

## Flash Report on the Consolidated Result

for the 3rd Quarter Ended February 28, 2013

January 9, 2013

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: January 15, 2013

Scheduled date for payment of dividend: -

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the current 3rd quarter of the current period (from March 1, 2012, to November 30, 2012)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 3rd Quarter	372,266	3.2	53,495	7.5	53,163	6.8
Previous 3rd Quarter	360,865	9.0	49,772	8.4	49,763	9.9

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 3rd Quarter	28,546	38.5	285.79	285.35
Previous 3rd Quarter	20,614	(0.8)	206.41	206.16

Notes: Comprehensive income November, 2012 28,123 million(34.3%) November, 2011 20,942 million(- %)

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
	¥ Million	¥ Million	%
At November 30, 2012	552,103	223,412	39.8
Last fiscal year	531,453	214,662	39.7

Notes: Capital adequacy November, 2012 219,771 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	—	100.00	—		
2012 fiscal year (Forecast)				100.00	200.00

Notes: Revision of forecast for dividends in the first half: No

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 fiscal year	501,000	4.6	66,000	6.8	65,100	5.5	33,400	34.2

Reference: Forecast net profit per share for the 2012 fiscal year: 334.37yen

Note: Revision of forecasts for consolidated performance during the first half: No

4. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): Yes

Lawson (China) Holdings, Inc.

(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

November, 2012: 100,300,000      February, 2012: 100,300,000

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

November, 2012: 410,959      February, 2012: 416,166

iii) Average number of shares during the term

November, 2012: 99,886,354      November, 2011: 99,868,413

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 nine months of fiscal 2012, the period from March 1 to November 30, 2012, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce its 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)<sup>\*1</sup> and supply chain management (SCM)<sup>\*2</sup> in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

<sup>\*1</sup> Customer relationship management (CRM)

A marketing management method for providing merchandise and services that meet the specific needs of customers

<sup>\*2</sup> Supply chain management (SCM)

A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

As a result, for the first nine months of fiscal 2012 on a consolidated basis, total operating revenues increased by 3.2% from the corresponding period of the previous fiscal year to ¥372,266 million. Consequently, operating profit increased by 7.5% year on year, to ¥53,495 million, and recurring profit in grew by 6.8% year on year, to ¥53,163 million. Net profit rose ¥7,932 million, up 38.5% year on year, to ¥28,546 million owing in part to extraordinary loss, which decreased ¥12,247 million, due to asset retirement obligations and losses stemming from the Great East Japan Earthquake disaster recognized in the previous fiscal year.

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 nine months of fiscal 2012 is outlined as follows.

#### [Merchandising and Service Strategies]

On the merchandising front, the Group developed original products that cater to customer needs such as ready-made meals (ex. lunch boxes, over-the-counter fast foods, and others) and items from our private brand, “Lawson select,” which is mainly comprised of prepared food and delicatessen items, processed foods, daily necessities, and beverages, by leveraging customer purchase data acquired through the Ponta program that 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, which resulted in an improvement of gross profit margin ratio.

In an effort to expand our customer base, we strengthened our lineup of pre-cut vegetables and other fresh food items under our Fresh Foods Convenience Store Declaration launched on October 30, 2012, while also striving to encourage multi-item purchasing by expanding our lineup of processed foods such as seasoned cooking mixes.

In addition, we continued to fortify our fast food category to improve store profitability. Specifically, we promoted sales of prepared fast foods such as fried chicken, and increased the number of stores equipped with MACHI café, which totaled 2,253 stores as of November 30, 2012. MACHI café, which offers freshly ground drip coffee, is well-received by our customers and we intend to continue introducing the café to more stores.

In the noodles category, the Grilled Lasagna Bolognese made with authentic wide raw pasta was launched under our original brand Pasta-ya, and was a great hit, with sales volume exceeding 1 million units in October 2012.

In the dessert category, we renewed the packages of our original dessert brand, the Uchi Café SWEETS line, and launched from this line an autumn series of limited-time authentic Japanese desserts comprising seasonal delicacies—sweet potatoes, chestnuts, and pumpkin—in an effort to expand our customer base by attracting female and elderly customers.

[Breakdown of sales at chain stores by merchandise category]

Fiscal period Product group	Previous 3rd Quarter March 1, 2011 to November 30, 2011		Current 3rd Quarter March 1, 2012 to November 30, 2012	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	775,300	56.2	812,201	56.0
Fast foods	261,198	18.8	283,696	19.6
Daily delivered foods	200,659	14.6	207,982	14.3
Nonfood products	143,291	10.4	146,699	10.1
Total	1,380,450	100.0	1,450,579	100.0

In sales promotions, the Group implemented programs centered on tie-ups with popular characters such as the Autumn Rilakkuma Fair with the aim of achieving a high return on investment (ROI). In addition, we analyzed card data from Ponta members and used the information to encourage customers to visit our stores in the evening and night time. Furthermore, we proactively implemented promotional campaigns based on social networking services (SNS). Total Ponta members reached 46.19 million as of November

30, 2012(on the basis of the number of registered members only), including members that joined through other participating companies. In addition to expanding its Ponta membership base, the Group provided loyalty points exclusively to Ponta members, which resulted in an increase in the sales ratio of Ponta members to approximately 45%.

[Store Operations]

In store operations, we leveraged PRiSM, which was introduced with the aim of achieving operational reform, to reduce sales opportunity loss. In addition, we strived to enhance our efficiency and productivity in consulting services to franchise stores by proactively using tablet devices.

[Store Development and Store 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 – November 30, 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	560	11	33	604
Total stores as of November 30, 2012	9,598	111	1,205	10,914

[Distribution of Stores in Japan by Region (As of November 30, 2012)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	577	Saitama	458	Mie	101	Okayama	131	Saga	64
Aomori	182	Chiba	438	Ishikawa	95	Hiroshima	154	Nagasaki	92
Akita	167	Ibaraki	126	Toyama	192	Yamaguchi	116	Oita	147
Iwate	160	Tokyo	1,545	Fukui	101	Tottori	96	Kumamoto	102
Miyagi	197	Kanagawa	791	Kyoto	267	Shimane	99	Miyazaki	89
Yamagata	66	Shizuoka	201	Shiga	133	Kagawa	103	Kagoshima	115
Fukushima	90	Yamanashi	87	Nara	100	Ehime	167	Total	10,914
Niigata	114	Nagano	142	Wakayama	117	Tokushima	108		
Tochigi	123	Aichi	513	Osaka	999	Kochi	64		
Gunma	80	Gifu	130	Hyogo	587	Fukuoka	388		

The number of LAWSON STORE100 fresh foods convenience stores, operated by the Group's consolidated subsidiary Ninety-nine Plus Inc., reached 1,205 as of November 30, 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, which 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 housewives. As of November 30, 2012, the number of these fresh food-type LAWSON stores totaled 5,027. With the aim of steadily supplying high-quality products, 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. (hereinafter, "Lawson Toyama"), a consolidated subsidiary of Lawson, Inc. (hereinafter, "the Company"), reached 73 as of November 30, 2012. Lawson Toyama was merged into the Company on December 1, 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 153 as of November 30, 2012.

On August 29, 2012, the Company acquired five percent of the total number of shares issued by Qol Co., Ltd., with which the Company concluded a business alliance contract in 2008. The capital alliance aims to further strengthen the business alliance between the two companies and accelerate development of their business operations. The number of Pharmacy LAWSON (pharmaceutical convenience stores) operated by Qol totaled 20 as of November 30, 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 consolidated subsidiary, totaled 312 as of November 30, 2012. The Company's consolidated subsidiary, Chongqing Lawson, Inc., was operating 54 LAWSON stores as of November 30, 2012 while Dalian Lawson, Inc., another consolidated subsidiary, was operating eight LAWSON stores as of November 30, 2012.

Outside of China, within the Republic of Indonesia, PT MIDI UTAMA INDONESIA Tbk (hereinafter, "MIDI"), in which the Company's consolidated subsidiary Lawson Asia Pacific Holdings Pte. Ltd. has a 30% equity stake, operates 561 stores in its own store format and 85 LAWSON stores in Jakarta and its outskirts as well as in Bali Island as of November 30, 2012.

The Company's non-consolidated subsidiary, Lawson USA Hawaii, Inc., in Honolulu, Hawaii was

operating two LAWSON stores as of November 30, 2012.

(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 (hereinafter, "Yahoo Japan") and expanded e-commerce business with a primary focus on the Group's online shopping mall, Loppi.

In addition, on December 4, 2012, we announced that a new business will be launched in January 2013 by Smart Kitchen, Inc., a joint venture established with Yahoo JAPAN Corporation. By leveraging the know-how and infrastructure of Yahoo JAPAN Corporation and the Group, Smart Kitchen, Inc. will offer an online delivery service dubbed Smart Kitchen, distributing food and daily necessities to customers across Japan. The new service is scheduled to start in mid-January 2013, expanding the number of items available by March 2013 to 23,000, one of the largest merchandise assortments to be offered in the home delivery industry.

The Company's consolidated subsidiary Lawson HMV Entertainment, Inc., which is engaged in entertainment/e-commerce-related business, posted an increase in operating profit due to strong sales of tickets for large-scale shows and performances. Revenues from the Group's ticket issuing services for fiscal 2012 are expected to exceed ¥100 billion.

Lawson ATM Networks, Inc., a consolidated subsidiary operating a financial services-related business, posted a rise in operating profit as a result of an increase in the number of ATMs installed nationwide in LAWSON stores, along with an increase in the number of transactions. As of November 30, 2012, the number of ATMs installed nationwide totaled 9,611.

(2) Qualitative Information Regarding Changes in Consolidated Financial Indicators

Financial Position at the 3rd Quarter end Total Assets, Total Liabilities and Net Assets at 3rd Quarter End  
"Assets"

At November 30, 2012, total assets stood at ¥552,103 million, an increase of ¥20,650 million from February 29, 2012. This mainly reflected a ¥16,845 million increase in property and store equipment.

"Liabilities"

Total liabilities increased ¥11,900, million from February 29, 2012 to ¥328,691 million at November 30, 2012. This mainly reflected a ¥8,805 million increase in accounts payable-trade.

"Net assets"

Net assets stood at ¥223,412 million, an increase of ¥8,750 million from February 29, 2012. This mainly due to the payment of ¥19,278 million in dividends although quarterly net profit of ¥28,546 million.

## **2. Other**

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): Yes

Lawson (China) Holdings, Inc.

(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 November 30, 2012 and February 29, 2012

(Millions of yen)

	February 29, 2012	November 30, 2012
<b>Current assets:</b>		
Cash and bank deposits	79,074	62,104
Accounts receivable—due from franchised stores	19,521	27,869
Merchandise inventories	8,075	9,422
Accounts receivable—other	32,645	46,655
Deferred tax assets	4,800	3,055
Other	16,190	13,043
Allowance for doubtful accounts	(149)	(214)
<b>Total</b>	<b>160,157</b>	<b>161,937</b>
<b>Fixed assets:</b>		
Property and store equipment		
Buildings and structures	219,536	238,133
Accumulated depreciation	(112,475)	(121,709)
Buildings and structures-net	107,061	116,423
Vehicles, tools, furniture and fixtures	63,563	66,799
Accumulated depreciation	(49,549)	(51,985)
Vehicles, tools, furniture and fixtures-net	14,013	14,813
Lease assets	72,538	87,135
Accumulated depreciation	(18,400)	(27,096)
Lease assets-net	54,137	60,039
Other	8,622	9,403
<b>Subtotal</b>	<b>183,835</b>	<b>200,680</b>
<b>Intangible fixed assets;</b>		
Software	27,551	24,452
Goodwill	10,871	10,096
Other	553	492
<b>Subtotal</b>	<b>38,977</b>	<b>35,041</b>
<b>Investments and Other;</b>		
Long-term loans receivable	32,138	34,203
Lease deposits	83,665	85,677
Deferred tax assets	16,870	16,732
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,136	605
Other	16,523	18,463
Allowance for doubtful accounts	(15,851)	(1,239)
<b>Subtotal</b>	<b>148,483</b>	<b>154,443</b>
<b>Total</b>	<b>371,295</b>	<b>390,166</b>
<b>Total assets</b>	<b>531,453</b>	<b>552,103</b>

(Millions of yen)

	February 29, 2012	November 30, 2012
<b>Current liabilities:</b>		
Accounts payable — trade	88,262	97,067
Accounts payable— due to franchised stores	1,390	1,086
Lease obligations	11,223	13,558
Income taxes payable	15,305	7,864
Deposits received	75,004	69,956
Accrued employees' bonuses	3,204	1,293
Provision for use of points granted	701	312
Other	22,886	33,090
<b>Total</b>	<b>217,978</b>	<b>224,229</b>
<b>Long-term Liabilities;</b>		
Lease obligations	37,902	42,183
Allowance for employees' retirement benefits	8,745	9,688
Allowance for retirement benefits to executive officers and corporate auditors	308	314
Deposits received from franchisees and lessees	35,735	34,998
Asset retirement obligations	15,161	16,461
Other	960	814
<b>Total</b>	<b>98,812</b>	<b>104,462</b>
<b>Total Liabilities</b>	<b>316,791</b>	<b>328,691</b>
<b>Shareholders' equity;</b>		
Common stock	58,506	58,506
Capital surplus	47,707	47,709
Retained earnings	107,249	116,517
Treasury stock	(1,627)	(1,608)
<b>Total Shareholders' equity</b>	<b>211,835</b>	<b>221,125</b>
<b>Accumulated other comprehensive income;</b>		
Net unrealized loss on available-for-sale securities	(11)	(64)
Land revaluation difference	(567)	(567)
Foreign currency translation adjustments	(101)	(722)
<b>Total accumulated other comprehensive income</b>	<b>(680)</b>	<b>(1,354)</b>
<b>Stock acquisition rights</b>	<b>442</b>	<b>429</b>
<b>Minority interests</b>	<b>3,064</b>	<b>3,211</b>
<b>Total net assets</b>	<b>214,662</b>	<b>223,412</b>
<b>Total Liabilities and net assets</b>	<b>531,453</b>	<b>552,103</b>

## (2) Consolidated Statements of Income (Unaudited)

For the 3rd Quarter of the fiscal year (From March 1, 2011 to November 30, 2011) (From March 1, 2012 to November 30, 2012)

(Millions of yen)

	November 30, 2011	November 30, 2012
<b>Total operating revenues</b>	<b>360,865</b>	<b>372,266</b>
<b>Net sales</b>	<b>156,929</b>	<b>149,103</b>
Cost of goods sold	117,822	112,067
<b>Gross Profit</b>	<b>39,106</b>	<b>37,035</b>
Franchise commission from franchised stores	163,755	175,951
Other	40,180	47,211
<b>Operating revenues</b>	<b>203,936</b>	<b>223,162</b>
<b>Operating gross profit</b>	<b>243,043</b>	<b>260,198</b>
Selling, general and administrative expenses	193,270	206,702
<b>Operating profit</b>	<b>49,772</b>	<b>53,495</b>
<b>Non – operating income and expenses;</b>		
<b>Non – operating income;</b>	<b>1,618</b>	<b>1,453</b>
Interest received	494	553
Equity in earnings of affiliates	155	298
Other	968	601
<b>Non – operating expenses;</b>	<b>1,628</b>	<b>1,785</b>
Interest expense	829	914
Other	798	870
<b>Recurring profit</b>	<b>49,763</b>	<b>53,163</b>
<b>Extraordinary income and losses;</b>		
<b>Extraordinary income;</b>	<b>2,042</b>	<b>324</b>
Gain on sales of investment securities	-	145
Gain on step acquisitions	1,570	-
Gain on negative goodwill	273	153
Other	198	25
<b>Extraordinary losses;</b>	<b>16,107</b>	<b>3,859</b>
Loss on retirement of non-current assets	1,531	890
Impairment loss	2,716	2,744
Loss on disaster	3,421	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	8,292	-
Other	145	225
<b>Income before income taxes and minority interests</b>	<b>(35,699)</b>	<b>49,628</b>
<b>Income taxes;</b>	<b>14,452</b>	<b>20,836</b>
Income taxes - current	17,144	18,916
Deferred income taxes	(2,692)	1,919
<b>Income before minority interests</b>	<b>21,246</b>	<b>28,792</b>
<b>Minority interests in net income</b>	<b>632</b>	<b>245</b>
<b>Net profit</b>	<b>20,614</b>	<b>28,546</b>

Consolidated Statements of Comprehensive Income (Unaudited)

For the 3rd Quarter of the fiscal year (From March 1, 2011 to November 30, 2011) (From March 1, 2012 to November 30, 2012)

	(Millions of yen)	
	November 30, 2011	November 30, 2012
<b>Net income before minority interests</b>	<b>21,246</b>	<b>28,792</b>
<b>Other comprehensive income</b>		
Unrealized loss on available-for-sale securities	(34)	(52)
Land revaluation difference	67	-
Foreign currency translation adjustment	(315)	(66)
Share of other comprehensive income of associates	(21)	(550)
<b>Total other comprehensive income</b>	<b>(304)</b>	<b>(669)</b>
<b>Comprehensive income</b>	<b>20,942</b>	<b>28,123</b>
Comprehensive income attributable to		
Owners of the parent	20,310	27,872
Minority interests	632	250

(3) Notes to Going Concern

Not Applicable.

(4) Notes to Significant Changes in Shareholders' Equity

Not Applicable.