

Flash Report on the Consolidated Result

for the First Quarter Ended February 28, 2013

July 3, 2012

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 13, 2012

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, 2012, to May 31, 2012)

(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	121,434	8.4	13,950	8.4	13,763	7.1
Previous 1st Quarter	112,020	5.1	12,874	14.9	12,851	16.9

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Quarter	6,267	—	62.74	62.64
Previous 1st Quarter	(1,983)	—	(19.85)	—

Notes: Comprehensive income May, 2012 6,046 million February, 2012 (1,785) million

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	¥ Million	¥ Million	%
Current 1st Quarter	577,748	210,847	36.0
Last fiscal year	531,453	214,662	39.7

Notes: Capital adequacy May, 2012 207,937 million February, 2012 211,154 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2011 fiscal year	—	87.00	—	93.00	180.00
2012 fiscal year	—				
2012 fiscal year (Forecast)		95.00	—	95.00	190.00

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

3. Forecast Consolidated Performance for 2012 fiscal year (from March 1, 2012, to February 28, 2013)

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2012 first half	251,000	4.6	34,000	4.4	33,600	3.1	16,700	86.4
2012 fiscal year	503,000	5.0	66,000	6.8	65,100	5.5	33,400	34.2

Reference: Forecast net profit per share for the 2012 first half: 167.19yen

Forecast net profit per share for the 2012 fiscal year: 334.38yen

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

(2) Adoptions of special accounting methods in presentation of quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimation, retrospective restatement

1. Changes of accounting policies associated with revision in accounting standards: None

2. Other changes: None

3. Changes in accounting estimation: None

4. Retrospective restatement: None

(4) Number of issued shares:

i) The number of the stocks issued in the end of term

May, 2012: 100,300,000 February, 2012: 100,300,000

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

May, 2012: 415,208 February, 2012: 416,166

iii) Average number of shares during the term

May, 2012: 99,883,984 May, 2011: 99,866,752

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) Review of Operating Results

During the first quarter (March 1 to May 31) of fiscal 2012, the year ending February 28, 2013, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce a social infrastructure function that provides essential items at the local level with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in our Communities.” By promoting operational reform, PRiSM, that is based on analysis of card data from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM) and supply chain management (SCM) in order to offer a product lineup that meets the specific needs of customers in each neighborhood.

As a result, for the first quarter of fiscal 2012, total operating revenues increased by 8.4% on a consolidated basis from the corresponding period of the previous fiscal year to ¥121,434 million. This was due to a ¥6,005 million increase in franchise commissions from franchised stores owing to a positive effect of measures taken to expand customer bases comprising women and the elderly. Selling, general and administrative expenses grew by 11.6% from the corresponding period of the previous fiscal year to ¥69,293 million due to a rise in sales promotion and advertising expenses. Consequently, operating income climbed ¥1,075 million, or 8.4% from the corresponding period of the previous fiscal year to ¥13,950 million. Recurring profit grew ¥911 million, or 7.1% from the corresponding period of the previous fiscal year to ¥13,763 million. At the same time, extraordinary loss declined by ¥11,089 million from the corresponding period of the previous fiscal year to ¥3,048 million due to asset retirement obligations and losses stemming from the Great East Japan Earthquake disaster which were recognized in the previous fiscal year. As a result, net income rose ¥8,250 million to ¥6,267 million.

Operating results by business segment are as follows.

(Convenience Store Operations)

The status of merchandising strategy and services, store operations, store development and other aspects of Convenience Store Operations and Overseas Businesses for the first quarter of fiscal 2012 is outlined as follows.

[Merchandising Strategy and Services]

On the merchandising front, the Group developed menus that cater to customer needs as follows by leveraging customer purchase data acquired through the Ponta program, which the Group joined in March 2010. We also managed to provide appealing products that offer value for money as a result of the enhancement of added-value in the ingredients procurement process, including bulk procurement of high-quality food materials via a dedicated section, which resulted in an improvement of gross margin ratio.

In the rice category, our key merchandize segment, we offered chilled sushi boxes after carefully reviewing ingredients and production methods and paying detailed attention to how to handle difficult

ingredients such as tuna and rice, in order to incorporate the needs of elderly customers aged 50 and over. In the over-the-counter fast food category, we continued to focus on prepared fast foods such as croquettes and minced cutlets and launched new menus including specialty fried chicken and new flavors for our Karaagekun, which contributed to significant sales growth in this category.

Regarding our private brand, “Lawson select,” which is mainly comprised of prepared foods, processed foods, and daily necessities, we expanded the product lineup in order to incorporate breakfast-related needs. We also enhanced the selection of items targeting working women and homemakers and launched new products such as bottled beverages, which resulted in robust sales growth in this category.

In the dessert category, we conducted an extensive study of Anko (bean paste) used at specialty Japanese-style sweet shops and from this, developed delicious Anko by boiling Tokachi-grown adzuki beans with crystalline sugar. Sales in this category remained strong, boosted by the launch of “*Ankoya*,” the authentic Japanese sweet series from our Uchi Café SWEETS line, which uses our specialty Anko as an ingredient.

[Breakdown of sales at chain stores by merchandise category]

Fiscal period Product group	Previous 1st Quarter March 1, 2011 to May 31, 2011		Current 1st Quarter March 1, 2012 to May 31, 2012	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
	Processed foods	240,157	56.0	263,772
Fast foods	77,888	18.2	87,852	18.8
Daily delivered foods	65,055	15.2	68,498	14.6
Nonfood products	45,714	10.6	47,818	10.2
Total	428,815	100.0	467,941	100.0

In sales promotions, the Group focused on campaigns anticipated to bring a high return on investment (ROI) and implemented programs centered on tie-ups with popular characters/events such as Rilakkuma and the Spring Rilakkuma Fair. In addition, we implemented a number of loyalty point programs that target Ponta members with the aim of increasing the ratio of repeat customers by boosting customer loyalty. Total Ponta members reached 41.85 million as of May 31, 2012, including members that joined through other participating companies. In addition to expanding its Ponta membership base, Lawson provided loyalty points exclusively to Ponta members, which resulted in an increase in the sales ratio of Ponta members to approximately 43%.

[Store Operations]

To improve store operations, we promoted the optimization of retail spaces and merchandise assortments that matched customer needs specific to each neighborhood by utilizing our backbone IT system to analyze customer sales data collected from Ponta cards, and used the analyzed data in store-based order placements. This operational reform in store operations method is PRiSM. Through the promotion of

PRiSM, we have strived to enhance accuracy in order placement in order to reduce opportunity loss.

Through these measures, we will continue to work toward creating stores that fully satisfy the desires of customers to purchase “whatever you want, whenever and wherever you need it.”

[Store Development and Format Strategy]

In opening new stores, the Group has focused on maximizing return on investment (ROI) and has strictly adhered to its proprietary standards for opening stores, in addition to prioritizing profitability.

Regarding the format strategy, we promoted store openings and refurbishment to meet the needs of customers specific to each neighborhood through LAWSON, NATURAL LAWSON and LAWSON Store100.

[Change in the Total Number of Stores] (March 1, 2012 – May 31, 2012)

	LAWSON	NATURAL LAWSON	LAWSON STORE100	Total
Total stores as of March 1, 2012	9,038	100	1,172	10,310
Change during fiscal year	263	1	8	272
Total stores as of May 31, 2012	9,301	101	1,180	10,582

[Distribution of Stores in Japan by Region (As of May 31, 2012)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	561	Saitama	437	Mie	99	Okayama	126	Saga	63
Aomori	177	Chiba	419	Ishikawa	91	Hiroshima	149	Nagasaki	90
Akita	159	Ibaraki	120	Toyama	183	Yamaguchi	115	Oita	144
Iwate	157	Tokyo	1,488	Fukui	103	Tottori	94	Kumamoto	100
Miyagi	193	Kanagawa	756	Kyoto	260	Shimane	93	Miyazaki	86
Yamagata	65	Shizuoka	191	Shiga	130	Kagawa	100	Kagoshima	111
Fukushima	90	Yamanashi	84	Nara	102	Ehime	164	Total	10,582
Niigata	112	Nagano	137	Wakayama	115	Tokushima	104		
Tochigi	113	Aichi	496	Osaka	989	Kochi	62		
Gunma	73	Gifu	126	Hyogo	576	Fukuoka	379		

The number of LAWSON STORE100 fresh foods convenience stores, operated by the Group’s consolidated subsidiary Ninety-nine Plus Inc., reached 1,180 as of May 31, 2012. We have been converting company operated stores into franchised stores to promote our franchise-based store management, which is one of the Group’s strengths. In addition, at our fresh food-type LAWSON stores, that are enhanced conventional LAWSON stores with a stronger assortment of perishable foods and daily delivered foods, we promoted a strategy to expand our customer base by attracting elderly customers and homemakers. As of May 31, 2012, the number of these fresh food-type LAWSON stores totaled 4,273.

With the aim of supplying high-quality products on a steady basis, we are operating seven Lawson Farms in Japan, which are partially funded by the Group, and are selling fresh vegetables produced at these farms primarily at fresh food-type convenience stores.

The number of LAWSON chain stores operated by Lawson Toyama, Inc., a consolidated subsidiary of Lawson, Inc. (hereinafter, "the Company"), reached 74 as of May 31, 2012. The number of LAWSON chain stores operated by the Company's equity-method affiliate, Lawson Okinawa, Inc., through a business alliance agreement with SAN-A CO., LTD. totaled 150 as of May 31, 2012.

Regarding convenience stores operated by CVS Bay Area, Inc., with which the Company concluded a franchise agreement as of January 25, 2012, we promoted conversion of their stores into LAWSON stores starting March 1, 2012 and completed the conversion of all stores by May 31, 2012.

[Overseas Operations]

Regarding our business in the People's Republic of China (hereinafter, "China"), the Company established Lawson (China) Holdings, Inc. (hereinafter, "Lawson China") in Shanghai, China in May 2012, as a holding company (investment company) that controls business investment, license management, and administrative management functions within China. The Company's subsidiaries in Shanghai, Chongqing and Dalian will be controlled by Lawson China in the future. The number of LAWSON stores operated by Shanghai Hualian Lawson, Inc., the Company's 85% subsidiary, totaled 325 as of May 31, 2012. Chongqing Lawson, Inc., the Company's 100% subsidiary, was operating 50 LAWSON stores as of May 31, 2012 while Dalian Lawson, Inc., the Company's 95% subsidiary, was operating 7 LAWSON stores as of May 31, 2012.

Outside of China, within the Republic of Indonesia, PT MIDI UTAMA INDONESIA Tbk (hereinafter, "MIDI"), in which the Company's wholly-owned consolidated subsidiary Lawson Asia Pacific Holdings Pte. Ltd. has a 30% equity stake, operates 548 stores in its own store format and 32 LAWSON stores in Jakarta and its outskirts.

(Other Businesses)

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

We continued to leverage our alliance with Yahoo JAPAN Corporation and expanded e-commerce business with a primary focus on the Group's online shopping mall, Loppi.

In April, we launched "LAWSON Wi-Fi," an unlimited wireless LAN access service for smart phones that can be used to connect free of charge to any websites 24 hours a day (excluding maintenance hours after midnight). This service has been introduced to almost all LAWSON stores, excluding some stores located within hospitals. Through this service, it has become possible for customers with Ponta cards to connect to the Internet using their smartphones provided by major mobile phone service operators (KDDI, NTT DoCoMo and Softbank Mobile).

The Company's consolidated subsidiary Lawson HMV Entertainment, Inc., which is engaged in entertainment/e-commerce-related business, delivered robust results due to strong sales of tickets for large-scale shows and performances following a stagnant performance during the corresponding period of the previous fiscal year that saw voluntary cancellations and postponements of some concerts in the wake of the Great East Japan Earthquake.

Lawson ATM Networks, Inc., which operates a financial services-related business, has worked to increase the number of transactions in response to the increased number of ATMs installed nationwide in LAWSON stores. As of May 31, 2012, the number of ATMs installed nationwide totaled 9,276.

(2) Qualitative Information Regarding Changes in Consolidated Financial Indicators

“Assets”

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

At May 31, 2012, total assets stood at ¥577,748 million, an increase of ¥46,295 million from February 29, 2012. This mainly reflected a ¥43,582 million increase in cash and bank deposits because of an increase in bill settlement transactions and other factors

“Liabilities”

Total liabilities increased ¥50,109 million from February 29, 2012 to ¥366,900 million at May 31, 2012. This mainly reflected a ¥49,150 million increase in deposits received due to higher bill settlement transactions and other factors.

“Net assets”

Net assets stood at ¥210,847 million, down ¥3,814 million from February 29, 2012. This is mainly due to the payment of ¥9.289 million in dividends although quarterly net profit of ¥6,267 million.

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 accounting methods particular to presentation of quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimation, retrospective restatement: None

3. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of May 31, 2011 and May 31, 2012

	(Millions of yen)	
	May 31, 2011	May 31, 2012
Current assets:		
Cash and bank deposits	79,074	122,657
Accounts receivable—due from franchised stores	19,521	21,609
Merchandise inventories	8,075	8,407
Accounts receivable—other	32,645	34,158
Deferred tax assets	4,800	3,216
Other	16,190	11,511
Allowance for doubtful accounts	(149)	(158)
Total	160,157	201,402
Fixed assets:		
Property and store equipment		
Buildings and structures	219,536	225,009
Accumulated depreciation	(112,475)	(115,501)
Buildings and structures-net	107,061	109,507
Vehicles, tools, furniture and fixtures	63,563	64,882
Accumulated depreciation	(49,549)	(50,325)
Vehicles, tools, furniture and fixtures-net	14,013	14,556
Lease assets	72,538	77,634
Accumulated depreciation	(18,400)	(21,257)
Lease assets-net	54,137	56,376
Other	8,622	9,030
Subtotal	183,835	189,472
Intangible fixed assets;		
Software	19,288	25,387
Goodwill	10,871	10,765
Other	8,816	1,296
Subtotal	38,977	37,449
Investments and Other;		
Long-term loans receivable	32,138	32,714
Lease deposits	83,665	84,223
Deferred tax assets	16,870	17,551
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,136	15,142
Other	16,523	15,604
Allowance for doubtful accounts	(15,851)	(15,811)
Subtotal	148,483	149,424
Total	371,295	376,346
Total assets	531,453	577,748

	(Millions of yen)	
	May 31, 2011	May 31, 2012
Current liabilities:		
Accounts payable — trade	88,262	97,753
Accounts payable— due to franchised stores	1,390	1,543
Lease obligations	11,223	12,150
Income taxes payable	15,305	4,010
Deposits received	75,004	124,155
Accrued employees' bonuses	3,204	1,831
Provision for use of points granted	701	473
Other	22,886	23,356
Total	217,978	265,274
Long-term Liabilities;		
Lease obligations	37,902	39,993
Allowance for employees' retirement benefits	8,745	8,996
Allowance for retirement benefits to executive officers and corporate auditors	308	276
Deposits received from franchisees and lessees	35,735	35,752
Asset retirement obligations	15,161	15,658
Other	960	950
Total	98,812	101,626
Total Liabilities	316,791	366,900
Shareholders' equity;		
Common stock	58,506	58,506
Capital surplus	47,707	47,707
Retained earnings	107,249	104,227
Treasury stock	(1,627)	(1,624)
Total Shareholders' equity	211,835	208,817
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(11)	(21)
Land revaluation difference	(567)	(567)
Foreign currency translation adjustments	(101)	(289)
Valuation and translation adjustments	(680)	(879)
Stock acquisition rights	442	442
Minority interests	3,064	2,468
Total net assets	214,662	210,847
Total Liabilities and net assets	531,453	577,748

(2) Consolidated Statements of Income (Unaudited)

For the 1st quarter of the fiscal year (From March 1, 2011 to May 31, 2011) (From March 1, 2012 to May 31, 2012)

(Millions of yen)

	May 31, 2011	May 31, 2012
Total operating revenues	112,020	121,434
Net sales	49,399	50,878
Cost of goods sold	37,076	38,191
Gross Profit	12,322	12,687
Franchise commission from franchised stores	49,718	55,724
Other	12,903	14,832
Operating revenues	62,621	70,556
Operating gross profit	74,944	83,243
Selling, general and administrative expenses	62,069	69,293
Operating profit	12,874	13,950
Non – operating income and expenses;		
Non – operating income;	463	467
Interest received	157	171
Compensation income	86	77
Equity in earnings of affiliates	25	79
Other	193	138
Non – operating expenses;	486	654
Interest expense	268	293
Loss on cancellation of store lease	84	123
Other	133	237
Recurring profit	12,851	13,763
Extraordinary income and losses;		
Extraordinary income;	20	289
Gain on change in equity	20	-
Gain on sales of investment securities	-	145
Gain on negative goodwill	-	144
Extraordinary losses;	14,138	3,048
Loss on retirement of noncurrent assets	742	340
Impairment loss	2,219	2,562
Loss on disaster	2,841	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	8,292	-
Other	41	145
Income before income taxes and minority interests	(1,266)	11,003
Income taxes;	548	4,752
Income taxes - current	2,757	3,842
Deferred income taxes	(2,208)	910
Income before minority interests	(1,814)	6,251
Minority interests in net income	168	(16)
Net profit	(1,983)	6,267

Consolidated Statements of Comprehensive Income (Unaudited)

For the 1st quarter of the fiscal year (From March 1, 2011 to May 31, 2011) (From March 1, 2012 to May 31, 2012)

	(Millions of yen)	
	May 31, 2011	May 31, 2012
Income before minority interests	(1,814)	6,251
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(10)
Foreign currency translation adjustment	12	8
Share of other comprehensive income of associates accounted for using equity	14	(202)
Total other comprehensive income	29	(204)
Comprehensive income	(1,785)	6,046
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,953)	6,068
Comprehensive income attributable to minority interests	168	(21)

(3) Notes to Going Concern

Not Applicable.

(4) Notes to Significant Changes in Shareholders' Equity

Not Applicable