

Overview of the Non-consolidated result for the year ended February 28, 2007

April 11, 2007

Listed Company Name: LAWSON, INC.

Code No.: 2651

(URL <http://www.lawson.co.jp/company/ir/index.html>)

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative: Takeshi Niinami, Representative Director, President & CEO

Contact: Kenji Morimoto, Senior Vice-President, Financial & Accounting Office Tel.: (03) 5435-2773

Date of the Board of Directors Meeting on the Closing of Accounts: April 11, 2007

Interim Dividend System: Yes

Date of dividend payment: May 28, 2007

Date of Ordinary General Meeting of Shareholders: May 25, 2007

Unit Stock System: Yes (1 unit; 100 Shares)

1. Non-consolidated Performance for the 2007 Fiscal Year (from March 1, 2006, to February 28, 2007)

(1) Operating results

Note: Amounts below one million yen are truncated

	Total operating revenues (Total net sales of Lawson stores including franchised stores)			Operating income		Ordinary profit	
	¥ Million	%		¥ Million	%	¥ Million	%
2007 fiscal year	256,023	(1,377,842)	3.2(1.3)	44,373	1.3	44,526	2.0
2006 fiscal year	248,041	(1,360,495)	3.6(2.4)	43,804	3.8	43,639	3.3

	Net income		Net income per share	Fully diluted income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to total operating revenues
	¥ Million	%	¥	¥	%	%	%
2007 fiscal year	21,733	(4.3)	208.70	208.60	11.5	11.8	17.4
2006 fiscal year	22,707	10.3	222.18	222.14	13.2	12.1	17.6

Notes ① Average number of shares during the term 2007 fiscal year: 104,133,548 shares 2006 fiscal year: 102,202,291 shares

② Changes in accounting methods: Yes

③ Percentages for total operating revenues (Total net sales of Lawson stores), operating income, ordinary profit and net income show increase (decrease) from previous year.

(2) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
2007 fiscal year	389,109	200,257	51.4	1,917.18
2006 fiscal year	368,276	179,505	48.7	1,754.94

Note ① Number of outstanding shares at the end of the fiscal year:

2007 fiscal year: 104,413,082 shares 2006 fiscal year: 102,286,068 shares

② Number of treasury stock-at cost at the end of the fiscal year:

2007 fiscal year: 186,918 shares 2006 fiscal year: 2,313,932 shares

2. Forecast Non-consolidated Performance for 2008 Fiscal Year (from March 1, 2007, to February 28, 2008)

	Total operating revenues (Total net sales of Lawson stores including franchised stores)	Operating income	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million	¥ Million
2008 interim period	141,000 (728,000)	25,000	25,000	12,200
2008 fiscal year	276,000 (1,440,000)	45,200	45,400	22,300

Reference: Forecast net income per share for the 2008 fiscal year: 213.57yen

3. Dividends status

	Annual dividends per share						Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	Interim dividend	3Q	Year-end dividend	Other	Total			
	¥	¥	¥	¥	¥	¥	¥ Million	%	%
2006 fiscal year	—	45	—	45	—	90	9,200	40.5	5.1
2007 fiscal year	—	50	—	50	—	100	10,439	47.9	5.2
2008 fiscal year (Forecast)	—	55	—	55	—	110			

Note: The above-mentioned forecast is based on the information, which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecasts due to many factors. In addition, please refer to 11th page of appending data about matters, such as precondition of the above-mentioned forecast.

Non-consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2006)		Current fiscal year (As of February 28, 2007)		Increase (Decrease)
	Amount	Composi tion ratio	Amount	Composi tion ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	53,093		61,536		8,443
Accounts receivable—due from franchised stores	10,783		11,711		927
Marketable securities	16,011		15,994		(16)
Merchandise inventories	1,382		1,491		108
Prepaid expenses	5,062		5,376		314
Short-term loans receivable	6,640		11,940		5,300
Accounts receivable—other	20,439		23,905		3,466
Deferred tax assets	2,929		2,696		(233)
Other	834		1,159		324
Allowance for doubtful accounts	(80)		(114)		(34)
Total current assets	117,096	31.8	135,696	34.9	18,600
Fixed assets					
Property and store equipment					
Property and store equipment					
Buildings	9,658		10,824		
- Accumulated depreciation	4,578	5,080	4,322	6,501	1,421
Structures	815		998		
- Accumulated depreciation	420	395	471	517	122
Furniture, fixtures and equipment	8,715		7,983		
- Accumulated depreciation	6,428	2,286	6,315	1,668	(618)
Land		3,813		2,506	(1,306)
Construction in progress		1,169		1,594	424
Total	12,745	3.5	12,788	3.3	42
Used by franchised stores					
Buildings	95,597		104,321		
- Accumulated depreciation	38,662	56,934	42,547	61,774	4,840
Structures	22,700		26,169		
- Accumulated depreciation	10,670	12,030	13,013	13,155	1,125
Furniture, fixtures and equipment	51,404		50,701		
- Accumulated depreciation	35,517	15,886	36,885	13,815	(2,070)
Land		1,423		2,201	778
Total	86,273	23.4	90,947	23.4	4,673
Total property and store equipment— net	99,019	26.9	103,736	26.7	4,716

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2006)		Current fiscal year (As of February 28, 2007)		Increase (Decrease)
	Amount	Composi tion ratio	Amount	Composi tion ratio	Amount
Intangible fixed assets					
Goodwill	1,009		645		(364)
Right of leasehold	56		65		8
Right of trademark	64		65		0
Right of telephone	292		292		0
Software	9,349		11,762		2,413
Software development in progress	5,964		2,530		(3,433)
Other	3		2		(0)
Total intangible fixed assets	16,740	4.5	15,364	3.9	(1,375)
Investments and other					
Investments in securities	1,464		762		(701)
Investment in subsidiaries and affiliated company	7,519		7,824		305
Investment in affiliated limited private company	438		438		—
Long-term loans receivable	20,630		24,379		3,749
Long-term prepaid expenses	3,104		3,578		474
Lease deposits for Company-operated stores and others	14,898		14,713		(184)
Lease deposits for franchised stores	74,856		72,869		(1,986)
Deferred tax assets	11,566		11,424		(141)
Deferred tax assets for land revaluation	3,330		467		(2,862)
Other	2,072		1,868		(204)
Allowance for doubtful accounts	(4,462)		(4,018)		443
Total investments and other	135,419	36.8	134,310	34.5	(1,108)
Total fixed assets	251,180	68.2	253,412	65.1	2,232
Total Assets	368,276	100.0	389,109	100.0	20,832

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2006)		Current fiscal year (As of February 28, 2007)		Increase (Decrease)
	Amount	Composit ion ratio	Amount	Composi tion ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable —trade for Company-operated stores	3,148		3,491		342
Accounts payable —trade for franchised stores	59,795		60,817		1,021
Accounts payable— due to franchised stores	3,416		2,757		(659)
Accounts payable — Other	11,971		14,421		2,450
Accounts payable — Other for franchised stores	244		212		(32)
Income taxes payable	10,059		4,285		(5,773)
Consumption taxes payable	863		547		(316)
Accrued expenses	1,996		2,113		116
Deposits received	39,909		42,474		2,564
Accrued employees' bonuses	2,328		2,448		119
Provision for use of points of LAWSON PASS and MY LAWSON POINT	361		494		132
Other	144		87		(57)
Total current liabilities	134,240	36.5	134,150	34.5	(90)
Long-term liabilities					
Allowance for employees' retirement benefits	2,775		3,472		697
Allowance for retirement benefits to directors and corporate auditors	285		190		(94)
Deposits received from franchisees and lessees	51,329		49,319		(2,010)
Allowance for impairment loss on leased property	140		95		(44)
Other	—		1,623		1,623
Total long-term liabilities	54,530	14.8	54,701	14.0	171
Total Liabilities	188,770	51.3	188,851	48.5	80

Fiscal period Account item	Previous fiscal year (As of February 28, 2006)		Current fiscal year (As of February 28, 2007)		Increase (Decrease)
	Amount	Composi tion ratio	Amount	Composi tion ratio	Amount
(Shareholders' Equity)					
Common stock	58,506	15.9	—	—	(58,506)
Capital surplus	41,520	11.2	—	—	(41,520)
Retained earnings					
Legal reserve	727		—		
Voluntary reserve					
General reserve	50,000		—		
Unappropriated retained earnings	42,053		—		
Total retained earnings	92,781	25.2	—	—	(92,781)
Land revaluation difference	(4,854)	(1.3)	—	—	4,854
Net unrealized gain on available for sale securities	697	0.2	—	—	(697)
Treasury stock-at cost	(9,144)	(2.5)	—	—	9,144
Total Shareholders' Equity	179,505	48.7	—	—	(179,505)
Total Liabilities and shareholders' Equity	368,276	100.0	—	—	(368,276)
(Net assets)					
Owners' equity					
Common stock	—	—	58,506	15.5	58,506
Capital surplus					
Additional paid-in capital	—		41,520		
Other capital surplus	—		733		
Total capital surplus	—	—	42,253	10.9	42,253
Retained earnings					
Legal reserve	—		727		
Other legal reserve					
General reserve	—		50,000		
Earned surplus brought forward	—		49,792		
Total retained earnings	—	—	100,519	25.8	100,519
Treasury stock-at cost	—	—	(738)	(0.2)	(738)
Total Owners' equity	—	—	200,541	51.6	200,541
Valuation and translation adjustments					
Net unrealized gain on available-for-sale securities	—	—	319	0.1	319
Land revaluation difference	—	—	(682)	(0.2)	(682)
Total Valuation and translation adjustments	—	—	(362)	(0.1)	(362)
Stock options	—	—	78	0.0	78
Total net assets	—	—	200,257	51.5	200,257
Total Liabilities, net assets	—	—	389,109	100.0	389,109

Non-consolidated Statements of Income

(Millions of yen)

Account item	Previous fiscal year (From March 1,2005 to February 28, 2006)		Current fiscal year (From March 1,2006 to February 28, 2007)		Compared with previous fiscal year		
	Amount	Percentage	Amount	Percentage			
Operating revenues							
Franchise commissions from franchised stores	170,812		174,335		102.1		
Net sales reported by franchised stores							
Previous fiscal year: ¥ 1,298,221million							
Current fiscal year: ¥1,312,493million							
Total net sales of LAWSON stores including franchised stores							
Previous fiscal year: ¥ 1,360,495million							
Current fiscal year: ¥1,377,842million							
Other	14,954	185,766	74.9	16,338	190,674	74.5	109.3
Net sales			(100.0)			(100.0)	
Net sales	(62,274)	62,274	25.1	65,349	25.5	104.9	
Total operating revenues		248,041	100.0	256,023	100.0	103.2	
Cost of goods sold							
Inventory at beginning of year	1,371			1,382			
Purchase amount	44,944			47,107			
Total	46,315			48,489			
Inventory at end of year	1,382			1,419			
Cost of goods sold	(44,933)	44,933	(72.2)	(46,998)	46,998	(71.9)	104.6
Gross profit on sales	(17,341)		(27.8)	(18,350)		(28.1)	105.8
Operating gross profit		203,108	81.9		209,025	81.6	102.9
Selling, general and administrative expenses		159,303	64.2		164,652	64.3	103.4
Operating income		43,804	17.7		44,373	17.3	101.3

Account item	Fiscal period		Previous fiscal year (From March 1, 2005 to February 28, 2006)		Current fiscal year (From March 1, 2006 to February 28, 2007)		Compared with previous fiscal year	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Percentage	
Non-operating income								
Interest received	379				552			
Compensation received for damage	163				172			
Compensation received for removal	254				403			
Other	543	1,341	0.5		488	1,617	0.7	120.5
Non-operating expense								
Loss on cancellation of lease contract	1,257				1,143			
Other	249	1,507	0.6		320	1,463	0.6	97.1
Ordinary profit		43,639	17.6			44,526	17.4	102.0
Special gains								
Gain on sales of fixed assets	24				745			
Gain on sales of investments in securities	988				—			
Reversal of allowance for doubtful accounts	263				311			
Other	32	1,308	0.5		214	1,270	0.5	97.2
Special losses								
Loss on disposal of fixed assets	2,967				4,395			
Loss on sales of fixed assets	409				90			
Loss on impairment of long-lived assets	2,640				1,810			
Loss on replacement of computer system	—				2,202			
Other	347	6,364	2.5		335	8,834	3.5	138.8
Income before income taxes		38,582	15.6			36,963	14.4	95.8
Income taxes – current	17,426				11,733			
Deferred income taxes	(1,551)	15,874	6.4		3,496	15,229	5.9	95.9
Net income		22,707	9.2			21,733	8.5	95.7
Unappropriated retained earnings—carried forward		26,160				—		
Reversal of land revaluation difference		2,182				—		
Loss on disposal of treasury stock		33				—		
Interim cash dividends		4,597				—		
Unappropriated retained earnings—at end of year		42,053				—		

Statements of Appropriation of Retained Earnings

(Millions of yen)

Account item	Fiscal period	Previous fiscal year (From March 1, 2005 to February 28, 2006)	
		Amount	
(Appropriation of unappropriated retained earnings)			
I Unappropriated retained earnings—At end of year			42,053
II Appropriation of retained earning			
Year-end dividends	4,602		4,602
III Retained earnings to be carried forward			37,450

Non-consolidated Statement of Changes in Net Assets
(From March 1, 2006 to February 28, 2007)

(Millions of yen)

	Owners' Equity									
	Common Stock	Capital Surplus			Legal Reserve	Retained Earnings			Treasury Stock	Total Owners' Equity
		Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus		Other Legal Reserve		Total Retained Earnings		
						General Reserve	Earned Surplus Brought Forward			
Balance at the end of previous period	58,506	41,520	—	41,520	727	50,000	42,053	92,781	(9,144)	183,663
Change of items during the interim period										
*Dividends from surplus							(4,602)	(4,602)		(4,602)
Dividends from surplus							(5,219)	(5,219)		(5,219)
Net income							21,733	21,733		21,733
Purchase of treasury stock – at cost									(0)	(0)
Sales of treasury stock – at cost			753	753					8,267	9,020
Reversal of land revaluation difference							(4,172)	(4,172)		(4,172)
Exercise of stock options			(19)	(19)					139	119
Net changes of items other than owners' equity – net										
Total change of items during the fiscal period	—	—	733	733	—	—	7,738	7,738	8,405	16,878
Balance at the end of the fiscal period	58,506	41,520	733	42,253	727	50,000	49,792	100,519	(738)	200,541

	Valuation and Translation Adjustments			Stock options	Total Net Assets
	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Total Valuation and Transaction Adjustments		
Balance at the end of previous period	697	(4,854)	(4,157)	—	179,505
Change of items during the interim period					
*Dividends from surplus					(4,602)
Dividends from surplus					(5,219)
Net income					21,733
Purchase of treasury stock – at cost					(0)
Sales of treasury stock – at cost					9,020
Reversal of land Revaluation difference					(4,172)
Exercise of stock options					119
Net changes of items other than owners' equity – net	(377)	4,172	3,794	78	3,873
Total change of items during the fiscal period	(377)	4,172	3,794	78	20,751
Balance at the end of the fiscal period	319	(682)	(362)	78	200,257

*Approved as appropriations of earnings at the Ordinary General Meeting of Shareholders held on May, 2006.

«Summary of Significant Accounting Policies»

1. Marketable Securities and investments in securities:

Held-to-maturity debt securities: Carried at amortized cost.

Investments in subsidiaries and affiliated companies: Stated at cost determined by the moving-average method.

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:

Merchandise inventories Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment:

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 10 to 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

Intangible fixed 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.

Long - term prepaid expense

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

4. Accounting standard for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Provision for use of points LAWSON PASS and MY LAWSON POINT:

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

Allowance for Employees' Retirement Benefits:

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

Allowance for retirement benefits to directors and corporate auditors:

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

At the general shareholders' meeting held on May 27,2005, the Company abolished the conventional retirement benefit system for directors and retirement payments for previous directors are recognized

in Account payable-other (Current liabilities).

5. Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

6. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

7. Accounting Standard for Presentation of Net assets in the Balance Sheet

The Company adopted the new accounting standard, "Accounting Standard for Presentation of Net assets in the Balance Sheet" (ASBJ Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No.8, December 9, 2005) in this period. Shareholders' equity calculated based on prior standard was ¥ 200,179 million.

In addition, the Group represents Net assets in consolidated Balance sheet pursuant to revised regulations of interim consolidated financial statements.

8. Accounting standard for Share-based Payment and its Implementation

The Company adopted the new accounting standard, "Accounting Standard for Share-based Payment and its Implementation" (ASBJ Statement No.8, December 27, 2005) and "Guidance on Accounting Standard for Share-based Payment and its Implementation" (ASBJ Guidance No.11, May 31, 2006) in this period.

The effect of this change was to decrease operating income, ordinary profit and income before income taxes by ¥78 million for the year ended February 28, 2007, respectively.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

As of February 28, 2006	As of February 28, 2007
1.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.	1.Same as in the left
2.Accounts payable-trade for franchised stores—the amounts payable to vendors for merchandise purchased by franchised stores.	2.Same as in the left
3.Accounts payable-other due for franchised stores—the amounts payable for supplies purchased by franchised stores.	3.Same as in the left
4.Deposits received from franchise and lessees-the amounts received from mainly franchised stores.	4.Same as in the left
5.Total number of shares authorized to be issued by the Company (common stock) 409,300,000 shares Issued numbers of common stock 104,600,000 shares	5. —————
6.Principal assets due to the affiliated company Short-term loans receivable	6.Principal assets due to the affiliated company Short-term loans receivable
¥6,640million	¥11,940million

<p>7.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). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation. 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</p>	<p>7.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). Revaluation difference resulted has been included in net assets as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation. 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 The difference between book value and market value of the revalued land as of balance sheet date.</p>
<p>8.Total numbers of treasury stock in the Company (common stock) 2,313,932 shares</p>	<p>8.The numbers of treasury stock in the Company (common stock) 186,918 shares</p>
<p>9.Contingent liabilities Guarantee for bank loan borrowed by the affiliated company. LAWSON CS Cards, Inc. ¥9,925 million</p>	<p>9.Contingent liabilities Guarantee for bank loan borrowed by the affiliated company. LAWSON CS Cards, Inc. ¥11,350 million</p>
<p>10.Limitation on dividend Increase in net assets stipulated in Article 124, Item 3 of the Commercial Code Enforcement Regulation, which is valued at market price. ¥697 million</p>	<p>10.Limitation on dividend _____</p>

Notes to Non-consolidated Statements of Income

(Millions of yen)

From March 1, 2004 to February 28, 2005		From March 1, 2005 to February 28, 2006	
1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.		1.Same as in the left	
2.Main account of selling, general and administrative expenses		2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	8,755	Sales promotion and advertising	9,254
Doubtful debt account	596	Doubtful debt account	398
Salary	21,597	Salary	22,685
Provision for accrued employees' bonuses	2,328	Provision for accrued employees' bonuses	2,448
Retirement benefit costs	1,540	Retirement benefit costs	1,805
Provision for allowance for retirement benefits to directors and corporate auditors	122	Provision for allowance for retirement benefits to directors and corporate auditors	31
Rent account	50,872	Rent account	54,735
Depreciation of fixed assets	15,799	Depreciation of fixed assets	16,071
3.Distribution of gain on sales of fixed assets		3.Distribution of gain on sales of fixed assets	
Buildings	7	Buildings	6
Land	16	Land	448
		Software	290
4.Distribution of loss on disposal of fixed assets		4.Distribution of loss on disposal of fixed assets	
Buildings	1,407	Buildings	2,746
Structures	311	Structures	299
Furniture, fixtures and equipment	1,247	Furniture, fixtures and equipment	1,098
		Software	251
5.Distribution of loss on sales of fixed assets		5.Distribution of loss on sales of fixed assets	
Buildings	117	Buildings	68
Furniture, fixtures and equipment	1	Structures	0
Land	289	Furniture, fixtures and equipment	0
		Land	21

6.long-lived assets

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.

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	272
	Osaka	〃	182
	Others	〃	1,869
Other	Kyoto and others	Software ・ furniture, fixtures and equipment and others	316
Total	—	—	2,640

Category by fixed assets

Buildings and Structure	1,467
Furniture, fixtures and equipment	208
Leased property	445
Land	203
Software	316

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 6.0% discount rate was applied.

6.long-lived assets

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.

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	111
	Osaka	〃	303
	Others	〃	1,396
Total	—	—	1,810

Category by fixed assets

Buildings and Structure	1,234
Furniture, fixtures and equipment	240
Leased property	268
Land	57
Other	9

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 6.9% discount rate was applied.

7.Loss on replacement of computer system

The company decided to replace its computer system to the next generation, including core, information system, based on an optical fiber network in 2008 and 2009. The Company recognized loss on replacement system, as special depreciation of the related equipment and software and equivalent of those related to lease cancellation of existing system.

Loss on replacement of computer system :

Lease property (cancellation)	1,623
Equipment	542
Software	36
Total	2,202

The liability of lease cancellation equivalent to special depreciation was recorded and included in other (long-term liability).

(Notes to the Non - consolidated Statements of Changes in Net assets)
 Current interim period (From March 1, 2006 to February 28, 2007)

1. Number of shares of treasury stock.

	Number of shares at the end of previous period (thousand shares)	Increase during the interim period (thousand shares)	Decrease during the interim period (thousand shares)	Number of shares at the end of the interim period (thousand shares)
Common stock	2,313	0	2,127	186
Total	2,313	0	2,127	186

Note: Increase in shares of treasury stock was resulted from purchase of stock less than unit share.

Decrease in shares of treasury stock was resulted from transfer (2,092 thousand shares) and provision in relation to exercise of stock option (35 thousand shares).

Notes to Lease Contracts

1. Finance lease contracts other than those by which the ownership of the leased property is to be transferred to lessees

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

(Millions of yen)

	As of February 28, 2006	As of February 28, 2007
Used by Company-operated stores and other:		
Furniture, fixtures and equipment		
Acquisition cost	6,811	11,005
Accumulated depreciation	3,371	6,947
Accumulated impairment loss	14	30
Leased property	3,426	4,026
Leased to franchised stores:		
Furniture, fixtures and equipment		
Acquisition cost	68,378	65,162
Accumulated depreciation	38,351	40,121
Accumulated impairment loss	126	203
Leased property	29,899	24,836
(2) Obligations under finance leases		
Used by Company-operated stores and other:		
Furniture, fixtures and equipment		
Due within one year	1,301	2,077
Due after one year	2,269	2,141
Total	3,570	4,218
Allowance for impairment loss on leased property	14	16
Leased to franchised stores:		
Furniture, fixtures and other		
Due within one year	11,972	11,976
Due after one year	18,897	15,959
Total	30,869	27,935
Allowance for impairment loss on leased property	126	78
(3) Lease payments, depreciation expense, interest expense and impairment loss		
Lease payments	14,466	15,223
Transfer from allowance for impairment loss on leased property	63	82
Depreciation expense	13,686	14,286
Interest expense	950	899
Impairment loss	203	57

(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 interest expense

The difference between the total lease contract amount and the acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts

Obligations under operation leases

	(Millions of yen)	
	As of February 28, 2006	As of February 28, 2007
Due within one year	662	548
Due after one year	5,231	861
Total	5,894	1,410

Notes to Marketable Securities and Investments in Securities

(February 28, 2006)

Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 28, 2006 were as follows:

	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in subsidiary	1,379	5,695	4,316

(February 28, 2007)

Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 28, 2007 were as follows:

	(Millions of yen)		
	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in subsidiary	1,379	3,992	2,613

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

	As of February 28, 2006	(Millions of yen) As of February 28, 2007
Deferred tax assets		
Enterprise taxes payable	808	456
Accrued employees' bonuses	1,053	996
Reversal of write-off of investments affiliates	351	—
Reversal of write-off investments in securities	—	667
Excess of depreciation	2,920	3,381
Excess of amortization of software	929	648
Allowance for employees' retirement benefits	3,238	3,650
Allowance for doubtful accounts	1,771	1,671
Impairment loss	2,197	1,129
Loss on replacement of computer system	—	896
Other	1,702	1,452
Total deferred tax assets	14,974	14,951
Valuation allowances		(610)
Deferred tax assets-net		14,340
Deferred tax liabilities		
Available-for-sale securities	(478)	(219)
Total deferred tax liabilities	(478)	(219)
Deferred tax assets-net	14,496	14,212

2. The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

The reconciliation between the statutory tax rate and the effective tax rate has not been disclosed because the difference is less than 5%

