Flash Report on the Consolidated Financial Results

for the Fiscal Year Ended February 28, 2018

April 11, 2018

Listed Company Name: Lawson, Inc. Tokyo Stock Exchange (First Section)
Code No.: 2651 (URL http://www.lawson.jp/en/ir)
Company Representative: Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board
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Scheduled date for the ordinary general meeting of shareholders: May 22, 2018
Scheduled date for submission of annual securities report: May 23, 2018
Scheduled date for payment of dividend: May 23, 2018
Supplementary materials for annual financial results: Yes
Holding of presentation of annual results: Yes (for institutional investors and analysts)

(Amounts less than one million yen are truncated)

1. Consolidated operating results for 2017 fiscal year (from March 1, 2017 to February 28, 2018)

(1) Consolidated operating results (cumulative)

Note: Percentages represent increases (decreases) compared with the previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
For the fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2018	657,324	4.1	65,820	(10.8)	65,141	(10.8)	26,828	(26.3)
February 28, 2017	631,288	8.2	73,772	1.7	73,014	4.9	36,400	16.0

Note: Comprehensive income:
Fiscal year ended February 28, 2018 28,908 million yen (18.7)%
Fiscal year ended February 28, 2017 35,543 million yen 7.9%

	Profit per share	Diluted profit per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to gross operating revenue
For the fiscal year ended	Yen	Yen	%	%	%
February 28, 2018	268.16	268.02	9.7	7.4	10.0
February 28, 2017	363.96	363.70	13.5	8.7	11.7

Reference: Share of profit of entities accounted for using equity method:
Fiscal year ended February 28, 2018 693 million yen
Fiscal year ended February 28, 2017 602 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2018	900,256	281,446	30.6	2,755.06
February 28, 2017	866,577	285,995	31.7	2,748.39

Reference: Shareholders' equity:
As of February 28, 2018 275,658 million yen
As of February 28, 2017 274,880 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
For the fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2018	113,938	(91,209)	(61,238)	30,120
February 28, 2017	99,864	(76,227)	(25,638)	67,692

2. Dividends

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	1H	3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2016 fiscal year	―	125.00	―	125.00	250.00	25,003	68.7	9.3
2017 fiscal year	―	127.50	―	127.50	255.00	25,514	95.1	9.3
2018 fiscal year (forecast)	―	127.50	―	127.50	255.00		91.1	

3. Forecast of consolidated operating results for 2018 fiscal year (from March 1, 2018 to February 28, 2019)
Note: Percentages represent increases (decreases) compared with the previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1H of 2018 fiscal year	360,000	9.3	30,500	(21.7)	29,000	(24.6)	17,000	(28.1)	169.90
2018 fiscal year	732,000	11.4	60,000	(8.8)	57,000	(12.5)	28,000	4.4	279.84

4. Notes

(1) Change in significant subsidiaries during the fiscal year (Changes in certain specified subsidiaries resulting in changes in scope of consolidation): None

Added: None Excluded: None

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

1. Changes in accounting policies associated with revision in accounting standards: None
2. Changes in accounting policies other than 1. above: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding at the end of year (including treasury shares)
   As of February 28, 2018: 100,300,000 As of February 28, 2017: 100,300,000

2. Number of treasury shares at the end of year
   As of February 28, 2018: 244,849 As of February 28, 2017: 285,191

3. Average number of shares during the year
   As of February 28, 2018: 100,044,721 As of February 28, 2017: 100,009,948

(Reference) Overview of Non-consolidated Operating Results

Forecast of non-consolidated operating results for 2018 fiscal year (from March 1, 2018 to February 28, 2019)

Note: Percentages represent increases (decreases) compared with the previous fiscal year.

	Gross operating revenue		Operating income		Ordinary income		Profit		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
1H of 2018 fiscal year	201,000	6.3	23,000	(26.2)	37,500	21.1	29,000	42.4	289.84
2018 fiscal year	401,000	7.5	44,500	(12.8)	67,500	33.6	45,500	134.3	454.74

Note: The Flash Report on the Consolidated Financial Results is not subject to audit.

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

Forward-looking statements presented herein such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. The achievement of said forecasts cannot be guaranteed. Actual results may be materially different from those in the forecast as a result of various factors. For preconditions of these financial forecasts and notes concerning their use, please refer to “1.Overview of Operating Results, (4) Future Outlook” on page 10.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review, or fiscal 2017 ended February 28, 2018, we have advanced and accelerated our “1000-Day Action Plan”, which is in its second year, and focused our business activities on building Lawson’s next-generation convenience store model. The convenience store industry is now undergoing a period of drastic transformation. This is attributable to changes in community needs resulting from an aging population and the prevalence of the nuclear family, among others, which have triggered a reorganization of the industry. We have made efforts to evolve our business model as a manufacturing retailer targeting small catchment areas and to raise our store productivity to an unprecedented level toward our ongoing goal of fulfilling our customers’ needs in everyday life by serving as an essential part of their communities.

Furthermore, we also focused on addressing operating risks based on the 2017 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control even more.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

In our convenience store business, we expanded our merchandise assortment offered in the evening and nighttime hours, strengthened our mainstay products including counter fast food items, rice balls, and bento boxed lunches, and revamped our lineup of healthy food items including bran bread *[1] and salads. We also endeavored to enhance store productivity by such measures as introducing tablet terminals to be used by store staff at LAWSON stores nationwide to further facilitate sales management of counter fast food items. Furthermore, new point-of-sale (POS) cash registers (for sales information management) equipped with an automatic change dispenser function have been introduced in phases with the aim of achieving higher cash-handling efficiency at stores, including expediting cash register transactions.

*1 Bran: The external layer of wheat. It contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrates.

[Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean. Furthermore, we also actively promoted not only existing stores but also new stores by strengthening our product lineup, and improving operations and franchise support by headquarters.

Furthermore, in October 2017, we opened a laboratory at the Lawson Open Innovation Center to verify how next-generation IT technologies can be put to practical use at our stores. A plan is underway to commence a pilot trial of unmanned cash registers at several stores in the Tokyo metropolitan area by around spring of 2018 with the aim of saving manpower during nighttime hours. We will continue harnessing diverse technologies to create a model for our next-generation convenience store.

[Merchandising and Service Strategies]

On the merchandise side, we strengthened our merchandise assortment under our “Lawson Select” brand focused on daily delivered food and frozen food, as well as in our readymade dish lineup including salad items. In our lineup of regular items including rice balls and bento boxed lunches, we revamped the entire lineup of “Onigiriya,” our original rice ball brand, which resulted in strong sales. In addition, our regular bento in our “Korega” (meaning, “This is”) bento series adopting new ingredients and production methods and our “Motto! Yasai” (meaning, “More vegetables!”) series items proposing a healthier diet recorded robust sales and popularity, demonstrated the success of our new initiatives.

In the dessert range, seven products were launched in five phases from the “Uchi Café SWEETS X GODIVA” series produced in collaboration with Godiva with well-selected ingredients and a special production method, which remained popular especially among female customers.

In the counter fast food range, the savory “Deka Yakitori” (large grilled chicken) with enhanced aroma and “L-Chiki” (fried chicken) with increased volume remained popular. At our MACHI café, which serves freshly brewed coffee in store, new coffee brewing machines are being introduced. The new machines can brew coffee in approximately 25 seconds, shorter than the 40 seconds required by previous machines, allowing us to offer an expanded selection of items on the menu. We are planning to replace around 14,000 machines with the new models to provide coffee of higher quality in a shorter period of time.

In addition to thus strengthening our merchandise lineup, we also enhanced our service offerings, one of which is our “Gift Cards” [*2], whose transaction value continued to remain solid.

On our sales promotion side, as our effort to increase the number of purchased items per customer, we rolled out a promotional “Lawson Tokuichi!” campaign, where a 10% discount was offered on “Lawson Select” chilled/frozen foods as well as some items offered in the counter cases. Furthermore, effective measures to attract customers were launched, including a “speed lottery” themed on “GENERATIONS from EXILE TRIBE,” which demonstrated our strength in the entertainment field, and through the application of social media.

*2 Gift Cards: Collective term for prepaid cards that can be used for online transactions.

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

Fiscal year / Product group	Previous fiscal year From March 1, 2016 to February 28, 2017		Current fiscal year From March 1, 2017 to February 28, 2018		YoY (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,073,044	52.5	1,138,966	52.7	106.1
Fast foods	481,267	23.6	509,415	23.6	105.8
Daily delivered foods	294,141	14.4	314,481	14.5	106.9
Nonfood products	194,833	9.5	197,821	9.2	101.5
Total	2,043,287	100.0	2,160,684	100.0	105.7

(Note) These figures include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.

[Store Development]

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

Regarding the entire Lawson Group, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during the current fiscal year stood at 1,250 and 369 stores, respectively, with the total number of stores in Japan reaching 13,992 as of the end of February 2018. *3

With regard to our partnership initiatives with other chain retailers in Japan, based on business integration agreements, we are remodeling THREE F stores operated by Three F Co., Ltd. into LAWSON THREE F stores, and SAVE ON stores operated by Save On Corp. into LAWSON stores.

With regard to THREE F stores, 195 stores were remodeled into LAWSON THREE F stores as of the end of February 2018. The remodeling of THREE F stores into LAWSON THREE F stores will be continued in stages in and after March 2018. Meanwhile, a total of 125 SAVE ON stores have been remodeled into LAWSON stores as of the end of February 2018. The remodeling of SAVE ON stores into LAWSON stores will be completed by the end of the next fiscal year ending February 2019.

Furthermore, by building partnerships with dispensing pharmacy and drug store chains, we offer not only OTC pharmaceuticals, cosmetics, and daily necessities, but also offer a more numerous assortment of merchandise than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 176 stores (includes 47 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2018. Furthermore, the number of stores offering nursing care consultation services has reached 16 as of the end of February 2018. We will continue to engage in establishing convenience store models that address and deal with social changes such as the aging population and increased health awareness.

With respect to LAWSON STORE100, we will continue to increase the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value.

*3 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2017	Change during fiscal year	Total stores as of February 28, 2018
LAWSON	12,172	872	13,044
NATURAL LAWSON	141	2	143
LAWSON STORE100	798	7	805
Total	13,111	881	13,992

(Note) These figures include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Number of LAWSON stores by prefecture (February 28, 2018)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	654	Ibaraki	210	Kyoto	338	Ehime	219
Aomori	246	Tokyo	1,687	Shiga	157	Tokushima	134
Akita	190	Kanagawa	1,061	Nara	138	Kochi	139
Iwate	172	Shizuoka	268	Wakayama	145	Fukuoka	493
Miyagi	240	Yamanashi	128	Osaka	1,128	Saga	72
Yamagata	108	Nagano	176	Hyogo	677	Nagasaki	105
Fukushima	142	Aichi	683	Okayama	188	Oita	182
Niigata	159	Gifu	176	Hiroshima	211	Kumamoto	153
Tochigi	196	Mie	139	Yamaguchi	118	Miyazaki	106
Gunma	122	Ishikawa	103	Tottori	143	Kagoshima	194
Saitama	674	Toyama	190	Shimane	146	Okinawa	224
Chiba	610	Fukui	114	Kagawa	134	Total (domestic)	13,992

(Note) These figures include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Other]

We continued to work on enhancing 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.

Led by the Japanese Ministry of Economy, Trade and Industry, Lawson, Inc. and other domestic convenience store operators jointly issued the Declaration of Plan to Introduce 100 Billion Electronic Tags for Products in Convenience Stores. By using electronic tags, we aim to enhance store operating efficiency and continue to respond quickly to changing customer expectations.

As a result, Domestic Convenience Store Business posted gross operating revenue of 442,684 million yen (up 4.3% from previous fiscal year) and segment profit of 53,648 million yen (down 10.4% from previous fiscal year.)

(Seijo Ishii Business)

The number of directly operated Seijo Ishii high-end supermarket chain stores offering quality foods reached 140 as of the end of February 2018, and sales were also strong. In September 2017, we opened our first "grocerant," a new store format that combines a supermarket and a restaurant, in Chofu-shi, Tokyo. The grocerant offers a selection of items on its menu, all of which use Seijo Ishii's well-selected products in season, attracting a broad range of customers. We remain committed to enhancing the brand image and corporate value of Seijo Ishii, while absorbing the company's product development expertise, know-how acquired as a manufacturing retailer, and sales methods, to strengthen our domestic convenience store business.

As a result, Seijo Ishii Business posted gross operating revenue of 81,957 million yen (down 4.5% from previous fiscal year) and segment profit of 6,854 million yen (down 0.8% from previous fiscal year).

(Entertainment-related Business)

With regards to our entertainment-related business, Lawson HMV Entertainment, Inc., which forms the core of the business, continued to secure top-class ticket transaction value in the ticketing industry. HMV, which sells music CDs and DVDs, also operates the HMV Record Shop specializing in second-hand analog records and CDs. Including the HMV Record Shop, the number of HMV stores totaled 54 as of the end of February 2018. We will strive to offer an even wider selection of products and services to better respond to customer needs by, for example, expanding the scope of our entertainment business. As of the end of February 2018, United Cinemas Co., Ltd. operates cinemas at 40 sites, offering 351 screens nationwide including those operated on commission.

As a result, Entertainment-related Business posted gross operating revenue of 75,380 million yen (up 3.4% from previous fiscal year) and segment profit of 3,853 million yen (down 3.4% from previous fiscal year).

(Other Business)

In addition to the aforementioned businesses, the Group is also involved in the Overseas Business and the Financial Services-related Business.

With regards to Overseas Business, the Group's operating companies opened LAWSON stores in the People's Republic of China, Thailand, Indonesia, the Philippines, and the United States of America (Hawaii).

In the People's Republic of China, after being the first Japanese convenience store operator to advance into Shanghai, we made inroads into Chongqing, Dalian, Beijing, Wuhan, and Nanjing. The number of LAWSON stores in the entire country reached 1,423 as of the end of the fiscal year under review. Furthermore, we are scheduled to open our first store in Hefei, Anhui Province in spring 2018.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2017)	Change during fiscal year	Number of stores (As of February 28, 2018)
China Shanghai and surrounding area	665	200	865
China Chongqing	136	29	165
China Dalian	82	40	122
China Beijing	48	25	73
China Wuhan	72	126	198
Thailand	85	16	101
Indonesia	36	1	37
Philippines	30	3	33
United States of America Hawaii	2	—	2
Total	1,156	440	1,596

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. We strengthened partnerships with new financial institutions bringing the total number of our financial institution partners to 90 nationwide (up 3 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 12,733 (up 821 from previous fiscal year) as of the end of February 2018.

As a result, Other Business posted gross operating revenue of 65,442 million yen (up 18.7% from previous fiscal year) and segment profit of 1,464 million yen (down 51.2% from previous fiscal year).

Through Lawson Bank Preparatory Company, Inc. (hereafter, the "Preparatory Company"), founded in November 2016, Lawson, Inc. has been preparing to establish a bank by leveraging its past experience in financial services. In March 2018, the Preparatory Company decided to apply for preliminary screening by the Financial Services Agency of Japan to obtain a banking license.

[Environmental and Social Contribution Activities]

As part of our initiative to reduce our environmental impact, we will endeavor to save energy and resources as well as 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 2018, the system had been installed in approximately 2,700 stores, approximately 700 stores more than a year earlier. Compared to conventional equipment used in our stores, the new system can reduce 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 target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. In January, we opened a pilot store focusing on environmental friendliness that aims to become a “Smart Energy Store” in Tatebayashi-shi, Gunma. For this store, we use cross laminated timber (CLT) made of Japanese cedar grown in Japan and other domestically produced wood for the structure and interior to enhance the building’s heat insulation, reduce electricity consumption and save energy, and decrease CO_2 emissions during the construction process.

With regard to reducing waste, we are making efforts to improve order-receiving accuracy by introducing a semi-automatic ordering system for ordering products. Moreover, we are recycling unsold food and waste cooking oil from stores, which are being reused as feed and fertilizer, and biodiesel fuel, respectively.

As part of our social contribution activities, we established a scholarship program for children from single-parent families to support their education, and started accepting donations at stores in July 2017 through the “Happiness in Communities” fundraising boxes installed in all stores. Following a strict screening process, 400 recipients were selected and received their first installment of scholarship funds in December 2017. In addition, money was also raised for victims of the heavy rain disaster in northern Kyushu.

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

(2) Profit and Loss

In terms of operating results for the fiscal year, gross operating revenue increased to 657,324 million yen (up 4.1% from previous fiscal year), operating income totaled 65,820 million yen (down 10.8% from previous fiscal year), and ordinary income amounted to 65,141 million yen (down 10.8% from previous fiscal year). Profit attributable to owners of parent was 26,828 million yen (down 26.3% from previous fiscal year).

(3) Overview of Financial Position for the Fiscal Year under Review

① Total assets, total liabilities, total net assets analysis

Current assets decreased by 17,418 million yen from the end of the previous fiscal year to 231,860 million yen, mainly reflecting a decrease of 37,990 million yen in cash and deposits. Non-current assets increased by 51,096 million yen from the end of the previous fiscal year to 668,395 million yen, mainly reflecting an increase of 25,424 million yen in property and store equipment and an increase of 20,274 million yen in investments and other assets such as guarantee deposits. Consequently, total assets increased by 33,678 million yen from the end of the previous fiscal year to 900,256 million yen.

Current liabilities increased by 22,439 million yen from the end of the previous fiscal year to 379,222 million yen, mainly reflecting an increase of 7,339 million yen in accounts payable - trade, an increase of 6,472 million yen in deposits received and an increase of 5,050 million yen in lease obligations. Non-current liabilities increased by 15,788 million yen from the end of the previous fiscal year to 239,587 million yen, mainly reflecting an increase of 13,634 million yen in lease obligations. Consequently, total liabilities increased by 38,227 million yen from the end of the previous fiscal year to 618,809 million yen.

Net assets decreased by 4,549 million yen from the end of the previous fiscal year to 281,446 million yen, mainly reflecting a decrease of 5,207 million yen in non-controlling interests. Consequently, shareholders’ equity ratio was 30.6%, down from 31.7% as of the end of the previous fiscal year.

② Cash flows during fiscal year 2017

Cash and cash equivalents at February 28, 2018 decreased by 37,571 million yen from the end of the previous fiscal year to 30,120 million yen.

Net cash provided by operating activities was 113,938 million yen, an increase of 14,074 million yen from the previous fiscal year, mainly because of an increase in notes and accounts payable-trade and an increase in accounts receivable-other.

Net cash used in investing activities was (91,209) million yen, a decrease of 14,982 million yen from the previous fiscal year, because of increases in payments for transfer of business and purchases of long-term prepaid expenses.

Net cash used in financing activities was (61,238) million yen, a decrease of 35,600 million yen from the previous fiscal year, because of a decrease in net increase (decrease) in short-term loans payable.

(Reference) Trends in cash flow indicators

	2015 fiscal year	2016 fiscal year	2017 fiscal year
Shareholders' equity ratio (%)	32.9	31.7	30.6
Shareholders' equity ratio on market value basis (%)	108.3	89.4	77.7
Interest-bearing debt/cash flow ratio (years)	1.5	2.2	2.1
Interest coverage ratio (times)	57.5	51.9	55.5

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

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

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

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

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated by multiply closing share price at the end of fiscal year with the number of shares outstanding at the end of fiscal year (excluding treasury shares)
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 debt refers to the sum of 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.

(4) Future Outlook

Outlook for the next fiscal year (2018 fiscal year ending February 28, 2019)

	Forecast of consolidated operating results				Forecast of non-consolidated operating results			
	1H of 2018 fiscal year		2018 fiscal year		1H of 2018 fiscal year		2018 fiscal year	
	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)	Forecast (Millions of yen)	YoY (%)
Gross operating revenue	360,000	109.3	732,000	111.4	201,000	106.3	401,000	107.5
Operating income	30,500	78.3	60,000	91.2	23,000	73.8	44,500	87.2
Ordinary income	29,000	75.4	57,000	87.5	37,500	121.1	67,500	133.6
Profit (attributable to owners of parent)	17,000	71.9	28,000	104.4	29,000	142.4	45,500	234.3

Note: The ordinary income figures in the forecast of non-consolidated operating results for the first half and full fiscal year include dividend incomes expected to be received from the consolidated subsidiaries of Lawson, Inc. Accordingly, the figures exceed the corresponding ordinary income figures in the forecast of consolidated operating results for the first half and full fiscal year.

2. Basic Approach to Selection of Accounting Standards

The Group applies Japanese generally accepted accounting principles, and it has no plan to apply International Financial Reporting Standards (IFRS) for the time being. The Group intends to respond appropriately to the application of the IFRS by considering the situation prevailing in Japan and overseas.

3. Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

As of February 28, 2017 and February 28, 2018

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Assets		
Current assets:		
Cash and deposits	68,115	30,124
Accounts receivable-due from franchised stores	39,982	46,599
Lease receivables	12,336	16,426
Merchandise	18,130	18,913
Accounts receivable-other	78,363	82,633
Deferred tax assets	3,907	3,411
Other	28,493	33,779
Allowance for doubtful accounts	(50)	(28)
Total current assets	249,278	231,860
Non-current assets:		
Property and store equipment:		
Buildings and structures, net	183,747	197,979
Tools, furniture and fixtures, net	18,581	16,355
Land	9,701	9,582
Leased assets, net	110,472	123,940
Construction in progress	1,742	1,800
Other, net	265	277
Total property and store equipment	324,510	349,935
Intangible assets:		
Software	37,567	41,602
Goodwill	46,041	47,947
Trademark right	10,691	10,074
Other	499	573
Total intangible assets	94,800	100,197
Investments and other assets:		
Investment securities	22,283	27,271
Long-term loans receivable	44,495	47,425
Guarantee deposits	95,594	100,686
Deferred tax assets	23,138	24,406
Other	13,444	19,568
Allowance for doubtful accounts	(968)	(1,095)
Total investments and other assets	197,988	218,262
Total non-current assets	617,299	668,395
Total assets	866,577	900,256

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Liabilities		
Current liabilities:		
Accounts payable-trade	110,834	118,174
Short-term loans payable	31,180	36,340
Current portion of long-term loans payable	575	575
Lease obligations	28,012	33,063
Accounts payable-other	59,734	60,741
Income taxes payable	9,876	6,880
Deposits received	103,156	109,629
Provision for bonuses	3,427	3,767
Other	9,985	10,051
Total current liabilities	356,783	379,222
Non-current liabilities:		
Long-term loans payable	56,703	55,469
Lease obligations	99,983	113,617
Deferred tax liabilities	957	2,616
Provision for retirement benefits to executive officers and audit and supervisory board members	332	271
Net defined benefit liability	13,083	13,781
Asset retirement obligations	26,958	29,062
Other	25,779	24,767
Total non-current liabilities	223,798	239,587
Total liabilities	580,581	618,809
Net assets		
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	49,083	46,689
Retained earnings	165,162	166,124
Treasury shares	(1,210)	(1,040)
Total shareholders' equity	271,541	270,280
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	274	2,084
Revaluation reserve for land	(618)	(575)
Foreign currency translation adjustment	4,610	4,595
Remeasurements of defined benefit plans	(927)	(726)
Total accumulated other comprehensive income	3,338	5,377
Subscription rights to shares	314	195
Non-controlling interests	10,800	5,593
Total net assets	285,995	281,446
Total liabilities and net assets	866,577	900,256

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

Consolidated Statement of Income

For the fiscal years ended February 28, 2017 and February 28, 2018

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Gross operating revenue	631,288	657,324
Net sales	254,169	264,734
Cost of sales	174,255	181,374
Gross profit	79,914	83,360
Operating revenue:		
Income from franchised stores	275,312	289,232
Other operating revenue	101,806	103,357
Total operating revenue	377,119	392,589
Operating gross profit	457,033	475,950
Selling, general and administrative expenses	383,260	410,129
Operating income	73,772	65,820
Non-operating income:		
Interest income	725	799
Share of profit of entities accounted for using equity method	602	693
Compensation income	524	897
Gain on valuation of derivatives	409	—
Other	1,820	1,444
Total non-operating income	4,081	3,835
Non-operating expenses:		
Interest expenses	1,919	2,099
Loss on cancellation of leases	1,274	1,304
Loss on disaster	772	—
Other	873	1,110
Total non-operating expenses	4,839	4,514
Ordinary income	73,014	65,141
Extraordinary income:		
Gain on sales of shares of subsidiaries and associates	—	302
Total extraordinary income	—	302
Extraordinary losses:		
Loss on sales of non-current assets	294	368
Loss on retirement of non-current assets	3,554	3,115
Impairment loss	9,535	17,533
Other	1,174	836
Total extraordinary losses	14,558	21,853
Profit before income taxes	58,456	43,590
Income taxes-current	18,928	14,190
Income taxes-deferred	2,453	2,538
Total income taxes	21,381	16,729
Profit	37,074	26,861
Profit attributable to non-controlling interests	674	32
Profit attributable to owners of parent	36,400	26,828

Consolidated Statement of Comprehensive Income

For the fiscal years ended February 28, 2017 and February 28, 2018

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Profit	37,074	26,861
Other comprehensive income		
Valuation difference on available-for-sale securities	(527)	1,809
Revaluation reserve for land	(52)	—
Foreign currency translation adjustment	(928)	36
Remeasurements of defined benefit plans	(22)	201
Total other comprehensive income	(1,530)	2,047
Comprehensive income	35,543	28,908
Comprehensive income attributable to		
Owners of parent	34,878	28,824
Non-controlling interests	664	83

(3) Consolidated Statement of Changes in Equity

Previous fiscal year ended February 28, 2017 (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	47,697	154,608	(1,280)	259,532
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling shareholders		1,387			1,387
Dividends of surplus			(24,751)		(24,751)
Change of scope of consolidation			(1,130)		(1,130)
Profit attributable to owners of parent			36,400		36,400
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares					―
Reversal of revaluation reserve for land			52		52
Exercise of subscription rights to shares (Delivery of treasury shares)		(0)	(17)	72	54
Net changes of items other than shareholders' equity					
Total changes of items during period	―	1,386	10,553	69	12,009
Balance at end of current period	58,506	49,083	165,162	(1,210)	271,541

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling 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	801	(566)	5,531	(906)	4,860	307	8,296	272,997
Changes of items during period								
Change in ownership interest of parent due to transactions with non-controlling shareholders								1,387
Dividends of surplus								(24,751)
Change of scope of consolidation								(1,130)
Profit attributable to owners of parent								36,400
Purchase of treasury shares								(3)
Disposal of treasury shares								―
Reversal of revaluation reserve for land								52
Exercise of subscription rights to shares (Delivery of treasury shares)								54
Net changes of items other than shareholders' equity	(527)	(52)	(920)	(21)	(1,521)	7	2,503	989
Total changes of items during period	(527)	(52)	(920)	(21)	(1,521)	7	2.503	12,998
Balance at end of current period	274	(618)	4,610	(927)	3,338	314	10,800	285,995

Current fiscal year ended February 28, 2018 (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	58,506	49,083	165,162	(1,210)	271,541
Changes of items during period					
Change in ownership interest of parent due to transactions with non-controlling shareholders		(2,454)			(2,454)
Dividends of surplus			(25,258)		(25,258)
Change of scope of consolidation			(564)		(564)
Profit attributable to owners of parent			26,828		26,828
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		0	0
Reversal of revaluation reserve for land			(42)		(42)
Exercise of subscription rights to shares (Delivery of treasury shares)		60		172	233
Net changes of items other than shareholders' equity					
Total changes of items during period	－	(2,393)	962	169	(1,261)
Balance at end of current period	58,506	46,689	166,124	(1,040)	270,280

(Millions of yen)

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling 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	274	(618)	4,610	(927)	3,338	314	10,800	285,995
Changes of items during period								
Change in ownership interest of parent due to transactions with non-controlling shareholders								(2,454)
Dividends of surplus								(25,258)
Change of scope of consolidation								(564)
Profit attributable to owners of parent								26,828
Purchase of treasury shares								(3)
Disposal of treasury shares								0
Reversal of revaluation reserve for land								(42)
Exercise of subscription rights to shares (Delivery of treasury shares)								233
Net changes of items other than shareholders' equity	1,809	42	(15)	201	2,038	(119)	(5,207)	(3,288)
Total changes of items during period	1,809	42	(15)	201	2,038	(119)	(5,207)	(4,549)
Balance at end of current period	2,084	(575)	4,595	(726)	5,377	195	5,593	281,446

(4) Consolidated Statement of Cash Flows

For the fiscal years ended February 28, 2017 and February 28, 2018

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Net cash provided by (used in) operating activities:		
Profit before income taxes	58,456	43,590
Depreciation and amortization	56,199	58,601
Impairment loss	9,535	17,533
Interest income	(725)	(799)
Interest expenses	1,919	2,099
Loss on retirement of non-current assets	3,554	3,115
Decrease (increase) in notes and accounts receivable-trade	(9,542)	(6,574)
Decrease (increase) in accounts receivable-other	(10,746)	(4,100)
Increase (decrease) in notes and accounts payable-trade	(1,421)	7,103
Increase (decrease) in accounts payable-other	2,724	428
Increase (decrease) in deposits received	1,243	6,468
Increase (decrease) in net defined benefit liability	747	781
Other	7,329	5,278
Subtotal	119,273	133,526
Interest income received	719	750
Interest expenses paid	(1,923)	(2,051)
Income taxes paid	(18,204)	(18,286)
Net cash provided by (used in) operating activities	99,864	113,938
Net cash provided by (used in) investing activities:		
Purchase of property and store equipment	(42,063)	(41,536)
Purchase of intangible assets	(18,892)	(18,533)
Purchase of shares of subsidiaries and associates	(1,805)	(3,920)
Decrease (increase) in long-term loans receivable - net	(3,917)	(3,283)
Purchase of long-term prepaid expenses	(3,112)	(9,229)
Payments for transfer of business	(4,435)	(11,009)
Other	(2,001)	(3,695)
Net cash provided by (used in) investing activities	(76,227)	(91,209)
Net cash provided by (used in) financing activities:		
Net increase (decrease) in short-term loans payable	29,190	5,160
Repayments of lease obligations	(30,054)	(32,096)
Cash dividends paid	(24,751)	(25,258)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(709)	(7,799)
Other	686	(1,244)
Net cash provided by (used in) financing activities	(25,638)	(61,238)
Effect of exchange rate change on cash and cash equivalents	(435)	173
Net increase (decrease) in cash and cash equivalents	(2,436)	(38,336)
Cash and cash equivalents at beginning of period	69,793	67,692
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	335	765
Cash and cash equivalents at end of period	67,692	30,120

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not Applicable.

(Accounting Policies for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 21

(Domestic)	Lawson HMV Entertainment, Inc.
	Lawson ATM Networks, Inc.
	BestPractice, Inc.
	SCI, Inc.
	Lawson Store100, Inc.
	Lawson HMV Entertainment United Cinemas Holdings, Inc.
	United Entertainment Holdings Co., Ltd.
	United Cinemas Co., Ltd.
	SEIJO ISHII CO., LTD.
	Lawson Sanin, Inc.
	Lawson Bank Preparatory Company, Inc.
(Foreign)	Chongqing Lawson, Inc.
	Shanghai Lawson, Inc.
	Dalian Lawson, Inc.
	Lawson (China) Holdings, Inc.
	Saha Lawson Co., Ltd.
	Shanghai Le Song Trading Co., Ltd.
	Shang Hai Gong Hui Trading Co., Ltd.
	Zhejiang Lawson, Inc.
	Beijing Lawson, Inc.
	BEIJING LUOSONG Co., Ltd.

Of the above subsidiaries, Lawson Bank Preparatory Company, Inc. was included in the scope of consolidated subsidiaries from the fiscal year under review due to its increased significance as a subsidiary.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc.
	HATS UNLIMITED CO., LTD.
	Food Marketing Japan, Inc.
	Seikaken, Inc.
	Lawson Syuhan, Inc.
	TOKYO EUROPE TRADE CO., LTD.
	SG Lawson, Inc.
	Lawson Travel, Inc.
	Lawson Digital Innovation Inc.
	Lawson Urban Works, Inc.
(Foreign)	Lawson USA Hawaii, Inc.

(Reasons for exclusion from the scope of consolidation)

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

2. Application of the equity method

(1) Equity-method associates: 3

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

(2) Nonconsolidated subsidiaries excluded from the scope of the equity-method application (LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., SG Lawson, Inc., Lawson Travel, Inc., Lawson Digital Innovation Inc., Lawson Urban Works, Inc. and Lawson USA Hawaii, Inc.) and entities excluded from the scope of the equity-method application (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., MC Retail Energy Co., Ltd., Lawson Staff, Inc., AUGUSARENA CORPORATION., Lawson System Labo LLP, LTF Co., Ltd., StageAround TOKYO Production Committee, Jiangsu Jiazhijia Food Co., Ltd., Jiangyin Hualian Guzhitian Food Co., Ltd., PG Lawson Company, Inc., Lawson Farm Chiba and others) were excluded from the scope of the equity-method application because their profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these entities is not significant either individually or in aggregate to the consolidated financial statements.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of Chongqing Lawson, Inc., Shanghai Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc., Saha Lawson Co., Ltd., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc., Beijing Lawson, Inc. and BEIJING LUOSONG 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.

The balance sheet date of Lawson Bank Preparatory Company, Inc. is March 31. In formulating the consolidated financial statements, the Company used this subsidiary's provisional settlement of accounts as of the consolidated balance sheet date.

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

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for significant assets

① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

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

Other:

Stated at cost determined by the moving-average method.

② Derivatives:

Accounted for using the market value method.

③ Inventories:

Merchandise:

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

(2) Depreciation method of depreciable significant assets

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

Mainly computed by the straight-line method.

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

② Intangible assets (except for leased assets):

Computed by the straight-line method.

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

③ Leased assets:

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

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

(3) Accounting standard for significant reserves

① Allowance for doubtful accounts:

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

② Provision for bonuses:

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

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

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

(4) Accounting method for retirement benefits

① Period attributable method of estimated amount of retirement benefits

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

② Cost treatment method of actuarial difference and prior service cost

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

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 recognition.

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) Significant foreign currency transactions and foreign currency financial statements

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

(6) Amortization method and period of goodwill

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

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

Cash and cash equivalents in the consolidated statement of cash flows include cash on hand, demand deposits and short-term investments due within three months of the acquisition 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 Presentation)

(Consolidated Statement of Cash Flows)

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

As a result, in the “Cash flow from investing activities” section, (842) million yen that was presented as “Payments into time deposits” 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, “Proceeds from withdrawal of time deposits” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Proceeds from withdrawal of time deposits” is now included in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from investing activities” section, 1,763 million yen that was presented as “Proceeds from withdrawal of time deposits” in the Consolidated Statement of Cash Flows for the previous fiscal year is now included in “Other.”

In the “Cash flows from investing activities” section, “Payments for transfer of business” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Payments for transfer of business” 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 flows from investing activities” section, (4,435) million yen that was presented as “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now presented as “Payments for transfer of business.”

In the “Cash flow from financing activities” section, “Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the “Cash flow from financing activities” section, (709) million yen that was presented as “Other” in the Consolidated Statement of Cash Flows for the previous fiscal year is now presented as “Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.”

(Notes to Consolidated Balance Sheet)

*1. Accumulated depreciation of property and store equipment

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Accumulated depreciation	294,350	317,966

*2. Investments in associates

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Investment securities (stocks)	13,502	13,895
(Investment amount for jointly-controlled companies)	(1,042)	(1,060)
Investment securities (bonds)	157	192
Other (other equity investments)	648	1,276
(Investment amount for jointly-controlled companies)	(648)	(1,226)

*3. Revaluation of land used for business

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

Revaluation method:

The value of land is determined based on the notified 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

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Difference between book value and market value of the revalued land as of balance sheet date	247	177

*4. Pledged assets and secured liabilities

Assets pledged as collateral and liabilities collateralized are as follows.

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Cash and deposits	2,601	4,212

In addition to the above, shares of consolidated subsidiaries pledged as collateral are as follows.

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Shares of consolidated subsidiaries (Amount before elimination)	16,614	16,614

Secured liabilities are as follows

(Millions of yen)

	Previous fiscal year As of February 28, 2017	Current fiscal year As of February 28, 2018
Current portion of long-terms loans payable	575	575
Long-term loans payable	6,703	5,469
Total	7,278	6,044

(Notes to Consolidated Statement of Income)

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

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Employees' salaries and allowances	53,173	57,214
Provision for bonuses	2,956	3,173
Retirement benefit expenses	2,303	2,537
Rents	115,926	124,387
Depreciation	55,516	58,499

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

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Buildings and structures	294	343
Tools, furniture and fixtures	0	12
Land	—	12
Others	0	0
Total	294	368

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

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Buildings and structures	2,493	2,254
Tools, furniture and fixtures	238	193
Leased assets	798	458
Software	22	207
Others	1	0
Total	3,554	3,115

*4 Impairment loss

The Company and its consolidated subsidiaries (collectively, the "Group") identify each store as the smallest cash generating unit.

The carrying value of asset groups whose profitability has significantly decreased was written down to the recoverable amount, with the difference recognized as impairment loss under extraordinary losses.

Previous fiscal year (From March 1, 2016 to February 28, 2017)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	1,702
	Osaka	"	1,442
	Others	"	6,390
Total	—	—	9,535

Category by non-current assets

Buildings and structures	5,833	million yen
Tools, furniture and fixtures	529	"
Land	353	"
Leased assets	2,786	"
Other	32	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 4.3%.

Current fiscal year (From March 1, 2017 to February 28, 2018)

(Millions of yen)

Category by use	Location	Assets	Impairment loss
Stores	Tokyo	Buildings; tools, furniture and fixtures; and others	1,306
	Osaka	"	1,390
	Others	"	8,720
Other	—	Land	70
	—	Software	6,033
	—	Goodwill	12
Total	—	—	17,533

Category by non-current assets

Buildings and structures	5,967	million yen
Tools, furniture and fixtures	811	"
Land	183	"
Leased assets	4,485	"
Software	6,033	"
Goodwill	12	"
Other	40	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 4.4%.

(Notes to Consolidated Statement of Comprehensive Income)

* The components of other comprehensive income for the years ended February 28, 2017 and February 28, 2018 were as follows:

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Valuation difference on available-for-sale securities		
Gain or loss arising during the period	(1,059)	2,568
Reclassification adjustments to profit or loss	244	30
Amount before income tax effect	(815)	2,599
Income tax effect	287	(789)
Valuation difference on available-for-sale securities	(527)	1,809
Revaluation reserve for land		
Gain or loss arising during the period	(52)	—
Revaluation reserve for land	(52)	—
Foreign currency translation adjustment		
Gain or loss arising during the period	(905)	36
Reclassification adjustments to profit or loss	(23)	—
Foreign currency translation adjustment	(928)	36
Remeasurements of defined benefit plans		
Gain or loss arising during the period	(150)	85
Reclassification adjustments to profit or loss	148	207
Amount before income tax effect	(2)	293
Income tax effect	(20)	(92)
Remeasurements of defined benefit plans	(22)	201
Total other comprehensive income	(1,530)	2,047

(Notes to Consolidated Statement of Changes in Equity)

Previous fiscal year (From March 1, 2016 to February 28, 2017)

1. Number of shares of outstanding stock and treasury shares

	Number of shares at the beginning of the period (thousands of shares)	Increase during the period (thousands of shares)	Decrease during the period (thousands of shares)	Number of shares at the end of the period (thousands of shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury shares Common stock (*)	301	0	17	285

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

The decrease in treasury shares of 17 thousand shares resulted from the exercise of stock options rights.

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	
Issuing company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	314
Total		—	—	—	—	—	314

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 24, 2016)	Common stock	12,249	122.50	February 29, 2016	May 25, 2016
Directors' meeting (October 12, 2016)	Common stock	12,501	125.00	August 31, 2016	November 10, 2016

2) Dividends for which the record date is in the current fiscal year and the effective date is after the fiscal year-end

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 30, 2017)	Common stock	Retained earnings	12,501	125.00	February 28, 2017	May 31, 2017

Current fiscal year (From March 1, 2017 to February 28, 2018)

1. Number of shares of outstanding stock and treasury shares

	Number of shares at the beginning of the period (thousands of shares)	Increase during the period (thousands of shares)	Decrease during the period (thousands of shares)	Number of shares at the end of the period (thousands of shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury shares Common stock (*)	285	0	40	244

(*) The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit.
The decrease in treasury shares of 40 thousand shares resulted from decreases of 40 thousand shares due to the exercise of stock option right and 0 thousand shares due to requests for additional purchases of stock of less than one share unit.

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

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Issuing company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	195
Total		—	—	—	—	—	195

3. Dividend

1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 30, 2017)	Common stock	12,501	125.00	February 28, 2017	May 31, 2017
Directors' meeting (October 11, 2017)	Common stock	12,757	127.50	August 31, 2017	November 10, 2017

2) Dividends for which the record date is in the current fiscal year and the effective date is after the fiscal year-end

Plan for resolution is as follows.

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 22, 2018)	Common stock	Retained earnings	12,757	127.50	February 28, 2018	May 23, 2018

(Notes to Consolidated Statement of Cash Flows)

*1. Reconciliation between the year-end balance of cash and cash equivalents and cash and deposits in the consolidated balance sheet

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Cash and deposits	68,115	30,124
Time deposits for which the deposit period exceeds three months	(423)	(4)
Cash and cash equivalents	67,692	30,120

*2. Major breakdown of assets acquired and liabilities assumed as a result of acquiring businesses in consideration for cash or cash equivalents

Previous fiscal year (From March 1, 2016 to February 28, 2017)

Description is omitted due to its immateriality.

Current fiscal year (From March 1, 2017 to February 28, 2018)

A major breakdown of the increase in assets and liabilities as a result of the Company partially acquiring the convenience store business of Three F Co., Ltd. is as follows.

Non-current assets	5,308	million yen
Goodwill	5,688	"
Payments for transfer of business	10,996	"

3. Description of significant non-cash transactions

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

(Millions of yen)

	Previous fiscal year From March 1,2016 to February 28, 2017	Current fiscal year From March 1,2017 to February 28, 2018
Assets and liabilities related to finance lease transactions	42,636	47,054

2) Significant asset retirement obligations are as follows.

(Millions of yen)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Significant asset retirement obligations	2,635	2,492

(Business Combinations, etc.)

Business combination due to acquisition

(1) Outline of business combination

① Name of the acquired company and business description

Name of company: Three F Co., Ltd. (hereinafter, “Three F”)

Business description: Convenience store business

② Main reason for business combination

Under the terms of the business integration contract signed by the Company and Three F on April 13, 2016, the two companies established a new joint-venture LTF Co., Ltd., which started converting 89 THREE F stores operated in Chiba and Saitama Prefectures into “LAWSON THREE F” double-brand stores in September 2016. As the collaboration proved to be effective, the two companies decided to also transform THREE F stores in Tokyo and Kanagawa Prefecture, and part of Chiba Prefecture into “LAWSON THREE F” double-brand stores. The business combination is a pre-arranged company split designed to transfer a portion of the rights and obligations relating to Three F’s convenience store operations.

③ Date of business combination

June 1, 2017

④ Legal form of business combination

Absorption-type company split whereby Three F is the split company and Lawson is the succeeding company

⑤ Main grounds for determining the Company to be the acquiring company

The Company acquired Three F’s business for a cash consideration.

(2) Acquisition cost for acquiring the business and breakdown by type of consideration

(Millions of yen)

Type of consideration	Cash and deposits	10,996
Acquisition cost		10,996

(3) Details and amount of major acquisition-related expenses

Advisory compensation and fees, etc. 78 million yen

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

① Amount of goodwill generated

5,688 million yen

② Cause of generation of goodwill

Mainly excess earnings power anticipated through business development

③ Method and period of amortization

Straight-line method over 9 years

(5) Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

(Millions of yen)

Non-current assets	5,308
Total assets	5,308

(6) Estimated amount and its calculation method regarding the impact on the consolidated statement of income for the current fiscal year assuming that the business combination was completed at the beginning of the current fiscal year

The estimated amount of the impact is not presented as it cannot be reasonably calculated.

(Segment Information)

1. Outline of reportable segments

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

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

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

Regarding Domestic Convenience Store Business, Lawson, Inc. operates a franchise system as well as undertaking the direct management of stores in Japan as the parent company of LAWSON, NATURAL LAWSON, and LAWSON STORE100. Lawson Sanin, Inc. undertakes the direct management of LAWSON stores in the Sanin area. Lawson Store100, Inc. undertakes the direct management of LAWSON STORE100 stores. SCI, Inc., a functional subsidiary which comprehensively manages the process from procurement to sale, aims to improve the efficiency of the entire process.

Regarding Seijo Ishii Business, SEIJO ISHII CO., LTD. operates SEIJO ISHII supermarket.

Regarding Entertainment-related Business, Lawson HMV Entertainment, Inc. conducts the management and sales of concert tickets at LAWSON stores and others, music and video software products at HMV stores and others. In addition, United Cinemas Co., Ltd. operates multiplex movie theatres.

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

The segment accounting policies are the same as those described in the "Accounting Policies for the Preparation of Consolidated Financial Statements." Segment profit is based on operating income. Intersegment revenue and transfers are based on market value.

3. Information on net sales, and profit or loss by reportable segment

Previous fiscal year (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjust-ments (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Gross operating revenue							
Sales to external customers	419,690	85,824	71,545	54,227	631,288	—	631,288
Intersegment sales or transfers	4,918	—	1,390	919	7,228	(7,228)	—
Total	424,608	85,824	72,936	55,147	638,517	(7,228)	631,288
Segment profit	59,865	6,911	3,988	2,999	73,765	7	73,772
Segment assets	800,383	58,705	62,271	56,925	978,285	(111,708)	866,577
Other							
Depreciation	44,796	2,005	2,278	3,386	52,468	—	52,468
Amortization of goodwill	911	1,676	501	99	3,189	—	3,189
Investments in affiliates	4,922	—	—	—	4,922	—	4,922
Increase in non-current assets	55,488	1,054	1,483	2,928	60,955	—	60,955

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments, include Overseas Business operated by Shanghai Lawson, Inc. and others, and Financial Services-related Business operated by Lawson ATM Networks, Inc.
2. Adjustments to segment profit and segment assets are due to the elimination of intra-segment transactions.
3. Segment profit corresponds to consolidated operating income.

Current fiscal year (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Reportable segment			Others (Note 1)	Total	Adjust-ments (Note 2)	Total (Note 3)
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Gross operating revenue							
Sales to external customers	437,216	81,957	73,967	64,183	657,324	—	657,324
Internal sales or transfers between segments	5,467	—	1,413	1,258	8,140	(8,140)	—
Total	442,684	81,957	75,380	65,442	665,465	(8,140)	657,324
Segment profit	53,648	6,854	3,853	1,464	65,820	—	65,820
Segment assets	834,643	60,457	63,845	70,522	1,029,469	(129,213)	900,256
Other							
Depreciation	46,161	1,798	2,300	4,503	54,763	—	54,763
Amortization of goodwill	1,839	1,437	501	59	3,837	—	3,837
Investments in affiliates	5,145	—	—	—	5,145	—	5,145
Increase in non-current assets	49,156	1,060	1,242	8,611	60,070	—	60,070

(Notes)

1. The business segments within the “Others” category that do not fall under the main reportable segments, include Overseas Business operated by Shanghai Lawson, Inc. and others, and Financial Services-related Business operated by Lawson ATM Networks, Inc.
2. Adjustments to segment assets are due to the elimination of intra-segment transactions.

(Related information)

Previous fiscal year (From March 1, 2016 to February 28, 2017)

1. Information by product and service

Since similar information is disclosed in segment information, this information is omitted.

2. Information by geographical area

(1) Net sales

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

(2) Property and store equipment

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

3. Information by major customer

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

Current fiscal year (From March 1, 2017 to February 28, 2018)

1. Information by product and service

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

2. Information by geographical area

(1) Net sales

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

(2) Property and store equipment

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

3. Information by major customer

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

(Information on impairment loss on non-current assets by reportable segment)
Previous fiscal year (From March 1, 2016 to February 28, 2017)

The Group identifies each store as the smallest cash generating unit.
Regarding asset groups whose profitability from operating activities has continuously been negative, the book value of such assets has been written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses.

The amount of impairment loss recorded for each reportable segment is as follows.

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Impairment loss	9,034	62	208	229	9,535	—	9,535

Current fiscal year (From March 1, 2017 to February 28, 2018)

The Group identifies each store as the smallest cash generating unit.
Regarding asset groups whose profitability from operating activities has continuously been negative, the book value of such assets has been written down to the recoverable amount, with the difference recorded as impairment loss under extraordinary losses.

The amount of impairment loss recorded for each reportable segment is as follows.

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Impairment loss	16,854	87	149	441	17,533	—	17,533

(Information on amortization of goodwill and amortized balance by reportable segment)
Previous fiscal year (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Balance at end of fiscal year	11,269	25,270	8,690	812	46,041	—	46,041

Note: Regarding amortization of goodwill, this information is omitted since similar information is disclosed in segment information.

Current fiscal year (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Reportable segment			Others	Total	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business				
Balance at end of fiscal year	15,159	23,833	8,188	765	47,947	―	47,947

Note: Regarding amortization of goodwill, this information is omitted since similar information is disclosed in segment information.

(Information on gain on negative goodwill by reportable segment)

Previous fiscal year (From March 1, 2016 to February 28, 2017)

Not applicable.

Current fiscal year (From March 1, 2017 to February 28, 2018)

Not applicable.

(Per Share Information)

	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Net assets per share	2,748.39 yen	2,755.06 yen
Profit per share	363.96 yen	268.16 yen
Diluted profit per share	363.70 yen	268.02 yen

Note: The basis for the calculation of profit per share and diluted profit per share is as follows:

Item	Previous fiscal year From March 1, 2016 to February 28, 2017	Current fiscal year From March 1, 2017 to February 28, 2018
Profit per share		
Profit attributable to owners of parent (millions of yen)	36,400	26,828
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to common stock (millions of yen)	36,400	26,828
Average number of common stock during the fiscal year (thousands of shares)	100,009	100,044
Diluted profit per share		
Profit attributable to owners of parent adjustment (millions of yen)	—	—
Increase in number of outstanding common shares (thousands of shares)	71	53
(Subscription rights to shares) (thousands of shares)	(71)	(53)
Summary of issuable shares not included in the computation of diluted profit per share, since these securities are not dilutive.	—	—

(Significant Subsequent Events)

Borrowing of funds

Lawson Bank Preparatory Company, Inc. ("LBP"), a consolidated subsidiary of Lawson, Inc., resolved to conclude a syndicated loan agreement as described below at the Board of Directors' Meeting held on March 26, 2018, and entered into the agreement on March 30, 2018. The agreement is subject to the acquirement of a banking license as a prerequisite for the execution of the loan.

1. Reason for borrowing of funds

The Lawson Group has been providing a limited selection of financial services by operating an ATM business. In order to enhance the convenience of our financial services, we have decided to apply for a preliminary examination to acquire a banking business license. Accordingly, based on the assumption that the license will be obtained, LBP will finance the working capital for its banking business through the syndicated loan.

2. Outline of the syndicated loan agreement

(1)	Date of agreement	March 30, 2018	
(2)	Arranger	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank, Ltd.)	
(3)	Co-Arrangers	Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation	
(4)	Borrower	Lawson Bank Preparatory Company, Inc.	
(5)	Executable period	From September 28, 2018 to October 31, 2018	
(6)	Repayment method	Lump-sum repayment	
(7)	Amounts	50,000 million yen	80,000 million yen
(8)	Loan periods	Three years	Five years
(9)	Interest rate	Floating rate	Floating rate
(10)	Guarantee	Lawson, Inc. jointly guarantees the loan.	
(11)	Financial covenants	Financial covenants of Lawson Bank, Inc. (note) and Lawson, Inc., the guarantor of the loan i) Covenants related to the recording of losses in consecutive periods. ii) Covenants related to the amount of net assets. iii) Covenants related to collateral provided.	

Note: Lawson Bank Preparatory Company, Inc. will change its trade name to Lawson Bank, Inc. prior to the execution of the loan.