

Flash Report on Consolidated Results

for the 3rd Quarter of the Fiscal Year Ending February 28, 2011

January 11, 2011

Listed Company Name: LAWSON, INC.

Code No.: 2651

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

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

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Scheduled date for submission of quarterly earnings report: January 14, 2011

Scheduled date for payment of dividend: -

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the 3rd Quarter of the Current Period (from March 1, 2010, to November 30, 2010)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ million	% change	¥ million	% change	¥ million	% change
Current 3rd Quarter	331,141	(2.5)	45,920	4.4	45,287	4.3
Previous 3rd Quarter	339,656	-	44,001	-	43,435	-

	Net profit		Net profit per share	Fully diluted profit per share
	¥ million	% change	¥	¥
Current 3rd Quarter	20,789	5.0	208.62	208.40
Previous 3rd Quarter	19,805	-	199.71	199.55

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
At November 30, 2010	463,692	203,687	42.9	1,991.72
At February 28, 2010	448,131	198,135	42.8	1,935.41

Notes: Equity November, 2010 ¥198,908 million February, 2010 ¥191,930 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2009 fiscal year	—	80.00	—	80.00	160.00
2010 fiscal year	—	85.00	—		
2010 fiscal year (Forecast)				85.00	170.00

Note: Revision of forecast for dividends in the second quarter: None

3. Forecast Consolidated Performance for 2010 Fiscal Year (From March 1, 2010, to February 28, 2011)

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2010 fiscal year	439,000	(6.0)	53,000	5.4	51,600	4.4	23,200	84.7

Reference: Forecast net profit per share for the 2010 fiscal year: 232.30yen

Note: Revision of forecasts for consolidated performance during the third quarter: Yes

4. Other (Note) Please refer to Other on page 7 of the attachment for further details.

(1) Change in important subsidiaries during the period: None

(Note) This indicates any changes in specified subsidiaries during the second quarter resulting from a revision of the scope of consolidation.

(2) Adoptions of simplified accounting methods or special accounting methods in presentation of quarterly financial statements: Yes

(Note) This indicates whether any simplified accounting methods or special accounting methods were adopted in preparation of the quarterly financial statements.

(3) Changes in accounting principles, procedures, presentation methods, etc., pertaining to preparation of consolidated financial statements

i) Changes associated with revision in accounting standards: Yes

ii) Other changes: None

(Note) This indicates whether there were any changes in the accounting principles, procedures, presentation methods, etc. pertaining to the preparation of the consolidated financial statements as stated under Changes in Significant Accounting Policies for the Presentation of the Quarterly Financial Statements.

(4) Number of issued shares

i) The number of shares issued at the end of term

November, 2010: 100,300,000 February, 2010: 99,600,000

ii) The number of treasury shares in the end of term

November, 2010: 432,513 February, 2010: 432,190

iii) Average number of shares during the term

November, 2010: 99,652,292 November, 2009: 99,167,908

Note: Disclosure of progress of quarterly review procedures

At the time of disclosure of this quarterly flash report, review procedures for quarterly earnings reports based on the Financial Instruments and Exchange Act had not been completed.

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. Actual achievements may differ from these forecasts due to many factors.

1. Review of Operations

(1) Review of Consolidated Operating Results

During the first nine months of fiscal 2010, the period from March 1 to November 30, 2010, the convenience store industry in Japan benefitted from one of the hottest summers on record, and a surge in demand for cigarettes ahead of a tobacco tax hike on October 1, 2010.

In this operating environment, the LAWSON Group (the “Company”) took the following actions with the aim of improving customer satisfaction in CONVENIENCE STORE operations and other businesses to realize its corporate philosophy of “Happiness and Harmony in Our Community.”

In terms of consolidated financial results for the first nine months of the fiscal year, total operating revenues were ¥331,141 million, down ¥8,514 million, or 2.5%, compared to the corresponding period of the previous fiscal year. Recurring profit was ¥45,287 million, up ¥1,852 million, or 4.3%, year on year. Net profit was ¥20,789 million, an increase of ¥983 million, or 5.0%, over the same period in the previous fiscal year.

(Convenience Store Operations)

On the merchandise front, we continued to roll out products offering a positive “surprise” to customers with their high added value relative to price by using high-quality ingredients procured through integrated purchasing. During the first nine months of fiscal 2010, LAWSON launched a series of upscale boxed lunches, “*Gohoubi-no-hitotoki*” (Enjoy luxury time), based on the concept of “boxed lunches that give customers extra satisfaction.” These boxed lunches have proven very popular with customers. In November, revamped our *Onigiri-ya* rice-ball brand by extending the use of the well-known Niigata-grown Koshihikari rice from *Niigata Koshihikari* rice balls to all *Onigiri-ya* rice balls. We supported this move with an aggressive advertising and promotion campaign to further boost brand recognition.

Sales promotion activities during the period were focused chiefly on tie-ups with well-known characters that yield excellent results relative to investment. These included the Keion!! Fair in addition to the Fall Rilakkuma Fair, and the Evangelion Campaign.

In services, we established a system for issuing the *Ponta* multi-partner shopping point card instantly in stores based on requests from customers. We continue to make this service more convenient and attractive to customers. For example, since October we have increased the number and types of merchandise eligible for *Otameshi hikikai-ken* (trial exchange vouchers), which is one way to use *Ponta* points.

In store operations, to guide franchise owners to place orders from the perspective of customers, we utilized our IT system, PRiSM, to create sales areas based on analysis of purchase data from the multi-partner shopping points program. In addition, we worked to raise ordering precision by using PRiSM to show clearly where sales opportunities are being lost. This has boosted customer satisfaction even higher.

In new store openings the Company worked to develop stores with an emphasis on profitability, by rigorously adhering to proprietary group standards for opening stores.

[Change in Total Number of Stores]

(Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total stores as of March 1, 2010	8,540	89	996	9,625
Change during fiscal year	135	2	34	171
Total stores as of November 30, 2010	8,675	91	1,030	9,796

LAWSON conducted a share exchange on July 1, 2010 that made it the sole parent company of Ninety-nine Plus Inc., which operates the LAWSON STORE100 and SHOP99 formats. Ninety-nine Plus Inc. continued to introduce LAWSON Group private brand (PB) *Value Line* products at stores it operates and boxed lunches that are kept in chilled units. Ninety-nine Plus Inc. The number of stores managed by Ninety-nine Plus Inc. was 1,030 as of November 30, 2010.

As of November 30, 2010, the number of LAWSON stores operated by equity-method affiliate LAWSON Okinawa, Inc. in Okinawa Prefecture was 139.

SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, in Shanghai, China, was offering guidance to 314 stores as of November 30, 2010.

Furthermore CHONGQING LAWSON CO., LTD. which LAWSON has a 100% equity interest, was operating four stores as of November 30, 2010,.

(Other Businesses)

In addition to convenience store operations, the Company is also involved in ticket sales, and financial-related services.

LAWSON ENTERMEDIA, INC., which operates the ticket sales business, reported strong ticket transaction volumes for events and leisure activities during the period under review. LAWSON ENTERMEDIA has also made progress in responding to the misappropriation of funds that came to light in the previous business year. Specifically, LAWSON ENTERMEDIA has strengthened internal controls through activities led by the internal Risk Management & Compliance Committee.

LAWSON ATM Networks, Inc., which operates a financial services-related business, recorded higher operating revenues and operating profit as a result of increases in the number of ATM machines installed nationwide in LAWSON stores and in the number of transactions. As of November 30, the number of ATMs installed nationwide reached 8,046.

Furthermore, advertising business operator Cross Ocean Media, Inc. worked to develop and operate new high-value-added media such as digital signage.

LAWSON concluded a stock transfer agreement with HMV Japan K.K. on October 28, 2010. This agreement has made HMV Japan a LAWSON wholly-owned subsidiary, and is intended to expand the Group's entertainment business and increase its competitiveness in this area.

Sales by product group throughout all Lawson Group stores

Fiscal period Product group	Previous 3rd Quarter March 1, 2009 to November 30, 2009		Current 3rd Quarter March 1, 2010 to November 30, 2010	
	Sales (Millions of yen)	Percentage Of Total (%)	Sales (Millions of yen)	Percentage Of Total (%)
Processed foods	682,865	54.5	676,491	53.4
Fast foods	246,509	19.7	243,984	19.2
Daily delivered foods	175,237	14.0	199,644	15.8
Nonfood products	148,115	11.8	146,952	11.6
Total	1,252,727	100.0	1,267,073	100.0

Some merchandise that was classified under fast food in the first half of the previous fiscal period has been reclassified under daily delivered goods in the presentation for the first half of the current fiscal period. The effect of the change is 6,594 million yen.

Number of stores by prefecture (As of November 30, 2010)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	533	Saitama	384	Gifu	123	Tottori	89	Saga	61
Aomori	168	Chiba	349	Shizuoka	178	Shimane	90	Nagasaki	85
Iwate	161	Tokyo	1,280	Aichi	465	Okayama	122	Kumamoto	91
Miyagi	194	Kanagawa	691	Mie	96	Hiroshima	140	Oita	140
Akita	152	Niigata	103	Shiga	125	Yamaguchi	112	Miyazaki	80
Yamagata	60	Toyama	111	Kyoto	252	Tokushima	103	Kagoshima	106
Fukushima	99	Ishikawa	89	Osaka	960	Kagawa	99	Total	9,796
Ibaraki	108	Fukui	99	Hyogo	548	Ehime	154		
Tochigi	108	Yamanashi	70	Nara	101	Kochi	57		
Gunma	69	Nagano	131	Wakayama	110	Fukuoka	350		

(2)Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

1) Total Assets, Total Liabilities and Total Net Assets

As of November 30, 2010, total assets stood at ¥463,692 million, an increase of ¥15,560 million from February 28, 2010. This mainly reflected a ¥12,284 million increase in cash and bank deposits.

Total liabilities increased ¥10,008 million from February 28, 2010 to ¥260,005 million. This mainly reflected a ¥12,514 million increase in accounts payable-trade.

Net assets stood at ¥203,687 million, up ¥5,551 million from February 28, 2010. This primarily reflected a ¥6,176 million increase in capital surplus, the result of executing share exchanges to make consolidated subsidiaries Ninety-nine Plus Inc. and LAWSON ENTERMEDIA, INC. wholly owned subsidiaries of LAWSON.

2) Cash Flows during the 3rd Quarter

Cash and cash equivalents at November 30, 2010 stood at ¥59,627 million, up ¥4,784 million from February 28, 2010.

Operating activities provided net cash of ¥57,794 million, an increase of ¥16,926 million from the corresponding period of the previous fiscal year, mainly due to increases in accounts payable-trade and due to franchised stores.

Investing activities used net cash of ¥26,468 million, a decrease of ¥4,579 million from the corresponding period of the previous fiscal year, mainly due to a decrease in payment for acquisition of property and store equipment.

Financing activities used net cash of ¥26,528 million, an increase ¥4,242 million more year on year. This mainly reflected an increase in payments for purchase of treasury stock.

2. Other

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

(2) Adoptions of simplified accounting methods and accounting methods particular to presentation of quarterly financial statements:

① Adoption of simplified accounting methods: Yes

Regarding property and store equipment to which the declining-balance method is applied, the amount of depreciation is calculated by apportioning depreciation equally during the period.

② Accounting methods particular to presentation of quarterly financial statements: None

(3) Changes in accounting principles, procedures, presentation methods, etc., pertaining to preparation of consolidated financial statements (Those to be stated as significant accounting policies):

The Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, December 26, 2008), and the Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No.10, December 26, 2008) from this fiscal year.

3. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets

As of November 30, 2010 and February 28, 2010

(Millions of yen)

	November 30, 2010	February 28, 2010
Current assets:		
Cash and bank deposits	76,301	64,017
Accounts receivable—due from franchised stores	19,212	20,790
Marketable securities	—	2,500
Merchandise inventories	4,839	4,446
Accounts receivable—other	26,857	26,445
Deferred tax assets	2,914	4,587
Other	9,853	9,567
Allowance for doubtful accounts	(132)	(155)
Total	139,847	132,198
Fixed assets:		
Property and store equipment		
Buildings and structures	189,031	183,841
Accumulated depreciation	(93,906)	(87,388)
Buildings and structures—net	95,125	96,452
Vehicles, tools, furniture and fixtures	57,714	57,241
Accumulated depreciation	(45,258)	(44,383)
Vehicles, tools, furniture and fixtures—net	12,456	12,858
Other	53,768	38,565
Accumulated depreciation	(7,129)	(2,567)
Other—net	46,638	35,997
Subtotal	154,220	145,308
Intangible assets;		
Software	27,303	29,674
Goodwill	7,318	4,248
Other	486	484
Subtotal	35,108	34,407
Investments and Other;		
Long-term loans receivable	31,835	29,724
Lease deposits	81,322	83,205
Deferred tax assets	12,956	15,274
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,124	13,631
Other	9,207	9,018
Allowance for doubtful accounts	(15,929)	(14,636)
Subtotal	134,516	136,216
Total	323,845	315,933
Total assets	463,692	448,131

(Millions of yen)

	November 30, 2010	February 28, 2010
Current liabilities:		
Accounts payable —trade	85,703	73,189
Accounts payable— due to franchised stores	867	1,024
Income taxes payable	5,387	9,852
Deposits received	64,948	65,858
Accrued employees' bonuses	1,490	2,789
Provision for use of points granted	1,025	2,097
Other	27,605	29,684
Total	187,027	184,496
Long-term Liabilities;		
Allowance for employees' retirement benefits	6,962	6,206
Allowance for retirement benefits to executive officers and corporate auditors	215	217
Deposits received from franchisees and lessees	37,922	38,710
Other	27,878	20,365
Total	72,978	65,499
Total Liabilities	260,005	249,996
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	47,696	41,520
Retained earnings	95,011	94,171
Treasury stock	(1,691)	(1,713)
Total Owners' equity	199,522	192,485
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	3	14
Land revaluation difference	(634)	(634)
Foreign currency translation adjustments	16	65
Valuation and translation adjustments	(614)	(554)
Stock acquisition rights	354	346
Minority interests	4,424	5,858
Total net assets	203,687	198,135
Total Liabilities and total net assets	463,692	448,131

(2) Consolidated Statements of Income

For the third quarter of the fiscal year ending February 28, 2010 and 2011 (March 1, 2010 – November 30, 2010)

(Millions of yen)

	November 30, 2009	November 30, 2010
Operating revenues	178,559	188,198
Franchise commission from franchised stores	142,635	149,651
Other	35,924	38,546
Net sales	161,096	142,942
Total operating revenues	339,656	331,141
Cost of goods sold	119,744	105,980
Operating gross profit	219,911	225,161
Selling, general and administrative expenses	175,910	179,240
Operating profit	44,001	45,920
Non – operating income and expenses;		
Non – operating income;	1,199	1,301
Interest received	521	493
Equity in earnings of affiliates	—	228
Compensation income	308	196
Other	369	383
Non – operating expenses;	1,765	1,934
Interest expense	228	706
Loss on cancellation of store lease	1,079	959
Other	457	268
Recurring profit	43,435	45,287
Extraordinary income and loss;		
Extraordinary income;	655	1
Gain on sales of noncurrent assets	27	—
Gain on change in equity	625	—
Gain on sales of investment in securities	—	1
Other	2	—
Extraordinary loss;	9,816	8,363
Loss on retirement of noncurrent assets	2,627	2,229
Loss on sales of noncurrent assets	—	1,284
Loss on impairment of long-lived assets	2,394	4,311
Allowance for doubtful accounts	4,120	—
Other	674	537
Income before income taxes and minority interests	34,273	36,925
Income taxes;	14,303	15,489
Income taxes - current	15,484	11,497
Deferred income taxes	(1,180)	3,991
Minority interests in net profit	164	646
Net profit	19,805	20,789

(3) Consolidated Statements of Cash Flows

For the third quarter of the fiscal year ending February 28, 2010 and 2011 (March 1, 2010—November 30, 2010)

(Millions of yen)

	November 30, 2009	November 30, 2010
Operating activities;		
Income before income taxes	34,273	36,925
Depreciation and amortization	19,021	24,148
Increase (decrease) in provision for allowance for retirement benefits to employees	880	755
Interest received	(521)	(493)
Interest expense	228	706
Loss on impairment of long-lived assets	2,394	4,311
Loss on retirement of noncurrent assets	1,535	1,379
Other-net	3,470	(619)
Decrease (increase) in accounts receivable due from franchised stores	5,920	1,578
Decrease (increase) in accounts receivable—other	3,680	(416)
Increase (decrease) in accounts payable—trade and due to franchised stores	4,553	12,357
Increase (decrease) in accounts payable—other	(11,144)	(7,019)
Increase (decrease) in deposits received	2,267	(910)
Increase (decrease) in guarantee deposits received from franchisee and lessees	(3,073)	(788)
Other-net	(4,929)	2,167
Subtotal	58,555	74,082
Interest income received	520	496
Interest expenses paid	(229)	(706)
Income taxes paid	(17,977)	(16,078)
Net cash flows provided by operating activities	40,868	57,794
Investing activities;		
Payments into time deposits	(6,080)	(23,000)
Proceeds from withdrawal of time deposits	1,500	15,500
Payment for purchase of marketable securities	(2,799)	—
Proceeds from redemption of marketable securities	4,100	2,500
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	455
Payment for acquisition of property and store equipment	(18,672)	(15,845)
Payment for acquisition of intangible fixed assets	(7,256)	(5,280)
Purchase of stocks of subsidiaries and affiliates	(110)	—
Other – net	(1,729)	(798)
Net cash used in investing activities	(31,048)	(26,468)

Financing activities;		
Repayment of long-term loans payable	(1,968)	—
Repayments of lease obligations	(4,233)	(6,543)
Cash dividends paid	(15,866)	(16,422)
Purchase of treasury stock	—	(3,507)
Other	(217)	(55)
Net cash used in financing activities	(22,286)	(26,528)
Effect of exchange rate change on cash and cash equivalents	—	(12)
Net increase (decrease) in cash and cash equivalents	(12,466)	4,784
Cash and cash equivalents, beginning of period	83,981	54,843
Cash and cash equivalents at end of period	71,515	59,627

(4) Notes to Going Concern

Not Applicable

(5) Segment Information

1. Business segment information

The Company operates mainly the franchised store business and total operating revenue, operating income of the franchised store business account for more than 90% of the respective consolidated totals at all segments for the nine-month period ended November 30, 2010, therefore business segment information is excluded.

2. Geographic segment information

Net sales in Japan account for more than 90% of total net sales at all segments for the nine-month period ended November 30, 2010, therefore geographical segment information is excluded.

3. Overseas sales

Overseas sales account for less than 10% of consolidated sales at all segments for the nine-month period ended November 30, 2010, therefore overseas sales information is excluded.

(6) Notes to Significant Changes in Shareholders' Equity

As a result of the share exchange between LAWSON and Ninety-nine Plus Inc. effected on July 1, 2010, legal capital surplus increased 5,069 million yen. Furthermore, legal capital surplus reserve increased 1,107 million yen as a result of a share exchange between LAWSON and LAWSON ENTERMEDIA, INC. on the same date.

LAWSON repurchased 902,300 shares of common stock of the Company for 3,505 million yen in accordance with a resolution passed at the Board of Directors' meeting held on July 5, 2010. Moreover, based on a resolution passed at the Board of Directors' meeting held on August 3, 2010, the Company on August 11 cancelled 902,189 shares of treasury stock costing 3,528 million yen.