

Flash Report on the Consolidated Result

for the First Quarter Ended February 29, 2012

July 5, 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

Contact: Tomoki Takanishi, Financial & Accounting Office General Manager Tel.: (03) 5435-2773

Scheduled date for submission of quarterly earnings report: July 15, 2011

Scheduled date for payment of dividend: -

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the current first quarter period (from March 1, 2010, to May 31, 2010)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Quarter	112,020	5.1	12,874	14.9	12,851	16.9
Previous 1st Quarter	106,586	(3.1)	11,201	(8.2)	10,995	(9.1)

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Quarter	(1,983)	—	-19.85	—
Previous 1st Quarter	4,081	(31.7)	41.15	41.11

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Current 1st Quarter	526,118	198,200	36.7	1,932.93
Last fiscal year	476,036	208,466	42.7	2,037.50

Notes: Capital adequacy May, 2011 193,036 million February, 2011 203,479 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2009 fiscal year	—	85.00	—	85.00	170.00
2010 fiscal year	—				
2010 fiscal year (Forecast)		87.00	—	88.00	175.00

Notes: Revision of forecast for dividends in the first quarter: None

3. Forecast Consolidated Performance for 2011 fiscal year (from March 1, 2011, to February 29, 2012)

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2011 first half	230,000	4.0	28,500	(5.5)	27,600	(7.0)	5,300	(56.9)
2011 fiscal year	461,000	4.5	57,500	3.5	55,400	1.5	19,800	22.0

Reference: Forecast net profit per share for the 2011 first half: 53.07yen

Forecast net profit per share for the 2011 fiscal year: 198.26yen

Note: Revision of forecasts for consolidated performance during the first quarter: None

4. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): 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 (Those to be stated as significant accounting policies)

1. Changes associated with revision in accounting standards: Yes

2. 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 the stocks issued in the end of term
May, 2011: 100,300,000 February, 2011: 100,300,000

ii) The number of treasury shares in the end of term
May, 2011: 433,287 February, 2011: 433,040

iii) Average number of shares during the term
May, 2011: 99,866,752 May, 2010: 99,167,810

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. Therefore, actual achievements may differ from these forecasts due to many factors.

1. Review of Operations

(1) Overview of Consolidated Operating Results

During the first quarter (March 1 to May 31, 2011) of fiscal 2011, the year ending February 29, 2012, the Japanese economy toppled back into uncertain conditions due to the influence of the power shortage mainly affecting the Kanto region as a result of the accident at the Fukushima Daiichi Nuclear Power Plant, coming on the top of the severe damage caused by the Great East Japan Earthquake.

In the retail industry, the supply chain was cut owing to the factory damage suffered by food manufacturers and prepared meal vendors as well as to distribution centers, seriously affecting the operations of these companies.

In this operating environment, the LAWSON Group (the “Company”) focused on achieving a speedy recovery of the product supply system in the disaster-affected areas by maximizing its strengths as a chain store operator with a nationwide network while aiming to realize its corporate philosophy of “Happiness and Harmony in Our Community.” As a result, customers in the affected areas praised our efforts to maintain store operations, recognizing our stores as “social infrastructure” that provided neighborhoods with essential items.

The Company also executed measures to improve customer satisfaction in convenience store operations and other businesses. Net sales from existing stores during the first quarter of fiscal 2011 increased 3.3% on a consolidated basis from the corresponding period of the previous fiscal year.

As a result, for the first quarter of fiscal 2011, total consolidated operating revenues increased ¥5,434 million from the corresponding period of the previous fiscal year to ¥112,020 million (up 5.1% year on year) and ordinary income increased ¥1,855 million from the corresponding period of the previous fiscal year to ¥12,851 million (up 16.9% year on year).

Net income decreased ¥6,064 million from the corresponding period of the previous fiscal year and the Company posted consolidated loss of 1,983 million. This was attributable primarily to extraordinary loss of ¥2,841 million, which included losses related to supporting stores that were hit by the earthquake and tsunami and loss on retirement related to store closure due to the earthquake, etc. as well as extraordinary loss of ¥8,292 million as a result of the adoption of asset retirement obligation accounting.

(Domestic and Overseas Convenience Store Operations)

On the merchandise front, we developed high-quality ingredients and proposed menus catering to customers’ needs. Based on this, we continued to promote our strategies to roll out products that would exceed our customers’ expectations thanks to their high added value relative to price and to seek to expand our customer segments by appealing to female and elderly customers.

In the rice dishes category, we developed and offered new chilled lunch boxes named “Lawson-Tei,” incorporating the preferences of female customers—who have traditionally proven reluctant to purchase convenience store lunch boxes—with respect to not only taste and texture but also color, look and feel.

The new product has been positively received by customers.

In the dessert category, one of our main areas of focus, sales of our original Uchi Café SWEETS products

remained strong, primarily backed by the outstanding performance of the Premium Roll Cake Series, which sold more than 100 million in total.

Sales by product group throughout all Lawson Group stores

Fiscal period Product group	Previous 1st Quarter March 1, 2010 to May 31, 2010		Current 1st Quarter March 1, 2011 to May 31, 2011	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
	Processed foods	217,555	54.2	240,157
Fast foods	75,134	18.7	77,888	18.2
Daily delivered foods	61,775	15.4	65,055	15.2
Nonfood products	47,058	11.7	45,714	10.7
Total	401,524	100.0	428,815	100.0

In sales promotions, the Company prioritized campaigns that are highly successful in boosting sales, such as the Spring Rilakkuma Fair and the Second Keion!! Fair. These promotions were popular with customers.

As for services, total membership in the Ponta multi-partner shopping points program the Company joined in March 2010 reached 32 million as of May 31, 2011, including members of other participating companies. LAWSON executed measures to provide appealing point service to Ponta members while working to expand the membership.

In store operations, we offered guidance to stores on how to place orders based on customer-generated data by utilizing PRiSM, our core IT system. In addition, we used data collected from the Ponta card members to create sales spaces based on merchandise assortments tailored to the needs of local customers.

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 Domestic Stores]

(Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total stores as of February 28, 2011	8,686	90	1,077	9,853
Change during fiscal year	31	1	(9)	23
Total stores as of May 31, 2011	8,717	91	1,068	9,876

Number of Domestic stores by prefecture (As of May 31, 2011)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	542	Saitama	393	Gifu	122	Tottori	92	Saga	62
Aomori	170	Chiba	352	Shizuoka	182	Shimane	91	Nagasaki	87
Iwate	149	Tokyo	1,300	Aichi	476	Okayama	123	Kumamoto	93
Miyagi	182	Kanagawa	703	Mie	94	Hiroshima	142	Oita	140
Akita	153	Niigata	104	Shiga	128	Yamaguchi	112	Miyazaki	79
Yamagata	62	Toyama	111	Kyoto	251	Tokushima	102	Kagoshima	104
Fukushima	93	Ishikawa	87	Osaka	971	Kagawa	98	Total	9,876
Ibaraki	110	Fukui	99	Hyogo	558	Ehime	155		
Tochigi	107	Yamanashi	73	Nara	98	Kochi	58		
Gunma	68	Nagano	131	Wakayama	110	Fukuoka	359		

LAWSON Okinawa, the Company's equity-method affiliate, was operating 141 stores in Okinawa Prefecture as of May 31, 2011.

CHONGQING LAWSON CO., LTD., the Company's consolidated subsidiary, was operating 9 stores in Chongqing, China as of May 31, 2011.

SHANGHAI HUALIAN LAWSON CO., LTD., the Company's Chinese equity-method affiliate, was operating 305 stores in Shanghai, China, as of May 31, 2011.

The Company's consolidated subsidiary Ninety-nine Plus Inc., which operates a chain of fresh food convenience stores such as LAWSON STORE100 and SHOP99, continued to promote store openings and franchise expansion in a proactive manner. The number of fresh food LAWSON stores (hybrid stores), namely conventional LAWSON stores but with designated sales spaces for fresh foods, was 1,284 as of May 31, 2011.

(Other Businesses)

In addition to convenience store operations, the Company is involved in entertainment/e-commerce, financial services, and other businesses.

The Company's consolidated subsidiaries LAWSON ENTERMEDIA, INC., and HMV Japan K.K., which operate entertainment/e-commerce-related businesses, posted operating income exceeding that for the corresponding period of the previous fiscal year as a result of measures that included cost reduction efforts, despite the negative impacts of the Great East Japan Earthquake such as voluntary restraint and postponement of some concerts and the release of new CDs and DVDs, etc.

Meanwhile, the Company resolved at its Board of Directors' Meeting on May 31 that it will merge LAWSON ENTERMEDIA, INC. and HMV Japan K.K. as of September 1 in order to maximize synergy effects in the entertainment/e-commerce business in the future. LAWSON will work to increase the

competitiveness and corporate value of the LAWSON Group in entertainment/e-commerce through improved operational efficiency, while leveraging the strengths of both companies. This will be achieved through integrated organizational management, fast decision-making and the reallocation of management resources.

LAWSON ATM Networks, Inc., which operates a financial services-related business, has been working to increase the number of transactions in response to the increased number of automatic teller machines installed nationwide in LAWSON stores. As of May 31, 2011, the number of ATMs installed nationwide reached 8,614.

2. Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

(1) Financial Position at the First quarters end

Total Assets, Total Liabilities and Net Assets at First Quarter-End

At May 31, 2011, total assets stood at ¥526,118 million, an increase of ¥50,081 million from February 28, 2011. This mainly reflected a ¥44,679 million increase in cash and bank deposits because of an increase in bill settlement transactions and other factors.

Total liabilities increased ¥60,348 million from February 28, 2011 to ¥327,918 million at May 31, 2011. This mainly reflected a ¥45,566 million increase in deposits received due to higher bill settlement transactions and other factors.

Net assets stood at ¥198,200 million, down ¥10,266 million from February 28, 2011. This is primarily due to the decrease of retained earnings by 10.471 billion yen, following the payment of 8.488 billion yen in dividends and the posting of a quarterly net loss of 1.983 billion yen.

(2) Cash Flows During First Quarter

Cash and cash equivalents at May 31, 2011 were ¥108,992 million, up ¥41,280 million compared with February 28, 2011.

Operating activities provided net cash of ¥59,970 million, an increase of ¥5,432 million from the corresponding period of the previous fiscal year, mainly due to increase in deposits received.

Investing activities used net cash of ¥7,871 million, a decrease of ¥3,050 million from the corresponding period of the previous fiscal year, mainly due to a increase in payment for the time deposits.

Financing activities used net cash of ¥10,829 million, an increase of ¥72 million over the corresponding period of the previous fiscal year, mainly due to an increase in payments of Dividend.

3. 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

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

4. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of May 31, 2011 and February 28, 2011

(Millions of yen)

	May 31, 2011	February 28, 2011
Current assets:		
Cash and bank deposits	119,496	74,816
Accounts receivable—due from franchised stores	15,623	16,159
Marketable securities	-	2,999
Merchandise inventories	7,408	7,011
Accounts receivable—other	29,426	29,285
Deferred tax assets	3,360	4,943
Other	10,311	9,891
Allowance for doubtful accounts	(95)	(97)
Total	185,531	145,009
Fixed assets:		
Property and store equipment		
Buildings and structures	204,085	192,865
Accumulated depreciation	(103,874)	(96,463)
Buildings and structures-net	100,210	96,401
Vehicles, tools, furniture and fixtures	61,927	61,156
Accumulated depreciation	(49,258)	(47,914)
Vehicles, tools, furniture and fixtures-net	12,668	13,241
Other	62,721	58,311
Accumulated depreciation	(11,162)	(9,120)
Other-net	51,559	49,190
Subtotal	164,438	158,833
Intangible fixed assets;		
Software	27,962	27,901
Goodwill	7,374	7,717
Other	476	477
Subtotal	35,812	36,096
Investments and Other;		
Long-term loans receivable	31,426	31,825
Lease deposits	81,963	81,654
Deferred tax assets	17,042	13,253
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,395	15,372
Other	10,567	10,037
Allowance for doubtful accounts	(16,060)	(16,047)
Subtotal	140,335	136,096
Total	340,586	331,026
Total assets	526,118	476,036

(Millions of yen)

	May 31, 2011	February 28, 2011
Current liabilities:		
Accounts payable — trade	91,398	81,398
Accounts payable— due to franchised stores	1,539	1,179
Income taxes payable	2,982	10,673
Deposits received	107,906	62,340
Accrued employees' bonuses	1,737	3,768
Provision for use of points granted	1,126	1,287
Other	30,861	31,947
Total	237,541	192,595
Long-term Liabilities;		
Allowance for employees' retirement benefits	7,802	7,529
Allowance for retirement benefits to executive officers and corporate auditors	237	234
Deposits received from franchisees and lessees	36,494	37,139
Asset retirement obligations	14,178	-
Other	31,663	30,070
Total	90,376	74,974
Total Liabilities	327,918	267,570
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	47,696	47,696
Retained earnings	89,136	99,608
Treasury stock	(1,694)	(1,693)
Total Owners' equity	193,645	204,117
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(2)	(4)
Land revaluation difference	(634)	(634)
Foreign currency translation adjustments	28	1
Valuation and translation adjustments	(609)	(638)
Stock acquisition rights	405	405
Minority interests	4,758	4,581
Total net assets	198,200	208,466
Total Liabilities and net assets	526,118	476,036

(2) Consolidated Statements of Income(Unaudited)

For the first quarter of the fiscal year ending May 31, 2010 and 2011 (March 1, 2011-May 31, 2011)

(Millions of yen)

	May 31, 2010	May 31, 2011
Total operating revenues	106,586	112,020
Net sales	48,026	49,399
Cost of goods sold	35,544	37,076
Gross Profit	12,482	12,322
Franchise commission from franchised stores	46,308	49,718
Other	12,251	12,903
Operating revenues	58,559	62,621
Operating gross profit	71,042	74,944
Selling, general and administrative expenses	59,840	62,069
Operating profit	11,201	12,874
Non – operating income and expenses;		
Non – operating income;	501	463
Interest received	163	157
Compensation income	142	-
Other	195	305
Non – operating expenses;	706	486
Interest expense	220	268
Loss on cancellation of store lease	350	84
Other	136	133
Recurring profit	10,995	12,851
Special gains and losses;		
Special gains;	-	20
Gain on change in equity	-	20
Special losses;	3,172	14,138
Loss on disposal of fixed assets	747	742
Loss on impairment of long-lived assets	2,180	2,219
Loss on disaster	-	2,841
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	8,292
Other	244	41
Income before income taxes and minority interests	7,823	(1,266)
Income taxes;	3,567	548
Income taxes - current	1,685	2,757
Deferred income taxes	1,881	(2,208)
Minority interests in net income	174	168
Net profit	4,081	(1,983)

(3) Consolidated Statements of Cash Flows (Unaudited)

For the first quarter of the fiscal year ending May 31, 2010 and 2011 (March 1, 2011-May 31, 2011)

	(Millions of yen)	
	May 31, 2010	May 31, 2011
Operating activities;		
Income before income taxes	7,823	(1,266)
Depreciation of fixed assets	7,640	8,679
Increase in provision for allowance for retirement benefits to employees	276	272
Interest received and dividend income received	(163)	(157)
Interest expense	220	268
Loss on impairment of long-lived assets	2,180	2,219
Loss from disposal of fixed assets	400	747
Loss on disaster	-	2,841
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	8,292
Other-net	(1,674)	(1,449)
Increase in accounts receivable due from franchised stores	6,544	(881)
Decrease in accounts receivable-other	189	(145)
Increase in accounts payable—trade and due to franchised stores	9,013	10,475
Decrease in accounts payable—other	(6,199)	(1,577)
Increase in deposits received	36,425	45,566
Decrease in lease deposits from franchisee and lessees	(248)	(644)
Other-net	2,394	(1,085)
Subtotal	64,822	72,156
Interest and dividend income received	162	161
Interest expenses paid	(220)	(268)
Income taxes paid	(10,227)	(11,028)
Payments for loss on disaster	-	(1,049)
Net cash flows provided by operating activities	54,537	59,970
Investing activities;		
Payments into time deposits	(400)	(9,900)
Proceeds from withdrawal of time deposits	3,000	9,500
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	455	-
Payment for acquisition of property and store equipment	(4,941)	(4,789)
Payment for acquisition of intangible fixed assets	(2,402)	(1,952)
Other – net	(532)	(729)
Net cash used in investing activities	(4,820)	(7,871)

Financing activities;		
Repayments of lease obligations	(2,801)	(2,322)
Cash dividends paid	(7,933)	(8,488)
Other	(21)	(18)
Net cash used in financing activities	(10,756)	(10,829)
Net cash used in financing activities	-	10
Net increase in cash and cash equivalents	38,960	41,280
Cash and cash equivalents, beginning of year	54,843	67,712
Cash and cash equivalents at end of period	93,803	108,992

(4) Notes to Going Concern

Not Applicable

(5) Segment Information

[Business segment information]

(From March 1, 2010 to May 31, 2010)

The Company operates mainly the franchised store business and total operating revenue, operating income and total assets of the franchised store business account for more than 90% of the respective consolidated totals at all segments for current 1st Quarter, therefore information by industry segment is omitted.

[Geographic segment information]

(From March 1, 2010 to May 31, 2010)

Because net sales in Japan account for more than 90% of total net sales, LAWSON has omitted geographical segment information.

[Overseas sales]

(From March 1, 2010 to May 31, 2010)

Overseas sales account for less than 10% of consolidated sales at all segments for current 1st Quarter, therefore overseas sales information is omitted.

[Segment Information]

i) Outline of reporting segments

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

The Group's primary business is the operation of convenience stores, which is undertaken by the incorporation of related businesses.

Therefore, the Group has made the convenience store unit its main reporting segment, based on consideration of financial characteristics and the nature of the services provided.

LAWSON and 99plus running the LAWSON, NATURAL LAWSON, LAWSON STORE 100 and other chains, the convenience store unit operates a franchise system as well as undertaking the direct management of stores in Japan.

ii) Information related to the amount of sales, profit and loss by segment

Consolidated performance for the current first quarter period (from March 1, 2011, to May 31, 2011)(million yen)

	Convenience store business	Others (Note 1)	Total	Adjusted amount	Amount posted on the quarterly consolidated profit and loss statement (Note 2)
Total operating revenues					
Sales to external customers	98,234	13,785	112,020	-	112,020
Internal sales or transfers between segments	500	402	903	(903)	-
Total	98,735	14,188	112,923	(903)	112,020
Segment profit	12,126	747	12,874	-	12,874

(Note) 1. The “other” category refers to business segments that do not fall under the main reporting segment and includes the entertainment/e-commerce segment and overseas segment.

2. The segment profit is adjusted against the operating profits of the quarterly consolidated profit and loss statement.

iii) Information related to impairment loss or goodwill of fixed assets by reporting segment

(Significant impairment losses related to fixed assets)

The Group defines a store as the primary basic unit and the smallest unit that generates cash flow. For asset groups that have continuously generated losses from their sales activities, their book value has been reduced to a recoverable amount and such amount has been posted as impairment loss under extraordinary losses.

The amount posted for the convenience store segment is 2,218 million yen.

(6) Notes to Significant Changes in Shareholders' Equity

Not Applicable