

Flash Report on the Consolidated Result
for the First Quarter Ended February 28, 2014

July 5, 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, CEO

Contact: Tomoki Takanishi, Financial & Accounting Office General Manager

Tel.: (03) 5435-2773

Scheduled date for submission of quarterly earnings report: July 16, 2013

Scheduled date for payment of dividend: -

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the current first quarter of the current period (from March 1, 2013, to May 31, 2013)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Gross operating revenue		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Quarter	119,498	(1.6)	14,302	2.5	14,418	4.8
Previous 1st Quarter	121,434	8.4	13,950	8.4	13,763	7.1

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Quarter	7,194	14.8	72.02	71.89
Previous 1st Quarter	6,267	-	62.74	62.64

Notes: Comprehensive income May, 2013 8,399 million(38.9 %) May, 2012 6,046 million(- %)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ Million	¥ Million	%
At May 31, 2013	597,766	230,027	37.6
Last fiscal year	579,809	230,181	39.1

Notes: Shareholders' equity May, 2013 224,900 million February, 2013 226,475 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2012 fiscal year	—	100.00	—	100.00	200.00
2013 fiscal year	—				
2013 fiscal year (Forecast)		105.00	—	105.00	210.00

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

3. Forecast Consolidated Performance for 2013 fiscal year (from March 1, 2013, to February 28, 2014)

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2013 first half	257,000	3.2	35,500	2.7	34,600	1.0	17,300	(3.1)
2013 fiscal year	516,000	5.9	70,000	5.7	68,400	3.8	35,900	8.2

Reference: Forecast net profit per share for the 2013 first half: 173.18yen

Forecast net profit per share for the 2013 fiscal year: 359.38yen

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): 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: Yes

2. Other changes: None

3. Changes in accounting estimation: Yes

4. Retrospective restatement: None

(4) Number of issued shares:

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

May, 2013: 100,300,000 February, 2013: 100,300,000

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

May, 2013: 405,731 February, 2013: 406,853

iii) Average number of shares during the term

May, 2013: 99,894,032 May, 2012: 99,883,984

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 were being performed.

Note: Terms of use for financial forecasts, and other special notes

Forward-looking statements presented in this material such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. They are not intended to guarantee the Company's achievement. Actual results may differ significantly from these forecasts due to many factors. For preconditions of these financial forecasts and notes concerning their use, please refer to "1. Review of Operations, (3) Qualitative Information Regarding Consolidated Financial Forecasts" on page 7 of the appendix.

1. Review of Operations

(1) Review of Operating Results

During the first quarter of fiscal 2013, the period from March 1 to May 31, 2013, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce its Home Convenience that provides essential items and services at the local level with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in our Communities.” Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM)^{*1} and supply chain management (SCM)^{*2} in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

^{*1} CRM

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

^{*2} 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 quarter of fiscal 2013 on a consolidated basis, gross operating revenue decreased by 1.6% from the corresponding period of the previous fiscal year to ¥119,498 million. Operating income increased by 2.5% year on year, to ¥14,302 million, and ordinary income in grew by 4.8% year on year, to ¥14,418 million. Net income rose ¥927 million, up 14.8% year on year, to ¥ 7,194 million.

Operating results by business segment are as follows.

(Convenience Store Operations)

The status of merchandise and services, store operations, store development and other aspects of Convenience Store Operations and Overseas Businesses for the first quarter of fiscal 2013 is outlined as follows.

[Merchandise and Service Strategies]

On the merchandising front, we continued to strengthen our evening and nighttime merchandise assortment by expanding our lineup of ready-made meals, including carbohydrate-based foods and fast foods, in order to enhance satisfaction of customers visiting our stores in and after evening hours.

In an effort to expand our customer base, we continued implementing last year’s initiative to reinforce our merchandise assortment of pre-cut vegetables and other fresh foods as well as processed foods that are often purchased in combination with fresh foods.

In addition, with a view to addressing the aging society and consumers’ heightened concerns over their health, we launched our Healthy Convenience Store Declaration on May 31, 2013. By highlighting health-consciousness in our products, in-store presentation, and sales campaigns, we will strive to

eliminate consumers' preconceived notion that convenience stores offer unhealthy food, establishing a corporate identity synonymous with good health.

In our mainstay rice category, our Furusato-no-umai! line offering lunch boxes and rice balls was tremendously popular for its high-value-added products using ingredients made in Japan.

In our over-the-counter fast foods category, the number of stores equipped with MACHI café offering freshly-brewed coffee reached 3,542 as of May 31, 2013. The number of stores with an in-store kitchen facility named Machikado Chubo stood at 889 as of May 31, 2013. Stores with Machikado Chubo are consistently popular with customers. We will continue to introduce this in-store kitchen at more of our stores.

In the delicatessen category, our efforts to develop products aimed at expanding our customer base resulted in favorable demand for such products as ready-made dishes and salads.

[Breakdown of sales at chain stores by merchandise category]

Fiscal period Product group	Previous 1st Quarter March 1, 2012 to May 31, 2012		Current 1st Quarter March 1, 2013 to May 31, 2013	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	263,772	56.4	268,108	56.2
Fast foods	87,852	18.8	95,288	20.0
Daily delivered foods	68,498	14.6	67,196	14.1
Nonfood products	47,818	10.2	46,580	9.7
Total	467,941	100.0	477,174	100.0

In sales promotions, the Group implemented programs with the aim of achieving a high return on investment (ROI). We proactively implemented a point-rewarding campaign targeting Ponta members to motivate purchase with the aim of increasing the rate of repeat visits.

Total Ponta members reached 54 million as of May 31, 2013, including members that joined through other participating companies.

The sales ratio of Ponta members reached approximately 46%.

[Store Operations]

In March 2013, we started formulating an analysis report by using Ponta members' data and distributing it to our stores. The report enables each store to analyze the purchase behavior of customers living in their neighborhood, including time and purpose of store visits and purchased items. In addition, we have also streamlined our order placement procedures. By promoting these measures, we will step up our efforts to develop stores that offer customers whatever they want, whenever, and wherever.

[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.

[Change in the Total Number of Stores]

	Total stores as of February 28, 2013	Change during fiscal year	Total stores as of May 31, 2013
LAWSON	9,642	134	9,776
NATURAL LAWSON	110	(2)	108
LAWSON STORE100	1,224	(13)	1,211
Total	10,976	119	11,095

[Distribution of Stores in Japan by Region (As of May 31, 2013)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	582	Saitama	466	Mie	106	Okayama	135	Saga	63
Aomori	190	Chiba	443	Ishikawa	100	Hiroshima	158	Nagasaki	93
Akita	169	Ibaraki	126	Toyama	187	Yamaguchi	115	Oita	150
Iwate	157	Tokyo	1,559	Fukui	104	Tottori	102	Kumamoto	106
Miyagi	206	Kanagawa	815	Kyoto	266	Shimane	105	Miyazaki	91
Yamagata	66	Shizuoka	204	Shiga	135	Kagawa	107	Kagoshima	119
Fukushima	91	Yamanashi	95	Nara	100	Ehime	173	Total	11,095
Niigata	116	Nagano	143	Wakayama	116	Tokushima	111		
Tochigi	129	Aichi	520	Osaka	1,003	Kochi	64		
Gunma	80	Gifu	134	Hyogo	597	Fukuoka	398		

The number of LAWSON STORE 100 fresh foods convenience stores reached 1,211 as of May 31, 2013.

Conversion of company-operated stores into franchised stores is steadily progressing. In addition, the number of fresh food-type LAWSON stores, which are enhanced conventional LAWSON stores with a stronger assortment of perishable foods and daily delivered foods, totaled 5,615 as of May 31, 2013.

With the aim of steadily supplying high-quality products, we are operating nine 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 Okinawa, Inc. in Okinawa Prefecture reached 154 as of May 31, 2013.

[Overseas Operations]

In Thailand, in November 2012, we established Saha Lawson Co., Ltd., a joint venture between the Company's consolidated Asian subsidiary Lawson Asia Pacific Holdings Pte. Ltd. and the SAHA Group, Thailand's leading distributor of consumer goods. In March 2013, the joint venture simultaneously opened three LAWSON108 stores in Bangkok, Thailand by renewing the SAHA Group's 108SHOP stores, marking LAWSON's first step into the Indochina Peninsula market.

[Distribution of LAWSON Brand Stores Overseas by Region (As of May 31, 2013)]

Company	Country/region	Number of stores (As of February 28, 2013)	Change during fiscal year	Number of stores (As of May 31, 2013)
Shanghai Hualian Lawson, Inc.	Shanghai, China	305	(2)	303
Chongqing Lawson, Inc.	Chongqing, China	49	5	54
Dalian Lawson, Inc.	Dalian, China	8	3	11
Saha Lawson Co., Ltd.	Bangkok Thailand	-	7	7
PT MIDI UTAMA INDONESIA Tbk	Indonesia	83	1	84
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	2	-	2
Total		447	14	461

(Other Businesses)

In addition to Convenience business and Overseas business, the Group is involved in the Entertainment & Home Convenience business, and other businesses.

On March 21, 2013, the Company formed a business alliance with DAICHI WO MAMORU KAI. CO., LTD. for the purpose of expanding its offering of vegetables and fresh foods. As the first step under the partnership, our joint venture Smart Kitchen, Inc. started offering the partner's safe and secure fruit and vegetable produce. In addition, in May 2013, the Company subscribed to new shares in DAICHI WO MAMORU KAI. CO., LTD. through third-party allotment, acquiring a 33.4 % equity.

Lawson HMV Entertainment, Inc., the Company's subsidiary that operates Entertainment & Home Convenience business posted a solid performance led by an increase in ticket sales of concerts, events and leisure activities.

Lawson ATM Networks, Inc., which operates a financial-services-related business, started providing financial services for the Bank of Nagoya in March 2013. A solid financial performance was displayed by Lawson ATM Networks, with the total number of its financial institution partners reaching 59 nationwide including online banks and the number of ATMs installed nationwide totaling 9,795 (up 519 year on year) as of May 31, 2013.

(2) Qualitative Information Regarding Changes in Consolidated Financial Indicators

As of May 31, 2013, total current assets stood at ¥196,785 million yen, climbing ¥16,489 million from

February 28, 2013, the end of the previous fiscal year. This reflected an increase of ¥6,548 million in cash and deposits due mainly to a growth in total transaction value of bill settlement services and a rise of ¥3,001 million in accounts receivable-other because of an increase in transaction volume at subsidiary companies. Non - current assets grew ¥1,467 million from February 28, 2013 to ¥400,980 million, mainly owing to an increase of ¥3,797 million in property and store equipment resulting from opening of new stores. Consequently, total assets climbed ¥17,956 million from the end of the previous fiscal year to ¥597,766 million.

As of May 31, 2013, total current liabilities increased ¥17,183 million from the end of the previous fiscal year to ¥256,977 million, mainly reflecting an increase of ¥12,775 million in deposits received owing to such factors as a rise in the total transaction value of bill settlement services. Non - current liabilities stood at ¥110,761 million, growing ¥927 million from February 28, 2013, mainly owing to lease obligations growing ¥1,182 million due to opening of new stores. Consequently, total liabilities increased ¥18,110 million from the end of the previous fiscal year to ¥367,738 million.

Total net assets stood at ¥230,027 million, declining ¥154 million from February 28, 2013. This was mainly due to a decrease resulting from payment of ¥9,989 million in dividends, despite an increase resulting from a quarterly net income of ¥7,194 million, foreign currency translation adjustments of ¥1,287 million, and a growth of ¥1,273 million in minority interests. Consequently, shareholders' equity ratio amounted to 37.6%, down from 39.1% as of the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Financial Forecasts

The first half and full year financial forecasts for the fiscal year ending February 28, 2014 remains unchanged from those announced on April 10, 2013.

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: Yes

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimation)

Pursuant to an amendment in the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed their depreciation method with respect to properties and store equipment acquired on and after March 1, 2013, starting from the first quarter of the consolidated fiscal 2013 under review.

The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the consolidated first quarter of fiscal 2013 is minimal.

3. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of May 31, 2013 and February 28, 2013

(Millions of yen)

	February 28, 2013	May 31, 2013
Current assets:		
Cash and deposits	84,770	91,318
Accounts receivable-due from franchised stores	25,374	27,675
Merchandise	8,963	9,514
Accounts receivable-other	46,008	49,010
Deferred tax assets	4,656	3,476
Other	11,804	17,182
Allowance for doubtful accounts	(1,281)	(1,392)
Total	180,296	196,785
Non-current assets:		
Property and store equipment		
Buildings and structures	242,934	248,658
Accumulated depreciation	(124,562)	(127,617)
Buildings and structures, net	118,372	121,040
Vehicles, tools, furniture and fixtures	67,399	67,764
Accumulated depreciation	(52,637)	(53,226)
Vehicles, tools, furniture and fixtures, net	14,761	14,538
Lease assets	96,251	101,306
Accumulated depreciation	(30,452)	(34,146)
Lease assets, net	65,799	67,159
Other	10,205	10,197
Subtotal	209,138	212,936
Intangible assets;		
Software	23,914	22,382
Goodwill	9,683	10,066
Other	491	491
Subtotal	34,089	32,939
Investments and other assets;		
Long-term loans receivable	34,580	32,528
Guarantee deposits	86,109	86,355
Deferred tax assets	16,215	16,816
Other	20,596	20,576
Allowance for doubtful accounts	(1,217)	(1,172)
Subtotal	156,285	155,104
Total	399,513	400,980
Total assets	579,809	597,766

	(Millions of yen)	
	February 28, 2013	May 31, 2013
Current liabilities:		
Accounts payable-trade	87,187	98,845
Accounts payable-due to franchised stores	1,403	1,356
Short-term loans payable	1,431	1,543
Lease obligations	14,489	15,102
Accounts payable-other	26,105	27,913
Income taxes payable	14,474	4,626
Deposits received	87,529	100,304
Provision for bonuses	2,544	1,330
Provision for point card certificates	215	186
Other	4,412	5,768
Total	239,794	256,977
Non-current liabilities;		
Lease obligations	47,207	48,389
Provision for retirement benefits	9,898	10,178
Provision for retirement benefits to executive officers	332	350
Long-term guarantee deposited	34,804	33,943
Asset retirement obligations	16,682	17,037
Other	907	861
Total	109,833	110,761
Total Liabilities	349,627	367,738
Shareholders' equity;		
Common stock	58,506	58,506
Capital surplus	47,718	47,721
Retained earnings	121,154	118,359
Treasury stock	(1,593)	(1,591)
Total Shareholders' equity	225,785	222,996
Accumulated other comprehensive income;		
Valuation difference on available-for-sale securities	78	4
Revaluation reserve for land	(567)	(567)
Foreign currency translation adjustments	1,179	2,467
Total accumulated other comprehensive income	690	1,904
Subscription rights to shares	427	574
Minority interests	3,279	4,552
Total net assets	230,181	230,027
Total Liabilities and net assets	579,809	597,766

(2) Consolidated Statements of Income (Unaudited)

For the First Quarter of the fiscal year (From March 1, 2012 to May 31, 2012) (From March 1, 2013 to May 31, 2012)

(Millions of yen)

	May 31, 2012	May 31, 2013
Gross operating revenue	121,434	119,498
Net sales	50,878	43,436
Cost of sales	38,191	32,765
Gross Profit	12,687	10,670
Income from franchised stores	55,724	58,520
Other	14,832	17,540
Operating revenue	70,556	76,061
Operating gross profit	83,243	86,732
Selling, general and administrative expenses	69,293	72,429
Operating income	13,950	14,302
Non-operating income and expenses;		
Non-operating income;	467	740
Interest income	171	199
Foreign exchange gains	-	169
Other	295	371
Non-operating expenses;	654	624
Interest expenses	293	327
Loss on cancel of lease contracts	123	188
Other	237	108
Ordinary income	13,763	14,418
Extraordinary income and loss;		
Extraordinary income;	289	-
Gain on sales of investment securities	145	-
Gain on bargain purchase	144	-
Extraordinary loss;	3,048	2,166
Loss on retirement of non-current assets	340	619
Impairment loss	2,562	1,545
Other	145	1
Income before income taxes and minority interests	11,003	12,251
Income taxes;	4,752	5,046
Income taxes-current	3,842	4,417
Income taxes-deferred	910	628
Income before minority interests	6,251	7,205
Minority interests in income	(16)	10
Net income	6,267	7,194

Consolidated Statements of Comprehensive Income (Unaudited)

For the First Quarter of the fiscal year (From March 1, 2012 to May 31, 2012) (From March 1, 2013 to May 31, 2012)

	(Millions of yen)	
	May 31, 2012	May 31, 2013
Income before minority interests	6,251	7,205
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(73)
Foreign currency translation adjustment	8	1,252
Share of other comprehensive income of associates accounted for using equity method	(202)	15
Total other comprehensive income	(204)	1,194
Comprehensive income	6,046	8,399
Comprehensive income attributable to		
Owners of the parent	6,068	8,408
Minority interests	(21)	(9)

(3) Notes to Going Concern

Not Applicable.

(4) Notes to Significant Changes in Shareholders' Equity

Not Applicable.