

Flash Report on the Consolidated result for interim period ended August 31, 2001

October 15, 2001

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: October 15, 2001

Based on US GAAP: Unapplicable

1. Consolidated Performance for the current interim period (from March 1, 2001, to August 31, 2001)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating income		Ordinary profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current interim period	133,089	(8.0)	23,246	0.2	22,454	3.3
Previous interim period	144,638	(5.6)	23,202	9.6	21,739	11.3
Last fiscal year	280,218		41,279		39,536	

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current interim period	11,455	32.7	100.56	—
Previous interim period	8,631	(5.6)	80.73	—
Last fiscal year	16,368		147.63	—

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

Current interim period: (¥99 million) Previous interim period: (¥14million) Last fiscal year: (¥100million)

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

Current interim period: 113,908,117 shares

Previous interim period: 106,910,870 shares Last 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 period.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per shares
	¥ Million	¥ Million	%	¥
Current interim period	370,715	159,098	42.9	1,478.61
Previous interim period	407,066	172,664	42.4	1,502.73
Last fiscal year	387,236	178,448	46.1	1,553.07

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

107,599,929 shares at August 31, 2001 114,900,000 shares at August 31, 2000

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
Current interim period	35,079	(16,372)	(45,724)	101,726
Previous interim period	51,468	(25,132)	29,651	167,747
Last 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 non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 1

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

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

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

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

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2002 fiscal year	257,000	41,600	19,200

Reference: Forecast net income per share for the 2002 fiscal year: 178.44 yen

Corporate Group

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

[Convenience store business]

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

[Ticket sales business]

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

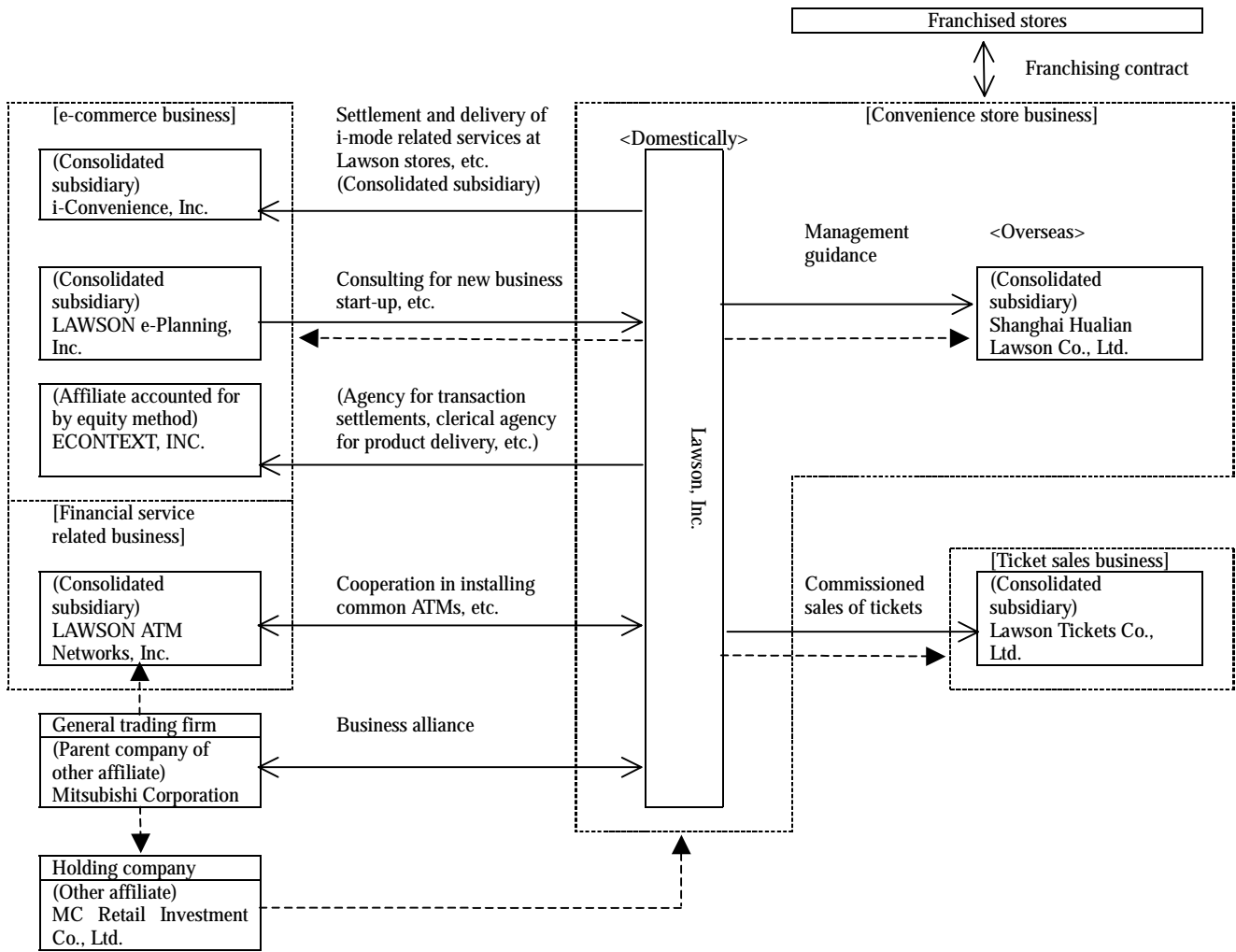
[e-commerce business]

1. 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.
2. 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.
3. An affiliate, ECONTEXT, INC., engages in e-commerce product delivery, serves as an agency for transaction settlements and offers other agency activities that use convenience store-based settlement and distribution systems.

[Financial service related business]

1. A subsidiary, LAWSON ATM Networks, Inc., engages in the establishment, maintenance and operation of common ATMs in Lawson stores, as well as the outsourced operations involved in financial services of the associated financial institutions such as money crediting/debiting and transfers via the shared ATM network.

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



-----> Capital relationship

Management Policy

1. Basic operating policy

Under the “LAWSON Corporate Philosophy” set forth as the basis to discipline our corporate behavior, the Company has six guidelines for realizing its goal as the industry frontrunner. We aim to achieve our concept as “the ‘hot’ station in the neighborhood” in pursuit of corporate activities in accordance with these guidelines.

< Corporate philosophy >

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

< Action guidelines >

(1) Customer Satisfaction

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

(2) Store Owner Satisfaction

Owners are the best business partners. We deliberate, find, discuss and supply the necessary information to help them optimally manage franchised stores.

(3) Partner 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 disclose the necessary information.

(4) Investor Satisfaction

We ensure sustainable development to our shareholders. We, therefore, aim to continually increase corporate value by firmly achieving the No. 1 positions in different business areas.

(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, and given the requirements of future business development. Compliant with this policy, the Company paid an interim dividend in the amount of ¥20 per share. Retained earnings not distributed to shareholders will be allocated to the reinforcement of the financial structure and the increasing corporate value of the Company by reinvesting such funds in new-store

development and the restoration of existing stores, as well as the implementation of the latest information platform to prepare for new businesses.

During the first half of the year, the Company purchased and redemption of its treasury stock of 7,300 thousand shares totaling ¥34,675 million to improve the return on equity and the payout ratio. As a result, the total number of shares outstanding as of August 31, 2001, was 107,600 thousand.

3. Intermediate- and long-term management strategies

The Company works to realize the concept of becoming “the ‘hot’ station in the neighborhood” frequented by local customers, with three key strategies and by regarding the current harsh economic environment as a challenging opportunity for future growth.

- (1) To create network value by taking advantage of the national chain in the 21st century
 - Strive to become the dominant company in each of Japan’s 47 prefectures
 - Promote e-business and financial business through well-positioned national network bases
- (2) To improve the quality of franchised chain operations for higher corporate value
 - Increase daily sales by improving product development and assortment, making employees fully execute QSC (quality, service and cleanliness) basics and raising daily sales at new stores and other measures
 - Close and replace low daily sales stores
- (3) To achieve social missions as a good corporate citizen
 - Upgrade corporate ethics
 - Promote environment-friendly activities

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 of 12% or higher for fiscal 2003 from the viewpoint of ensuring higher profitability and an improved asset turnover ratio. Furthermore, we intend to achieve an ROE target of 12% or higher for fiscal 2003 to increase shareholder value.

5. Measures for organizational reform

The Company has appointed external directors and auditors and formed an advisory board to listen to outside experts’ opinions and advice on compliance, as well as fair and open business operations. In addition, we have formulated “the code of ethical practice” as a guideline for employees’ behavior. The Company encourages further improvement of corporate ethics through the periodic training of employees.

Moreover, we have and will more quickly and extensively disclose information to shareholders and investors through presentation in different communication media such as Web-based home page information and the LAWSON VALUE BOOK (Business Report).

6. Our tasks ahead

To adapt itself to the ever-changing operating environment and ensure a leading-edge position in the industry, the Lawson Group must ensure increased daily sales at new stores, improved year-on-year sales at existing stores, a competitive advantage in the market and more efficient store operations. Thus, we will achieve overwhelmingly strong competitiveness through the speedy and effective reform of the corporate structure by selectively concentrating available resources on aggressive business development as follows:

(1) Strengthening product development and assortment

We endeavor to develop attractive products that raise eagerness to buy something of customers and promote differentiating our products in partner merchandising activities with the Fresh Foods Supply Cooperative (FFS) and cooperative manufacturers. We will also supply locally featured products that more specifically meet customer needs.

(2) Complete understanding of the QSC (Quality, Service and Cleanliness) basics

As part of our efforts to steadily upgrade and maintain the level of store operations, Lawson stores will endeavor to provide thorough quality control for products and services, offer the best welcoming reception and create an optimal atmosphere for comfortable in-store shopping.

(3) Development of excellent stores and achieving store dominance

We intend to attain our dominance in every prefecture nationwide to improve store operating and distribution efficiency while focusing on quality. In addition, we will further promote the closing of low daily sales stores and relocate them in more suitable spots and shift Company-operated stores to franchised ones to improve the overall profitability of chain stores.

(4) Promotion of e-business and financial business

By harnessing Lawson's strengths, especially as Japan's only national chain, we will actively reinforce the information infrastructure for e-business and financial business to deploy new services. We will pursue the integration of the Loppi multimedia terminals throughout our nationwide store network, the @LAWSON content service mainly for PC users and the i-mode Internet shopping service; establish innovative business models; and improve the Lawson brand in the e-business. Moreover, we intend to steadily place ATMs in stores through LAWSON ATM Networks, Inc.

(5) Buildup of the third-generation comprehensive information system

We will achieve more streamlined store operations, strengthen the store support system and upgrade the e-business infrastructure through the steady implementation, early start-up and efficient operation of our third-generation information system. Moreover, we will comprehensively solidify the whole process from material procurement and production to distribution and sale by taking advantage of the new information system in pursuit of the early completion of a highly efficient supply chain management.

7. Basic policies on relations with related parties

(1) Relationship with Mitsubishi Corporation

Mitsubishi Corporation is a prime shareholder that indirectly owns 30.0% of the Company's total shares outstanding. Management regards Mitsubishi Corporation—the mainstay of the Mitsubishi Group—as its most important strategic partner. We will, therefore, further deepen the business alliance in the existing fields such as store development and product development to further increase corporate value, in addition to business tie-ups in new business fields.

(2) Relationship with The Daiei, Inc.

The Daiei, Inc., is no longer a related party because The Daiei contributed a part of Lawson shares to a retirement benefit trust it established. The Daiei and its subsidiaries sold most portion of the Lawson shares previously owned to several institutional investors in Japan and overseas.

Operating Performance

1. Overview for the Interim Period Ended August 31, 2001

[Summary of Operations]

During the interim period, ended August 31, 2001, the Japanese economy showed clear signs of a gradual setback with corporate profits decreasing especially in the manufacturing industry and declines in exports and private-sector investment. Furthermore, personal consumption remained sluggish, influenced by the adverse employment environment with the unemployment rate worsening to 5%.

The retail industry faced difficult business conditions as sales by existing stores remained flat compared with the prior year due to customers' general preference for low-priced items mainly for daily necessities including foodstuffs, despite favorable sales for some high-priced products such as clothing and sundries.

In these circumstances, with the slogan of "3S" (Simple, Speedy and Sento [freshness]), the Lawson Group has endeavored to increase daily sales at new stores, promote operations at existing stores and solidify competitive advantages by viewing the fiscal year ending February 28, 2002, as a year of reform. Such efforts focused on the complete practice of the QSC basics through the "Customer Reception Level-up Campaign", strengthening product development capability and increasing the number of store customers through promotion activities such as the "Special Promotion" and planned tie-up events combined with popular movies and concerts. In addition, the group emphasized increasing Lawson's originality as the sole national chain by launching its official i-mode services at the "iLAWSON" Web site, which can be positioned as a new mainstay in its composite e-business operations.

As a result, net sales throughout the entire Lawson chain increased 2.0% year-on-year to ¥664,436 million, ordinary profit rose 3.3% to ¥22,454 million and net income advanced 32.7% to ¥11,455 million, all of which on a semiannual basis are compared with the figures for the prior interim period ended August 31, 2000.

【Sales by product group (Entire Lawson chain stores)】

Sales of processed foods increased 4.5% due to expanded sales of tobacco products and liquors. Sales of fast foods decreased 0.3%, reflecting the decline in sales of in-store prepared fast foods and daily dishes. Sales of daily delivered foods, supported by steady sales of fresh foodstuffs and chilled foods expanded 2.1%. Sales of food products improved 2.6% over the prior interim term ended August 31, 2000. Sales of nonfood products fell 0.2% due to sluggish sales of toys and magazines despite favorable sales of tonics and cosmetics sold exclusively at convenience stores.

(Millions of yen)

Fiscal period Product group	Current interim period (From March 1, 2001, to August 31, 2001)		Previous interim period (From March 1, 2000, to August 31, 2000)		Interim year- on-year change (%)
	Sales	Composition ratio (%)	Sales	Composition ratio (%)	
Processed foods	298,904	45.0	285,897	43.9	104.5
Fast foods	185,972	28.0	186,529	28.6	99.7
Daily delivered foods	50,311	7.5	49,268	7.6	102.1
Food total	535,187	80.5	521,694	80.1	102.6
Non-food products	129,249	19.5	129,473	19.9	99.8
Chain total	664,436	100.0	651,167	100.0	102.0

【Store development】

During the interim period under review, the Company strove to ensure further store dominance in each of the 47 prefectures and promoted opening new stores on a quality-first basis. At the same time, we actively pursued a policy of closing low daily sales stores and relocating them in more suitable spots, and also shifted several Company-operated stores to franchised ones. These efforts helped improve the profitability of the overall Lawson chain as represented by an increase in daily sales at new stores, although the total number of stores decreased by 112 from the end of the previous fiscal year, as we opened 237 new stores and closed 349 including those that were relocated. Shanghai Hualian Lawson Co., Ltd., which engages in chain store operations in Shanghai, China, increased 9 stores to 75. As a result, the number of Lawson chain stores totaled 7,646 (7,571 domestic stores and 75 overseas).

Number of stores by prefecture (As of August 31, 2001)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	468	Saitama	259	Gifu	80	Tottori	50	Saga	53
Aomori	92	Chiba	250	Shizuoka	169	Shimane	52	Nagasaki	71
Iwate	91	Tokyo	688	Aichi	316	Okayama	113	Kumamoto	79
Miyagi	173	Kanagawa	448	Mie	62	Hiroshima	125	Oita	91
Akita	84	Niigata	111	Shiga	106	Yamaguchi	108	Miyazaki	75
Yamagata	59	Toyama	89	Kyoto	179	Tokushima	98	Kagoshima	104
Fukushima	107	Ishikawa	62	Osaka	842	Kagawa	97	Okinawa	105
Ibaraki	97	Fukui	64	Hyogo	447	Ehime	115	Subtotal	7,571
Tochigi	95	Yamanashi	66	Nara	113	Kochi	37	Shanghai	75
Gunma	63	Nagano	148	Wakayama	100	Fukuoka	270	Total	7,646

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of its interim closing date (June 30, 2001) is reported.

【Income and expenses】

Consolidated total operating revenue for the interim period ended August 31, 2001, amounted to ¥133,089 million, down ¥11,549 million (8.0%) from the previous interim period. The primary reasons for this decline were reduced sales from Company-operated stores, coupled with efforts to revamp or close stores with low daily sales volumes, and a shift from Company-operated stores to franchised ones. Such declining factors were partially offset by the increase in franchised commissions owing to the increase in member chain stores and increased operating revenue from ticket sales by Lawson Tickets Co., Ltd.

Operating income for the interim period under review increased ¥44 million (0.2%) to ¥23,246 million. This increase mainly resulted from successful operations in service fields such as the reservation of tickets and accommodations, which more than offset increased costs for new businesses.

Ordinary profit increased ¥715 million (3.3%) to ¥22,454 million over the previous interim period. This principally derived from an improvement in the net financials of ¥781 million due to a decline in borrowings.

As a result of these items, income before corporate, inhabitant and enterprise taxes amounted to ¥20,284 million, up ¥4,746 million (30.5%). This increase was mainly due to recording the profit of ¥3,857 million from the employees' retirement benefit trusts the Company established, which offset the premium severance benefit of

¥2,685 million for preferential early retirement and the loss on retirement of fixed assets of ¥2,442 million due to the closure of stores.

As a result, net income for the interim period rose ¥2,824 million (32.7%) to ¥11,455 million and net income per share was ¥100.56, on a consolidated basis.

【 Cash flows 】

For the interim period ended August 31, 2001, cash provided by operating activities fell ¥16,389 million to ¥35,079 million. This decrease was due largely to a cash contribution by establishing the retirement benefit trust and the decline in money held as agency for transaction settlements and accounts payable. Net cash used in investing activities amounted to ¥16,372 million, down ¥8,760 million, principally due to the redemption of marketable securities of ¥8,003 million. Net cash used in financing activities was ¥45,724 million, down ¥75,375 million, reflecting the disbursement of ¥34,675 million for the purchase of treasury stock for cancellation and other factors.

As a result of these cash flows, cash and cash equivalents at the end of the interim period ended August 31, 2001, totaled ¥101,726 million, down ¥66,021 million from the previous interim period.

2. Outlook for the Year

In the retail industry, competition is expected to intensify with other types of business, in the trend of an oligopoly among several leading companies under the pressure of the prolonged sluggishness in personal consumption.

In such a challenging environment, the Company will continue to raise daily sales at new stores and revitalize existing stores by strengthening its product development capability, executing the QSC basics and reinforcing store development capability. We also intend to increase new customers and improve earnings with several new services, including the improvement of Loppi functions, the handling of a variety of attractive items, and the start of ATM and other financial services.

The Company forecasts a 7.2% increase in its non-consolidated ordinary profit compared with that for the year ended February 28, 2001. Considering the significant initial investment cost for the introduction of i-mode services and the gradual implementation of ATMs in chain stores, the Company forecasts the following figures for the year ending February 28, 2002, on a consolidated basis.

(Millions of yen)

	Current interim period ended August 31, 2001 (Actual results)	Fiscal year ending February 28, 2002 (Forecast)	Last fiscal year ended February 28, 2001 (Actual results)	Year-on-year change (%)
Total operating revenue	133,089	257,000	280,218	(8.3)
Ordinary profit	22,454	41,600	39,536	5.2
Net income	11,455	19,200	16,368	17.3
Net income per share	¥100.56	*¥178.44	¥147.63	-

Average number of shares outstanding during the (interim) term: Interim period ended August 31, 2001 (113,908,117); year ended February 28, 2001 (110,872,603).

*Calculated with the number of shares outstanding at the end of interim period ended August 31, 2001 (107,599,929 shares).

(Reference)

Forecast Non-consolidated Performance

(Millions of yen)

	Current interim period ended August 31, 2001 (Actual results)	Fiscal year ending February 28, 2002 (Forecast)	Last fiscal year ended February 28, 2001 (Actual results)	Year-on-year change (%)
Total operating revenue	129,808	249,000	274,839	(9.4)
Ordinary profit	22,607	42,300	39,465	7.2
Net income	11,592	19,700	16,172	21.8
Net income per share	¥101.77	*¥183.09	¥145.87	-

Average number of shares outstanding during the (interim) term: Interim period ended August 31, 2001 (113,908,152); year ended February 28, 2001 (110,872,603).

*Calculated with the number of shares outstanding at the end of interim period ended August 31, 2001 (107,600,000 shares).

Consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2001)		Previous interim period (As of August 31, 2000)		Last fiscal year (As of February 28, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	28,450		33,474		42,947	
Accounts receivable—due from franchised stores	4,255		4,406		6,075	
Marketable securities	100,236		144,464		103,216	
Merchandise inventories	2,093		2,990		2,577	
Short-term loans receivable	-		-		2,958	
Deferred tax assets	1,702		4,424		1,404	
Other	20,914		19,371		18,578	
Allowance for doubtful accounts	(69)		(57)		(74)	
Total current assets	157,581	42.5	209,072	51.4	177,681	45.9
Fixed assets						
Property and store equipment—at net book value						
Buildings and structures	43,023		38,590		42,487	
Furniture, fixtures and equipment	24,398		27,195		25,419	
Land	19,846		20,821		20,933	
Construction in progress	112		335		226	
Total property and store equipment— net	87,379	23.6	86,941	21.3	89,065	23.0
Intangible fixed assets	9,622	2.6	5,116	1.3	7,168	1.8
Investments and other						
Investments in securities	14,511		7,806		7,492	
Lease deposits	90,075		87,699		91,169	
Deferred tax assets	5,584		6,928		10,265	
Other	6,249		3,864		4,764	
Allowance for doubtful accounts	(287)		(367)		(372)	
Total investments and other	116,132	31.3	105,930	26.0	113,318	29.3
Total fixed assets	213,133	57.5	197,987	48.6	209,551	54.1
Deferred charges	1	0.0	7	0.0	4	0.0
Total Assets	370,715	100.0	407,066	100.0	387,236	100.0

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2001)		Previous interim period (As of August 31, 2000)		Last fiscal year (As of February 28, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	77,351		78,841		60,260	
Accounts payable— due to franchised stores	6,705		6,190		4,617	
Short-term borrowings	-		254		-	
Current portion of long-term borrowings	13,499		20,062		20,390	
Account payable—other	12,233		13,891		12,894	
Income taxes payable	9,551		938		5,833	
Deposits received	24,212		25,729		24,831	
Accrued employees' bonuses	2,498		2,563		2,544	
Other	3,142		3,965		2,815	
Total current liabilities	149,191	40.2	152,433	37.4	134,184	34.7
Long-term liabilities						
Long-term borrowings, less current portion	-		13,499		3,140	
Allowance for employees' retirement benefits	2,972		5,753		5,773	
Allowance for retirement benefits to directors and corporate auditors	255		162		203	
Liability for prior pension and severance costs	-		6,223		7,973	
Lease deposits from franchisee and lessees	56,710		56,095		55,890	
Total long-term liabilities	59,937	16.2	81,732	20.1	72,979	18.8
Foreign currency transaction adjustments	-	-	43	0.0	144	0.0
Total Liabilities	209,128	56.4	234,208	57.5	207,307	53.5
(Minority Interest)						
Minority Interest	2,489	0.7	194	0.1	1,481	0.4
(Shareholders' Equity)						
Common stock	58,507	15.8	58,507	14.4	58,507	15.1
Additional paid-in capital	41,520	11.2	41,520	10.2	41,520	10.7
Retained earnings	53,133	14.3	72,637	17.8	78,421	20.3
Net unrealized gain on available-for-sale securities	5,767	1.6	-	-	-	-
Foreign currency transaction adjustments	171	0.0	-	-	-	-
Treasury stock-at cost	159,098 (0)	42.9 (0.0)	172,664 -	42.4 -	178,448 -	46.1 -
Total Shareholders' Equity	159,098	42.9	172,664	42.4	178,448	46.1
Total Liabilities, Minority Interest and Shareholders' Equity	370,715	100.0	407,066	100.0	387,236	100.0

Consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Current interim period (From March 1, 2001 to August 31, 2001)		Previous interim period (From March 1, 2000 to August 31, 2000)		Last Fiscal year (From March 1, 2000 to February 28, 2001)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	79,725	59.9	74,958	51.8	147,040	52.5
Franchise commissions from franchised stores	73,439		69,139		135,237	
Net sales reported by franchised stores						
Current interim period: ¥611,275 million						
Previous interim period: ¥581,487million						
Last fiscal year: ¥1,144,717million						
Total net sales of Lawson stores including franchised stores						
Current interim period: ¥664,436 million						
Previous interim period: ¥651,167million						
Last fiscal year: ¥1,277,638million						
Other	6,286		5,819		11,803	
Net sales	53,364	(100.0)	69,680	(100.0)	133,178	(100.0)
		40.1		48.2		47.5
Total operating revenues	133,089	100.0	144,638	100.0	280,218	100.0
Cost of goods sold	39,517	(74.1)	51,400	(73.8)	98,501	(74.0)
Gross profit on sales	(13,847)	(25.9)	(18,280)	(26.2)	(34,677)	(26.0)
Operating gross profit	93,572	70.3	93,238	64.4	181,717	64.8
Selling, general and administrative expenses	70,326	52.8	70,036	48.4	140,438	50.1
Operating income	23,246	17.5	23,202	16.0	41,279	14.7
Non-operating income	772	0.6	574	0.4	1,561	0.6
Interest received	249		139		496	
Dividend income	42		42		84	
Compensation received for damage	135		101		190	
Compensation received for removal	84		73		197	
Other	262		219		594	
Non-operating expense	1,564	1.2	2,037	1.4	3,304	1.2
Interest expense	328		999		1,468	
Loss on cancellation of lease contract	721		364		688	
Equity in losses of affiliated companies	99		14		100	
Expenses for stock listing	-		494		494	
Other	416		166		554	
Ordinary profit	22,454	16.9	21,739	15.0	39,536	14.1

Special gains	3,890	2.9	339	0.2	44	0.0
Gain on securities contributed to employees' retirement benefit trusts	3,857		-		-	
Reversal of loss on write-off of investments in securities	-		330		35	
Other	33		9		9	
Special losses	6,060	4.6	6,540	4.5	9,734	3.5
Premium severance benefit	2,685		-		-	
Loss from disposal of fixed assets	2,442		554		2,723	
Loss on sales of fixed assets	933		-		-	
Write-off of the unamortized prior service costs	-		5,986		7,011	
Income before corporate, inhabitant and enterprise taxes	20,284	15.2	15,538	10.7	29,846	10.6
Corporate, inhabitant and enterprise taxes	8,737		319		7,226	
Deferred income taxes	208	6.7	6,579	4.7	6,262	4.8
Minority interest in earnings of consolidated subsidiaries	(116)	0.1	9	0.0	(10)	0.0
Net income	11,455	8.6	8,631	6.0	16,368	5.8

Consolidated Retained Earnings

(Millions of yen)

Account item	Fiscal period	Current interim period (From March 1, 2001 to August 31, 2001)	Previous interim period (From March 1, 2000 to August 31, 2000)	Last Fiscal year (From March 1, 2000 to February 28, 2001)
		Amount	Amount	Amount
Balance of retained earnings at beginning of the interim period		78,421	65,055	65,055
Decrease in retained earnings				
Cash dividends		2,068	1,049	3,002
Purchase and redemption of treasury stock		34,675	-	-
Net income		11,455	8,631	16,368
Balance of consolidated retained earnings at end of the interim period		53,133	72,637	78,421

Consolidated Statements of Cash Flows

(Millions of yen)

Account item	Fiscal period	Current interim period (From March 1,2001 to August 31, 2001)	Previous interim period (From March 1,2000 to August 31, 2000)	Last Fiscal year (From March 1,2000 to February 28, 2001)
		Amount	Amount	Amount
Operating activities:				
Income before corporate, inhabitant and enterprise taxes		20,284	15,538	29,846
Depreciation of fixed assets		6,658	6,964	14,682
Depreciation of intangible fixed assets		779	646	1,339
Gain on securities contributed to employees' retirement benefit trusts		(3,857)	-	-
Premium severance benefit		2,032	-	-
Pension and severance costs		(7,973)	6,223	7,973
Increase in provision for allowance for retirement benefits to employees		8,692	904	965
(Reversal of) provision for allowance for doubtful accounts		(90)	(21)	1
Interest and dividend income		(291)	(181)	(580)
Interest expense		328	999	1,468
Loss from disposal of fixed assets		1,673	365	1,892
Loss on sales of fixed assets		933	-	-
Reversal of write-off of investments in securities		-	(330)	(35)
Other-net		261	773	1,137
Decrease (increase) in accounts receivable due from franchised stores		1,823	1,523	(146)
Decrease in merchandise inventories		490	3	423
Increase (decrease) in accounts payable—trade and due to franchised stores		19,167	18,069	(2,098)
(Decrease) increase in accounts payable—other		(2,700)	1,164	163
(Decrease) increase in deposits received		(619)	4,234	3,336
Increase in lease deposits from franchisee and lessees		820	1,513	1,308
Other—net		(1,481)	(2,262)	(2,152)
Subtotal		46,929	56,124	59,522
Interest and dividend income received		290	176	577
Interest expenses paid		(321)	(835)	(1,297)
Income taxes paid		(5,019)	(3,997)	(6,009)
Cash contributed to employees' retirement benefit trust		(6,800)	-	-
Net cash provided by operating activities		35,079	51,468	52,793

Investing activities:			
Payment for purchase of marketable securities	(13,862)	(9,971)	(19,453)
Proceeds from redemption of marketable securities	8,003	-	-
Proceeds from sales of investments in securities	2,154	-	-
Payment for acquisition of property and store equipment	(8,143)	(9,556)	(21,058)
Increase in intangible fixed assets	(3,262)	(782)	(4,003)
Increase in lease deposits—net	175	(3,318)	(6,785)
Other—net	(1,437)	(1,505)	(3,397)
Net cash used in investing activities	(16,372)	(25,132)	(54,696)
Financing activities:			
Decrease (increase) in short-term borrowings—net	-	127	(138)
Repayment of long-term borrowings	(10,031)	(38,131)	(48,163)
Proceeds from issuance of common stock	-	68,656	68,656
Cash dividends paid	(2,068)	(1,049)	(3,002)
Proceeds from minority shareholders with establishment of subsidiaries	1,050	48	1,354
Purchase of treasury stock for cancellation	(34,675)	-	-
Net cash (used in) provided by financing activities	(45,724)	29,651	18,707
Effects of exchange rate changes on cash and cash equivalents	88	7	98
Net (decrease) increase in cash and cash equivalents	(26,929)	55,994	16,902
Cash and cash equivalents, beginning of year	128,655	111,753	111,753
Cash and cash equivalents, end of year	101,726	167,747	128,655

《Basis of Presenting the Consolidated Financial Statements for the Interim Period ended August 31,2001》

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: 1

ECONTEXT, 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 an interim period-end closing date of June 30, different from the consolidation closing date, which is August-end. In preparing the consolidated financial statements, those as of June 30 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 August-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 fair value are readily determinable: Reported at fair 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.

Software 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 based on the projected benefit obligations and plan assets at the balance sheet date.

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 income statement. 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. 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 ¥ 394 million, ordinary profit increased by ¥ 394 million and income before corporate, inhabitant and enterprise taxes increased by ¥ 394 million. The full amount of the transitional obligation of ¥ 125 million, determined as of the beginning of the year, is charged to income and presented as a non-operating expense in the consolidated income statement.

The Group contributed certain cash and available-for-sale securities to an employees’ retirement benefit trust for the Group’s contributory pension plans, and recognized a non-cash gain of ¥ 3,857 million. This amount is included in special gains in the consolidated income statement.

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 ¥ 7 million and income before corporate, inhabitant and enterprise taxes decreased by ¥ 206 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 interim period ended August 31, 2001.

“Foreign currency translation adjustments” which were presented as a liability in the prior year’s consolidated balance sheet 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 Semi-Annual Consolidated Financial Statements”.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)		
	As of August 31, 2001	As of August 31, 2000	As of February 28, 2001
1. Accumulated depreciation for property and store equipment	98,279	92,444	96,143
2. Assets pledged as collateral and secured debt			
Investments in securities	7,276	3,131	2,994
Lease deposits	937	1,011	985
Total	8,213	4,142	3,979
Debt corresponding to the above			
Long-term borrowings due within one year	1,895	1,200	2,500
Long-term borrowings	-	1,700	-
Total	1,895	2,900	2,500

Notes to the Consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2001 to August 31, 2001	From March 1, 2000 to August 31, 2000	From March 1, 2000 to February 28, 2001
1. Main account of selling, general and administrative expenses			
Promotion	8,435	7,907	14,577
Salary	13,942	15,804	33,583
Provision for accrued employees' bonuses	2,498	2,563	2,544
Provision for allowance for employees' retirement benefits	-	1,036	1,426
Retirement benefit costs	1,269	-	-
Provision for allowance for retirement benefits to directors and corporate auditors	59	32	73
Amortization of goodwill	64	64	130
Rent account	18,118	16,698	34,337
Depreciation of fixed assets	6,658	6,964	14,682
2. Distribution of loss from disposal of fixed assets			
Buildings and structures	1,693	317	1,804
Furniture, fixtures and equipment	749	237	919
3. Distribution of loss from sales of fixed assets			
Buildings and structures	146	-	-
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 August 31, 2001	As of August 31, 2000	As of February 28, 2001
Cash and bank deposits	28,450	33,474	42,947
Marketable securities	100,236	144,464	103,216
Short-term loans receivable	-	-	2,958
Time deposits, etc., for which the deposit period exceeds three months	(1,648)	(220)	(1,013)
Bonds, etc., for which the redemption period exceeds three months	(25,312)	(9,971)	(19,453)
Cash and cash equivalents	101,726	167,747	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 August 31, 2001	As of August 31, 2000	As of February 28, 2001
Acquisition cost	30,771	29,834	32,247
Accumulated depreciation	15,556	15,323	17,561
Leased property	15,215	14,511	14,686
Obligations under finance leases			
Due within one year	5,500	5,186	5,315
Due after one year	10,254	9,832	9,856
Total	15,754	15,018	15,171
Lease payments depreciation expense and interest expense			
Lease payments	3,253	3,221	6,452
Depreciation expense	2,973	2,902	5,831
Interest expense	262	312	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 August 31, 2001	As of August 31, 2000	As of February 28, 2001
Due within one year	638	760	596
Due after one year	6,860	6,866	6,668
Total	7,498	7,626	7,264

Notes to market value information of securities

(As of August 31, 2001)

1. Information regarding marketable Held-to-maturity debt securities as of August 31, 2001, was as follows:

Type	Book value per consolidated balance sheets	Market value	Unrealized gain
Government and municipal bonds	25,312	25,347	35
Total	25,312	25,347	35

2. Information regarding marketable available-for-sale securities as of August 31, 2001, was as follows:

Type	Cost	Book value per consolidated balance sheets	Unrealized gain
Securities	4,417	14,359	9,942
Total	4,417	14,359	9,942

3. Available-for-sale securities whose fair value is not readily determinable as of August 31, 2001, were as follows:

Available-for-sale securities

	Book value per consolidated balance sheets
Money management fund	73,822
Medium-term government bond funds	1,102
Unlisted shares (excluding OTC securities)	75

(As of August 31, 2000 and February 28, 2001)

(Millions of yen)

Type	As of August 31, 2000			As of February 28, 2001		
	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Current assets:	—	—	—	—	—	—
Shares	—	—	—	—	—	—
Bonds and notes	—	—	—	—	—	—
Others	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Fixed assets:	—	—	—	—	—	—
Shares	7,626	15,787	8,161	7,333	13,412	6,079
Bonds and notes	—	—	—	—	—	—
Others	—	—	—	—	—	—
Subtotal	7,626	15,787	8,161	7,333	13,412	6,079
Total	7,626	15,787	8,161	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 August 31, 2000	As of February 28, 2001
Current assets:		
Money management fund	122,458	50,615
Unlisted domestic bond with due in one year or less	-	23,979
Medium-term government bond funds	1,041	171
Free financial fund	1,000	-
Bond investment bond	-	500
Discount financial debentures	6,976	13,964
Commercial paper	12,989	13,987
Fixed assets:		
Unlisted shares (excluding OTC securities)	180	159

Note to Derivative Transactions

Not applicable because no derivative transactions were made by the Lawson Group for either the current or previous consolidated fiscal years.

Segment Information

1. Business segment information

Total operating revenue and operating income of the franchised store business account for more than 90% of the respective consolidated totals at all segments for both current and previous fiscal years, therefore, information by industry segment is omitted.

2. Geographic segment information

Domestic total operating revenue account for more than 90% of the respective consolidated totals at all segments for both current and previous fiscal years, therefore, geographic segment information is omitted.

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.

Flash Report on the Non-consolidated result for interim period ended August 31, 2001

October 15, 2001

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, Deputy Division Manager, Financial & Accounting Office Tel.: (03) 5476-6853

Date of the Board of Directors Meeting on the Closing of Accounts: October 15, 2001

Interim Dividend System: Yes

Date of cash dividend payments to acquired company's shareholders commencing on: November 15, 2001

1. Non-consolidated Performance for the current interim period (from March 1, 2001, to August 31, 2001)

(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	%
Current interim period	129,808	(663,006)	-8.7(2.0)	23,315	1.0	22,607	4.4
Previous interim period	142,207	(650,191)	-1.3(5.4)	23,079	7.7	21,645	9.1
Last fiscal year	274,839	(1,275,358)		41,085		39,465	

	Net income		Net income per share
	¥ Million	%	¥
Current interim period	11,592	35.4	101.77
Previous interim period	8,560	-3.6	80.07
Last fiscal year	16,172		145.87

Notes

① Average number of shares during the period ※Current interim period:113,908,152 shares

Previous interim period: 106,910,870shares Last 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 period.

(2) Dividends status

	Interim dividends per share	Dividend per share for the year
	¥	¥
Current interim period	20.00	—
Previous interim period	17.00	—
Last fiscal year	—	35.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Current interim period	365,472	160,215	43.8	1,488.99
Previous interim period	405,285	173,942	42.9	1,513.86
Last fiscal year	384,994	179,601	46.7	1,563.11

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

107,600,000shares at August 31,2001 114,900,000 shares at August 31,2000

114,900,000 shares at February 28,2001

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

	Total operating revenue (Total net sales of Lawson stores including franchised stores)	Ordinary profit	Net income	Annual dividend per share	
				Year-end dividend	
	¥ Million	¥ Million	¥ Million	¥	¥
2002 fiscal year	249,000 (1,304,000)	42,300	19,700	21.00	41.00

Reference: Forecast net income per share for the 2002 fiscal year: 183.09 yen

Non-consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2001)		Previous interim period (As of August 31, 2000)		Last fiscal year (As of February 28, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	19,974		31,389		38,602	
Accounts receivable—due from franchised stores	4,183		4,405		6,035	
Marketable securities	98,563		143,523		102,544	
Merchandise inventories	2,005		2,928		2,500	
Short-term loans receivable	-		208		2,958	
Deferred tax assets	1,658		4,419		1,269	
Other	20,614		18,975		18,176	
Allowance for doubtful accounts	(68)		(42)		(62)	
Total current assets	146,931	40.2	205,808	50.8	172,025	44.7
Fixed assets						
Property and store equipment—at net book value						
Buildings	36,317		33,315		36,085	
Furniture, fixtures and equipment	24,175		27,001		25,220	
Land	19,845		20,820		20,932	
Other	6,737		5,515		6,538	
Total property and store equipment— net	87,076	23.8	86,653	21.4	88,777	23.0
Intangible fixed assets	9,199	2.5	4,657	1.1	6,778	1.8
Investments and other						
Investments in securities	20,756		10,140		11,690	
Lease deposits	89,962		87,602		91,066	
Deferred tax assets	5,584		6,927		10,264	
Other	6,249		3,863		4,763	
Allowance for doubtful accounts	(287)		(366)		(372)	
Total investments and other	122,265	33.5	108,166	26.7	117,413	30.5
Total fixed assets	218,541	59.8	199,477	49.2	212,969	55.3
Total Assets	365,472	100.0	405,285	100.0	384,994	100.0

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2001)		Previous interim period (As of August 31, 2000)		Last fiscal year (As of February 28, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	77,116		78,667		60,195	
Accounts payable— due to franchised stores	6,703		6,189		4,617	
Current portion of long-term borrowings	13,499		20,062		20,390	
Account payable—other	11,713		13,618		12,622	
Income taxes payable	9,532		920		5,810	
Deposits received	21,316		23,798		23,573	
Accrued employees' bonuses	2,464		2,529		2,510	
Other	2,981		3,834		2,706	
Total current liabilities	145,328	39.8	149,620	36.9	132,425	34.4
Long-term liabilities						
Long-term borrowings, less current portion	-		13,499		3,140	
Allowance for employees' retirement benefits	2,955		5,751		5,761	
Liability for retirement benefits to directors and corporate auditors	255		161		203	
Liability for prior pension and severance costs	-		6,222		7,972	
Lease deposits from franchisee and lessees	56,718		56,087		55,889	
Total long-term liabilities	59,929	16.4	81,722	20.2	72,967	18.9
Total Liabilities	205,257	56.2	231,343	57.1	205,393	53.3
(Shareholders' Equity)						
Common stock	58,506	16.0	58,506	14.4	58,506	15.2
Additional paid-in capital	41,520	11.3	41,520	10.2	41,520	10.8
Legal reserve	727	0.2	325	0.1	520	0.1
Retained earnings						
General reserve	30,000		60,000		60,000	
Unappropriated retained earnings	23,696		13,590		19,053	
Total retained earnings	53,696	14.7	73,590	18.2	79,053	20.6
Net unrealized gain on available-for-sale securities	5,765	1.6	-	-	-	-
Total Shareholders' Equity	160,215	43.8	173,942	42.9	179,601	46.7
Total Liabilities and Shareholders' Equity	365,472	100.0	405,285	100.0	384,994	100.0

Non-consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Current interim period (From March 1, 2001 to August 31, 2001)		Previous interim period (From March 1, 2000 to August 31, 2000)		Last Fiscal year (From March 1, 2000 to February 28, 2001)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	77,849	60.0	73,490	51.7	144,087	52.4
Franchise commissions from franchised stores	73,418		69,139		135,222	
Net sales reported by franchised stores						
Current interim period: ¥611,046 million						
Previous interim period: ¥581,475million						
Last fiscal year: ¥1,144,606million						
Total net sales of Lawson stores including franchised stores						
Current interim period: ¥663,006 million						
Previous interim period: ¥650,191million						
Last fiscal year: ¥1,275,358million						
Other	4,431		4,351		8,864	
Net sales	51,959	(100.0)	68,716	(100.0)	130,751	(100.0)
		40.0		48.3		47.6
Total operating revenues	129,808	100.0	142,207	100.0	274,839	100.0
Cost of goods sold	38,368	(73.8)	50,631	(73.7)	96,557	(73.8)
Gross profit on sales	(13,590)	(26.2)	(18,084)	(26.3)	(34,194)	(26.2)
Operating gross profit	91,440	70.4	91,575	64.4	178,282	64.8
Selling, general and administrative expenses	68,124	52.4	68,496	48.2	137,197	49.9
Operating income	23,315	18.0	23,079	16.2	41,085	14.9
Non-operating income	729	0.6	568	0.4	1,545	0.6
Interest received and dividend income	272		177		568	
Other	457		391		977	
Non-operating expense	1,437	1.2	2,002	1.4	3,165	1.1
Interest expense	327		992		1,453	
Other	1,109		1,009		1,711	
Ordinary profit	22,607	17.4	21,645	15.2	39,465	14.4
Special gains	3,878	3.0	337	0.2	39	0.0
Special losses	6,058	4.7	6,537	4.6	9,731	3.6
Income before corporate, inhabitant and enterprise taxes	20,427	15.7	15,445	10.8	29,773	10.8
Corporate, inhabitant and enterprise taxes	8,718		300		7,202	
Deferred income taxes	116	6.8	6,584	4.8	6,398	4.9
Net income	11,592	8.9	8,560	6.0	16,172	5.9
Unappropriated retained earnings— carried forward	46,778		5,030		5,030	
Interim cash dividends	-		-		1,953	
Transfer of unappropriated retained earnings to legal reserve with respect to interim dividends	-		-		195	
Purchase and redemption of treasury stock	34,675		-		-	
Unappropriated retained earnings—at end of year	23,696		13,590		19,053	

《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.

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

Available-for-sale securities:

Securities whose fair value are readily determinable: Reported at fair 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. 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.

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

3. 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 based on the projected benefit obligations and plan assets at the balance sheet date.

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.

4. Lease

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

5. 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 ¥ 394 million, ordinary profit increased by ¥ 394 million and income before corporate, inhabitant and enterprise taxes increased by ¥ 394 million. The full amount of the transitional obligation of ¥ 125 million, determined as of the beginning of year, is charged to income and presented as non-operating expense in the income statement.

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 income statement.

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 ¥ 7 million and income before corporate, inhabitant and enterprise taxes decreased by ¥ 210 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.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

	(Millions of yen)		
	As of August 31, 2001	As of August 31, 2000	As of February 28, 2001
1. Accumulated depreciation for property and store equipment	97,811	92,128	95,755
2. Assets pledged as collateral and secured debt			
Investments in securities	7,276	3,130	2,994
Lease deposits	937	1,010	984
Total	8,213	4,141	3,978
Debt corresponding to the above			
Long-term borrowings due within one year	1,895	1,200	2,500
Long-term borrowings	-	1,700	-
Total	1,895	2,900	2,500
3. Major assets denominated in foreign currency			
Investments in affiliated company	116,132 thousand Chinese yuan (¥1,536 million)	58,174 thousand Chinese yuan (¥776 million)	116,132 thousand Chinese yuan (¥1,536 million)
4. Detail of decrease (during the period) in total number of shares issued			
Purchased and canceled with a related reduction of retained earnings	7,300,000shares		
Aggregate purchase amount	¥34,675million		

Notes to Non-consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2001 to August 31, 2001	From March 1, 2000 to August 31, 2000	From March 1, 2000 to February 28, 2001
1. Main account of special losses			
Write-off of the unamortized prior service costs		5,986	7,011
2. Depreciation			
Property and store equipment	6,596	6,915	14,575
Intangible fixed assets	723	601	1,170

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

	As of August 31, 2001	As of August 31, 2000	(Millions of yen) As of February 28, 2001
Acquisition cost	29,061	28,459	30,853
Accumulated depreciation	14,477	14,543	16,642
Leased property	14,584	13,915	14,211
Obligations under finance leases			
Due within one year	5,214	4,901	5,027
Due after one year	9,887	9,491	9,642
Total	15,102	14,393	14,670
Lease payments depreciation expense and interest expense			
Lease payments	3,078	3,070	6,147
Depreciation expense	2,813	2,765	5,554
Interest expense	254	299	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

	As of August 31, 2001	As of August 31, 2000	(Millions of yen) As of February 28, 2001
Due within one year	637	760	596
Due after one year	6,860	6,865	6,668
Total	7,497	7,626	7,264