

Non-consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composi tion ratio	Amount	Composi tion ratio	Amount
(Assets)					
Current assets					
Cash and bank deposits	61,536		51,450		(10,085)
Accounts receivable—due from franchised stores	11,711		11,949		238
Marketable securities	15,994		2,000		(13,994)
Merchandise inventories	1,491		1,432		(58)
Prepaid expenses	5,376		5,716		340
Short-term loans receivable	11,940		22,400		10,460
Accounts receivable—other	23,905		24,187		281
Deferred tax assets	2,696		3,545		849
Other	1,159		1,778		619
Allowance for doubtful accounts	(114)		(102)		12
Total current assets	135,696	34.9	124,358	32.3	(11,337)
Fixed assets					
Property and store equipment					
Property and store equipment					
Buildings	10,824		12,851		
- Accumulated depreciation	4,322	6,501	4,824	8,027	1,525
Structures	988		996		
- Accumulated depreciation	471	517	549	446	(70)
Furniture, fixtures and equipment	7,983		8,118		
- Accumulated depreciation	6,315	1,668	6,414	1,703	35
Land		2,506		2,462	(43)
Construction in progress		1,594		948	(646)
Total		12,788		13,588	799
Used by franchised stores					
Buildings	104,321		112,518		
- Accumulated depreciation	42,547	61,774	48,025	64,492	2,717
Structures	26,169		27,965		
- Accumulated depreciation	13,013	13,155	15,485	12,480	(675)
Furniture, fixtures and equipment	50,701		50,277		
- Accumulated depreciation	36,885	13,815	38,603	11,674	(2,141)
Land		2,201		3,381	1,179
Total		90,947		92,028	1,080
Total property and store equipment— net		103,736		105,616	1,880

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composi tion ratio	Amount	Composi tion ratio	Amount
Intangible fixed assets					
Goodwill	645		383		(261)
Right of leasehold	65		65		0
Right of trademark	65		66		0
Right of telephone	292		292		(0)
Software	11,762		8,582		(3,180)
Software development in progress	2,530		6,649		4,118
Other	2		2		(0)
Total intangible fixed assets	15,364	3.9	16,042	4.1	677
Investments and other					
Investments in securities	762		525		(236)
Investment in subsidiaries and affiliated company	7,824		12,256		4,432
Investment in affiliated limited private company	438		438		—
Long-term loans receivable	24,379		25,646		1,267
Long-term prepaid expenses	3,578		3,730		151
Lease deposits for Company- operated stores and others	14,713		9,483		(5,230)
Lease deposits for franchised stores	72,869		72,984		114
Deferred tax assets	11,424		14,125		2,700
Deferred tax assets for land revaluation	467		467		—
Other	1,868		2,061		192
Allowance for doubtful accounts	(4,018)		(2,403)		1,614
Total investments and other	134,310	34.5	139,316	36.2	5,005
Total fixed assets	253,412	65.1	260,976	67.7	7,564
Total Assets	389,109	100.0	385,335	100.0	(3,773)

(Millions of yen)

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)		Current fiscal year (As of February 29, 2008)		Increase (Decrease)
	Amount	Composit ion ratio	Amount	Composi tion ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade for Company-operated stores	3,491		3,512		21
Accounts payable—trade for franchised stores	60,817		61,234		417
Accounts payable— due to franchised stores	2,757		2,201		(555)
Accounts payable — Other	14,421		11,459		(2,961)
Accounts payable — Other for franchised stores	212		177		(35)
Income taxes payable	4,285		11,014		6,728
Consumption taxes payable	547		1,360		813
Accrued expenses	2,113		1,902		(211)
Deposits received	42,474		49,908		7,434
Accrued employees' bonuses	2,448		2,552		104
Provision for use of points granted	494		792		297
Other	87		80		(7)
Total current liabilities	134,150	34.5	146,195	37.9	12,045
Long-term liabilities					
Allowance for employees' retirement benefits	3,472		4,104		632
Allowance for retirement benefits to directors and corporate auditors	190		140		(50)
Deposits received from franchisees and lessees	49,319		45,809		(3,509)
Allowance for impairment loss on leased property	95		314		218
Other	1,623		1,623		—
Total long-term liabilities	54,701	14.0	51,993	13.5	(2,708)
Total Liabilities	188,851	48.5	198,188	51.4	9,337

Fiscal period Account item	Previous fiscal year (As of February 28, 2007)			Current fiscal year (As of February 29, 2008)			Increase (Decrease)
	Amount		Composi tion ratio	Amount		Composi tion ratio	Amount
(Net assets)							
Owners' equity							
Common stock		58,506	15.1		58,506	15.2	—
Capital surplus							
Additional paid-in capital	41,520			41,520			
Other capital surplus	733			—			
Total capital surplus		42,253	10.9		41,520	10.8	(733)
Retained earnings							
Legal reserve	727			727			
Other legal reserve							
General reserve	50,000			50,000			
Earned surplus brought forward	49,792			38,618			
Total retained earnings		100,519	25.8		89,345	23.2	(11,173)
Treasury stock-at cost		(738)	(0.2)		(1,837)	(0.5)	(1,098)
Total Owners' equity		200,541	51.6		187,534	48.7	(13,006)
Valuation and translation adjustments							
Net unrealized gain on available-for-sale securities		319	0.1		133	0.0	(185)
Land revaluation difference		(682)	(0.2)		(682)	(0.2)	—
Total Valuation and translation adjustments		(362)	(0.1)		(548)	(0.1)	(185)
Stock options		78	0.0		159	0.0	81
Total net assets		200,257	51.5		187,146	48.6	(13,111)
Total Liabilities, net assets		389,109	100.0		385,335	100.0	(3,773)

Non-consolidated Statements of Income

(Millions of yen)

Fiscal period Account item	Previous fiscal year (From March 1,2006 to February 28, 2007)			Current fiscal year (From March 1,2007 to February 29, 2008)			Compared with previous fiscal year
	Amount		Percentage	Amount		Percentage	Percentage
Operating revenues			%			%	
Franchise commissions from franchised stores	174,335			177,443			101.8
Net sales reported by franchised stores							
Previous fiscal year: ¥ 1,312,493million							
Current fiscal year: ¥ 1,331,784million							
Total net sales of LAWSON stores including franchised stores							
Previous fiscal year: ¥ 1,377,842million							
Current fiscal year: ¥ 1,402,786million							
Other	16,338	190,674	74.5	21,137	198,580	73.7	129.4
Net sales			(100.0)			(100.0)	
Net sales	(65,349)	65,349	25.5	(71,001)	71,001	26.3	108.6
Total operating revenues		256,023	100.0		269,582	100.0	105.3
Cost of goods sold							
Inventory at beginning of year	1,382			1,491			
Purchase amount	47,107			50,688			
Total	48,489			52,179			
Inventory at end of year	1,419			1,432			
Cost of goods sold	(46,998)	46,998	(71.9)	(50,746)	50,746	(71.5)	108.0
Gross profit on sales	(18,350)		(28.1)	(20,254)		(28.5)	110.4
Operating gross profit		209,025	81.6		218,835	81.2	104.7
Selling, general and administrative expenses		164,652	64.3		173,500	64.4	105.4
Operating profit		44,373	17.3		45,334	16.8	102.2

Fiscal period Account item	Previous fiscal year (From March 1,2006 to February 28, 2007)		Current fiscal year (From March 1,2007 to February 29, 2008)		Compared with previous fiscal year	
	Amount	Percentage	Amount	Percentage	Percentage	
Non-operating income						
Interest received	552		809			
Compensation received for damage	172		166			
Compensation received for removal	403		316			
Other	488	1,617	571	1,864	0.7	115.3
Non-operating expense						
Loss on cancellation of lease contract	1,143		1,651			
Other	320	1,463	248	1,900	0.6	129.9
Recurring profit		44,526		46,298	17.4	101.7
Special gains						
Gain on sales of fixed assets	745		—			
Reversal of allowance for doubtful accounts	311		—			
Other	214	1,270	—	—	0.5	—
Special losses						
Loss on disposal of fixed assets	4,395		4,989			
Loss on sales of fixed assets	90		29			
Loss on impairment of long-lived assets	1,810		2,449			
Loss on write-down of investment in affiliated company	—		3,422			
Loss on replacement of computer system	2,202		—			
Loss on liquidation of subsidiary	—		1,611			
Other	335	8,834	540	13,042	3.5	147.6
Income before income taxes		36,963		32,256	14.4	87.3
Income taxes – current	11,733		16,779		12.0	
Deferred income taxes	3,496	15,229	(3,422)	13,357	5.9	87.7
Net profit		21,733		18,899	8.5	87.0
Unappropriated retained earnings—carried forward		—				
Reversal of land revaluation difference		—				
Loss on disposal of treasury stock		—				
Interim cash dividends		—				
Unappropriated retained earnings—at end of year		—				

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 profit							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(treasury stock allotment)			(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 profit					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(treasury stock allotment)					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.

Non-consolidated Statement of Changes in Net Assets  
(From March 1, 2007 to February 29, 2008)

(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	733	42,253	727	50,000	49,792	100,519	(738)	200,541
Change of items during the interim period										
Dividends from surplus							(10,964)	(10,964)		(10,964)
Net profit							18,899	18,899		18,899
Purchase of treasury stock – at cost									(21,000)	(21,000)
Sales of treasury stock – at cost			(709)	(709)			(19,108)	(19,108)	19,818	-
Exercise of stock options(treasury stock allotment)			(24)	(24)					83	59
Net changes of items other than owners' equity – net										
Total change of items during the fiscal period	-	-	(733)	(733)	-	-	(11,173)	(11,173)	(1,098)	(13,006)
Balance at the end of the fiscal period	58,506	41,520	-	41,520	727	50,000	38,618	89,345	(1,837)	189,564

	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	319	(682)	(362)	78	200,257
Change of items during the interim period					
Dividends from surplus					(10,964)
Net profit					18,899
Purchase of treasury stock – at cost					(21,000)
Sales of treasury stock – at cost					-
Exercise of stock options(treasury stock allotment)					59
Net changes of items other than owners' equity – net	(185)		(185)	81	(104)
Total change of items during the fiscal period	(185)	-	(185)	81	(13,111)
Balance at the end of the fiscal period	133	(682)	(548)	159	187,534

## «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 granted:

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.

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. Change in accounting policy for depreciation method of property and store equipment

Effective the non-consolidated accounting period under review, in accordance with the revision to the Corporation Tax Law ([Act No. 6 of March 30, 2007—Partial Revision to Income Tax Law Etc.] and [Cabinet Order No. 83 of March 30, 2007—Cabinet Order Concerning Revision of Part of Corporation Tax Law Enforcement Order]), depreciation of property and store equipment acquired on or after April 1, 2007 shall be subject to the accounting method based on the revised Corporation Tax Law.

Because of the application of the aforesaid revision to the Corporation Tax Law, operating income, ordinary profit and income before income taxes for the non-consolidated accounting period under review have each been decreased by ¥ 313million.

《Notes to Non-consolidated Financial Statements》

**Notes to the Non-consolidated Balance Sheets**

As of February 28, 2007	As of February 29, 2008
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.Principal assets due to the affiliated company Short-term loans receivable	5.Principal assets due to the affiliated company Short-term loans receivable
¥11,940million	¥22,400million

6.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.

¥181million

7.Contingent liabilities  
Guarantee for bank loan borrowed by the affiliated company.  
LAWSON CS Card, Inc.

¥11,350 million

6.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.

¥298million

7.Contingent liabilities  
Guarantee for bank loan borrowed by the affiliated company.  
LAWSON CS Card, Inc.

¥1,650 million

## Notes to Non-consolidated Statements of Income

From March 1, 2006 to February 28, 2007

1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.	
2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	9,254
Doubtful debt account	398
Salary	22,685
Provision for accrued employees' bonuses	2,448
Retirement benefit costs	1,805
Provision for allowance for retirement benefits to directors and corporate auditors	31
Rent account	54,735
Depreciation of fixed assets	16,071
3.Distribution of gain on sales of fixed assets	
Buildings	6
Land	448
Software	290
4.Distribution of loss on disposal of fixed assets	
Buildings	2,746
Structures	299
Furniture, fixtures and equipment	1,098
Software	251

(Millions of yen)

From March 1, 2007 to February 29, 2008

1.Same as in the left	
2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	8,267
Doubtful debt account	379
Salary	24,524
Provision for accrued employees' bonuses	2,552
Retirement benefit costs	1,814
Provision for allowance for retirement benefits to directors and corporate auditors	38
Rent account	57,985
Depreciation of fixed assets	16,502
3. _____	
4.Distribution of loss on disposal of fixed assets	
Buildings	2,269
Structures	293
Furniture, fixtures and equipment	1,301
Software	1,124

5. Distribution of loss on sales of fixed assets

Buildings	68
Structures	0
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	111
	Osaka	//	303
	Others	//	1,396
Total	—	—	1,810

Category by fixed assets

Buildings and Structure	1,234
Structure	240
Furniture, fixtures and equipment	268
Leased property	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

5. Distribution of loss on sales of fixed assets

Buildings	18
Furniture, fixtures and equipment	9
Telephone rights	1

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	130
	Osaka	//	427
	Others	//	1,891
Total	—	—	2,449

Category by fixed assets

Buildings and Structure	1,512
Structure	259
Furniture, fixtures and equipment	235
Leased property	425
Other	16

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 6.8% discount rate was applied.

7. \_\_\_\_\_

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

8. \_\_\_\_\_

8. Loss on liquidation of subsidiary

This resulted from management decision to liquidate at NATURAL LAWSON, Inc. consolidated subsidiary. The breakdown of Loss on liquidation of subsidiary is as follows:

Loss on write-down of investment in subsidiary	104
Loss on loans receivable	1,506
<b>Total</b>	<b>1,611</b>

**Notes to the Non - consolidated Statements of Changes in Net assets**

Previous 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 previous period (thousand shares)	Decrease during the previous period (thousand shares)	Number of shares at the end of the previous period (thousand shares)
Common stock	2,313	0	2,127	186
<b>Total</b>	<b>2,313</b>	<b>0</b>	<b>2,127</b>	<b>186</b>

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).

Current period (From March 1, 2007 to February 29, 2008)

1. Number of shares of treasury stock.

	Number of shares at the end of previous period (thousand shares)	Increase during the current period (thousand shares)	Decrease during the current period (thousand shares)	Number of shares at the end of the current period (thousand shares)
Common stock	186	5,297	5,021	463
<b>Total</b>	<b>186</b>	<b>5,297</b>	<b>5,021</b>	<b>463</b>

Note: The 5,297 thousand share increase in treasury stock resulted from a 5,297 thousand share increase due to treasury stock acquisition by resolution of a Board of Directors Meeting and a 0 thousand share increase due to the purchase of stock less than a unit share.

The 5,021 thousand share decrease in treasury stock resulted from a 5,000 thousand share decrease due to retirement of treasury stock based on profit considerations and a 21 thousand share decrease due to the exercise of stock options.

## 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, 2007	As of February 29, 2008
Used by Company-operated stores and other:		
Furniture, fixtures and equipment		
Acquisition cost	11,005	9,138
Accumulated depreciation	6,947	6,270
Accumulated impairment loss	30	58
Leased property	4,026	2,808
Leased to franchised stores:		
Furniture, fixtures and equipment		
Acquisition cost	65,162	68,231
Accumulated depreciation	40,121	47,406
Accumulated impairment loss	203	510
Leased property	24,836	20,313

(2) Obligations under finance leases

Used by Company-operated stores and other:

Furniture, fixtures and equipment		
Due within one year	2,077	1,316
Due after one year	2,141	1,689
Total	4,218	3,006
Allowance for impairment loss on leased property	16	31

Leased to franchised stores:

Furniture, fixtures and other		
Due within one year	11,976	7,701
Due after one year	13,606	13,542
Total	25,583	21,244
Allowance for impairment loss on leased property	78	282

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

Lease payments	15,223	16,041
Transfer from allowance for impairment loss on leased property	82	206
Depreciation expense	14,286	14,830
Interest expense	899	811
Impairment loss	57	425

(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, 2007	As of February 29, 2008
Due within one year	548	687
Due after one year	861	841
Total	1,410	1,529

## Notes to Marketable Securities and Investments in Securities

(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

(February 29,2008)

Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 29, 2008 were as follows:

(Millions of yen)

	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in subsidiary	3,348	5,909	2,560
Investment in affiliated company	5,974	3,145	(2,829)

## Notes to Accounting for income taxes

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

(Millions of yen)

	As of February 28, 2007	As of February 29, 2008
Deferred tax assets		
Enterprise taxes payable	456	912
Accrued employees' bonuses	996	1,038
Reversal of write-off investments in securities	667	2,055
Excess of depreciation	3,381	4,189
Excess of amortization of software	648	685
Allowance for employees' retirement benefits	3,650	3,935
Allowance for doubtful accounts	1,671	1,102
Impairment loss	1,129	1,617
Loss on replacement of computer system	896	896
Other	1,452	1,940
Total deferred tax assets	14,951	18,372
Valuation allowances	(610)	(610)
Deferred tax assets-net	14,340	17,762
Deferred tax liabilities		
Available-for-sale securities	(219)	(91)
Total deferred tax liabilities	(219)	(91)
Deferred tax assets-net	14,121	17,670

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%