Flash Report on the Consolidated Result

for the Year Ended February 28, 2015

April 9, 2015

Listed Company Name: Lawson, Inc. Tokyo Stock Exchange (First Section)
Code No.: 2651 (URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Genichi Tamatsuka, Representative Director, President and CEO
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Scheduled date for the ordinary general meeting of shareholders: May 26, 2015
Scheduled date for payment of dividend: May 27, 2015
Scheduled date for submission of annual report: May 27, 2015
Supplementary documents annual results: Yes
Presentation of annual results: Yes (for institutional investors and analysts)

(Amounts below one million yen are truncated)

1. Consolidated performance for the 2014 fiscal year (from March 1, 2014, to February 28, 2015)

(1) Consolidated operating results

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

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2014 fiscal year	497,913	2.6	70,482	3.5	71,714	4.1	32,686	(13.9)
2013 fiscal year	485,247	(0.5)	68,126	2.8	68,880	4.5	37,965	14.4

Note: Comprehensive income: 2014 fiscal year 35,224 million yen (11.5%)
2013 fiscal year 39,807 million yen 14.2%

	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
	¥	¥	¥	¥	¥
2014 fiscal year	327.08	326.65	13.0	10.4	14.2
2013 fiscal year	380.04	379.35	16.1	11.5	14.0

Reference: Equity in net income of affiliates: 2014 fiscal year 365 million yen
2013 fiscal year 393 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio	Net assets per share
	¥ Million	¥ Million	%	%
2014 fiscal year	764,614	263,797	33.5	2,561.25
2013 fiscal year	620,992	250,497	39.5	2,455.25

Reference: Shareholders’ equity: 2014 fiscal year 256,122 million yen
2013 fiscal year 245,289 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
2014 fiscal year	110,567	(100,433)	(3,289)	76,754
2013 fiscal year	81,503	(47,924)	(39,650)	68,759

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	%	%
2013 fiscal year	―	110.00	―	110.00	220.00	21,978	57.9	9.3
2014 fiscal year	―	120.00	―	120.00	240.00	23,989	73.4	9.6
2015 fiscal year (forecast)	―	122.50	―	122.50	245.00		69.6	

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

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

	Gross operating revenue		Operating income		Ordinary income		Net income		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
2015 1H (accumulated)	287,000	18.6	37,000	(7.5)	36,000	(9.1)	18,400	(15.9)	184.00
2015 fiscal year	578,000	16.1	71,000	0.7	68,900	(3.9)	35,200	7.7	352.00

4. Notes

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

Added: None　　Excluded: None

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

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

(3) Number of issued shares:

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

February, 2015:	100,300,000	February, 2014:	100,300,000

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

February, 2015:	301,084	February, 2014:	395,953

3. Average number of shares during the term

February, 2015:	99,931,714	February, 2014:	99,898,281

Note: Implementation status of audit procedures

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

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

Forward-looking statements presented in this material such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. They are not intended to guarantee the Company's achievement. Actual results may differ significantly from these forecasts due to many factors. For preconditions of these financial forecasts and notes concerning their use, please refer to "Analysis of Operating Results and Financial Position; Outlook for Fiscal 2015" on page 8.

Contents of Attachments

1. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

During the consolidated fiscal year under review, or fiscal 2014 ended February 28, 2015, 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)[*1] and supply chain management (SCM)[*2] in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

Meanwhile, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2014 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

[*1] CRM: A marketing management method for providing merchandise and services that meet the specific needs of customers.

[*2] SCM: A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

[Merchandising Strategies]

On the merchandise front, we promoted a variety of initiatives in order to enhance satisfaction of customers visiting our stores. One of those is we reviewed coffee sizes and prices offered on the menu at "MACHI Café". In response to high demand from customers, we newly introduced blend coffee and iced coffee in S size at a price of 100 yen, including tax, while expanding menu options by adding café latte and other items. As a result, MACHI café achieved robust sales. We also strengthened our merchandise assortment of ready-made dishes and daily delivered foods with the aim of attracting female and senior customers, who usually shop at supermarkets.

In our lineup of ready-made meals, high-priced items such as Niigata-produced Koshihikari rice balls stuffed with fatty pork, beef harami (innards) and nakaochi kalbi (between-the-ribs) recorded strong sales. Chilled gyudon (beef bowl) lunch boxes launched in November 2014 were also popular. In addition, we strived to boost sales in the sandwich category by offering high-value-added fruit sandwiches (Mont Blanc chestnuts, shine Muscat grapes, etc.) on an ongoing basis.

In the over-the-counter fast foods category, "Ougon Chicken Umashio," a tender and juicy fried chicken product flavored with rock salt and black pepper, was well-received.

Moreover, as a "Health Station in Town," we also placed emphasis on selling health-oriented products. Specifically, we offered "Bran Bread"[*3] on an ongoing basis for carbohydrate-conscious consumers, as well as "Soba [buckwheat] Noodles Containing Dietary Fiber" approved as food for specified health uses ("Tokuho" in Japanese) and "Pre-cut Vegetables" made with vegetables produced based on the Nakashima

Farming Method[*4] in some areas.

There are currently 22 Lawson Farms in which Lawson, Inc. holds equity stakes. The farms continue to assume the role of stably supplying fruits and vegetables to the Group's stores and factories that produce LAWSON's original products.

Based on these initiatives, we will further boost Lawson's corporate brand image as a "Health-promoting Company".

In addition to the strengthening of these product line-up, we are increasing our lineup of "Gift Cards"[*5] offered at our stores.

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 68 million as of the end of February 2015, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 48%.

[*3] 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.

[*4] 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.

[*5] Gift cards: Collective term for prepaid cards that can be used for online transactions.

[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. 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.

We will continue to promote merchandise assortments that best suit customers in each neighborhood by leveraging store-by-store analysis reports on Ponta members' purchase data, shelf allocation tailored to the locational characteristics of each store, and sharing of best practices presented at monthly area-based meetings where we discuss area strategies with franchise store owners.

[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.

In December 2014, Lawson, Inc. concluded an absorption-type company split agreement with SUNNY MART Co., Ltd., the parent company of Three-F Chu-Shikoku Co., Ltd. Based on this agreement, we have taken a phased approach to transforming Three-F stores in Shikoku into LAWSON stores. Effective April 1, 2015, Lawson Kochi, Inc. will be established, with SUNNY MART Co., Ltd. and Lawson, Inc. holding 51% and 49% equity stakes, respectively. LAWSON stores in Kochi Prefecture will be operated by Lawson Kochi, Inc.

Furthermore, the Group has been striving to expand the number of stores offering non-prescription drugs, and it reached 104 stores as of the end of February 2015. Moreover, by building partnerships in local area**,** in addition of healthcare items including OTC pharmaceuticals, cosmetics, and daily necessities, the stores offer a merchandise assortment of around 5,000 items, twice as many as conventional Lawson stores. In total, the number of Pharmacy Lawson stores equipped with drug-dispensing pharmacies reached 39 as of the end of February 2014.

LAWSON MART, a store format the Group launched in February 2014, has endeavored to capture customer needs as an evolutionary fresh foods convenience store by fostering its expertise in functioning as a supermarket alternative and to better support the daily lives of customers in residential areas. We have decided to incorporate the expertise developed by LAWSON MART into LAWSON stores. At the same time, with regard to LAWSON STORE100, we intend to expand its merchandise assortment of fresh foods and value-for-money 100-yen products in order to better support the daily lives of customers. The Group as a whole will thus address increasingly polarizing customer needs.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 (including LAWSON MART) stores opened and closed during the fiscal year under review stood at 979 and 400 stores, respectively, with the total number of stores in Japan reaching 11,900 as of the end of February 2015. Furthermore, Lawson Minamikyushu, Inc., an affiliated companies accounted for by equity method, operates 202 LAWSON chain stores in Kagoshima prefecture and Lawson Okinawa, Inc. operates 174 LAWSON chain stores in Okinawa prefecture as of the end of February 2015.

[Change in the Total Number of Stores]

	Total stores as of February 28, 2014	Change during fiscal year	Total stores as of February 28, 2015
LAWSON	10,108	525	10,633
NATURAL LAWSON	107	9	116
LAWSON STORE100 ／LAWSONMART	1,202	(51)	1,151
Total	11,417	483	11,900

Note: 1. Small stores are included in this figure.

2. For change during fiscal year, it includes a decrease of 120 stores based on absorption-type split contract of Lawson Group and Lawson Minamikyushu, Inc., and an increase of 24 stores based on absorption-type split contract of Lawson Group and Lawson Kumamoto, Inc.

[Number of LAWSON stores by prefecture (February 28, 2015)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	619	Ibaraki	150	Kyoto	324	Ehime	189
Aomori	208	Tokyo	1,597	Shiga	155	Tokushima	130
Akita	184	Kanagawa	862	Nara	131	Kochi	107
Iwate	161	Shizuoka	225	Wakayama	124	Fukuoka	442
Miyagi	227	Yamanashi	111	Osaka	1,036	Saga	67
Yamagata	78	Nagano	150	Hyogo	634	Nagasaki	105
Fukushima	103	Aichi	583	Okayama	145	Oita	166
Niigata	130	Gifu	151	Hiroshima	177	Kumamoto	135
Tochigi	141	Mie	111	Yamaguchi	123	Miyazaki	103
Gunma	93	Ishikawa	102	Tottori	111	**Total (domestic)**	**11,900**
Saitama	514	Toyama	188	Shimane	117		
Chiba	463	Fukui	106	Kagawa	122		

Note: Small stores are included in this figure.

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

Fiscal period / Product group	Previous fiscal year March 1, 2013 to February 28, 2014		Current fiscal year March 1, 2014 to February 28, 2015		YOY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,060,455	54.7	1,034,355	53.5	97.5
Fast foods	408,672	21.1	429,212	22.2	105.0
Daily delivered foods	275,437	14.2	277,210	14.4	100.6
Nonfood products	192,726	10.0	192,020	9.9	99.6
Total	1,937,292	100.0	1,932,798	100.0	99.8

(**Other Businesses**)

In addition to domestic convenience store business, the Group is involved in overseas business, Entertainment & Home Convenience business, financial services-related business, Seijo Ishii business and other businesses.

With regards to overseas business, the Group's operating companies opened LAWSON stores in Shanghai, Chongqing, Dalian, and Beijing in the People's Republic of China. In Thailand, Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON 108 and 108SHOP. In addition, in Hawaii in the United States, Lawson USA Hawaii, Inc. operates LAWSON stores. Furthermore, in Indonesia, PT MIDI UTAMA INDONESIA Tbk, also operates LAWSON stores.

[Distribution of LAWSON Brand Stores Overseas by Region]

Company	Country/region	Number of stores (As of February 28, 2014)	Change during fiscal year	Number of stores (As of February 28, 2015)
Shanghai Hualian Lawson, Inc.	Shanghai, China	289	65	354
Chongqing Lawson, Inc.	Chongqing, China	77	27	104
Dalian Lawson, Inc.	Dalian, China	18	12	30
Beijing Lawson, Inc.	Beijing, China	5	14	19
Saha Lawson, Co., Ltd.	Bangkok, Thailand	29	3	32
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	4	(1)	3
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	61	(13)	48
Total		483	107	590

Note: Saha Lawson, Co., Ltd. operates 169 stores other than LAWSON brand stores.

With regards to Entertainment & Home Convenience business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales and continued to secure top position in the ticketing industry. The number of HMV stores that sell music CDs and DVDs totaled 53 as of the end of February 2015. Furthermore, United Cinemas Co., Ltd., which became a consolidated subsidiary in August 2014, operates a total of 331 screens at its cinemas nationwide. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our ticketing business.

Furthermore, we entered into a partnership with Amazon Japan K.K. in November 2014 and launched a new service in Shizuoka Prefecture, which enables customers to pick up items ordered online from Amazon at Lawson stores. We will strive to enhance customer convenience by additionally partnering with other companies to establish an "Open Platform" based on the networks of Lawson stores that offer a range of services encompassing ordering, collection, and home delivery.

Lawson ATM Networks, Inc., which operates a financial services-related business, continued contributing to consolidated results owing to an increase in the number of ATMs installed. In this fiscal year 2014, we strengthened partnership with new financial institution bringing the total number of our financial institution partners to 71 nationwide (up 6 year on year), including online banks, and the number of ATMs installed nationwide to 10,767 (up 649 year on year) as of the end of February 2015.

Finally, on October 2014, Lawson, Inc. acquired all shares of SEIJO ISHII Co., Ltd., which operates Seijo Ishii, a chain of small supermarkets that seeks to develop and manufacture high-value-added products. The number of company-operated stores of Seijo Ishii reached to 107 stores as of the end of February 2015. By leveraging the business infrastructure of the Lawson Group, we aim to further reinforce Seijo Ishii's strengths and contribute to its enhancement of corporate value. At the same time, we will strive to strengthen our domestic convenience store business by absorbing Seijo Ishii's knowhow acquired as a manufacturing retailer and expertise in product selection and presentation, including its central kitchen function.

[Environmental and Social Contribution Activities]

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

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

In particular, we promoted the introduction of a state-of-the-art energy-saving chlorofluorocarbon-free (CO_2 refrigerant) refrigerator/freezer system with the aim of reducing electricity consumption at our stores. As of the end of February 2015, the system was installed in approximately 580 stores. Compared to conventional equipment used in our stores, the new system reduces annual CO_2 emissions per store by around 50%, and electricity consumption per store by around 12%. By putting into practical use an energy-saving package model centered on this system, the Group will aim to achieve its medium-term energy conservation target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. Furthermore, the Group received the Director-General of the Food Industry Affairs Bureau Award at the Second Food Industry Mottainai Awards in recognition of its contribution to the reduction of CO_2 emissions through these efforts to save and generate energy. We will strive to make improvements by verifying the outcome at these stores, and apply our accumulated expertise and knowhow to Lawson stores nationwide.

In our efforts to undertake social contribution activities at our stores, the Support for Dreams Fund 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 continued activity named "Happiness in Communities", which was combined of three activities "LAWSON Green Fund", "Support for Dreams Fund" and "TOMODACHI Fund".

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

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

(2) Profit and Loss

In terms of operating results for the fiscal year under review, gross operating revenue increased to ¥497,913 million (up 2.6%), resulting from an increase of ¥6,780 million in operating revenue due to increase in number of franchised stores, and an increase of ¥5,884 million in net sales resulting from acquiring United Cinema Co., Ltd. on August, SEIJO ISHII Co., Ltd. on October despite of a decrease in the number of company-operated stores. As a result, cost of sales climbed ¥1,478 to ¥128,116 million (up 1.2%) and selling, general and administrative expenses climbed ¥8,831 million to ¥299,315 million (up 3.0%). Furthermore, despite operating income grew ¥2,834 million to ¥71,714 million (up 4.1%), since extraordinary losses increased to ¥14,469 million (up 51.3%) due to closures of unprofitable LAWSON STORE100 stores and withdrawal of LAWSON MART business, net income decreased ¥5,279 million to ¥32,686 million (down 13.9%).

(3) Outlook for Fiscal 2015

Outlook for the next fiscal year

	2015 2Q (accumulated)		2015 fiscal year	
	¥ Million	YoY, %	¥ Million	YoY, %
Total operating revenues	287,000	118.6	578,000	116.1
Operating income	37,000	92.5	71,000	100.7
Ordinary income	36,000	90.9	68,900	96.1
Net income	18,400	84.1	35,200	107.7

(4) Analysis of Financial Position

① Total assets, Total liabilities, Total net assets analysis

Total assets increased by ¥143,621 million year on year to ¥764,614 million, mainly due to an increase of ¥51,049 million in intangible assets.

Total liabilities stood at ¥130,321 million, a year-on-year increase of ¥500,816 million, mainly due to an increase of ¥58,425 million in long-term loans payable.

Net assets increased by ¥13,299 million year on year to ¥263,797 million, mainly due to an increase of ¥9,035 million in retained earnings.

② Cash flow analysis

Net cash provided in (used in) operating activities amounted to ¥110,567 million, ¥29,064 million lower year on year, due to an increase of ¥15,559 million in deposits received.

Net cash provided in (used in) investing activities amounted to ¥100,433 million, ¥52,509 million higher year on year, mainly due to an increase of ¥41,381 million in purchase of investments in subsidiaries resulting in change in scope of consolidation.

Net cash provided in (used in) financing activities amounted to ¥3,289 million, ¥36,360 million lower year on year, mainly due to an increase of ¥59,000 million in repayments of lease obligations.

(Reference) Trends in cash flow indicators

	2012 fiscal year	2013 fiscal year	2014 fiscal year
Shareholders’ equity ratio (%)	39.1	39.5	33.5
Shareholders’ equity ratio on market value basis (%)	118.7	113.6	102.3
Interest-bearing debt/cash flow ratio (years)	0.7	1.0	1.4
Interest coverage ratio (times)	69.6	63.2	75.3

(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

① 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.

② Vision

The Group, as a "Health Station in Town" (*Machi no kenko* station in Japanese), 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

① Increase franchise store earnings

With the aim of increasing franchise store earnings, the Group will push forward its operational reform in conjunction with franchise stores and reinforce their retail spaces and merchandise appeal from the customers' perspective.

② Generate synergistic effects within the Group

The Group will capitalize on its range of store formats tailored to meet an expanded customer base, diversified needs and health-oriented preferences, while strengthening and evolving its merchandise assortment. In addition, by making maximum use of each Group company's distinctive features, we will strive to generate synergistic effects within the Group.

③ Develop overseas business

The Group will establish profitable business models that suit each country/region by striving to understand local customer needs, differentiate its products and services from competitors, and enhance its brand recognition.

④ Promote internal control systems and address operating risks

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

(5) Other Important Managerial Matters

① Improving New Merchandise Development Capabilities

While strengthening 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.

② Improving Store Operation Capabilities

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

③ Reinforcing Store-Development Capabilities

With a view to creating stores that achieve high ROI, we will prioritize customer convenience and profitability for both franchise store owners and headquarters in opening new stores by following the Group's proprietary store development standard focused on ROI.

④ Tailoring Store Formats to Suit Local Characteristics

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

⑤ 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).

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

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

⑦ Accelerating Business Reform through Capital and Business Alliances

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheet

As of February 28, 2014 and February 28, 2015

(Millions of yen)

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Assets		
Current assets:		
Cash and deposits	76,763	76,758
Accounts receivable－due from franchised stores	32,186	37,052
Merchandise	9,596	17,044
Prepaid expenses	10,716	12,235
Accounts receivable－other	54,193	58,666
Deferred tax assets	4,481	5,299
Other	10,240	19,164
Allowance for doubtful accounts	(2,393)	(2,578)
Total current assets	**195,784**	**223,642**
Non-current assets:		
Property and store equipment:		
Buildings and structures	265,952	313,867
Accumulated depreciation	(137,117)	(160,491)
Buildings and structures, net	128,835	153,375
Vehicles, tools, furniture and fixtures	65,944	74,270
Accumulated depreciation	(53,861)	(59,445)
Vehicles, tools, furniture and fixtures, net	12,083	14,825
Land	8,773	9,640
Lease assets	126,056	154,932
Accumulated depreciation	(45,289)	(63,270)
Lease assets, net	80,767	91,661
Construction in progress	2,977	4,810
Others	―	572
Accumulated depreciation	―	(448)
Others, net	―	123
Total property and store equipment	**233,436**	**274,436**
Intangible assets:		
Software	14,902	11,806
Software in progress	3,360	6,993
Goodwill	9,719	48,189
Right of trademark	106	11,989
Other	391	550
Total intangible assets	**28,480**	**79,530**
Investments and other assets:		
Investments securities	12,821	18,118
Long-term loans receivable	33,727	37,232
Long-term prepaid expenses	8,260	9,912
Guarantee deposits	86,150	93,205
Deferred tax assets	21,627	26,251
Other	1,669	3,404
Allowance for doubtful accounts	(965)	(1,121)
Total investments and other assets	**163,291**	**187,004**
Total non-current assets	**425,208**	**540,971**
Total assets	**620,992**	**764,614**

(Millions of yen)

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Liabilities		
Current liabilities:		
Accounts payable－trade	9,726	20,072
Accounts payable－trade for franchised stores	79,444	83,385
Accounts payable－due to franchised stores	1,405	1,507
Short-term loans payable	680	1,740
Current portion of long-term loans payable	―	575
Lease obligations	16,585	19,948
Accounts payable－other	29,344	43,518
Income taxes payable	14,330	13,301
Deposits received	87,585	103,634
Provision for bonuses	2,372	2,976
Other	5,232	10,408
Total current liabilities	246,706	301,069
Non-current liabilities:		
Long-term loans payable	―	58,425
Lease obligations	61,666	76,174
Provision for retirement benefits	11,082	―
Provision for retirement benefits to executive officers and audits & supervisory board members	408	367
Net defined benefit liability	―	12,958
Long-term guarantee deposited	32,252	29,992
Asset retirement obligations	17,874	21,530
Other	502	297
Total non-current liabilities	123,788	199,746
Total liabilities	370,494	500,816
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,741	47,696
Retained earnings	138,141	147,177
Treasury shares	(1,556)	1,272
Total shareholders' equity	242,832	252,107
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	(93)	(393)
Revaluation reserve for land	(567)	(566)
Foreign currency translation adjustment	3,118	5,492
Remeasurements of defined benefit plans	―	(518)
Total accumulated other comprehensive income	2,456	4,014
Subscription rights to shares	557	223
Minority interests	4,650	7,452
Total net assets	250,497	263,797
Total liabilities and net assets	620,992	764,614

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

Consolidated Statement of Income

For the fiscal year ended February 28, 2014 and February 28, 2015

(Millions of yen)

	Previous fiscal year From March 1,2013 to February 28, 2014	Current fiscal year From March 1,2014 to February 28, 2015
Gross operating revenue	485,247	497,913
Net sales	168,159	174,044
Cost of sales	126,637	128,116
Gross profit	41,521	45,928
Operating revenue:		
Income from franchised stores	242,078	247,681
Other	75,009	76,188
Total operating revenue	317,088	323,869
Operating gross profit	358,610	369,797
Selling, general and administrative expenses	290,483	299,315
Operating income	68,126	70,482
Non-operating income:		
Interest income	860	830
Foreign exchange gains	272	1,585
Penalty income	142	618
Other	1,920	1,712
Total non-operating income	3,195	4,746
Non-operating expenses:		
Interest expense	1,294	1,520
Loss on cancel of lease contracts	570	1,168
Other	577	825
Total non-operating expenses	2,442	3,514
Ordinary income	68,880	71,714
Extraordinary income:		
Gain on sales of investment securities	403	369
Gain on change in equity	—	756
Gain on sales of non-current assets	51	—
Other	11	—
Total extraordinary income	466	1,126
Extraordinary losses:		
Loss on retirement of non-current assets	2,648	2,966
Impairment loss	5,744	8,263
Loss on liquidation of business	—	1,519
Other	1,168	1,719
Total extraordinary losses	9,560	14,469
Income before income taxes and minority interests	59,785	58,370
Income taxes - current	26,758	24,938
Income taxes - deferred	(5,136)	312
Income taxes	21,622	25,250
Income before minority interests	38,163	33,120
Minority interests in income	197	433
Net income	37,965	32,686

Consolidated Statement of Comprehensive Income

For the fiscal year ended February 28, 2014 and February 28, 2015

(Millions of yen)

	Previous fiscal year From March 1,2013 to February 28, 2014	Current fiscal year From March 1,2014 to February 28, 2015
Income before minority interests	**38,163**	**33,120**
Other comprehensive income		
Valuation difference on available-for-sale securities	(171)	(299)
Revaluation reserve for land	—	1
Foreign currency translation adjustment	2,655	961
Share of other comprehensive income of associates Accounted for using equity method	(839)	1,441
Total other comprehensive income	**1,643**	**2,104**
Comprehensive income	**39,807**	**35,224**
Comprehensive income attributable to		
Owners of the parent	39,732	34,762
Minority interests	74	461

(3) Consolidated Statement of Changes in Net Assets

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

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

(Millions of yen)

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

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(93)	(567)	3,118	―	2,456	557	4,650	250,497
Changes of items during period								
Dividends from surplus								(22,979)
Change of scope of equity method								(608)
Net income								32,686
Purchase of treasury stock								(289)
Disposal of treasury stock								0
Reversal of revaluation reserve for land								(1)
Exercise of subscription rights to shares (Issuance of treasury shares)								465
Net changes of items other than shareholders' equity	(299)	1	2,374	(518)	1,557	(334)	2,801	4,024
Total changes of items during period	(299)	1	2,374	(518)	1,557	(334)	2,801	13,229
Balance at end of current period	(393)	(566)	5,492	(518)	4,014	223	7,452	263,797

(4) Consolidated Statement of Cash Flows

For the fiscal year ended February 28, 2014 and February 28, 2015

(Millions of yen)

	Previous fiscal year From March 1,2013 to February 28, 2014	Current fiscal year From March 1,2014 to February 28, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	59,785	58,370
Depreciation and amortization	47,888	41,825
Impairment loss	5,744	8,263
Increase (decrease) in provision for retirement benefits	1,184	(11,275)
Increase (decrease) in net defined benefit liability	—	12,958
Increase (decrease) in allowance for doubtful accounts	564	(170)
Interest income	(860)	(830)
Interest expenses	1,294	1,520
Loss (gain) on sales of investment securities	(403)	759
Loss on retirement of noncurrent assets	2,648	2,966
Decrease (increase) in notes and accounts receivable-trade	(6,648)	(4,584)
Decrease (increase) in inventories	(211)	(2,588)
Decrease (increase) in accounts receivable-other	(7,607)	(3,439)
Increase (decrease) in notes and accounts payable-trade	65	8,278
Increase (decrease) in accounts payable-other	2,907	12.288
Increase (decrease) in accrued consumption taxes	2,595	5,721
Increase (decrease) in deposits received	50	15,609
Increase (decrease) in guarantee deposits received	(2,558)	(2,307)
Other	2,570	(5,969)
Subtotal	**108,889**	**137,397**
Interest income received	860	814
Interest expenses paid	(1,290)	(1,467)
Income taxes paid	(26,956)	(26,176)
Net cash provided by operating activities	**81,503**	**110,567**
Net cash provided by (used in) investing activities		
Payments into time deposits	(22,000)	(11,204)
Proceeds from withdrawal of time deposits	26,000	19,204
Decrease (increase) in short-term loans receivable	(4,145)	3,135
Decrease (increase)in long-term loans receivable, net	(1,999)	(4,633)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(41,381)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,733	—
Purchase of investment securities	(45)	(6,507)
Purchase of shares of subsidiaries and associates	(4,051)	(3,335)
Purchase of property, plant and equipment	(34,857)	(41,052)
Purchase of intangible assets	(5,499)	(7,901)
Purchase of long-term prepaid expenses	(2,373)	(3,806)
Other	(730)	(2,951)
Net cash used in investing activities	**(47,924)**	**(100,433)**

(Millions of yen)

	Previous fiscal year From March 1,2013 to February 28, 2014	Current fiscal year From March 1,2014 to February 28, 2015
Net cash provided by (used in) financing activities		
Repayment of long-term loans payable	(185)	(21,590)
Proceeds from long-term loans payable	—	59,000
Proceeds from share issuance to minority shareholders	—	2,000
Repayments of lease obligations	(17,477)	(20,531)
Cash dividends paid	(20,978)	(22,979)
Other	(1,008)	811
Net cash used in financing activities	(39,650)	**(3,289)**
Effect of exchange rate change on cash and cash equivalents	2,064	**1,150**
Net increase (decrease) in cash and cash equivalents	(4,006)	**7,995**
Cash and cash equivalents at beginning of period	72,766	**68,759**
Cash and cash equivalents at end of period	68,759	**76,754**

(5) Notes Concerning Going Concern Assumption
None

(Basis of Presenting the Consolidated Financial Statements)
1. Scope of consolidation
(1)Consolidated subsidiaries: 15
(Domestic)
Lawson HMV Entertainment, Inc.
Lawson ATM Networks, Inc.
BestPractice, Inc.
SCI, Inc.
Lawson Mart, Inc.
Lawson HMV Entertainment United Cinema Holdings, Inc.
United Entertainment Holdings Co., Ltd.
United Cinemas Co., Ltd.
SEIJO ISHII Co., Ltd.
(Foreign)
Chongqing Lawson, Inc.
Shanghai Hualian Lawson, Inc.
Dalian Lawson, Inc.
Lawson (China) Holdings, Inc.
Lawson Asia Pacific Holdings Pte. Ltd.
Saha Lawson Co., Ltd.

Among the companies mentioned above, Lawson HMV Entertainment United Cinema Holdings, Inc., which was established during the current fiscal year, has been included in the scope of consolidation.

United Entertainment Holdings Co., Ltd. and its subsidiary United Cinemas Co., Ltd. have been included in the scope of consolidation as a result of acquisition of shares of United Entertainment Holdings Co., Ltd. from the current fiscal year.

SEIJO ISHII CO., LTD. has been included in the scope of consolidation as a result of acquisition of its shares from the current fiscal year.

Smart Kitchen, Inc. was excluded from the scope of consolidation since its liquidation was completed as of January 28, 2015.

(2) Non-consolidated subsidiaries
(Domestic)
LAWSONWILL, Inc.
HATS UNLIMITED CO., LTD.
Food Marketing Japan, Inc.
Seikaken, Inc.
Lawson Syuhan, Inc.
Lawson Staff, Inc.
TOKYO EUROPE TRADE CO., LTD.

(Foreign)
Lawson USA Hawaii, Inc.
Shanghai Le Song Trading Co., Ltd.
Zhejiang Lawson, Inc.
Beijing Lawson, Inc.
BEIJING LUOSONG Co., Ltd.

(Reasons for exclusion from the scope of consolidation)

The above non-consolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, net income (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

(1) Affiliated companies to which the equity method is applied: 2

(Domestic)

Lawson Okinawa, Inc.

Lawson Minamikyushu, Inc.

Lawson Minamikyushu, Inc., 49% of the shares of which the Company owns, has been included in the scope of the equity method affiliate starting from the current consolidated fiscal year due to increasing materiality.

PT MIDI UTAMA INDONESIA Tbk, which had been an equity method affiliate in the previous consolidated fiscal year, was excluded from the scope of the equity method affiliate since all of its owned shares were sold.

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

LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., Lawson Staff, Inc., TOKYO EUROPE TRADE CO., LTD., Lawson USA Hawaii, Inc., Shang Hai Le Song Trading Co., Ltd., Zhejiang Lawson, Inc., Beijing Lawson, Inc., BEIJING LUOSONG Co., Ltd. and affiliated companies Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Kyodo Classics, Inc., Loyalty Marketing, Inc., Shang Hai Gong Hui Trading Co., Ltd., Lawson Farm Chiba and others were excluded from the scope of the equity-method affiliate because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these nonconsolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of SEIJO ISHII CO., LTD., Chongqing Lawson, Inc., Shanghai Hualian Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc. and Saha Lawson Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation. Also the balance sheet date of Lawson HMV Entertainment United Cinema Holdings, Inc., United Entertainment Holdings Co., Ltd. and United Cinemas Co., Ltd. is March 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of recent quarterly results dates, and significant transactions which occur between the recent quarterly results dates and the consolidated balance sheet date are adjusted as required for consolidation. The fiscal year end date for the other consolidated subsidiaries corresponds with the balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

① Securities:

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.

② Inventories:

Mainly 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)

(2) Depreciation method of depreciable assets

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

Depreciation is mainly computed by the straight-line 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.

② 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.

③ 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.

④ Long-term prepaid expense:

Amortization of long-term prepaid expense is computed by the straight-line method.

(3) Accounting standard for important reserves

① 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.

② Provision for bonuses:

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

③ 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.

(4) Accounting method for retirement benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the retirement benefit liability and pension assets at the balance sheet date for provision for retirement benefits to employees.

・Period attributable method of estimated amount of retirement benefits

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

・Cost treatment method of actuarial difference and prior service cost

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

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

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

(5) Foreign currency transactions and foreign currency financial statements

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

(6) Amortization of Goodwill

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

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

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

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

Accounting for consumption tax:

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

(Changes in accounting policies and others)

Changes in accounting policies

Application of Accounting Standards for Retirement Benefits, etc.

With regard to the Accounting Standards for Retirement Benefits, etc., the Company carried out the following: implemented "Accounting Standards for Retirement Benefits" (May 17, 2012, Accounting Standards Board of Japan (ASBJ) Statement No. 26) and "Implementation Guidance on Accounting Standards for Retirement Benefits" (May 17, 2012, ASBJ Guidance No. 25. Hereinafter referred to as the "Guidance on Accounting Standards for Retirement Benefits") from the end of the current consolidated fiscal year (excluding stipulations stated in the main clause of paragraph 35 of the Accounting Standards for Retirement Benefits and the main clause of paragraph 67 of the Guidance on Accounting Standards for Retirement Benefits), changed to a method of recording the projected benefit obligation after deducting therefrom the amount of pension assets as liabilities related to retirement benefits, and recorded the unrecognized actuarial difference and the unrecognized prior service cost as liabilities related to retirement benefits. The application of Accounting Standards for Retirement Benefits, etc. complies with transitional treatment stipulated in paragraph 37 of the Accounting Standards for Retirement Benefits. The effect of the said change is added and subtracted from the accumulated adjustment amount concerning retirement benefits for accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, 12,958 million yen in liabilities related to retirement benefits were recorded at the end of the current consolidated fiscal year. In addition, other comprehensive income (accumulated) decreased 518 million yen.

Changes in accounting policies and others that are difficult to differentiate from changes in accounting estimation

The depreciation method of property and store equipment (excluding lease assets) of the Company and domestic consolidated subsidiaries, which had primarily consisted of the declining-balance method, was changed to the straight-line method from the first quarter consolidated accounting period.

The Lawson Group reviewed the depreciation method of its property and store equipment upon the adoption of a strategy to reinforce the competitiveness of its existing stores such as the utilization of membership card data and the restructuring of the Group under a policy of placing emphasis on existing stores. As a result, the depreciation method was changed to a straight-line method from the first quarter consolidated accounting period since it is expected that the number of visiting customers, which is proportionate to the utilization of facilities, the principle factor for economic depreciation, can be maintained even if store assets aged, and since equal distribution of depreciation is considered to be more appropriate going forward.

Due to this change, operating income, recurring profit and net income before income taxes and minority interests for the current consolidated fiscal year increased by 9,422 million yen each compared to when using the previous method.

(Accounting Standards, etc. that are not applied)

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

1. Outline

This accounting standard, etc., based on the aspects and international trends to improve the financial reporting, differences and unrecognized treatment method of the past service cost of unrecognized actuarial, expansion of the calculation method and disclosure of retirement benefit obligations and service costs the is what has been revised in the center.

2. Scheduled application date

The application will start from the end of a fiscal year that commences after March 1, 2015.

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.

(Changes in presentation)

(Consolidated Balance Sheets)

In the “Current liabilities” section, “Right of trademark” were presented in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Right of trademark” 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 “Current liabilities” section, the 106 million yen that had previously been presented as “Other” in the Consolidated Balance Sheets for the previous fiscal year is now separately presented as “Right of trademark”.

In the “Current liabilities” section, “Provision for point card certificates” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Provision for point card certificates” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Current liabilities” section, the 132 million yen that had previously been presented as “Provision for point card certificates” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

(Consolidated Statement of Income)

"Selling, general and administrative expenses" which had been presented separately for each expense item in the previous fiscal year, in order to increase the list and clarity of the consolidated income statement from the current fiscal year, as "selling, general and administrative expenses" and collectively stated, we have changed the method to note the major items and amounts. In order to reflect the change of this display method, we have conducted a reclassification of consolidated financial statements for the previous fiscal year.

In addition, major items, as well as the amount of selling, general and administrative expenses in the previous fiscal year and the current fiscal year, are as described in the "Notes (Consolidated Statement of Income)".

In the “Extraordinary income” section, “Foreign exchange gains” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Foreign exchange gains” 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 272 million yen that had previously been presented as “Other” in the Consolidated Statement of Income for the previous fiscal year is now presented as “Foreign exchange gains”.

In the “Non-operating income” section, “Compensation income” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Compensation 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 794 million yen that had previously been presented as “Compensation income” in the Consolidated Statement of Income for the previous fiscal year is now included in “Other”.

In the “Non-operating income” section, “Penalty income” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Penalty 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 142 million yen that had previously been included in “Other” in the Consolidated Statement of Income for the previous fiscal year is now separately presented as “Penalty income”.

In the “Non-operating income” section, “Equity in earnings of affiliates” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Equity in earnings of affiliates” 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 393 million yen that had previously been presented as “Equity in earnings of affiliates” in the Consolidated Statement of Income for the previous fiscal year is now included in “Other”.

(Consolidated Statement of Cash Flows)

In the “Cash flow from operating activities” section, “Equity in (earnings) losses of affiliates” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Equity in (earnings) losses of affiliates” 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 (119) million yen that had previously been presented as “Equity in (earnings) losses of affiliates” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flow from investing activities” section, “Purchase of investment securities” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Purchase 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 investing activities” section, the (45) million yen that had previously been presented in “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now separately presented as “Purchase of investment securities”.

In the “Cash flow from financing activities” section, “Repayment of long-term loans payable” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Repayment of long-term loans payable” 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 financing activities” section, the (185) million yen that had previously been presented in “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now separately presented as “Repayment of long-term loans payable”.

(Notes to Consolidated Balance Sheet)

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

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Investments in securities (stock)	¥10,544 million	¥9,784 million
Investment amount for jointly-controlled companies	—	¥233 million
Other (other equity investments)	¥436 million	¥1,662million

*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

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
The difference between book value and market value of the revalued land as of balance sheet date	¥319 million	¥314 million

*6. Collateral assets and liabilities collateralized

Assets and liabilities with collateral pledged as collateral are as follows.

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Cash and deposits	—	¥416 million

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Shares of consolidated subsidiaries (Amount before elimination)	—	¥16,614 million

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

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Short-term loans payable	—	¥1,000 million
Current portion of long-term loans payable	—	¥575 million
Long-term loans payable	—	¥8,425 million
Total	—	¥10,000 million

(Notes to Consolidated Statement of Income)

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

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

(Millions of yen)

	Previous fiscal year From March 1, 2013 to February 28, 2014	Current fiscal year From March 1, 2014 to February 28, 2015
Employees' salaries and allowances	44,279	45,187
Provision for bonuses	2,367	2,056
Retirement benefit expenses	2,192	2,065
Rents	89,484	96,877
Depreciation	47,888	41,788

*3 Distribution of loss on disposal of fixed assets

(Millions of yen)

	Previous fiscal year From March 1, 2013 to February 28, 2014	Current fiscal year From March 1, 2014 to February 28, 2015
Buildings and structures	1,653	1,708
Furniture, fixtures and equipment	425	355
Leased property	328	570
Software	240	332

*4 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.

Previous fiscal year (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
Lease assets	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.

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

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

Category by fixed assets

	(Millions of yen)
Buildings and structures	3,658
Furniture, fixtures and equipment	464
Land	29
Leased property	2,172
Software	17
Goodwill	1,897
Other	24

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 4.8% discount rate was mainly applied.

*5 Business liquidation loss

The Company and its consolidated subsidiaries, the fiscal year in conjunction with the business liquidation occurred Lawson Mart business exit costs that went, the Company recorded an extraordinary loss losses due to store closed.

Breakdown of business liquidation loss

	(Millions of yen)
Loss on cancellation of rental contracts	429
Loss on cancellation of FC contracts	370
Loss on abandonment of goods	369
Other	351

In addition, an impairment loss 2,753 one million yen due to the business liquidation is included in "*4 Impairment loss".

(Notes to Consolidated Statement of Comprehensive Income)

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

(Millions of yen)

	Previous fiscal year From March 1, 2013 to February 28, 2014	Current fiscal year From March 1, 2014 to February 28, 2015
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	(263)	(431)
Reclassification adjustments to profit or loss	(8)	(22)
Amount before income tax effect	(272)	(454)
Income tax effect	100	154
Valuation difference on available-for-sale securities	(171)	(299)
Revaluation reserve for land		
Gain or loss arising during the period	—	1
Foreign currency translation adjustment:		
Gain or loss arising during the period	2,655	961
Share of other comprehensive income of associates accounted for using equity method:		
Gain or loss arising during the period	(839)	1,441
Total other comprehensive income	1,643	2,104

(Notes to Consolidated Statement of Changes in Net Assets)

Previous fiscal year (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 thousand share increase in treasury stock resulted from the purchase of stock of less than one share unit.
The 12 thousand share decrease in treasury stock resulted from the 12 thousand 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)	—	—	—	—	—	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

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

1. Number of shares of outstanding stock and treasury stock

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

(*) The 40 thousand share increase in treasury stock resulted from the acquisition of treasury stock due to the purchase request of dissenting shareholders against merger (an increase of 40 thousand) and the purchase of stock of less than one share unit.
The 135 thousand share decrease in treasury stock resulted from the 135 thousand 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)	—	—	—	—	—	223
Total		—	—	—	—	—	223

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 27, 2014)	Common stock	10,989	110	As of February 28, 2014	As of May 28, 2014
Directors' meeting (October 7, 2014)	Common stock	11,989	120	As of August 31, 2014	As of November 10, 2014

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

Date of resolution	Class of shares	Reserve of dividend	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 26, 2015)	Common stock	Retained earnings	11,999	120	As of February 28, 2015	As of May 27, 2015

(Notes to Consolidated Statement of Cash Flows)

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

(Millions of yen)

	Previous fiscal year From March 1, 2013 to February 28, 2014	Current fiscal year From March 1, 2014 to February 28, 2015
Cash and deposits	76,763	76,758
Time deposits, etc., for which the deposit period exceeds three months	(8,004)	(4)
Cash and cash equivalents	68,759	76,754

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

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

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 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 consolidated subsidiary	1,733

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

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

(Millions of yen)

Current assets	14,441
Fixed assets	27,417
Goodwill	24,466
Current liabilities	28,218
Non-current liabilities	1,836
Purchase cost of shares of newly consolidated subsidiary	36,269
Cash and cash equivalents of the newly consolidated subsidiary	5,803
Difference: Purchase of shares in consolidated subsidiaries	30,466

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

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

*3 Description of significant non-fund transactions

Assets and liabilities related to finance lease transactions

(Millions of yen)

	From March 1, 2013 to February 28, 2014	From March 1, 2014 to February 28, 2015
Assets and liabilities related to finance lease transactions	32,291	33,682

(Notes to Lease Contracts)

1. Finance lease transactions (lessees)

Non-ownership-transferred finance lease transactions

① Details of leased assets

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

② 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)

	Previous fiscal year 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

(Millions of yen)

	Current fiscal year As of February 28, 2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	7,763	7,187	428	146
Total	7,763	7,187	428	146

2) Obligations under finance leases

(Millions of yen)

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Obligations under finance leases		
Due within one year	1,793	610
Due after one year	629	3
Total	2,422	613
Allowance for impairment loss on leased property	374	243

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

(Millions of yen)

	Previous fiscal year From March 1, 2013 to February 28, 2014	Current fiscal year From March 1, 2014 to February 28, 2015
Lease payments	3,016	1,833
Transfer from allowance for impairment loss on leased property	177	140
Depreciation expense	2,661	1,686
Interest expense	103	38
Impairment loss	32	8

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)

	Previous fiscal year As of February 28, 2014	Current fiscal year As of February 28, 2015
Due within one year	913	1,064
Due after one year	1,295	1,498
Total	2,208	2,562

(Notes to Business Combinations, etc.)
Business combinations due to acquisition

1. Acquisition of United Entertainment Holdings Co., Ltd. and United Cinema Co., Ltd.
(1) Outline of business combination
① Name of the absorbed business and its outline
Name of business: United Entertainment Holdings Co., Ltd. and United Cinema Co., Ltd.
Business outline: Manage and construct movie theatre business
② The main reason that made the business combination
1. The acquiring company has been developing its business in the movie industry, which the Company had been monitoring for some time, and is seeing steady revenue growth in the movie business, which has a large number of participants and boasts continued stable growth.
2. The acquiring company has a strong connection to the entertainment business, which the Group is engaged in, and offers expectations of mutual customers and business synergies.
③ Date of business combination
August 28, 2014
④ Legal form of business combination
Shares acquisition
⑤ Name of company after the business combination
There is no change.
⑥ Acquire of voting rights
100％
⑦ The main reason that made decision to acquire companies
The Company's consolidated subsidiary Lawson HMV Entertainment United Cinemas Holdings, Inc. has acquired the stock of United Entertainment Holdings, Inc.
(2) Period of performance of the acquired company are included in the consolidated financial statements
From September 1, 2014 to December 31, 2014
(3) Acquisition cost and breakdown of the acquired company

(Millions of yen)

Acquisition price	Cash and deposits	12,973
Costs directly required for the acquisition	Advisory costs	43
Acquisition cost		13,017

(4) Amount, cause, amortization method and period of goodwill generated
① Amount of goodwill generated
9,563 million yen
② Cause of the generation of goodwill
Mainly excess earning power that is anticipated from the low cost business model of a high revenue retail manufacturing business in which stable growth is expected
Method and period of amortization
Straight-line method over 20 years

(5) The amount and major breakdown of assets accepted and liabilities taken on the day in which the businesses are combined

(Millions of yen)

Current assets	3,947
Non-current assets	7,307
Total assets	11,254
Current liabilities	4,764
Non-current liabilities	3,035
Total liabilities	7,800

(6) The estimated amount and its calculation method regarding the impact on the consolidated profit and loss statement for the current consolidated fiscal year assuming that the business combination is completed on the first day of the current consolidated fiscal year

(Millions of yen)

Net sales	10,108
Operating income	640
Ordinary income	568
Income before minority interests	(520)
Net income per share	(323.70)

(Calculation method for the estimated amount)

The difference between sales and profit/loss information assessed under the assumption that the business combination completed on the first day of the current consolidated fiscal year and the sales and profit/loss information in the consolidated profit and loss statement of the acquiring company has been treated as the estimated amount of impact.

This note has not received an audit certificate.

2. Acquisition of SEIJO ISHII Co., Ltd.

(1) Outline of business combination

① Name of the absorbed business and its outline

Name of business: SEIJO ISHII Co., Ltd

Business outline: Food retailing, import, wholesale, food manufacture and restaurant operations business

② The main reason that made the business combination

The Company and the acquired company are both engaged in retail manufacturing and an alliance with the acquiring company, which has product appeal and sales power that exceed those of ordinary supermarkets, has the potential to generate huge synergy.

③ Date of business combination

October 31, 2014 (Acquisition date)

September 30, 2014 (Deemed acquisition date)

④ Legal form of business combination

Shares acquisition

⑤ Name of company after the business combination

There is no change.

⑥ Acquire of voting rights

100％

⑦ The main reason that made decision to acquire companies

It has acquired the stock of SEIJO ISHII Co., Ltd.

(2) Period of performance of the acquired company are included in the consolidated financial statements

From October 1, 2014 to December 31, 2014

(3) Acquisition cost and breakdown of the acquired company

(Millions of yen)

Acquisition price	Cash and deposits	36,138
Costs directly required for the acquisition	Advisory costs	131
Acquisition cost		36,269

(4) Amount, cause, amortization method and period of goodwill generated

① Amount of goodwill generated

28,743 million yen

② Cause of the generation of goodwill

Mainly excess earning power that is anticipated from the business model of a high revenue retail manufacturing business in which stable growth is expected.

③ Method and period of amortization

Straight-line method over 20 years

(5) Amortization period by amount and type allocated to intangible assets other than goodwill

Category	Right of trademark
Amount of money	12,000 million yen
Amortization period	20 years

(6) The amount and major breakdown of assets accepted and liabilities taken on the day in which the businesses are combined

(Millions of yen)

Current assets	14,441
Non-current assets	15,417
Total assets	29,858
Current liabilities	28,218
Non-current liabilities	1,836
Total liabilities	30,055

(7) The estimated amount and its calculation method regarding the impact on the consolidated profit and loss statement for the current consolidated fiscal year assuming that the business combination is completed on the first day of the current consolidated fiscal year

(Millions of yen)

Net sales	45,198
Operating income	3,038
Ordinary income	2,773
Income before minority interests	2,750
Net income per share	14,961.02

(Calculation method for the estimated amount)

The difference between sales and profit/loss information assessed under the assumption that the business combination completed on the first day of the current consolidated fiscal year and the sales and profit/loss information in the consolidated profit and loss statement of the acquiring company has been treated as the estimated amount of impact.

This note has not received an audit certificate.

(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)

1. Outline of reporting segments

The Company’s financial information is provided separately by reporting segment and is subject to regular review by the board of directors with regard to the allocation of managerial resources and performance evaluation. The Group’s primary business is the operation of convenience stores, which is undertaken by the incorporation of related businesses.

Therefore, the Group has made the domestic convenience store business and Entertainment & Home Convenience business unit its main reporting segments, 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 STORE100, LAWSON MART and other chains. Lawson Mart, Inc. undertakes the direct management of LAWSON STORE100 and LAWSON MART stores. SCI, Inc. performs the increase in efficiency and optimization of the whole process as a subsidiary which manages the process from supply to sale synthetically.

For Entertainment & Home Convenience business, Lawson HMV Entertainment, Inc. manages to sell concert tickets at Lawson store, CD and video soft at HMV stores. In addition, United Cinemas Co., Ltd. operates construction and management of multiplex movie theatres.

From this current consolidated fiscal year under review, for Lawson HMV Entertainment, Inc, due to its rise in importance, there are changes in record method of reporting segments. Based on this change, for segment information of previous fiscal year, it stated by classification after the change and [3. Information related to amounts of sales, profit and loss by segment] of previous fiscal year.

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

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

3. Information related to the amount of sales, profit and loss by segment

Previous fiscal year (from March 1, 2013, to February 28, 2014)

(Millions of yen)

	Reporting segment		Others (Note 1)	Total	Adjusted Amount (Note 2)	Total (Note 3)
	Domestic Convenience Store business	Entertainment & Home Convenience business				
Gross operating revenue						
Sales to external customers	408,018	44,619	32,610	485,247	—	485,247
Internal sales or transfers between segments	2,305	1,421	1,084	4,810	(4,810)	—
Total	410,323	46,040	33,694	490,058	(4,810)	485,247
Segment profit	63,299	978	3,803	68,081	45	68,126
Segment asset	601,709	34,817	46,229	682,756	(61,763)	620,992
Other						
Depreciation	44,008	842	2,111	46,961	—	46,961
Goodwill depreciation	419	273	268	961	(34)	927
Invest for affiliates	2,295	—	3,875	6,171	—	6,171
Increase of fixed assets	37,170	1,187	1,998	40,356	—	40,356

(Note)

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

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

	Reporting segment		Others (Note 1)	Total	Adjusted Amount (Note 2)	Total (Note 3)
	Domestic Convenience Store business	Entertainment & Home Convenience business				
Gross operating revenue						
Sales to external customers	392,462	50,688	54,762	497,913	—	497,913
Internal sales or transfers between segments	2,917	1,412	1,169	5,499	(5,499)	—
Total	395,380	52,101	55,931	503,412	(5,499)	497,913
Segment profit	63,863	2,587	4,021	70,472	9	70,482
Segment asset	707,339	57,870	111,816	877,026	(112,412)	764,614
Other						
Depreciation	36,926	838	2,630	40,396	—	40,396
Goodwill depreciation	408	433	550	1,392	—	1,392
Invest for affiliates	3,805	—	—	3,805	—	3,805
Increase of fixed assets	45,038	1,085	2,830	48,954	—	48,954

(Note)

1. The “others” category refers to business segments that do not fall under the main reporting segment and includes SEIJO ISHII business operated SEIJO ISHII Co., Ltd. financial services-related business operated by Lawson ATM Networks, Inc. and overseas segment operated of Shanghai Hualian Lawson, Inc. and others.
2. The segment profit, adjusted by segment assets and amortization of goodwill, is balance of elimination of intra-segment transactions
3. The segment profit is adjusted against the operating profits consolidated.

(Related information)

Previous consolidated fiscal year (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.

2. Information by Area

(1) Net sales

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

(2) Property, plant and store equipment

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

(3) Information by Major Customer

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

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

1. Information by Product and Service

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

2. Information by Area

(1) Net sales

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

(2) Property, plant and store equipment

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

(3) Information by Major Customer

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

(Information on impairment loss in noncurrent assets by reported segment)

Previous consolidated fiscal year (March 1, 2013 to February 28, 2014)

(Millions of yen)

	Reporting segment		Others	Total	Adjusted amount	Total
	Domestic Convenience Store business	Entertainment & Home Convenience Store business				
Impairment loss	5,837	65	391	6,294	(550)	5,744

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

(Millions of yen)

	Reporting segment		Others	Total	Adjusted amount	Total
	Domestic Convenience Store business	Entertainment & Home Convenience Store business				
Impairment loss	5,831	237	2,193	8,263	—	8,263

(Information on amortization of goodwill and amortized balance by reported segment)

Previous consolidated fiscal year (March 1, 2013 to February 28, 2014)

(Millions of yen)

	Reporting segment		Others	Total	Adjusted amount	Total
	Domestic Convenience Store business	Entertainment & Home Convenience Store business				
Balance at end of fiscal year under review	6,027	726	2,965	9,719	—	9,719

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

(Millions of yen)

	Reporting segment		Others	Total	Adjusted amount	Total
	Domestic Convenience Store business	Entertainment & Home Convenience Store business				
Balance at end of fiscal year under review	8,788	9,856	29,543	48,189	—	48,189

(Information on gain on negative goodwill by reported segment)
Not applicable

(Per Share Information)

Previous fiscal year (March 1, 2013 to February 28, 2014)		Current fiscal year (March 1, 2014 to February 28, 2015)	
Net assets per share	2,455.25 yen	Net assets per share	2,561.25 yen
Net income per share	380.04 yen	Net income per share	327.08 yen
Net income per share after full dilution	379.35 yen	Net income per share after full dilution	326.65 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, 2013 to February 28, 2014)	Current fiscal year (March 1, 2014 to February 28, 2015)
Net income per share		
Net income (million yen)	37,965	32,686
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to common stock (million yen)	37,965	32,686
Average number of common stock during the fiscal year (thousand shares)	99,898	99,931
Net income per share after full dilution		
Net income adjustment value (million yen)	—	—
Increase in number of outstanding common shares (thousand shares)	181	133
(Stock acquisition rights) (thousand shares)	(181)	(133)
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