

Flash Report on the Consolidated result for the year ended February 28, 2002

April 16, 2002

Listed Company Name: Lawson, Inc.

Code No.: 2651

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

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Date of the Board of Directors Meeting on the Closing of Accounts: April 16, 2002

Based on US GAAP: Unapplicable

1. Consolidated Performance for the 2002 fiscal year (from March 1, 2001, to February 28, 2002)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating income		Ordinary profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2002 fiscal year	256,116	(8.6)	36,363	(11.9)	35,207	(10.9)
2001 fiscal year	280,218	(4.0)	41,279	2.7	39,536	5.1

	Net income		Net income per share	Fully diluted income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenues
	¥ Million	%	¥	¥	%	%	%
2002 fiscal year	16,123	(1.5)	145.54	—	9.8	9.6	13.7
2001 fiscal year	16,368	9.0	147.63	—	11.9	10.9	14.1

Notes: ① Equity in net income (loss) of affiliates:

2002 fiscal year : (¥142million) 2001 fiscal year: (¥100million)

② Average number of shares outstanding at the beginning and end of the years:

2002 fiscal year : 110,779,922 shares 2001 fiscal year: 110,872,603 shares

③ Change in accounting method: None

④ Percentages for total operating revenues, operating income, ordinary profit and net income show increase (decrease) from previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per shares
	¥ Million	¥ Million	%	¥
2002 fiscal year	342,934	149,827	43.7	1,392.45
2001 fiscal year	387,236	178,448	46.1	1,553.07

Note: Number of outstanding shares at the end of the respective years:

107,599,829 shares at February 28, 2002 114,900,000 shares at February 28, 2001

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	¥ Million	¥ Million	¥ Million	¥ Million
2002 fiscal year	44,804	(44,031)	(58,236)	71,269
2001 fiscal year	52,793	(54,696)	18,707	128,655

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 5

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 2

(5) Change in the scope of consolidation and application of the equity method

Consolidation (newly included): 1 (Excluded): 0

Equity method (newly applied): 1 (Excluded): 0

2. Forecast Consolidated Performance for 2003 fiscal year (from March 1, 2002, to February 28, 2003)

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2003 interim period	130,700	16,800	3,500
2003 fiscal year	249,000	33,000	10,000

Reference: Forecast net income per share for the 2003 fiscal year: 92.94 yen

Corporate Group

The major group companies in the respective business segments are as follows:

[Convenience store business]

- The Company operates and manages Company-operated and franchised Lawson stores as the headquarters of Lawson chain stores.
- A subsidiary, Shanghai Hualian Lawson Co., Ltd., engages in Lawson's chain-store development operations in Shanghai, China. This subsidiary is a joint venture with Hualian Group Corporation, which has its headquarters in Shanghai, China.

[Ticket sales business]

- A subsidiary, Lawson Tickets Co., Ltd., sells tickets for concerts, sporting events, movies and other events through the Loppi network in Lawson and Daiei stores.

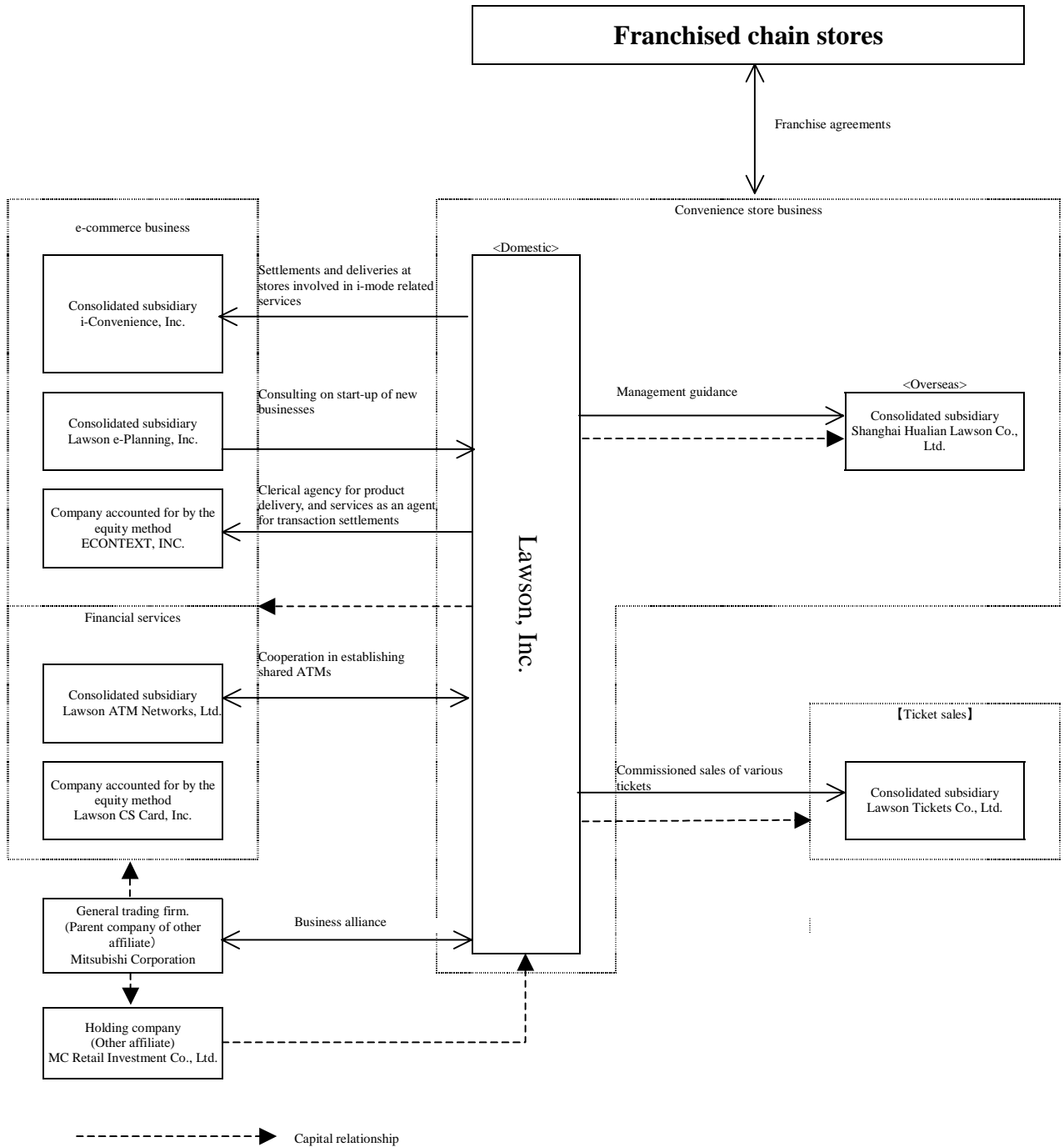
[e-commerce business]

- A subsidiary, LAWSON e-Planning, Inc., engages in the areas of e-business idea incubation, corporate planning, business promotion, tie-ups with partners in other areas of business, and tie-ups with and the support of venture companies.
- A subsidiary, I-Convenience, Inc., provides the "iLAWSON" official i-mode site that allows customers to order various products and services and receive a variety of information via their mobile phones.
- An affiliate, ECONTEXT, INC., engages in e-commerce product delivery, serves as an agent for transaction settlements and offers other agency activities that use convenience store-based settlement and distribution systems.

[Financial service business]

- A subsidiary, Lawson ATM Networks, Inc., establishes, maintains and operates ATMs in Lawson stores, and conducts the outsourced operations involved in the financial services of the associated financial institutions such as money crediting/debiting and transfers via the shared ATM network.
- An affiliate, LAWSON CS Card, INC., issues credit cards exclusively to Lawson customers to supply them with different credit services through infrastructures as including "Loppi."

The following diagram schematically shows the relationships of the respective businesses.



Management Policy

1. Basic operating policy

Under the “LAWSON Corporate Philosophy” set forth as the basis to guide our corporate behavior, the Company has established the following six action guidelines to realize its goal of being the industry frontrunner. We aim to carry out the concept of becoming “the ‘hot’ station in the neighborhood” in pursuing corporate activities in accordance with these guidelines.

< Corporate philosophy >

“Lawson contributes to the convenient lives of customers and the development of local communities with its respectful human services and creative behavior.”

< Action guidelines >

(1) Customer Satisfaction

We supply the utmost satisfaction to our customers. We attempt to quickly find and supply the most desired products and services through conversations with our customers.

(2) Owner Satisfaction

Owners are the best business partners. We deliberate, find, discuss and supply the necessary information to help them manage franchised stores to their maximum level of satisfaction.

(3) Partners Satisfaction

We aim to establish strong and reliable “win-win” partnerships with vendors and suppliers. We continue to grow together through appropriate business transactions and disclosures.

(4) Investor Satisfaction

We ensure sustainable development to our shareholders. We, therefore, aim to continually improve corporate value by firmly achieving “the No. 1 position” in different occasions and areas of business.

(5) Society Satisfaction

We aim to be healthy and useful members of society with a global sensibility. We, therefore, endeavor to coexist with the natural environment, contribute to local communities and comply with social rules as good citizens.

(6) Employee Satisfaction

We accept difficult challenges without fear of failure. We endeavor to upgrade individual capabilities into an organizational force to create a dynamic and creative corporate culture by sharing knowledge and information and through speedy cooperation among employees.

2. Basic policy on profit distribution

The Company attaches a high priority to profit distribution to shareholders and follows a policy of paying performance-based dividends with due regard for adequate earnings retention in view of the return on equity and the payout ratio based on previous operating results, given the requirements of future business development.

Compliant with this policy, the Company paid an interim dividend in the amount of ¥20 per share.

Furthermore, the year-end dividend will be paid in the amount of ¥21 per share, making the annual dividend ¥41 per share.

Retained earnings not distributed to shareholders will be allocated to the reinforcement of the financial structure and increasing the corporate value of the Company by reinvesting such funds in new-store development and the restoration of existing stores, as well as in further enhancement of the information system infrastructure to help new businesses start smoothly.

During the year under review, the Company acquired treasury stock for retirement to improve the return on equity (ROE) and net income per share. The total number of retired shares were 7,300 thousand, amounting to ¥34,675 million in value. As a result, the Company’s total number of shares outstanding as of the fiscal year-end were 107,600 thousand.

3. Intermediate- and long-term management strategies

Amid the harsh business climate and volatile consumption environment, the Company’s management believes it will be insufficient to solely follow a conventional business model to fully meet diversified customer needs. Therefore, we will promote the new concept of “Creation of a Newborn Lawson” by thoroughly reviewing all the company’s operating aspects based on a sense of crisis shared by all employees. In line with the strategic focus on the “CS (Customer satisfaction) first” principle, we intend to innovate our business operations, operational mechanisms and corporate behavior to realize our goal of being the true “‘hot’ station in the neighborhood.” To that end, we will tackle the achievement of the targets for such

priority indices as “daily sales per store,” “return on assets (ROA)” and “return on equity (ROE)” in combination with the following three keywords.

Speed: The Company will clarify the responsibilities and authority of each section/department through the enhanced delegation of power for swifter decision making in solving problems. To that end, the Company has introduced the executive officer system, effective from January 1, 2002, and carried out sweeping organizational reform.

Selectivity and focus: The Company intends to review how to distribute its management resources (human resources, properties and money available) to achieve the targets in the management plan. The Company will enhance its leadership to the chain stores by inputting the resources especially into the forefront of sales. At the same time, the effects of investment will be fully studied, objectives prioritized with regard to better distribution and M&A measures implemented to accelerate corporate growth.

Overall optimum: In the problem-solving process, each problem will be checked and verified from all possible aspects so that any partial suitability does not result in overall impropriety. Management will pursue an overall optimum in compliance with the CS first principle.

4. Target management indices

In its franchised convenience store operations, the Company stresses daily sales per store. We endeavor to attain not only the sales target but also an ROA target from the viewpoint of ensuring higher profitability, and an improved asset-to-turnover ratio. Furthermore, we intend to achieve an ROE target to increase shareholder value.

5. Measures for streamlining corporate administrative organizations

Effective from January 1, 2002, the Company introduced reforms on the Board of Directors and the executive officer system. These measures aim to separate the strategic decision-making and supervisory functions of business affairs from the business-executing function for the purpose of improving quality and speed for decision making and execution in management duties, in view of higher corporate value. The Company already has established an advisory board by inviting external directors and auditors to enlist outside experts' opinions and advice on compliance, as well as fair and open business operations. The Company plans to increase the number of external directors in the future to make the Board of Directors more open to outside wisdom.

We formulated “the code of ethical practice” as a guideline for employees' behavior. The Company endeavors to encourage further improvement of corporate ethics through periodic training for employees. Moreover, we have and will more extensively disclose information to shareholders and investors through quick and appropriate communications media such as the VALUE BOOK and the supply of information on our Web site.

6. Basic policies on relations with related parties

Relationship with Mitsubishi Corporation

Mitsubishi Corporation indirectly owns a 30.1% voting right of the Company's total shares outstanding. Management regards Mitsubishi Corporation—the mainstay of the Mitsubishi Group—as its most important strategic partner. Accordingly, we will further deepen our business alliance in the fields of new business, store development and product development to further enhance Lawson's corporate value.

Operating Performance

1. Overview for Fiscal 2001

【Overview】

During fiscal 2001, the year ended February 28, 2002, the Japanese economic setback intensified, reflecting a considerable decline in exports and private-sector capital investment mainly caused by the global IT recession. This negative undertone was accelerated by the lingering sluggishness in personal consumption fueled by a general feeling of uncertainty among consumers primarily due to weak stock market conditions and a rise in the unemployment rate.

In the retail store industry, customers' preference for low-priced items accelerated mainly for daily necessities and essential commodities despite favorable sales of some high-priced items. The harsh business environment resulted in sluggish growth in sales for the industry as a whole.

Under these circumstances, with its 3S slogan (Simple, Speedy and *Sendo* [freshness]), the Lawson Group worked to raise daily sales at new stores, revitalize existing stores and ensure competitive superiority during the year.

The Company focused its efforts on strengthening quality-based store development, more effective assortment of displayed products, development of area-specific featured products and executing the QSC basics to create high-impact storefronts. We further strove to increase the number of store visitors through promotional events such as the "New Thank-you Sale" and unique tie-up plans with topical movies and concerts. As a result, net sales throughout the entire Lawson chain increased 0.6% year over year to ¥1,285,557 million, ordinary profit declined 10.9% to ¥35,207 million and net income fell 1.5% to ¥16,123 million, principally influenced by such factors as the year-over-year sales decline at existing stores, the delayed deployment of new stores and an insufficient cost-cutting effort.

【Sales by product group of the entire Lawson chain stores】

By product category, sales of processed foods rose 3.7% mainly due to steady growth in sales of tobacco products and the ¥100 confection series. Sales of fast foods, a mainstay category for convenience stores, declined 1.7% owing to sluggish sales of rice and processed bread products. Sales of daily delivered foods expanded 0.6%, reflecting favorable sales of fresh foods and chilled products. As a result, sales of total foods improved 1.5%, whereas sales of nonfood products fell 2.8% because of weak sales of toys and magazines despite favorable sales of cosmetics exclusively sold at convenience stores and refreshing beverages.

(Millions of yen, %)

Fiscal period Product group	Current fiscal year (March 1, 2001, to February 28, 2002)		Previous fiscal year (March 1, 2000, to February 28, 2001)		Year-on-year change
	Sales	Composition ratio	Sales	Composition ratio	
Processed foods	583,712	45.4 %	562,777	44.1 %	103.7 %
Fast foods	356,784	27.8	362,979	28.4	98.3
Daily delivered foods	91,108	7.1	90,569	7.1	100.6
Food subtotal	1,031,604	80.3	1,016,325	79.6	101.5
Nonfood products	253,953	19.7	261,313	20.4	97.2
Total	1,285,557	100.0	1,277,638	100.0	100.6

【Store development】

During the year under review, the Company strove to open quality-focused new stores and promoted further store dominance in each of the 47 prefectures. At the same time, we actively pursued a policy of relocating or closing unprofitable stores and shifting Company-operated stores to franchised ones. These efforts resulted in the Company exceeding 100 stores each in the prefectures of Aomori, Ibaraki, Tochigi and Tokushima. During the year, we opened 601 new stores and closed 550, including those that were relocated. Reflecting the priority task of improving daily sales for new stores under the policy of “conversion from quantity to quality,” the total number of stores domestically expanded by 51, whereas overseas stores expanded by 24 for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, as of the end of the fiscal year there were 7,734 domestic stores and 90 overseas stores, totaling 7,824.

Number of stores by prefecture (As of February 28, 2002)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	476	Saitama	266	Gifu	79	Tottori	52	Saga	53
Aomori	101	Chiba	256	Shizuoka	171	Shimane	55	Nagasaki	77
Iwate	94	Tokyo	708	Aichi	327	Okayama	114	Kumamoto	79
Miyagi	174	Kanagawa	456	Mie	65	Hiroshima	125	Oita	97
Akita	91	Niigata	113	Shiga	107	Yamaguchi	108	Miyazaki	77
Yamagata	60	Toyama	93	Kyoto	178	Tokushima	101	Kagoshima	107
Fukushima	113	Ishikawa	62	Osaka	841	Kagawa	97	Okinawa	110
Ibaraki	100	Fukui	67	Hyogo	457	Ehime	119	Subtotal	7,734
Tochigi	100	Yamanashi	64	Nara	116	Kochi	40	Shanghai	90
Gunma	67	Nagano	147	Wakayama	103	Fukuoka	271	Total	7,824

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of its closing date (December 31, 2001) is reported.

【Income and expenses】

Operating revenue for consolidated fiscal 2001, the year ended February 28, 2002, amounted to ¥256,116 million, down ¥24,102 million (8.6%). The primary reasons for this decline were reduced sales from Company-operated stores, efforts to revamp or close stores with low daily sales and a shift from Company-operated stores to franchised ones, partially offset by the rise in royalty income from the increased number of chain stores and improved operating revenue from ticket sales by Lawson Tickets Co., Ltd.

Operating income decreased ¥4,916 million (11.9%) from the previous year's figure to ¥36,363 million. This decline principally resulted from an increase in related costs for new businesses, sales promotion expense, and the rent for land and buildings.

Ordinary profit decreased ¥4,329 million (10.9%) to ¥35,207 million.

As a result of these items, income before income taxes amounted to ¥29,028 million, down 2.7% year over year.

This decrease resulted from recording an extra retirement benefit of ¥2,685 million due to preferential treatment for early retirees and a loss on retirement of fixed assets of ¥6,017 million due to the closing of stores, which were partially offset by ¥3,857 million in gains on the setting of owned shares for a retirement benefit trust.

Net income decreased ¥245 million (1.5%) to ¥16,123 million, and net income per share was ¥145.54.

【Cash flows】

For consolidated fiscal 2001, the year ended February 28, 2002, cash provided by operating activities fell ¥7,989 million to ¥44,804 million. This decrease was due largely to an increase in income taxes paid and a contribution of money for a retirement benefit trust. Net cash used in investing activities declined ¥10,665 million to ¥44,031 million, reflecting the redemption at maturity of securities partially offset by a payment of ¥34,749 million due to capital investment. Net cash provided by financing activities was ¥58,236 million. The acquisition of treasury stock for retirement used ¥34,675 million, and the repayment of long-term debt used was ¥20,390 million.

As a result of these cash flows, cash and cash equivalents at the end of consolidated fiscal 2001 totaled ¥71,269 million, down ¥57,386 million compared with the end of the preceding consolidated fiscal year.

2. Outlook

In the Japanese retail industry, the harsh competition is expected to intensify with other types of business in a business climate where the autonomous recovery of consumer spending is hardly anticipated in view of the difficult employment and income environments.

In such a challenging environment, the Lawson Group positions the coming year as “the year for building solid foundations for profitability growth” and aims to take the following measures to achieve the “CS first” principle and strengthen its earnings power.

1. Enhanced business operating ability:

The Company plans to increase the number of forefront staff and exert greater leadership to its chain stores. Moreover, we must increase our product development capability with an emphasis on priority products such as those that are rice-based.

2. Development of new businesses:

We will actively introduce new services, including the ATM and card businesses, which appropriately respond to changes in customer needs.

3. Improvement of profitability structure:

We will further encourage the closing of unprofitable Company-managed stores and pursue the reduction of indirect, product and distribution costs.

For the next fiscal year, the Company anticipates nonconsolidated ordinary profit of ¥36 billion, an increase of 0.3% year over year. Considering the significant initial investment cost of introducing new businesses such as the card business, the Company forecasts the following figures on a consolidated basis.

(Millions of yen)

	August 2002 term (Forecast)	February 2003 term (Forecast)	February 2002 term (Actual results)	Year-on-year change (%)
Operating revenue	130,700	249,000	256,116	(2.8)
Ordinary profit	16,800	33,000	35,207	(6.3)
Net income	3,500	10,000	16,123	(38.0)
Net income per share (yen)	*32.53	*92.94	145.54	-

Average number of shares during the term: 110,779,922 shares for the February 2002 term

*These values are calculated based on the number of shares outstanding as of the end of the February 2002 term.

(Reference) Forecast nonconsolidated performance

(Millions of yen)

	August 2002 term (Forecast)	February 2003 term (Forecast)	February 2002 term (Actual results)	Year-on-year change (%)
Operating revenue	125,300	237,000	249,050	(4.8)
Ordinary profit	18,500	36,000	35,898	0.3
Net income	5,100	12,200	16,714	(27.0)
Net income per share (yen)	*47.40	*113.38	150.87	-

Average number of shares during the term: 110,779,922 shares for the February 2002 term

*These values are calculated based on the number of shares outstanding as of the end of the February 2002 term.

Consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2002)		Previous fiscal year (As of February 28, 2001)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	61,193		42,947		18,246
Accounts receivable—due from franchised stores	6,197		6,075		122
Marketable securities	41,210		103,216		(62,006)
Merchandise inventories	2,097		2,577		(480)
Prepaid expenses	4,289		4,618		(329)
Short-term loans receivable	-		2,958		(2,958)
Accounts receivable—other	13,396		12,873		523
Deferred tax assets	1,881		1,404		477
Other	998		1,087		(89)
Allowance for doubtful accounts	(40)		(74)		34
Total current assets	131,221	38.3	177,681	45.9	(46,460)
Fixed assets					
Property and store equipment—at net book value					
Buildings and structures	47,965		42,487		5,478
Furniture, fixtures and equipment	21,767		25,419		(3,652)
Land	6,536		20,933		(14,397)
Construction in progress	168		226		(58)
Total property and store equipment— net	76,436	22.3	89,065	23.0	(12,629)
Intangible fixed assets					
Software	7,457		3,248		4,209
Software development in progress	5,896		3,217		2,679
Goodwill	118		246		(128)
Other	434		457		(23)
Total intangible fixed assets	13,905	4.0	7,168	1.8	6,737
Investments and other					
Investments in securities	8,434		7,492		942
Long-term loans receivable	5,971		2,928		3,043
Lease deposits	91,277		91,169		108
Deferred tax assets	8,060		10,265		(2,205)
Deferred tax assets for land revaluation	6,088		-		6,088
Other	2,515		1,836		679
Allowance for doubtful accounts	(973)		(372)		(601)
Total investments and other	121,372	35.4	113,318	29.3	8,054
Total fixed assets	211,713	61.7	209,551	54.1	2,162
Deferred charges	-	-	4	0.0	(4)
Total Assets	342,934	100.0	387,236	100.0	(44,302)

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2002)		Previous fiscal year (As of February 28, 2001)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	62,180		60,260		1,920
Accounts payable— due to franchised stores	4,904		4,617		287
Current portion of long-term borrowings	3,140		20,390		(17,250)
Account payable—other	16,690		12,894		3,796
Income taxes payable	10,546		5,833		4,713
Deposits received	27,866		24,831		3,035
Accrued employees' bonuses	2,213		2,544		(331)
Other	2,974		2,815		159
Total current liabilities	130,513	38.0	134,184	34.7	(3,671)
Long-term liabilities					
Long-term borrowings, less current portion	-		3,140		(3,140)
Allowance for employees' retirement benefits	3,006		5,773		(2,767)
Allowance for retirement benefits to directors and corporate auditors	300		203		97
Liability for prior pension and severance costs	-		7,973		(7,973)
Deposits received from franchisees and lessees	56,655		55,890		765
Other	355		-		355
Total long-term liabilities	60,316	17.6	72,979	18.8	(12,663)
Foreign currency translation adjustments	-	-	144	0.0	(144)
Total Liabilities	190,829	55.6	207,307	53.5	(16,478)
(Minority Interest)					
Minority Interest	2,278	0.7	1,481	0.4	797
(Shareholders' Equity)					
Common stock	58,507	17.1	58,507	15.1	-
Additional paid-in capital	41,520	12.1	41,520	10.7	-
Land revaluation difference	(8,408)	(2.5)	-	-	(8,408)
Retained earnings	55,649	16.2	78,421	20.3	(22,772)
Net unrealized gain on available-for-sale securities	2,323	0.7	-	-	2,323
Foreign currency translation adjustments	237	0.1	-	-	237
Treasury stock-at cost	149,828	43.7	178,448	46.1	(28,620)
	(1)	(0.0)	-	-	(1)
Total Shareholders' Equity	149,827	43.7	178,448	46.1	(28,621)
Total Liabilities, Minority Interest and Shareholders' Equity	342,934	100.0	387,236	100.0	(44,302)

Consolidated Statements of Income

(Millions of yen)

Account item	Current fiscal year (From March 1, 2001 to February 28, 2002)		Previous fiscal year (From March 1, 2000 to February 28, 2001)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	Percentage
Operating revenues	154,398	60.3	147,040	52.5	105.0
Franchise commissions from franchised stores	141,621		135,237		104.7
Net sales reported by franchised stores					
Current fiscal year: ¥1,184,204 million					
Previous fiscal year: ¥1,144,717 million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥1,285,557 million					
Previous fiscal year: ¥1,277,638 million					
Other	12,777		11,803		108.3
Net sales	101,718	(100.0)	133,178	(100.0)	76.4
Total operating revenues	256,116	39.7	280,218	47.5	91.4
Cost of goods sold	75,230	100.0	98,501	100.0	76.4
Gross profit on sales	26,488	(74.0)	34,677	(74.0)	76.4
Operating gross profit	180,886	(26.0)	181,717	(26.0)	99.5
Selling, general and administrative expenses	144,523	70.6	140,438	64.8	102.9
Operating income	36,363	56.4	41,279	50.1	88.1
Non-operating income	1,333	14.2	1,561	14.7	85.4
Interest received	483	0.5	496	0.6	
Dividend income	42		84		
Compensation received for damage	218		190		
Rental revenue	172		139		
Compensation received for removal	108		197		
Other	310		455		
Non-operating expense	2,489	1.0	3,304	1.2	75.3
Interest expense	513		1,468		
Loss on cancellation of store lease contract	1,254		688		
Expenses for stock listing	-		494		
Equity in losses of affiliated companies	142		100		
Other	580		554		
Ordinary profit	35,207	13.7	39,536	14.1	89.1

Special gains	3,878	1.5	44	0.0	8,813.6
Gain on securities contributed to employees' retirement benefit trusts	3,857		-		
Gain on sales of investments in securities	21		-		
Reversal of allowance for doubtful accounts	-		9		
Reversal of loss on write-off of investments in securities	-		35		
Special losses	10,057	3.9	9,734	3.5	103.3
Loss on disposal of fixed assets	6,017		2,723		
Loss on sales of fixed assets	1,140		-		
Premium severance benefit	2,685		-		
Write-off of the unamortized prior service costs	-		7,011		
Other	215		-		
Income before income taxes	29,028	11.3	29,846	10.6	97.3
Income taxes – current	13,212		7,226		
Deferred income taxes	47	5.2	6,262	4.8	0.8
Minority interest in earnings(losses) of consolidated subsidiaries	(354)	0.2	(10)	0.0	35.4
Net income	16,123	6.3	16,368	5.8	98.5

Consolidated Statements of Retained Earnings

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2001 to February 28, 2002)	Previous fiscal year (From March 1,2000 to February 28, 2001)	Increase (Decrease)
	Amount	Amount	Amount
Balance of retained earnings at beginning of the period	78,421	65,055	13,366
Decrease in retained earnings			
Cash dividends	4,220	3,002	1,218
Purchase and cancellation of treasury stock	34,675	-	34,675
Net income	16,123	16,368	(245)
Balance of consolidated retained earnings at end of the period	55,649	78,421	(22,772)

Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2001 to February 28, 2002)	Previous fiscal year (From March 1,2000 to February 28, 2001)	Increase (Decrease)
	Amount	Amount	Amount
Operating activities:			
Income before income taxes	29,028	29,846	(818)
Depreciation of fixed assets	14,187	14,682	(495)
Amortization of intangible fixed assets	2,141	1,339	802
Gain on securities contributed to employees' retirement benefit trusts	(3,857)	-	(3,857)
(Decrease) increase in liability for prior pension and severance costs	(7,973)	7,973	(15,946)
Increase in allowance for retirement benefits to employees	8,674	965	7,709
Increase in allowance for doubtful accounts	567	1	566
Interest and dividend income	(525)	(580)	55
Interest expense	513	1,468	(955)
Loss on disposal of fixed assets	4,571	1,892	2,679
Loss on sales of fixed assets	1,140	-	1,140
Other non-cash income and expenses-net	1,078	1,102	(24)
Increase in accounts receivable due from franchised stores	(117)	(146)	29
Decrease in merchandise inventories	491	423	68
Increase in accounts receivable—other	(514)	(651)	137
Increase (decrease) in accounts payable—trade and due to franchised stores	2,184	(2,098)	4,282
Increase in accounts payable— other	3,782	163	3,619
Increase in deposits received	3,035	3,336	(301)
Increase in deposits received from franchisees and lessees	765	1,308	(543)
Increase (decrease) in other assets and liabilities—net	918	(1,501)	2,419
Subtotal	60,088	59,522	566
Interest and dividend income received	514	577	(63)
Interest expenses paid	(498)	(1,297)	799
Income taxes paid	(8,500)	(6,009)	(2,491)
Cash contributed to employees' retirement benefit trust	(6,800)	-	(6,800)
Net cash provided by operating activities	44,804	52,793	(7,989)

Investing activities:			
Payment for purchase of marketable securities	(44,957)	(19,453)	(25,504)
Proceeds from redemption of marketable securities	34,072	-	34,072
Proceeds from sales of investments in securities	2,433	-	2,433
Payment for acquisition of property and store equipment	(22,249)	(21,058)	(1,191)
Increase in intangible fixed assets	(9,553)	(4,003)	(5,550)
Increase in lease deposits—net	(2,947)	(6,785)	3,838
Other—net	(830)	(3,397)	2,567
Net cash used in investing activities	(44,031)	(54,696)	10,665
Financing activities:			
Decrease in short-term borrowings—net	-	(138)	138
Repayment of long-term borrowings	(20,390)	(48,163)	27,773
Proceeds from issuance of common stock	-	68,656	(68,656)
Cash dividends paid	(4,220)	(3,002)	(1,218)
Proceeds from minority shareholders related to establishment of subsidiaries	1,050	1,354	(304)
Purchase of treasury stock for cancellation	(34,675)	-	(34,675)
Treasury stock-at cost	(1)	-	(1)
Net cash (used in) provided by financing activities	(58,236)	18,707	(76,943)
Effects of exchange rate changes on cash and cash equivalents	77	98	(21)
Net (decrease) increase in cash and cash equivalents	(57,386)	16,902	(74,288)
Cash and cash equivalents, beginning of year	128,655	111,753	16,902
Cash and cash equivalents, end of year	71,269	128,655	(57,386)

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries: 5

Lawson Tickets Co., Ltd.

Shanghai Hualian Lawson Co., Ltd.

LAWSON e-Planning, Inc.

i-Convenience, Inc.

LAWSON ATM Networks, Inc.

All the subsidiaries are consolidated.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 2

ECONTEXT, INC.

LAWSON CS Card, INC.

The equity method is applied.

3. Closing day for settlement of accounts of consolidated subsidiaries

Of the consolidated subsidiaries, Shanghai Hualian Lawson Co., Ltd., has a year-end closing date of December 31, different from the consolidation closing date, which is February-end. In preparing the consolidated financial statements, those as of December 31 are used with regard to Shanghai Hualian Lawson Co., Ltd., but after making necessary adjustments to reflect any material transactions that might take place between its closing date and February-end of each year.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

Marketable securities and investments in securities:

Held-to-maturity debt securities: Carried at amortized cost.

Available-for-sale securities:

Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Other: Stated at cost determined by the moving-average method.

Inventories:

Merchandise inventories: Retail method applied on an annual average cost basis

(2) Depreciation method of depreciable assets

Property and store equipment:

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. However, the straight-line method is adopted by several subsidiaries. The range of useful lives is from 10 to 50 years for buildings and from 2 to 20 years for furniture, fixtures and equipment.

Intangible fixed assets:

Amortization of intangible assets is computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over five years, which is the internal useful life.

(3) Amortization of Deferred Charges

Start-up costs:

This expense at overseas subsidiaries is equally amortized over five years after business start-up.

(4) Accounting standard for important reserves

Allowance for Doubtful Accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Accrued Employees' Bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. The full amount of the transition obligation of ¥125 million, determined as of the beginning of the year, was charged to income and presented as a non-operating expense in the consolidated statements of income. Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is amortized from the current fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Allowance for Retirement Benefits to Directors and Corporate Auditors:

Allowance for retirement benefits to directors and corporate auditors is calculated to state the liability at 100% of the amount that would be required if all directors and corporate auditors resigned their services with the Company at the balance sheet date

(5) Foreign Currency Transactions and Foreign Currency Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts as well as revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" in a separate component of shareholders' equity.

(6) Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

(7) Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries, including the portion attributable to minority interests, are valued at their fair values at the respective dates when the subsidiaries were initially consolidated.

6. Amortization of goodwill

The amount of goodwill is amortized over five years on a straight-line basis.

7. Treatment of appropriation items of profit

The statements of consolidated retained earnings are based on the distribution of profit finalized during the consolidation fiscal year at the consolidated subsidiaries.

8. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

《Additional information》

(Accounting Principle for Pension Plans)

Effective March 1, 2001, the Group adopted a new accounting standard for its pension plans in accordance with the “Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits” issued by the Business Accounting Deliberation Council on June 16, 1998.

As a result, net periodic benefit costs as compared with the prior method decreased by ¥ 131 million, ordinary profit and income before income taxes increased by ¥ 131 million. The Company contributed certain cash and available-for-sale securities to an employees’ retirement benefit trust for the Company’s contributory pension plans, and recognized a non-cash gain of ¥ 3,857 million. This amount is included in special gains in the consolidated statements of income. Liability for prior pension and severance costs as of the beginning of year was transferred to allowance for employees’ retirement benefits.

(Accounting Principle for Financial Instruments)

Effective March 1, 2001, the Group adopted a new accounting standard for financial instruments in accordance with the “Opinion Concerning the Establishment of Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council on January 22, 1999.

As a result, as compared with the prior method, ordinary profit decreased by ¥ 159 million and income before income taxes increased by ¥ 513 million.

Based on the Group’s holding purposes for the securities held as of the beginning of year, held-to-maturity and available-for-sale debt securities with maturities of one year or less are classified as marketable securities under current assets and other securities are classified as investments in securities. This new standard had no effect on the Group’s consolidated balance sheet.

(Accounting Principle for Foreign Currency Transactions)

Effective March 1, 2001, the Group adopted a revised accounting standard for foreign currency transactions in accordance with “Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation” issued by the Business Accounting Deliberation Council on October 22, 1999.

The adoption of this revised standard had no effect on the Group’s consolidated income statement for the year ended February 28, 2002.

“Foreign currency translation adjustments” which were presented as a liability in the prior year’s consolidated balance sheets are now shown as a separate component of shareholders’ equity and partly included in minority interest in accordance with the revised “Regulation Concerning the Terminology, Forms and Method for Preparation of Annual Consolidated Financial Statements”.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)	
	<u>As of February 28, 2002</u>	<u>As of February 28, 2001</u>
1. Accumulated depreciation for property and store equipment	91,403	96,143
2. Assets pledged as collateral and secured debt		
Investments in securities	-	2,994
Lease_deposits	-	985
<u>Total</u>	-	3,979
Debt corresponding to the above		
<u>Long-term borrowings due within one year</u>	-	2,500
<u>Total</u>	-	2,500
3. Investment in affiliated companies		
Investments in securities (shares)	322	84

4. Revaluation of land used for business The Company revalued the land used for its business on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The revaluation difference that resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in assets as deferred tax assets for land revaluation.

Revaluation method:

The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.

Date of revaluation:

February 28, 2002

Book value of the land before revaluation:

¥21,032 million

Book value of the land after revaluation:

¥6,536 million

Notes to the Consolidated Statements of Income

	(Millions of yen)	
	From March 1, 2001 to February 28, 2002	From March 1, 2000 to February 28, 2001
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	15,405	14,577
Doutful debt account	683	-
Salary	25,748	29,097
Provision for accrued employees' bonuses	2,214	2,544
Retirement benefit costs	2,423	-
Provision for allowance for employees' retirement benefits	-	1,426
Provision for allowance for retirement benefits to directors and corporate auditors	104	73
Amortization of goodwill	128	130
Rent account	36,731	34,337
Depreciation of fixed assets	14,187	14,682
2. Premium severance benefit	Premium severance benefit to retirees under a preferential early retirement plan	-
3. Distribution of loss from disposal of fixed assets		
Buildings and structures	2,030	1,804
Furniture, fixtures and equipment	3,987	919
4. Distribution of loss from sales of fixed assets		
Buildings and structures	160	-
Furniture, fixtures and equipment	193	-
Land	787	-

Notes to the Consolidated Statements of Cash Flows

Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets

	(Millions of yen)	
	As of February 28, 2002	As of February 28, 2001
Cash and bank deposits	61,193	42,947
Marketable securities	41,210	103,216
Short-term loans receivable	-	2,958
Time deposits, etc., for which the deposit period exceeds three months	(796)	(1,013)
Bonds, etc., for which the redemption period exceeds three months	(30,338)	(19,453)
Cash and cash equivalents	71,269	128,655

Notes to Lease Contracts

1. Finance lease contracts other than those by which the ownership of the leased property is to be transferred to lessees

The assumed data as to acquisition cost, accumulated depreciation and net leased property

	(Millions of yen)	
	As of February 28, 2002	As of February 28, 2001
Acquisition cost	48,879	32,247
Accumulated depreciation	18,391	17,561
Leased property	30,488	14,686
Obligations under finance leases		
Due within one year	8,113	5,315
Due after one year	22,860	9,856
Total	30,973	15,171
Lease payments, depreciation expense and interest expense		
Lease payments	6,996	6,452
Depreciation expense	6,433	5,831
Interest expense	516	598

Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

Computation method of interest expense

The difference between the total lease contract amount and the acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts

Obligations under operation leases

	(Millions of yen)	
	As of February 28, 2002	As of February 28, 2001
Due within one year	893	596
Due after one year	7,142	6,668
Total	8,035	7,264

Notes to Market Value Information of Securities

(As of February 28, 2002)

1. Information regarding marketable held-to-maturity debt securities as of February 28, 2002, was as follows:

	(Millions of yen)		
Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	8,310	8,311	1
Securities with book value per consolidated balance sheets exceeding market value	31,728	31,715	(13)
Total	40,038	40,026	(12)

2. Information regarding marketable available-for-sale securities as of February 28, 2002, was as follows:

(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets			
Stock	2,420	7,134	4,714
Subtotal	2,420	7,134	4,714
Securities with book value per consolidated balance sheets exceeding market value			
Stock	1,627	919	(708)
Subtotal	1,627	919	(708)
Total	4,047	8,053	4,006

3. Information regarding available-for-sale securities sold during the year was as follows:

(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
9,325	21	(198)

4. Available-for-sale securities whose fair value is not readily determinable as of February 28, 2002, were as follows:

(Millions of yen)

Available-for-sale securities	Book value per consolidated balance sheets
Money management fund	1,172
Unlisted shares (excluding OTC securities)	60
Total	1,232

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 28, 2002 by contractual maturity were as follows:

(Millions of yen)

Type	1 year or less
Government and municipal bonds, etc.	17,199
Other bonds	22,839
Total	40,038

(As of February 28, 2001)

(Millions of yen)

Type	As of February 28, 2001		
	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Current assets:	—	—	—
Stock	—	—	—
Bonds and notes	—	—	—
Others	—	—	—
Subtotal	—	—	—
Fixed assets:	—	—	—
Stock	7,333	13,412	6,079
Bonds and notes	—	—	—
Others	—	—	—
Subtotal	7,333	13,412	6,079
Total	7,333	13,412	6,079

Note: 1. Computing method of market value or fair value

Listed securities: Based on the closing price at the term-end mainly at the Tokyo Stock Exchange.

OTC securities: Based on the closing prices, etc., at the term-end published by the Japanese Securities Dealers Association.

2. Major items excluded from the above disclosure and their amounts included in the consolidated balance sheets

(Millions of yen)

As of February 28, 2001

Current assets:	
Money management fund	50,615
Unlisted domestic bond with due in one year or less	23,979
Medium-term government bond funds	171
Bond investment bond	500
Discount financial debentures	13,964
Commercial paper	13,987
Fixed assets:	
Unlisted shares (excluding OTC securities)	159

Note to Derivative Transactions

No disclosures are required because no derivative transactions were made by the Lawson Group for either the current or previous consolidated fiscal years.

Note to Retirement Benefits

From March 1, 2001 to February 28, 2002

1 . Summary of the retirement benefit plans adopted The Company participates in a Japanese government welfare pension fund program and has a lump-sum severance indemnities plan, both of which are defined benefit plans.

2 . Projected benefit obligations	(Millions of yen)
a Projected benefit obligations	(21,720)
b Plan assets	14,226
c Projected benefit obligation in excess of plan assets (a + b)	(7,494)
d Unrecognized prior service cost	(1,060)
e <u>Unrecognized actuarial differences</u>	<u>5,548</u>
f Reported amount on the consolidated balance sheets, net (c + d + e)	(3,006)

Notes: (1) Amounts include those related to Japanese government welfare pension fund.
 (2) Consolidated subsidiaries adopted the simplified method to calculate the projected benefit obligation.
 (3) Unrecognized actuarial differences of ¥1,981 million will be charged to income as a loss on disposal of assets in trust in the following fiscal year.

3 . Net periodic benefit cost	(Millions of yen)
a Service cost	2,088
b Interest cost	548
c Expected return on plan assets	(213)
d Amortization of transition obligation	125
e <u>Premium severance benefit</u>	<u>2,685</u>
f Net periodic benefit cost	5,233

Notes: (1) Amounts exclude employees' contributions to Japanese government welfare pension fund.
 (2) Net periodic benefit cost for consolidated subsidiaries which adopted the simplified method are included in "a. Service cost."

4 . Basis of calculation of projected benefit obligations

a Discount rate	2.0 and 2.5	%
b Expected rate of return on plan assets	4.5	%
c Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period)	

Note: As of February 28, 2002, the Company changed discount rate from 3.0% to 2.5% for the Japanese government welfare pension fund program and to 2.0% for the lump-sum severance indemnities plan.

3. Overseas sales

Overseas sales account for less than 10% of consolidated sales at all segments for both current and previous fiscal years, therefore, overseas sales information is omitted.

Related Party Transactions

(As of February 28, 2002)

Parent company and major shareholders, etc.

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Directors' posts held concurrently	Business relationship				
Parent company of other affiliated companies	Mitubishi Corporation	Chuo-ku, Tokyo	126,609	General trading company	(Ownership) Direct Indirect 30.1 %		Purchase of products	Purchase of products delivered on a daily basis	46,543	Accounts payable trade	15,166

Note:

1. The transaction amount does not include the consumption tax, whereas the ending balance includes the consumption tax.
2. The above transactions with Mitsubishi Corporation show the transactions for the period from December 1, 2001 (date of the initial transaction after Daiei Logistics Systems Inc. transferred its logistics business to the Company) to February 28, 2002 as well as the balances as of February 28, 2002.

Transaction conditions and the principles on the decision thereof:

The terms and conditions applicable to the purchase of products from/to Mitsubishi Corporation are the same as those for other business connections, under price negotiations taking into account market price levels and total cost.

Fellow subsidiary, etc.

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Directors' posts held concurrently	Business relationship				
Subsidiary of other affiliated companies	Daiei Logistics Systems Inc.	Higashinada-ku, Kobe	325	Freight transportation, warehousing and warehouse management			Purchase of products	Purchase of products delivered on a daily basis	110,944	Accounts payable trade	21,024

Note:

1. The transaction amount does not include the consumption tax, whereas the ending balance includes the consumption tax.
2. Effective from August 23, 2001, The Daiei, Inc., the parent company of Daiei Logistics Systems Inc., is no longer a major shareholder of the Company as it contributed its share of the Company to employees' retirement benefit trusts as well as The Daiei, Inc. and its subsidiaries sold their shares of the Company to institutional investors in Japan and overseas in August 2001. As a result, Daiei Logistics Systems Inc. is no longer a related party effective from August 23, 2001. The transaction amount corresponds to the amount for the period to August 31, 2001 and the balances are as of August 31, 2001.

Transaction conditions and the principles on the decision thereof:

The terms and conditions applicable to the purchase of products from/to Daiei Logistics Systems Inc. are the same as those for other business connections, under price negotiations taking into account market price levels and total cost.

Overview of the Non-consolidated result for the year ended February 28, 2002

April 16, 2002

Listed Company Name: Lawson, Inc.

Code No.: 2651

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Contact: Shoji Shiba, Senior Vice President Accounting Planning Office

Tel.: (03) 5476-6853

Date of the Board of Directors Meeting on the Closing of Accounts: April 16, 2002

Interim Dividend System: Yes

Date of Ordinary General Meeting of Shareholders : May 29, 2002

Unit Stock System: Yes (1 unit; 100 Shares)

1. Non-consolidated Performance for the 2002 Fiscal Year (from March 1, 2001, to February 28, 2002)

(1) Operating results

Note: Amounts below one million yen are truncated

	Total operating revenues (Total net sales of Lawson stores including franchised stores)			Operating income		Ordinary profit	
	¥ Million		%	¥ Million	%	¥ Million	%
2002 fiscal year	249,050	(1,282,369)	-9.4(0.5)	36,934	-10.1	35,898	-9.0
2001 fiscal year	274,839	(1,275,358)	-2.0(4.4)	41,085	1.3	39,465	3.8

	Net income		Net income per share	Fully diluted income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenues
	¥ Million	%	¥	¥	%	%	%
2002 fiscal year	16,714	3.3	150.87	—	10.1	9.9	14.4
2001 fiscal year	16,172	5.3	145.87	—	11.7	10.9	14.4

Notes

① Average number of shares during the term 2002 fiscal year: 110,779,922 shares

2001 fiscal year: 110,872,603 shares

② Changes in accounting methods: None

③ Percentages for total operating revenues (Total net sales of Lawson stores), operating income, ordinary profit and net income show increase (decrease) from previous year.

(2) Dividends status

	Annual dividends per share			Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	Interim dividend	Year-end dividend				
	¥	¥	¥	¥ Million	%	%
2002 fiscal year	41.00	20.00	21.00	4,411	26.4	2.9
2001 fiscal year	35.00	17.00	18.00	4,021	24.9	2.2

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
2002 fiscal year	338,518	151,333	44.7	1,406.45
2001 fiscal year	384,994	179,601	46.7	1,563.11

Note: Number of outstanding shares at the end of the fiscal year:

2002 fiscal year: 107,599,829 shares

2001 fiscal year: 114,900,000 shares

2. Forecast Nonconsolidated Performance for 2003 Fiscal Year (from March 1, 2002, to February 28, 2003)

	Operating revenue	Ordinary profit	Net income	Annual dividend per share		
				Interim	Year-end	
	¥ Million	¥ Million	¥ Million	¥	¥	¥
2003 interim period	125,300 (670,000)	18,500	5,100	20.00	-	-
2003 fiscal year	237,000 (1,310,000)	36,000	12,200	-	21.00	41.00

Reference: Forecast net income per share for the 2003 fiscal year: 113.38 yen

Non-consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2002)		Previous fiscal year (As of February 28, 2001)		Increase (Decrease)
	Amount	Compositi on ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	54,441		38,602		15,839
Accounts receivable—due from franchised stores	6,026		6,035		(8)
Marketable securities	40,038		102,544		(62,506)
Merchandise inventories	1,987		2,500		(513)
Prepaid expenses	4,252		4,584		(332)
Short-term loans receivable	-		2,958		(2,958)
Accounts receivable—other	12,802		12,512		290
Deferred tax assets	1,850		1,269		581
Other	1,000		1,079		(79)
Allowance for doubtful accounts	(39)		(62)		22
Total current assets	122,359	36.1	172,025	44.7	(49,666)
Fixed assets					
Property and store equipment—at net book value					
Buildings	40,352		36,085		4,266
Structure	7,530		6,312		1,217
Furniture, fixtures and equipment	21,517		25,220		(3,702)
Land	6,535		20,932		(14,396)
Construction in progress	167		225		(58)
Total property and store equipment— net	76,104	22.5	88,777	23.0	(12,672)
Intangible fixed assets					
Software	6,252		3,149		3,102
Software development in progress	5,896		3,217		2,678
Other intangible fixed assets	387		411		(24)
Total intangible fixed assets	12,535	3.7	6,778	1.8	5,757
Investments and other					
Investments in securities	8,108		7,406		702
Investment in subsidiaries and affiliated companies	6,614		4,284		2,330
Long-term prepaid expenses	1,648		1,200		447
Long-term loans receivable	5,970		2,927		3,043
Lease deposits	91,164		91,066		97
Deferred tax assets	8,059		10,264		(2,205)
Deferred tax assets for land revaluation	6,088		-		6,088
Other	837		635		202
Allowance for doubtful accounts	(972)		(372)		(600)
Total investments and other	127,519	37.7	117,413	30.5	10,105
Total fixed assets	216,159	63.9	212,969	55.3	3,190
Total Assets	338,518	100.0	384,994	100.0	(46,475)

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2002)		Previous fiscal year (As of February 28, 2001)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	62,112		60,195		1,916
Accounts payable— due to franchised stores	4,902		4,617		285
Current portion of long-term borrowings	3,140		20,390		(17,250)
Account payable—other	16,328		12,622		3,706
Income taxes payable	10,533		5,810		4,723
Deposits received	25,395		23,573		1,821
Accrued employees' bonuses	2,185		2,510		(325)
Other	2,622		2,706		(84)
Total current liabilities	127,219	37.6	132,425	34.4	(5,206)
Long-term liabilities					
Long-term borrowings, less current portion	-		3,140		(3,140)
Allowance for employees' retirement benefits	2,994		5,761		(2,767)
Liability for retirement benefits to directors and corporate auditors	300		203		96
Liability for prior pension and severance costs	-		7,972		(7,972)
Deposits received from franchisees and lessees	56,671		55,889		781
Total long-term liabilities	59,965	17.7	72,967	18.9	(13,002)
Total Liabilities	187,184	55.3	205,393	53.3	(18,208)
(Shareholders' Equity)					
Common stock	58,506	17.3	58,506	15.2	-
Additional paid-in capital	41,520	12.3	41,520	10.8	-
Legal reserve	727	0.2	520	0.1	207
Land revaluation difference	(8,407)	(2.5)	-		(8,407)
Retained earnings					
General reserve	30,000		60,000		(30,000)
Unappropriated retained earnings	26,665		19,053		7,611
Total retained earnings	56,665	16.7	79,053	20.6	(22,388)
Net unrealized gain on available-for-sale securities	2,321	0.7	-		2,321
Treasury stock-at cost	(0)	0.0	-		(0)
Total Shareholders' Equity	151,333	44.7	179,601	46.7	(28,267)
Total Liabilities and Shareholders' Equity	338,518	100.0	384,994	100.0	(46,475)

Non-consolidated Statements of Income

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1, 2001 to February 28, 2002)		Previous fiscal year (From March 1, 2000 to February 28, 2001)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	
Operating revenues	150,214	%	144,087	%	%
Franchise commissions from franchised stores	141,559	60.3	135,222	52.4	104.3
Net sales reported by franchised stores					104.7
Current fiscal year: ¥ 1,183,533 million					
Previous fiscal year: ¥1,144,606 million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥1,282,369 million					
Previous fiscal year: ¥1,275,358 million					
Other	8,654	(100.0)	8,864	(100.0)	97.6
Net sales	98,836	39.7	130,751	47.6	75.6
Total operating revenues	249,050	100.0	274,839	100.0	90.6
Cost of goods sold	72,912	(73.8)	96,557	(73.8)	75.5
Gross profit on sales	(25,923)	(26.2)	(34,194)	(26.2)	75.8
Operating gross profit	176,138	70.7	178,282	64.8	98.8
Selling, general and administrative expenses	139,203	55.9	137,197	49.9	101.5
Operating income	36,934	14.8	41,085	14.9	89.9
Non-operating income	1,267	0.5	1,545	0.6	82.0
Interest received	170		206		
Interest on securities	259		277		
Dividend income	42		84		
Compensation received for damage	217		190		
Rental revenue	171		139		
Compensation received for removal	107		196		
Other	298		451		
Non-operating expense	2,303	0.9	3,165	1.2	72.8
Interest expense	511		1,453		
Loss on cancellation of store lease contract	1,254		687		
Expenses for stock listing	-		494		
Other	537		529		
Ordinary profit	35,898	14.4	39,465	14.4	91.0
Special gains	3,878	1.6	39	0.0	9,816.4
Gain on securities contributed to employees' retirement benefit trusts	3,857		-		
Gain on sales of investments in securities	21		-		
Reversal of allowance for doubtful accounts	-		4		
Reversal of loss on write-off of investments in securities	-		35		
Special losses	9,930	4.0	9,731	3.6	102.0
Loss on disposal of fixed assets	5,999		2,720		
Loss on sales of fixed assets	1,140		-		

Premium severance benefit	2,685		-		
Write-off of the unamortized prior service costs	-		7,011		
Loss on sales of investments in securities	105		-		
Income before income taxes	29,846	12.0	29,773	10.8	100.2
Income taxes—current	13,189		7,202		
Deferred income taxes	(57)	5.3	6,398	4.9	96.6
Net income	16,714	6.7	16,172	5.9	103.3
Unappropriated retained earnings—carried forward	46,778		5,030		
Interim cash dividends	2,151		1,953		
Transfer of unappropriated retained earnings to legal reserve with respect to interim dividends	-		195		
Purchase and cancellation of treasury stock	34,675		-		
Unappropriated retained earnings—at end of year	26,665		19,053		139.9

《Summary of Significant Accounting Policies》

1. Marketable securities and investments in securities:

Held-to-maturity debt securities: Carried at amortized cost.

Investments in subsidiaries and affiliated companies: Stated at cost determined by the moving-average method.

Available-for-sale securities:

Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

Other: Stated at cost determined by the moving-average method.

2. Inventories:

Merchandise inventories Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment:

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 10 to 50 years for buildings and from 2 to 20 years for furniture, fixtures and equipment.

Intangible fixed assets:

Amortization of intangible assets is computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over five years, which is the internal useful life.

4. Accounting standard for important reserves

Allowance for Doubtful Accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Accrued Employees' Bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. The full amount of the transition obligation of ¥125 million, determined as of the beginning of the year, was charged to income and presented as a non-operating expense in the non-consolidated statements of income. Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is amortized from the current fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Allowance for retirement benefits to directors and corporate auditors:

Allowance for retirement benefits to directors and corporate auditors is calculated to state the liability at 100% of the amount that would be required if all directors and corporate auditors resigned their services with the Company at the balance sheet date.

5. Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

6. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

《Additional information》

(Accounting Principle for Pension Plans)

Effective March 1, 2001, the Company adopted a new accounting standard for its pension plans in accordance with the “Opinion Concerning the Establishment of Accounting Standard for Retirement Benefits” issued by the Business Accounting Deliberation Council on June 16, 1998.

As a result, net periodic benefit costs as compared with the prior method decreased by ¥ 131 million, ordinary profit and income before income taxes increased by ¥ 131 million. The Company contributed certain cash and available-for-sale securities to an employees’ retirement benefit trust for the Company’s contributory pension plans, and recognized a special gain of ¥ 3,857 million. This amount is included in special gains in the non-consolidated statements of income.

Liability for prior pension and severance costs as of the beginning of year was transferred to allowance for employees’ retirement benefits.

(Accounting Principle for Financial Instruments)

Effective March 1, 2001, the Company adopted a new accounting standard for financial instruments in accordance with the “Opinion Concerning the Establishment of Accounting Standard for Financial Instruments” issued by the Business Accounting Deliberation Council on January 22, 1999.

As a result, as compared with the prior method, ordinary profit decreased by ¥ 174 million and income before income taxes increased by ¥ 504 million.

Based on the Company’s holding purposes for the securities held as of the beginning of year, held-to-maturity and available-for-sale debt securities with maturities of one year or less are classified as marketable securities under current assets and other securities are classified as investments in securities. This new standard had no effect on the Company’s balance sheet.

(Accounting Principle for Foreign Currency Transactions)

Effective March 1, 2001, the Group adopted a revised accounting standard for foreign currency transactions in accordance with "Opinion Concerning Revision of Accounting Standard for Foreign Currency Translation" issued by the Business Accounting Deliberation Council on October 22, 1999.

The adoption of this revised standard had no effect on the non-consolidated income statement for the year ended February 28, 2002.

Notes to the Non-consolidated Balance Sheets

	(Millions of yen)	
	As of February 28, 2002	As of February 28, 2001
1. Accumulated depreciation for property and store equipment	90,896	95,755
2. Assets pledged as collateral and secured debt		
Investments in securities	-	2,994
Lease deposits	-	984
Total	-	3,978
Debt corresponding to the above	-	2,500
Long-term borrowings due within one year	-	2,500
Total	-	2,500
3. Total number of shares authorized to be issued by the Company		
Number of shares issued	412,300,000 shares	419,600,000 shares
Change in number of shares issued	107,600,000 shares	114,900,000 shares
a. Cancellation of shares by appropriation of profit	7,300,000 shares	- shares
Total acquisition value of shares cancelled	¥34,675 million	¥- million
b. Purchase of odd-lot certificates	171 shares	- shares
Total acquisition value of certificates	¥673,562	¥-
4. Revaluation of land used for business	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The revaluation that difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in assets as deferred tax assets for land revaluation.</p> <p>Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.</p> <p>Date of revaluation: February 28, 2002</p> <p>Book value of the land before revaluation: ¥21,031million</p> <p>Book value of the land after revaluation: ¥6,535million</p>	

Notes to Non-consolidated Statements of Income

	From March 1, 2001 to February 28, 2002	From March 1, 2000 to February 28, 2001
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	15,575	14,879
Doutful debt account	694	-
Salary	24,932	28,576
Provision for accrued employees' bonuses	2,185	2,510
Retirement benefit costs	2,410	-
Provision for allowance for employees' retirement benefits	-	1,416
Provision for allowance for retirement benefits to directors and corporate auditors	104	72
Rent account	36,384	34,056
Depreciation	14,057	14,575
2. Distribution of loss on disposal of fixed assets		
Buildings	1,866	1,677
Structures	153	124
Furniture, fixtures and equipment	3,979	919
3. Distribution of loss on sales of fixed assets		
Buildings and structures	160	-
Furniture, fixtures and equipment	192	-
Land	787	-

Notes to Lease Contracts

1. Finance lease contracts other than those by which the ownership of the leased property is to be transferred to lessees

The assumed data as to acquisition cost, accumulated depreciation and net leased property

	(Millions of yen)	
	<u>As of February 28, 2002</u>	<u>As of February 28, 2001</u>
Acquisition cost	42,956	30,853
Accumulated depreciation	17,295	16,642
Leased property	25,660	14,211
Obligations under finance leases		
Due within one year	7,067	5,027
Due after one year	19,069	9,642
Total	26,136	14,670
Lease payments, depreciation expense and interest expense		
Lease payments	6,432	6,147
Depreciation expense	5,900	5,554
Interest expense	496	573

Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

Computation method of interest expense

The difference between the total lease contract amount and the acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

2. Operating lease contracts
Obligations under operation leases

	(Millions of yen)	
	<u>As of February 28, 2002</u>	<u>As of February 28, 2001</u>
Due within one year	892	596
Due after one year	7,142	6,668
Total	8,035	7,264

Notes to Marketable Securities and Investments in Securities

Notes to Marketable Securities and Investments in Securities (excluding investments in subsidiaries or affiliated companies whose fair value is readily determinable) as of February 28, 2002 and Notes to Market Value Information of Securities as of February 28, 2001 are presented in the notes to the consolidated financial statements. As of February 28, 2002, fair value is not readily determinable for any of the investments in subsidiaries or affiliated companies.

Notes to Accounting for income taxes

Deferred tax assets were described as follows:

	(Millions of yen)
	As of February 28, 2002
Valuation loss on investments in securities	2,753
Valuation loss on land	1,168
Enterprise taxes payable	1,222
Allowance for employees' retirement benefits	5,461
Other	2,608
Total deferred tax assets	13,213
Gain on securities contributed to employees' retirement benefit trusts	1,619
Net unrealized gain on available-for-sale securities	1,681
Other	2
Total deferred tax liabilities	3,303
Deferred tax assets-net	9,909

Statement of Appropriation of Retained Earnings

(Millions of yen)

Fiscal period Account item	Current fiscal year ended February 28, 2002	Previous fiscal year ended February 28, 2001	Year-on-Year Change
Unappropriated retained earnings—At end of year	26,665	19,053	7,611
Transfer from general reserve to unappropriated retained earnings	-	30,000	(30,000)
Total	26,665	49,053	(22,388)
To be appropriated as follows:			
Legal reserve	-	207	(207)
Year-end dividends	2,259	2,068	191
	(21 yen per share)	(18 yen per share)	
Retained earnings to be carried forward	24,406	46,778	(22,372)

Note:

On November 15, 2001, the company made an interim cash dividend of ¥2,151,998,580 (¥20 per share).

Breakdown of dividend per share

	Current fiscal year ended February 28, 2002			Previous fiscal year ended February 28, 2001		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common dividend	¥ 41.00	¥ 20.00	¥ 21.00	¥ 32.00	¥ 14.00	¥ 18.00
Additional dividend	—	—	—	3.00	3.00	—