecture. The number of Lawson chain stores operated in Kagoshima Prefecture by Lawson Minamikyushu reached 82 as of the end of February 2014. Lawson Kumamoto, Inc. was also established in May 2013, with the number of Lawson chain stores operated in Kumamoto Prefecture by the company climbing to 24 as of the end of February 2014. Lawson Kumamoto, Inc. is scheduled to be merged into Lawson, Inc., effective March 1, 2014. The number of Lawson chain stores operated in Okinawa Prefecture by Lawson Okinawa, Inc. as of the end of February 2014 totaled 163.

[Change in the Total Number of Stores]

	Total stores as of February 28, 2013	Change during fiscal year	Total stores as of February 28, 2014
LAWSON	9,642	388	10,030
NATURAL LAWSON	110	(5)	105
LAWSONMART／LAWSON STORE100	1,224	(22)	1,202
Total	10,976	361	11,337

[Number of LAWSON stores by prefecture (February 28, 2014)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	595	Tokyo	1,552	Nara	99	Fukuoka	411
Aomori	199	Kanagawa	826	Wakayama	114	Saga	62
Akita	179	Shizuoka	213	Osaka	1,006	Nagasaki	100
Iwate	160	Yamanashi	101	Hyogo	611	Oita	157
Miyagi	215	Nagano	149	Okayama	138	Kumamoto	108
Yamagata	69	Aichi	535	Hiroshima	167	Miyazaki	95
Fukushima	93	Gifu	141	Yamaguchi	118	Kagoshima	120
Niigata	122	Mie	106	Tottori	105	**Total(domestic)**	**11,337**
Tochigi	134	Ishikawa	100	Shimane	110		
Gunma	89	Toyama	182	Kagawa	113		
Saitama	488	Fukui	104	Ehime	176		
Chiba	451	Kyoto	268	Tokushima	115		
Ibaraki	134	Shiga	140	Kochi	67		

[Net Sales at All LAWSON Stores in the Convenience Store Business]

Fiscal period / Product group	Previous fiscal year March 1, 2012 to February 28, 2013		Current fiscal year March 1, 2013 to February 28, 2014		YOY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,063,120	55.8	1,060,455	54.7	99.7
Fast foods	372,706	19.6	408,672	21.1	109.6
Daily delivered foods	271,920	14.3	275,437	14.2	101.3
Nonfood products	196,506	10.3	192,726	10.0	98.1
Total	1,904,254	100.0	1,937,292	100.0	101.7

(**Other Businesses**)

In addition to domestic convenience store business, the Group is involved in Overseas business, Entertainment & Home Convenience business, Financial services-related business, and other businesses. With regards to Overseas business, the Group's operating companies, shown in the following table, opened stores in Shanghai, Chongqing, Dalian, and Beijing in the People's Republic of China.

In the People's Republic of China, the Group's operating companies shown on the following table have opened stores in Shanghai, Chongqing, Dalian, and Beijing. In May 2013, we established Beijing Lawson, Inc. which opened two stores in August. In Indonesia, PT MIDI UTAMA INDONESIA Tbk, in

which Lawson Asia Pacific Holdings Ptd. Ltd. (hereinafter, “LAP”), our Asian umbrella subsidiary in Singapore, holds a 30% stake, operates Lawson stores.
In Thailand, Saha Lawson Co., Ltd. (hereinafter, “Saha Lawson”), a joint venture between LAP and the SAHA Group, Thailand’s leading distributor of consumer goods, operates stores under the store brand of LAWSON108.

[Distribution of LAWSON Brand Stores Overseas by Region]

Company	Country/region	Number of stores (As of February 28, 2013)	Change during fiscal year	Number of stores (As of February 28, 2014)
Shanghai Hualian Lawson, Inc.	Shanghai, China	305	(16)	289
Chongqing Lawson, Inc.	Chongqing, China	49	28	77
Dalian Lawson, Inc.	Dalian, China	8	10	18
Beijing Lawson, Inc.	Beijing, China	-	5	5
Saha Lawson Co., Ltd.	Bangkok, Thailand	-	29	29
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	83	(22)	61
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	2	2	4
Total		447	36	483

In the Group’s Entertainment & Home Convenience business, Lawson HMV Entertainment, Inc. posted a solid performance led by an increase in ticket sales of concerts, events and leisure activities. Revenue from the entire Group’s ticketing services continued to secure top position in the ticketing industry. The number of HMV stores that sell music CDs and DVDs totaled 50 as of the end of February 2014. The Group also promoted its regular food delivery service through Smart Kitchen, Inc., and undertook collaborative initiatives with Daichi Wo Mamoru Kai, Co., Ltd. and Radishbo-ya Co., Ltd. through capital/business alliances.
Lawson ATM Networks, Inc., which operates a Financial services-related business, posted a solid performance owing to an increase in the number of ATMs installed, along with a rise in the number of transactions. We started providing financial services for 7 new banks as their business partner, bringing the total number of our financial institution partners to 65 nationwide, including online banks, and the number of ATMs installed nationwide to 10,118 (up 446 year on year) as of the end of February 2014.

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.
In response to the launch of the Feed-in Tariff Scheme for Renewable Energy, a measure taken by the government against global warming, we started introducing solar power generation systems at our stores in October 2012 as our own initiative to tackle domestic energy issues. The systems have been installed at a total of 1,581 stores as of the end of February 2014. Also, in February 2014, we opened a next-generation pilot convenience store in Moriguchi-shi, Osaka, jointly with Panasonic Corporation. By harnessing Panasonic’s technologies, the store aims to reduce its electricity consumption by 50% from the fiscal 2010 level, provide convenient services based on ICT, and propose health-oriented products and services. In addition, the Group introduced refrigerator/freezer systems using CO_2 refrigerant, which has high heat transfer efficiency and uses less electricity, at 136 stores by the end of February 2014. As a result, these stores not only consumed less electricity, but also achieved a 50% reduction in annual CO_2 emissions per store compared with stores that adopted conventional systems using alternatives to chlorofluorocarbons (CFCs). In recognition of these energy-saving and energy-generating initiatives that contribute to reducing CO_2 emissions, the Group received Japan’s 2013 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming, its second consecutive award. We will strive to make improvements by verifying the outcome at these stores, and apply our accumulated

expertise and knowhow to Lawson stores nationwide. Furthermore, as part of our initiative to reduce environmental impact on the entire supply chain, we started calculating CO_2 emissions at each stage of the supply chain ranging from procurement of ingredients to disposal of merchandise. We will endeavor to save energy and resources not only at LAWSON stores but also throughout the entire supply chain.
In our efforts to undertake social contribution activities at our stores, we have been hosting the LAWSON Green Fund, a donation project active since 1992; the Support for Dreams Fund, a scholarship program for students in three Tohoku prefectures that were affected by the 2011 Great East Japan Earthquake; and the TOMODACHI Fund, which aims to support education of students in Tohoku mainly through a US-Japan exchange endeavor. For all these initiatives, we launched a group-wide fund-raising activity named Happiness in Communities in June 2013.
Starting from the fiscal year under review, the Group has combined its *Annual Report* and *Corporate Citizenship Report* to issue the *Lawson Integrated Report 2013* in September 2013, which incorporates both financial and non-financial information for all stakeholders.
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 its customers and business partners.

(2) Profit and Loss

In terms of operating results for the fiscal year under review, gross operating revenue decreased year on year by ¥2,197 million to ¥485,247 million (down 0.5%). This was attributable to a decrease of ¥24,782 million in net sales despite an increase of ¥22,584 million in operating revenue, resulting from an increase in the number of franchised stores and a decrease in the number of Company-operated stores. Although cost of sales fell ¥18,247 million owing to a decrease in the number of Company-operated stores, selling, general and administrative expenses climbed ¥14,169 million to ¥290,483 million (up 5.1%) due to increases in rents and depreciation. As a result, operating income grew ¥1,880 million to ¥68,126 million (up 2.8%), ordinary income rose ¥2,954 million to ¥68,880 million (up 4.5%), and net income increased ¥4,782 million to ¥37,965 million (up 14.4%).

(3) Outlook for Fiscal 2014

Outlook for the next fiscal year

	2014 2Q (accumulated)		2014 fiscal year	
	¥Million	YoY, %	¥Million	YoY, %
Total operating revenues	252,000	101.5	498,000	102.6
Operating income	37,900	106.4	75,000	110.1
Ordinary income	37,200	104.7	73,900	107.3
Net income	19,400	101.8	38,900	102.5

Change in depreciation method of Property, store and equipment.
For the depreciation method for property, store and equipment (exclude lease assets), Lawson, Inc. and its domestic consolidated subsidiaries adopt straight-line method instead of declining-balance method from next consolidated fiscal year. Based on this change, operating income and ordinary income are expected to increase by 2,300 million yen during the first half and by 5,000 million yen for the whole of next consolidated fiscal year respectively.

(4) Analysis of Financial Position

(i) Total assets, Total liabilities, Total net assets analysis
Total assets increased by ¥41,183 million year on year to ¥620,992 million, mainly due to a ¥24,297 million increase in property, plant and equipment.
Total liabilities stood at ¥370,494 million, a year-on-year increase of ¥20,867 million, mainly owing to a ¥16,556 million rise in short- and long-term lease obligations.
Net assets increased by ¥20,315 million year on year to ¥250,497 million. This was primarily due to an increase of ¥16,987 million in retained earnings.

(ii) Cash flow analysis
Net cash from operating activities amounted to ¥81,503 million, ¥3,685 million lower year on year, due to an increase of ¥12,473 million in deposits received and a decrease of ¥5,715 million in accounts receivable—other.

Investing activities used net cash totaling ¥47,924 million, ¥6,272 million higher year on year, mainly due to a ¥3,699 million increase in proceeds from withdrawal of time deposits.
Financing activities used net cash totaling ¥39,650 million, ¥7,670 million higher year on year, mainly reflecting a ¥3,708 million increase in repayments of lease obligations.

(Reference) Trends in cash flow indicators

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Shareholders' equity ratio (%)	39.7	39.1	39.5
Shareholders' equity ratio on market value basis (%)	78.3	118.7	113.6
Interest-bearing debt/cash flow ratio (years)	0.6	0.7	1.0
Interest coverage ratio (times)	76.9	69.6	63.2

(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 as closing share price at the end of period x 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

(i) Corporate Philosophy and Code of Conduct

The Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities" reflects its belief that its social significance derives from relationships with all its stakeholders. Under this concept, the Group has established a Code of Conduct based on three principles governing its day-to-day corporate activities:

1) Act with utmost consideration for others,
2) Challenges with innovative ideas and actions, and
3) Have a strong will to attain the objectives.

(ii) Vision

The Group is taking various steps to realize "Happiness and Harmony in Our Communities." Central to this effort is the idea of serving as the "Neighborhood Hot Station" (*Machi No Hotto* Station in Japanese), a nickname for the Group's stores, which embodies the Group's vision of making the stores a place where customers can relax (*hotto suru* in Japanese) by offering "hot" new merchandise, information, and services that take into account local preferences. Furthermore, the Group also pursues its vision of helping customers lead healthy lifestyles through its products and services, as well as enabling all franchise store owners and Group employees to continue their business activities while maintaining their health.

(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

The Group is promoting the following management measures with the aim of realizing its corporate philosophy of "Creating Happiness and Harmony in Our Communities."

(i) Strengthen measures to promote health

In response to changes in social structure brought about by an aging population and declining birth rates, the Group will aim to offer convenience stores that support the lives of customers by expanding their assortment of health-related products and sales of pharmaceuticals.

(ii) Reinforce offerings of fresh foods at stores located in residential areas

The need to enjoy home-cooked meals is high among customers in the neighborhoods of stores in residential areas. To meet such needs, the Group will focus on creating stores that offer an extensive assortment of fruits and vegetables and other fresh foods packaged in small portions, daily delivered foods, and frozen foods. We will strive to expand our senior and homemaker customer bases through this initiative.

(iii) Develop overseas business

The Group will offer customers the luxury of convenience store shopping from the comfort of their own homes. To start with, we will establish a full-fledged home delivery network based on our Smart Kitchen delivery service to meet the needs of busy homemakers and elderly people.

(iv) Provide home delivery service to offer customers more convenience

The Group will offer customers the luxury of convenience store shopping from the comfort of their own homes by expanding its home convenience service including home delivery and online shopping.

(v) 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 will lead to enhancing corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

(5) Other Important Managerial Matters
(i) Improving New Merchandise Development Capabilities
While strengthening its ability to develop safe and reliable original merchandise, 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.

(ii) 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

(iii) 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.

(iv) 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.

(v) Enhancing Convenience by Opening Stores in Special Locations and Expanding Financial Services
Through tie-ups with other corporations, the Group will open stores in special locations (captive commercial spaces providing high profitability due to the absence of competing stores). In its financial services, the Group will aim to increase convenience for customers by expanding the Ponta card programs and offering various services via the "Loppi" multimedia terminals and in-store ATMs. In addition, we are striving to enhance convenience by expanding our infrastructure for electronic payment (e.g., Suica).

(vi) 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.

(vii) 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. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited)

As of February 28, 2013 and February 28, 2014

(Millions of yen)

	February 28, 2013	February 28, 2014
Assets		
Current assets:		
Cash and deposits	84,770	76,763
Accounts receivable—due from franchised stores	25,374	32,186
Merchandise	8,963	9,596
Prepaid expenses	8,793	10,716
Accounts receivable—other	46,008	54,193
Deferred tax assets	4,656	4,481
Other	3,011	10,240
Allowance for doubtful accounts	(1,281)	(2,393)
Total	**180,296**	**195,784**
Noncurrent assets:		
Property and store equipment:		
Buildings and structures	242,934	265,952
Accumulated depreciation	(124,562)	(137,117)
Buildings and structures, net	118,372	128,865
Vehicles, tools, furniture and fixtures	67,399	65,944
Accumulated depreciation	(52,637)	(53,861)
Vehicles, tools, furniture and fixtures, net	14,761	12,083
Land	8,295	8,773
Lease assets	96,251	126,056
Accumulated depreciation	(30,452)	(45,289)
Lease assets, net	65,799	80,767
Construction in progress	1,910	2,977
Subtotal	**209,138**	**233,436**
Intangible assets:		
Software	22,255	14,902
Software in progress	1,659	3,360
Goodwill	9,683	9,719
Other	491	497
Subtotal	**34,089**	**28,480**
Investments and other assets:		
Investment securities	10,098	12,821
Long-term loans receivable	34,580	33,727
Long-term prepaid expenses	9,130	8,260
Guarantee deposits	86,109	86,150
Deferred tax assets	16,215	21,627
Other	1,368	1,669
Allowance for doubtful accounts	(1,217)	(965)
Subtotal	**156,285**	**163,291**
Total	**399,513**	**425,208**
Total assets	**579,809**	**620,992**

Consolidated Balance Sheets (Unaudited)—Continued

(Millions of yen)

	February 28, 2013	February 28, 2014
Liabilities		
Current liabilities		
Accounts payable—trade	11,169	9,726
Accounts payable—trade for franchised stores	76,018	79,444
Accounts payable—due to franchised stores	1,403	1,405
Short-term loans payable	1,431	680
Lease obligations	14,489	16,585
Accounts payable—other	26,105	29,344
Income taxes payable	14,474	14,330
Deposits received	87,529	87,585
Provision for bonuses	2,544	2,372
Provision for point card certificates	215	132
Other	4,412	5,100
Total	**239,794**	**246,706**
Noncurrent liabilities		
Long-term loans payable	148	—
Lease obligations	47,207	61,666
Provision for retirement benefits	9,898	11,082
Provision for retirement benefits to executive officers and auditors	332	408
Long-term guarantee deposited	34,804	32,252
Asset retirement obligations	16,682	17,874
Other	758	502
Total	**109,833**	**123,788**
Total liabilities	**349,627**	**370,494**
Net assets		
Shareholders' equity		
Capital stock	58,506	58,506
Capital surplus	47,718	47,741
Retained earnings	121,154	138,141
Treasury stock	(1,593)	(1,556)
Total shareholders' equity	**225,785**	**242,832**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	78	(93)
Revaluation reserve for land	(567)	(567)
Foreign currency translation adjustment	1,179	3,118
Total accumulated other comprehensive income	**690**	**2,456**
Subscription rights to shares	**427**	**557**
Minority interests	**3,279**	**4,650**
Total net assets	**230,181**	**250,497**
Total liabilities and net assets	**579,809**	**620,992**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

Consolidated Statements of Income (Unaudited)

For the fiscal year ended February 28, 2013 and February 28, 2014

(Millions of yen)

	February 28, 2013	February 28, 2014
Gross operating revenue	**487,445**	**485,247**
Net sales	**192,942**	**168,159**
Cost of sales	**144,885**	**126,637**
Gross profit	**48,056**	**41,521**
Operating revenue		
Income from franchised stores	230,002	242,078
Other	64,500	75,009
Operating revenue	**294,503**	**317,088**
Operating gross profit	**342,560**	**358,610**
Selling, general and administrative expenses		
Advertising expenses	16,607	17,734
Supplies expenses	4,740	4,054
Executive officers and auditors' compensations	448	578
Employees' salaries and allowances	45,658	44,279
Employees' bonuses	2,250	2,339
Provision for bonuses	2,544	2,367
Retirement benefit expenses	2,078	2,192
Provision for retirement benefits to executive officers and auditors	86	89
Legal and employee benefits expenses	6,921	7,142
Provision of allowance for doubtful accounts	(14)	(114)
Traveling and transportation expenses	2,319	2,559
Utilities expenses	3,794	3,879
Taxes and dues	2,977	3,286
Rents	84,578	89,484
Repair expenses	6,829	7,907
Rent expenses	5,913	4,493
Depreciation	34,030	37,871
Amortization of goodwill	1,056	927
Other	53,493	59,409
Selling, general and administrative expenses	**276,313**	**290,483**
Operating income	**66,246**	**68,126**
Non-operating income		
Interest income	756	860
Compensation income	161	794
Equity in earnings of affiliates	394	393
Other	898	1,147
Non-operating income	**2,211**	**3,195**
Non-operating expenses		
Interest expense	1,231	1,294
Loss on cancel of lease contracts	534	570
Other	765	577
Non-operating expenses	**2,531**	**2,442**
Ordinary income	**65,926**	**68,880**

Consolidated Statements of Income (Unaudited)—Continued

(Millions of yen)

	February 28, 2013	February 28, 2014
Extraordinary income		
Gain on sales of noncurrent assets	0	51
Gain on sales of investment securities	145	403
Gain on bargain purchase	153	—
Compensation income	71	—
Other	10	11
Extraordinary income	**381**	**466**
Extraordinary loss		
Loss on retirement of noncurrent assets	1,641	2,648
Impairment loss	2,929	5,744
Other	2,146	1,168
Extraordinary loss	**6,717**	**9,560**
Income before income taxes and minority interests	**59,589**	**59,785**
Income taxes - current	25,345	26,758
Income taxes - deferred	748	(5,136)
Income taxes	**26,094**	**21,622**
Income before minority interests	**33,494**	**38,163**
Minority interests in income	**311**	**197**
Net income	**33,182**	**37,965**

Consolidated Statements of Comprehensive Income (Unaudited)
For the fiscal year ended February 28, 2013 and February 28, 2014

(Millions of yen)

	February 28, 2013	February 28, 2014
Income before minority interests	**33,494**	**38,163**
Other comprehensive income		
Valuation difference on available-for-sale securities	89	(171)
Foreign currency translation adjustment	1,926	2,655
Share of other comprehensive income of associates accounted for using equity method	(639)	(839)
Total other comprehensive income	**1,377**	**1,643**
Comprehensive income	**34,871**	**39,807**
Comprehensive income attributable to		
owners of the parent	34,553	39,732
minority interests	318	74

(3) Consolidated Statements of Changes in Net Assets

Consolidated fiscal year ended February 2013 (From March 1, 2012 to February 28, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	58,506	47,707	107,249	(1,627)	211,835
Changes of items during period					
Dividends from surplus			(19,278)		(19,278)
Net income			33,182		33,182
Purchase of treasury stock				(7)	(7)
Disposal of treasury stock		0		0	0
Exercise of subscription rights to shares(Issuance of treasury shares)		11		41	52
Net changes of items other than shareholders' equity					
Total changes of items during period	―	11	13,904	33	13,950
Balance at end of current period	58,506	47,718	121,154	(1,593)	225,785

(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	Total accumulated other comprehensive income			
Balance at beginning of current period	(11)	(567)	(101)	(680)	442	3,064	214,662
Changes of items during period							
Dividends from surplus							(19,278)
Net income							33,182
Purchase of treasury stock							(7)
Disposal of treasury stock							0
Exercise of subscription rights to shares (Issuance of treasury shares)							52
Net changes of items other than shareholders' equity	89		1,280	1,370	(15)	214	1,569
Total changes of items during period	89	―	1,280	1,370	(15)	214	15,519
Balance at end of current period	78	(567)	1,179	690	427	3,279	230,181

Consolidated fiscal year ended February 2014 (From March 1, 2013 to February 28, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	58,506	47,718	121,154	(1,593)	225,785
Changes of items during period					
Dividends from surplus			(20,978)		(20,978)
Net income			37,965		37,965
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		0		0	0
Exercise of subscription rights to shares (Issuance of treasury shares)		22		48	70
Net changes of items other than shareholders' equity					
Total changes of items during period	―	22	16,987	37	17,047
Balance at end of current period	58,506	47,741	138,141	(1,556)	242,832

(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	Total accumulated other comprehensive income			
Balance at beginning of current period	78	(567)	1,179	690	427	3,279	230,181
Changes of items during period							
Dividends from surplus							(20,978)
Net income							37,965
Purchase of treasury stock							(11)
Disposal of treasury stock							0
Exercise of subscription rights to shares (Issuance of treasury shares)							70
Net changes of items other than shareholders' equity	(171)		1,938	1,766	130	1,371	3,268
Total changes of items during period	(171)	―	1,938	1,766	130	1,371	20,315
Balance at end of current period	(93)	(567)	3,118	2,456	557	4,650	250,497

(4) Consolidated Statements of Cash Flows (Unaudited)

For the fiscal year ended February 28, 2013 and February 28, 2014

(Millions of yen)

	February 28, 2013	February 28, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	59,589	59,785
Depreciation and amortization	43,886	47,888
Impairment loss	2,929	5,744
Increase (decrease) in provision for retirement benefits	1,153	1,184
Increase (decrease) in allowance for doubtful accounts	(13,510)	564
Equity in (earnings) losses of affiliates	(8)	(119)
Interest income	(756)	(860)
Interest expenses	1,231	1,294
Loss (gain) on sales of investment securities	(145)	(403)
Loss on retirement of noncurrent assets	1,641	2,648
Decrease (increase) in notes and accounts receivable-trade	(5,781)	(6,648)
Decrease (increase) in inventories	(861)	(211)
Decrease (increase) in accounts receivable-other	(13,322)	(7,607)
Increase (decrease) in notes and accounts payable-trade	(1,203)	65
Increase (decrease) in accounts payable-other	8,592	2,907
Increase (decrease) in accrued consumption taxes	1,109	2,595
Increase (decrease) in deposits received	12,524	50
Increase (decrease) in guarantee deposits received	(935)	(2,558)
Other	15,576	2,570
Subtotal	**111,888**	**108,889**
Interest income received	750	860
Interest expenses paid	(1,224)	(1,290)
Income taxes paid	(26,224)	(26,956)
Net cash provided by operating activities	**85,188**	**81,503**
Net cash provided by (used in) investing activities		
Payments into time deposits	(23,900)	(22,000)
Proceeds from withdrawal of time deposits	22,300	26,000
Decrease (increase) in short-term loans receivable	(37)	(4,145)
Decrease (increase)in long-term loans receivable, net	(2,441)	(1,999)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	480	1,733
Purchase of stocks of subsidiaries and affiliates	(1,327)	(4,051)
Purchase of property, plant and equipment	(37,263)	(34,857)
Purchase of intangible assets	(5,658)	(5,499)
Purchase of long-term prepaid expenses	(2,705)	(2,373)
Other	(3,642)	(730)
Net cash used in investing activities	**(54,196)**	**(47,924)**

Consolidated Statements of Cash Flows (Unaudited)—Continued

(Millions of yen)

	February 28, 2013	February 28, 2014
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(13,769)	(17,477)
Cash dividends paid	(19,278)	(20,978)
Other	1,067	(1,194)
Net cash used in financing activities	**(31,979)**	**(39,650)**
Effect of exchange rate change on cash and cash equivalents	**83**	**2,064**
Net increase (decrease) in cash and cash equivalents	**(903)**	**(4,006)**
Cash and cash equivalents at beginning of period	**73,670**	**72,766**
Cash and cash equivalents at end of period	**72,766**	**68,759**

(5) Notes Concerning Going Concern Assumption
None

(6) Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation
(i) Consolidated subsidiaries: 12
(Japan)
Lawson HMV Entertainment, Inc.
Lawson ATM Networks, Inc.
BestPractice Inc.
Smart Kitchen, Inc.
SCI, Inc.
Lawson Mart, Inc
(Overseas)
Chongqing Lawson, Inc.
Shanghai Hualian Lawson, Inc.
Dalian Lawson, Inc.
Lawson (China) Holdings, Inc.
Lawson Asia Pacific Holdings Pte. Ltd.
Saha Lawson, Co., Ltd.
Among companies mentioned above, Lawson Mart, Inc., which was established during the fiscal year under review, has been included in the scope of consolidation. Saha Lawson, Co., Ltd. has also been included in the scope of consolidation as a result of its increased financial materiality following its placement under the substantial control of Lawson Asia Pacific Holdings Pte. Ltd., the Company's wholly-owned subsidiary.
Ninety-nine Plus, Inc. was excluded from the scope of consolidation, because it was dissolved after an absorption-type merger with the Company on February 1, 2014, with the Company as the surviving company.

(ii) Non-consolidated subsidiaries
(Japan)
LAWSONWILL, Inc.
HATS UNLIMITED CO., LTD.
Food Marketing Japan, Inc.
Lawson Minami Kyushu, Inc.
Lawson Kumamoto, Inc.
Seikaken, Inc.
(Overseas)
Lawson USA Hawaii, Inc.
Shanghai Le Song Trading Co., Ltd.
Hangzhou Lawson, Inc.
Beijing Lawson, Inc.

(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 (corresponding to equity interest) and retained earnings (corresponding to equity interest), etc. have no material influence on the consolidated financial statements.

2. Application of the equity method
(i) Affiliated companies to which the equity method is applied: 2
(Japan)
Lawson Okinawa, Inc.
(Overseas)
PT MIDI UTAMA INDONESIA Tbk

(ii) The Company excluded from the scope of the equity method affiliate non-consolidated subsidiaries LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Lawon Minamikyushu, Inc. Lawson Kumamoto, Inc., Seikaken Inc., Lawson USA Hawaii, Inc., Shang Hai Le Song Trading Co.,Ltd., Hangzhou Lawson, Inc., Beijing Lawson, Inc. and affiliated companies Herushiru, Inc., Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Shang Hai Gong Hui Trading Co.,Ltd.), Lawson Farm and others because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these non-consolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

(iii) The balance sheet date of PT MIDI UTAMA INDONESIA Tbk is December 31. In order to prepare for the consolidated financial statements, temporary financial statements based on the latest quarterly financial statements are used and significant transactions which occur between the latest quarterly balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

3. Closing day for settlement of accounts of consolidated subsidiaries
The balance sheet date of Chongqing Lawson, Inc., Shanghai Hualian Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc. and Saha Lawson, Co., Ltd. is December 31. In order to prepare for the consolidated financial statements, temporary financial statements based on the latest quarterly financial statements are used and significant transactions which occur between the latest quarterly balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation. The fiscal year end date for other consolidated subsidiaries corresponds with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies
(i) Valuation basis and method for important assets
Securities:
Held-to-maturity debt securities: Carried at amortized cost.
Available-for-sale securities:
Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in 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.
Inventories:
About the product, have adopted the retail cost method.
(For balance sheet is determined by the method according to the book value write-down based on the reduction of profitability)
Certain consolidated subsidiaries have adopted the gross-average cost method. (For balance sheet is determined by the method according to the book value write-down based on the reduction of profitability)

(ii) Depreciation method of depreciable assets
Property and store equipment (except for lease assets):
Depreciation is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 10 to 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.
Intangible assets (except for lease assets):
Amortization of intangible assets is computed by the straight-line method.
Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.
Lease assets:
Previously, these leases were accounted for as rental transactions. Furthermore, in terms of the depreciation method for 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 zero.
However, the Company has continued to treat as rental transactions finance leases that do not transfer ownership of leased property and that commenced before the first fiscal year in which the new accounting standard was applied.
Long-term prepaid expense:
Amortization of long-term prepaid expense is computed by the straight-line method.

(iii) Accounting standard for important reserves
Allowance for doubtful accounts:
Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Provision for bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Provision for point card certificates:

The Company provides, to MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Provision for retirement benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. Prior service cost is mainly amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees. Actuarial differences will be 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.

Provision for retirement benefits to executive officers and auditors

Allowance for retirement benefits to executive officers of the Company, and to directors and corporate auditors of the certain consolidated subsidiary are calculated to state the liability at 100% of the amount that would be required if all corporate auditors, executive officers and directors resigned their services with the Company at the balance sheet date.

(iv) 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 balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts as well as revenue and expense accounts of foreign affiliated companies are translated into Japanese yen at the current exchange rate as of the 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" in a separate component of net assets.

(v) Amortization of Goodwill

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

(vi) Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements 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.

(vii) 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 that are difficult to differentiate from changes in accounting estimation)

Pursuant to an amendment in the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed their depreciation method with respect to properties and store equipment acquired on and after March 1, 2013, starting from the first quarter of the consolidated fiscal 2013 under review. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the consolidated fiscal year is minimal.

(7) Accounting Standards, etc. that are not applied

Accounting Standard for Retirement Benefits (ASBJ Statement NO. 26, on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance NO. 25, on May 17, 2012)

1. Outline

(i) Treatment on consolidated balance sheets

Unrecognized actuarial differences and unrecognized prior service costs will be recorded in the "Net assets" section (accumulated other comprehensive income) after adjusting income tax effect and the amount that shows the reserve will be recorded as liabilities (or assets).

(ii) Treatment on consolidated statements of income and consolidated statements of comprehensive income

Among actuarial differences and prior service cost arising during the period, the portion that is not expensed will be recorded after including in other comprehensive income.

Among unrecognized actuarial differences and unrecognized prior service costs that are recorded in accumulated other comprehensive income, the portion that is expense for the fiscal year under review will be adjusted with other comprehensive income (reclassification adjustment).

2. Scheduled application date

The application will start from the end of a fiscal year that commences after April 1, 2013.

3. Influence from the application of the relevant Accounting Standards

Influence on the financial statements in its preparation is under evaluation.

• Revised Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013)
• Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22 of September 13, 2013)
• Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7 of September 13, 2013)
• Revised Accounting Standard for Earnings Per Share (ASBJ Statement No.2 of September 13, 2013)
• Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of September 13, 2013)
• Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No.4 of September 13, 2013)

1. Outline

The above Revised Accounting Standards mainly concern revisions to: (1) accounting treatment of changes in equity of a parent company in a subsidiary due to additional acquisition of shares or other transactions while the parent company continues to hold a controlling interest; (2) accounting treatment of acquisition-related costs; (3) the presentation of "net income" and the name of item from "minority interest" to "non-controlling interest"; and (4) provisional accounting treatment.

2. Scheduled application date

The Revised Accounting Standards will be applied starting from the beginning of the fiscal year ending February 28, 2017.

3. Influence of application of the relevant Accounting Standards

The level of influence was under evaluation at the time the financial statements for the current period were being prepared.

(8) Changes in presentation

(Consolidated Balance Sheets)

In the "Current liabilities" section, "Asset retirement obligations" were presented separately in the previous fiscal year. Due to a decline in financial materiality, "Asset retirement obligations" are 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, the 108 million yen that had previously been presented as "Asset retirement obligations" in the Consolidated Balance Sheets for the previous fiscal year is now included in "Other."

(Consolidated Statements of Income)
In the “Selling, general and administrative expenses” section, “Provision of allowance for doubtful accounts” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Provision of allowance for doubtful accounts” 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 “Selling, general and administrative expenses” section, the “(14 million yen)” that had previously been presented as “Other” in the Consolidated Statements of Income for the previous fiscal year is now presented as “Provision of allowance for doubtful accounts.”

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 161 million yen that had previously been included in “Other” in the Consolidated Statements of Income for the previous fiscal year is now separately presented as “Compensation 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 265 million yen that had previously been presented as “Penalty income” in the Consolidated Statements of Income for the previous fiscal year is now included in “Other.”

In the “Extraordinary income” section, “Gain on sales of non-current assets” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Gain 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 income” section, the 0 million yen that had previously been presented as “Other” in the Consolidated Statements of Income for the previous fiscal year is now presented as “Gain on sales of non-current assets.”

In the “Extraordinary loss” section, “Provision of allowance for doubtful accounts” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Provision of allowance for doubtful accounts” 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 “Extraordinary loss” section, the 1,127 million yen that had previously been presented as “Provision of allowance for doubtful accounts” is now included in “Other.”

(Consolidated Statements of Cash Flows)
In the “Cash flow from operating activities” section, “Loss (Gain) on sales of investment securities” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Loss (Gain) on sales of investment securities” 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 “Cash flow from operating activities” section, the “(145 million yen)” that had previously been included in “Other” in the Consolidated Statements of Cash Flows for the previous fiscal year is now separately presented as “Loss (Gain) on sales of investment securities.”

In the “Cash flow from operating activities” section, “Other Gains and Losses” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation” 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, the 863 million yen that had previously been presented as “Other Gains and Losses” in the Consolidated Statements of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from operating activities” section, “Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation” was presented separately in the previous fiscal year. Due to

a decline in financial materiality, "Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation" 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, the 14,546 million yen that had previously been presented as "Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation" in the Consolidated Statements 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 included in "Other" in the previous fiscal year. Due to an increase in financial materiality, "Increase (decrease) in accrued consumption taxes" 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 "Cash flow from operating activities" section, the 1,109 million yen that had previously been presented as "Other" in the Consolidated Statements of Cash Flows for the previous fiscal year is now separately presented as "Increase (decrease) in accrued consumption taxes."

In the "Cash flow from investing activities" section, "Decrease (increase) in short-term loans receivable" was included in "Other" in the previous fiscal year. Due to an increase in financial materiality, "Decrease (increase) in short-term loans receivable" 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 "Cash flow from investing activities" section, the "(37 million yen)" that had previously been presented in "Other" in the Consolidated Statements of Cash Flows for the previous fiscal year is now separately presented as "Decrease (increase) in short-term loans receivable."

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, the "(2,053 million yen)" that had previously been presented as "Purchase of investment securities" in the Consolidated Statements of Cash Flows for the previous fiscal year is now included in "Other."

In the "Cash flow from investing activities" section, "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation" was included in "Other" in the previous fiscal year. Due to an increase in financial materiality, "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation" 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 "Cash flow from investing activities" section, the 480 million yen that had previously been presented in "Other" in the Consolidated Statements of Cash Flows for the previous fiscal year is now separately presented as "Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation."

In the "Cash flow from investing activities" section, "Change in Guarantee Deposits" 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, the "(2,429 million yen)" that had previously been presented as "Change in Guarantee Deposits" in the Consolidated Statements of Cash Flows for the previous fiscal year is now included in "Other."

(9) Notes to Consolidated Financial Statements

(Notes to the Consolidated Balance Sheets)

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

	As of February 28, 2012	As of February 28, 2013
Investments in securities (stock)	¥7,407 million	¥10,544 million
Investment amount for jointly-controlled companies	¥93 million	—
Other (other equity investments)	¥38 million	¥436 million

*2. Accounts receivable due from franchised stores, accounts payable due to franchised stores—the amounts of credits and debts incurred for the deal with franchised stores.

*3. Accounts payable-trade for franchised stores—the amounts payable to vendors for merchandise purchased by franchised stores.

*4. Long-term guarantee deposited—the amounts received from mainly franchised stores.

*5. 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

	As of February 28, 2012	As of February 28, 2013
The difference between book value and market value of the revalued land as of balance sheet date.	¥307 million	¥319 million

(Notes to Consolidated Statements of Income)

*1 Net sales, cost of goods sold, operating gross profit—the amounts from mainly company operated stores.

*2 Distribution of loss on disposal of fixed assets

(Millions of yen)

	From March 1, 2012 to February 28, 2013	From March 1, 2013 to February 28, 2014
Buildings and structures	1,156	1,653
Furniture, fixtures and equipment	239	425
Leased property	162	328
Software	82	240
Other	0	—

*3 Impairment loss

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

The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on following assets due to a decline in value of the related asset categories due mainly to a continuous operating losses.

From March 1, 2012 to February 2, 2013

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings and structures; furniture, fixtures and equipment; and others	420
	Osaka	Buildings and structures; furniture, fixtures and equipment; and others	472
	Others	Buildings and structures; furniture, fixtures and equipment; and others	2,009
Others	—	Software	25
	—	Others	1
Total	—	—	2,929

Category by fixed assets	(Millions of yen)
Buildings and structures	1,923
Furniture, fixtures and equipment	204
Lease assets	758
Software	25
Other	17

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 4.0% discount rate was mainly applied.

From March 1, 2013 to February 28, 2014

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings and structures; furniture, fixtures and equipment; and others	729
	Osaka	Buildings and structures; furniture, fixtures and equipment; and others	598
	Others	Buildings and structures; furniture, fixtures and equipment; and others	2,565
Others	—	Buildings and structures; furniture, fixtures and equipment; and others	607
	—	Software	1,236
	—	Others	7
Total	—	—	5,744

Category by fixed assets	(Millions of yen)
Buildings and structures	2,868
Furniture, fixtures and equipment	359
Leased property	1,251
Software	1,236
Other	29

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 4.3% discount rate was mainly applied.

(Notes to the Consolidated Statements of Comprehensive Income)

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

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	143	(263)
Reclassification adjustments to profit or loss	(1)	(8)
Amount before income tax effect	142	(272)
Income tax effect	(52)	100
Valuation difference on available-for-sale securities	89	(171)
Foreign currency translation adjustment:		
Gain or loss arising during the period	1,926	2,655
Share of other comprehensive income of associates accounted for using equity method:		
Gain or loss arising during the period	(639)	(839)
Total other comprehensive income	1,377	1,643

(Notes to the Consolidated Statements of Changes in Net Assets)

Previous period (From March 1, 2012 to February 28, 2013)

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(*)	416	1	10	406

(*) The 1,000 share increase in treasury stock resulted from the purchase of stock of less than one share unit.
The 10,000 share decrease in treasury stock resulted from the 10,000 share decrease due to exercise of a right for stock acquisition and the 0 thousand share decrease due to requests for additional purchase of stock of less than one share unit.

2. Stock acquisition rights and treasury stock acquisition rights

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)	—	—	—	—	—	427
Total		—	—	—	—	—	427

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 29, 2012)	Common stock	9,289	93	As of February 29, 2012	As of May 30, 2012
Directors' meeting (October 3, 2012)	Common stock	9,988	100	As of August 31, 2012	As of November 9, 2012

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 21, 2013)	Common stock	Retained earnings	9,989	100	As of February 28, 2013	As of May 22, 2013

Current period (From March 1, 2013 to February 28, 2014)

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 (*)	406	1	12	395

(*) The 1,000 share increase in treasury stock resulted from the purchase of stock of less than one share unit.
The 12,000 share decrease in treasury stock resulted from the 12,000 share decrease due to exercise of a right for stock acquisition and the 0 thousand share decrease due to requests for additional purchase 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)	—	—	—	—	—	557
Total		—	—	—	—	—	557

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 21, 2013)	Common stock	9,989	100	As of February 28, 2013	As of May 22, 2013
Directors' meeting (October 8, 2013)	Common stock	10,988	110	As of August 31, 2013	As of November 11, 2013

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 27, 2014)	Common stock	Retained earnings	10,989	110	As of February 28, 2014	As of May 28, 2014

(Notes to the Consolidated Statements of Cash Flows)

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

(Millions of yen)

	From March 1, 2012 to February 28, 2013	From March 1, 2013 to February 28, 2014
Cash and deposits	84,770	76,763
Time deposits, etc., for which the deposit period exceeds three months	(12,004)	(8,004)
Cash and cash equivalents	72,766	68,759

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

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

	(Millions of yen)
Current assets	3,224
Fixed assets	698
Goodwill	8
Current liabilities	1,525
Minority interests	1,223
Additional purchase cost of shares of the newly consolidated subsidiary	1,183
Purchase cost made up to acquisition	111
Cash and cash equivalents of the newly consolidated subsidiary	2,804
Difference: Proceeds from the purchase of shares of the newly consolidated subsidiary	1,733

*3 Description of significant non-fund transactions

Assets and liabilities related to finance lease transactions

(Millions of yen)

	From March 1, 2012 to February 28, 2013	From March 1, 2013 to February 28, 2014
Assets and liabilities related to finance lease transactions	24,945	32,291

(Notes to Lease Contracts)

1. Finance lease transactions (lessees)

Non-ownership-transferred finance lease transactions

(i) Details of leased assets

Mainly store furniture (including fixtures and fittings) used in the convenience store business

(ii) Depreciation method for leased assets

As stated in the Basis of Presentation of the Consolidated Financial Statements under “4. Accounting standards (2) Depreciation methods for important depreciable assets.”

With regard to non-ownership-transferred finance lease transactions whose effective date of lease transaction precedes February 28, 2009, the Company applies the accounting method that it uses to account for ordinary lease transactions. Details of the transaction are summarized below.

1) The assumed data as to acquisition cost, accumulated depreciation and net leased property

(Millions of yen)

	As of February 28, 2013			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	21,035	16,006	662	4,366
Total	21,035	16,006	662	4,366

(Millions of yen)

	As of February 28, 2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	13,772	11,490	672	1,609
Total	13,772	11,490	672	1,609

2) Obligations under finance leases

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Obligations under finance leases		
Due within one year	2,950	1,793
Due after one year	2,474	629
Total	5,425	2,422
Allowance for impairment loss on leased property	533	374

3) Lease payments, depreciation expense, interest expense and impairment loss

(Millions of yen)

	From March 1, 2012 to February 28, 2013	From March 1, 2013 to February 28, 2014
Lease payments	4,374	3,016
Transfer from allowance for impairment loss on leased property	187	177
Depreciation expense	4,077	2,661
Interest expense	215	103
Impairment loss	69	32

4) Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

5) Computation method of amount equivalent to interest

The difference between the total lease contract amount and the acquisition cost is regarded as an amount equivalent to interest, and shall be allocated over the lease term based on the interest method.

2. Operating lease contracts
Obligations under non-cancellable operating leases

(Millions of yen)

	As of February 28, 2013	As of February 28, 2014
Due within one year	976	913
Due after one year	1,688	1,295
Total	2,664	2,208

(Notes to Business Combinations, etc.)
Common control transactions, etc.
1. Absorption-type company split of Ninety-nine Plus, Inc. with Lawson Mart, Inc. as the successor company
(1) Outline of transaction
(i) Name of the absorbed business and its outline
Name of business: A part of fresh foods convenience store business
Business outline: Store operation, merchandising function and product supply, etc. of "LAWSON MART" and "LAWSON STORE100".
(ii) Date of business combination
February 1, 2014
(iii) Legal form of business combination
Absorption-type company split with Ninety-nine Plus, Inc. as the split company and Lawson Mart, Inc. as the successor company (spin-off type)
(iv) Name of company after the business combination
Lawson Mart, Inc.
(v) Other matters concerning the transaction
The operational functions of Ninety-nine Plus, Inc., including store management and product development, were succeeded by Lawson Mart, Inc., and will be further enhanced to lead the Group's fresh foods business.
(2) Outline of the accounting process applied
The business combination was processed as a common control transaction pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No.21 of December 26, 2008) and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of December 26, 2008).

2. Absorption-type merger between Ninety-nine Plus, Inc. and the Company
(1) Outline of transaction
(i) Name of the merged company and its line of business
Name of the business combination: Lawson, Inc.
Business outline: convenience store business
Name of combined company: Ninety-nine Plus, Inc.
Business outline: Fresh foods convenience store business
(ii) Date of business combination
February 1, 2014
(iii) Legal form of business combination
Absorption-type merger with Lawson, Inc. as the surviving company
(iv) Name of company after the business combination
Lawson, Inc.
(v) Other matters concerning the transaction
By allowing the Company to acquire store-related assets including the franchise agreements of LAWSON STORE 100 and centralizing all Lawson chain store administrative functions including store asset management and franchise promotion, the business combination aims to enable the Group to implement efficient area-targeted strategies.
(2) Outline of the accounting process applied
The business combination was processed as a common control transaction pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No.21 of December 26, 2008) and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 of December 26, 2008).

(Segment Information)

i) 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's primary business is the operation of convenience stores, which is undertaken by the incorporation of related businesses.

Therefore, the Group has made the convenience store unit its main reporting segment, based on consideration of financial characteristics and the nature of the services provided.

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, LAWSON STORE 100 and other chains. 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.

ii) 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.

iii) Information related to the amount of sales, profit and loss by segment

from March 1, 2012, to February 28, 2013

(Millions of yen)

	Convenience Store business	Others(Note 1)	Total	Adjusted amount	Amount posted on the Consolidated profit and loss statement (Note 2)
Gross operating revenue					
Sales to external customers	416,935	70,509	487,445	—	487,445
Internal sales or transfers between segments	2,159	2,493	4,652	(4,652)	—
Total	419,094	73,003	492,098	(4,652)	487,445
Segment profit	61,335	4,872	66,208	38	66,246
Segment asset	562,237	69,759	631,996	(52,186)	579,809
Other					
depriciation	40,050	2,779	42,830	—	42,830
Goodwill depreciation	670	419	1,090	(34)	1,056
Invest for affiliates	2,181	4,227	6,409	—	6,409
Increase of fixed assets	40,194	2,727	42,922	—	42,922

(Note)

1. The "others" category refers to business segments that do not fall under the main reporting segment and includes Entertainment & Home Convenience segment and Overseas segment.
2. The segment profit is adjusted against the operating profits consolidated.

from March 1, 2013, to February 28, 2014

(Millions of yen)

	Domestic Convenience Store business	Others(Note 1)	Total	Adjusted amount	Amount posted on the Consolidated profit and loss statement (Note 2)
Gross operating revenue					
Sales to external customers	408,018	77,229	485,247	—	485,247
Internal sales or transfers between segments	2,305	2,505	4,810	(4,810)	—
Total	410,323	79,735	490,058	(4,810)	485,247
Segment profit	63,299	4,782	68,081	45	68,126
Segment asset	601,709	81,047	682,756	(61,763)	620,992
Other					
depriciation	44,008	2,953	46,961	—	46,961
Goodwill depreciation	419	542	961	(34)	927
Invest for affiliates	2,295	3,875	6,171	—	6,171
Increase of fixed assets	37,170	3,185	40,356	—	40,356

(Note)

1. The “others” category refers to business segments that do not fall under the main reporting segment andincludes the Entertainment & Home Convenience segment and Overseas segment.
2. The segment profit is adjusted against the operating profits consolidated.

(Related information)

Previous consolidated fiscal year (March 1, 2012 to February 28, 2013)

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 statements of income,

This information is omitted.

(2) Property, plant and store equipment

Since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolida-ted 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.

Consolidated fiscal year under review (March 1, 2013 to February 28, 2014)

1. Information by Product and Service

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

(Information on impairment loss in noncurrent assets by reported segment)
Previous consolidated fiscal year (March 1, 2012 to February 28, 2013)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Impairment loss	2,779	149	2,929	—	2,929

Consolidated fiscal year under review (March 1, 2013 to February 28, 2014)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Impairment loss	5,837	457	6,294	(550)	5,744

(Information on amortization of goodwill and amortized balance by reported segment)
Previous consolidated fiscal year (March 1, 2012 to February 28, 2013)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Balance at end of fiscal year under review	6,995	3,272	10,268	(584)	9,683

Consolidated fiscal year under review (March 1, 2013 to February 28, 2014)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Balance at end of fiscal year under review	6,027	3,692	9,719	—	9,719

(Information on gain on negative goodwill by reported segment)
Previous consolidated fiscal year (March 1, 2012 to February 28, 2013)
Not applicable.

Consolidated fiscal year under review (March 1, 2013 to February 28, 2014)
Not applicable.

(Per Share Information)

Previous fiscal year (March 1, 2012 to February 28, 2013)		Fiscal year under review (March 1, 2013 to February 28, 2014)	
Net assets per share	2,267.17 yen	Net assets per share	2,455.25 yen
Net income per share	332.20 yen	Net income per share	380.04 yen
Net income per share after full dilution	331.69 yen	Net income per share after full dilution	379.35 yen

(Note) 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 (March 1, 2012 to February 28, 2013)	Fiscal year under review (March 1, 2013 to February 28, 2014)
Net income per share		
Net income (million yen)	33,182	37,965
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to common stock (million yen)	33,182	37,965
Average number of common stock during the fiscal year (thousand shares)	99,887	99,898
Net income per share after full dilution		
Net income adjustment value (million yen)	—	—
Increase in number of outstanding common shares (thousand shares)	152	181
(Stock acquisition rights) (thousand shares)	(152)	(181)
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