

Flash Report on the Consolidated result for the year ended February 28, 2003

April 15, 2003

Listed Company Name: Lawson, Inc.

Code No.: 2651

(URL <http://www.lawson.co.jp>)

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative: Takeshi Niinami, Representative Director, President & CEO

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Date of the Board of Directors Meeting on the Closing of Accounts: April 15, 2003

Based on US GAAP: Unapplicable

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

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating income		Ordinary profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2003 fiscal year	250,334	(2.3)	34,107	(6.2)	30,656	(12.9)
2002 fiscal year	256,116	(8.6)	36,363	(11.9)	35,207	(10.9)

	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	%	¥	¥	%	%	%
2003 fiscal year	8,861	(45.0)	82.35	-	5.9	8.9	12.2
2002 fiscal year	16,123	(1.5)	145.54	-	9.8	9.6	13.7

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

2003 fiscal year : (¥2,134million) 2002 fiscal year: (¥142million)

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

2003 fiscal year : 107,599,576 shares 2002 fiscal year: 110,779,922 shares

Change in accounting method: None

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	%	¥
2003 fiscal year	342,599	151,864	44.3	1,411.38
2002 fiscal year	342,934	149,827	43.7	1,392.45

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

107,599,435 shares at February 28, 2003 107,599,829 shares at February 28, 2002

(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
2003 fiscal year	33,860	(3,787)	(7,247)	93,994
2002 fiscal year	44,804	(44,031)	(58,236)	71,269

(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: 1

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

Consolidation (newly included): (Excluded): 0

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

2. Forecast Consolidated Performance for 2004 fiscal year (from March 1, 2003, to February 29, 2004)

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2004 interim period	128,300	19,400	8,800
2004 fiscal year	254,000	38,000	17,200

Reference: Forecast net income per share for the 2004 fiscal year: 159.85yen

Note: The above-mentioned forecast is based on the information which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecast due to many factors. In addition, please refer to 9th page of appending data about matters, such as precondition of the above-mentioned forecast.

Corporate Group

The major group companies of the Lawson Group 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.

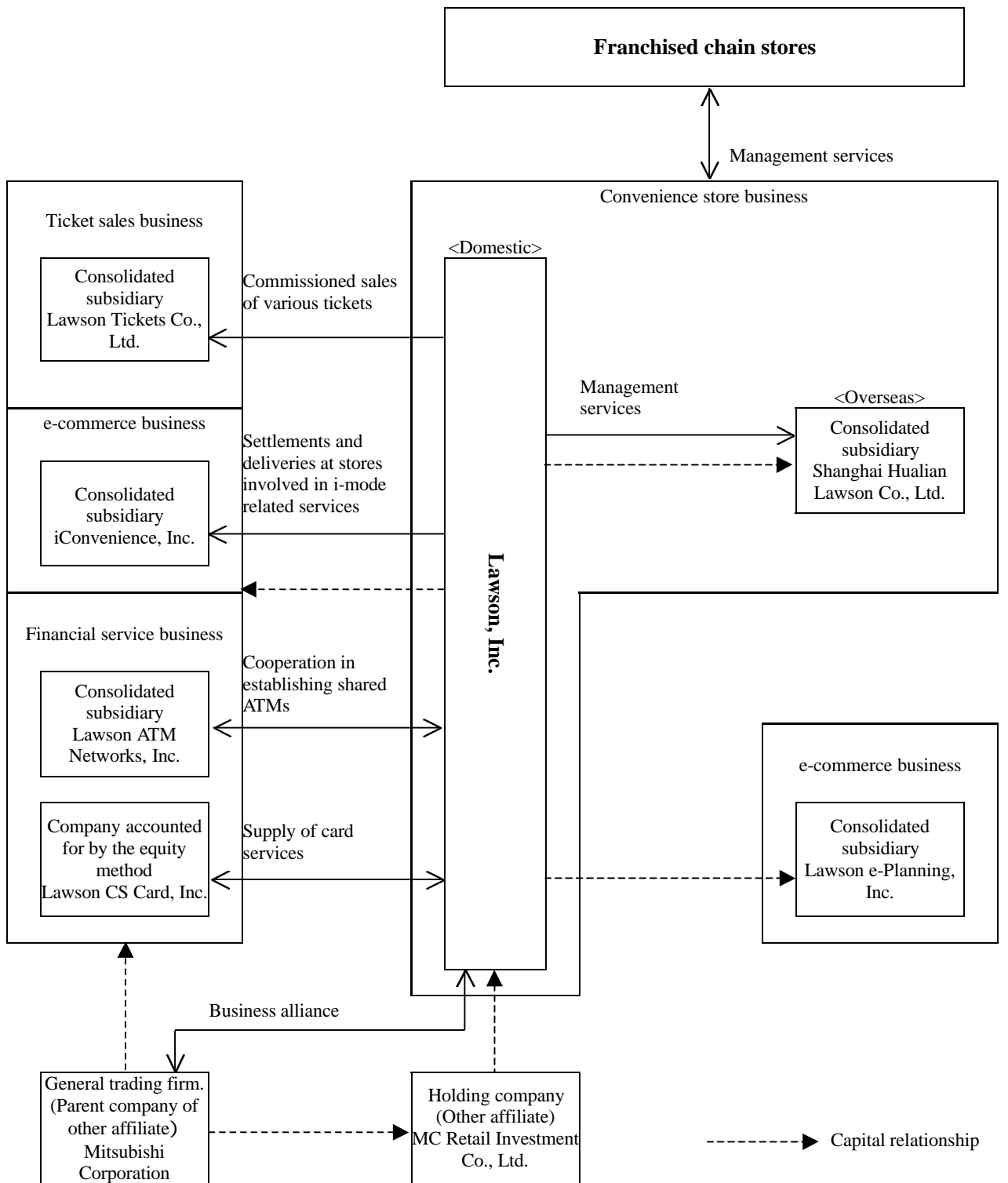
[e-commerce business]

- A subsidiary, iConvenience, Inc., maintains the "iLAWSON" official i-mode site, which 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. This company does not fall under the category of affiliate as a result of the decrease and increase of its capital stock during the fiscal year under review.
- A subsidiary, LAWSON e-Planning, Inc., which had engaged 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, suspended operations as of August 31, 2002, because the investment purpose of the Company was achieved by showing certain results with regard to the original objectives of incorporation.

[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 and supplies them with different card services through such infrastructures as "Loppi."

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



Management Policy

1. Business Keynote

(1) Corporate philosophy and action guideline

Under the LAWSON Corporate Philosophy of “Lawson contributes to the convenient lives of customers and the development of local communities with its respectful human services and creative behavior,” our corporate activities are carried out in accordance with the action guidelines that focus on maximally satisfying six major stakeholders—customers, storeowners, partners, shareholders, local communities and our employees. In particular, customer satisfaction is considered the most important basis of our corporate activities and we seek the happiness of customers as a priority objective.

(2) Visions and strategic gist

The catchphrase of “the ‘hot’ station in the neighborhood” has been so far widely used in our advertising. It expresses an ideal image of Lawson stores to be realized, that is, the station where “hot” (up-to-date) products, services and information, as well as a place of recreation and relaxation, are supplied to customers. In the medium-term management plan, “Lawson Challenge 2004,” we continue to commit to the realization at higher levels of this “vision” to be upgraded by Lawson as a next-stage image of the road ahead, which aims to be the community-based convenience store chain.

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 (ROE) 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 of ¥20 per share, and plans to pay a year-end dividend of ¥21 for a total dividend amount of ¥41 per share annually.

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

3. Intermediate- and Long-Term Management Strategies

Amid the ongoing stagnant economic conditions with higher uncertainty and a weak recovery, the business climate surrounding the Company is becoming increasingly difficult due to intensifying competition with not only industrial competitors but also new entrants from different business categories.

In this dark atmosphere, it is all the more essential that Lawson encourage customers and franchised storeowners as our business partners, who might tend to feel discouraged and gloomy, so they can share the excitement of Lawson’s activities. To this end, we will make companywide efforts in supporting storeowners to provide community-based corporate images that would result in such exciting customer expectations as “What is new at Lawson’s today?” and to improve earnings.

- (1) Reinforcing store management capability by promoting the “Lawson’s Three Challenge Practices” (perfect execution of the “individual store” principle, cleanup of the store and quarters, and cordial service in receiving visitors) at the storefront.

We will promote the “individual store” principle according to which each franchised storeowner understands customer attributes in their trading area and creates familiar sales floor layouts where the required quantity of goods are assorted in an easy-to-search presentation. At the same time, staff at every store endeavors to clean up inside and outside the store to make a good atmosphere and cordially receive visitors to increase the number of repeaters.

- (2) Profitability-focused store openings

We intend to stress profitability with storeowners by carefully examining it by region and by store, without relying on uniform store opening figures or the total number of stores.

(3) Strengthening product development capability (promotion of “safety, security and health” and active response to regional characteristics)

With the catchphrase “safety, security and health,” we intend to aggressively strengthen our product development capability for original products by reviewing the procurement methods of raw materials and reorganizing manufacturing vendors and also proactively coping with regional characteristics such as the seasoning of foods.

(4) Increase in convenience

We will upgrade customers’ convenience level with a variety of services through the synergy of Loppi multimedia terminals, the increasing number of installed ATMs and the “LAWSON PASS” members’ card. We have supplied a lot of differential products that distinguish themselves from those offered by competitors in the field of ticket and relevant goods sales, and we will surely stress their marketing from now onward. Although currently at an experimental stage, we will continue to research novel store formats such as “NATURAL LAWSON” and “Hospital Lawson,” for which the concepts are more innovative than those of existing convenience stores. Moreover, we intend to improve our conveniences by encouraging joint store openings and collaboration in the supply of services with tie-up partners as typically represented by the alliance projects with Postal Services Agency (JAPAN POST on and after April 1, 2003) and Culture Convenience Club Co., Ltd., in both the public and civil sectors, to properly meet diversified customer needs.

4. Target Management Indices

As the primary priority indicators, the Company aims to achieve consolidated operating income of ¥50 billion and an ROE of 15% for fiscal 2004.

5. Measures for Streamlining Administrative Organizations

Effective March 1, 2003, the Company introduced the Administrative Division System, with the purpose of raising customer satisfaction through community-based, quick responses to local needs. The new system divides the country into seven divisional regions to shift the previous functional organization to a community-based one, and aims to allow speedy decision making by managerial staff at posts nearer to the actual store customers through the considerable delegation of power. This reform will significantly promote locally oriented store openings, an assortment of display items and effective store management of franchised Lawson stores.

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 enhance Lawson’s corporate value.

Operating Performance

1. Review of Operations for the Year

【Overview】

During the year ended February 28, 2002, despite partial favorable signs such as an incipient increase in exports and a rally in manufacturing production, the Japanese economy revealed a negative undertone of a clear setback due to the depressive factors in demand such as the uncertainty in the future U.S. economy and the effect of sluggish stock prices in the second half, as reflected by a decline in consumer spending.

The retail store industry saw an accelerated industrial reorganization represented by the bankruptcy of certain retailers and the new entry of leading foreign-affiliated enterprises. Accordingly, we are requested to have a more flexible corporate attitude toward market changes, as well as speedy management decisions to address the fluctuating changes of the times and properly meet customer needs.

Under these harsh circumstances, the Company endeavored to realize the concept of truly becoming “the ‘hot’ station in the neighborhood” as the original intention of Lawson stores. For example, the Company promoted “Lawson’s Three Challenge Practices” (perfect execution of the “individual store” principle, cleanup of the store and quarters, and cordial service in receiving visitors) to create innovative storefronts that would satisfy customers. These measures, taken at our Headquarters, include fortified leadership in franchised chain stores, quality-focused store development and product development in the pursuit of good-seller standard articles and locally featured items. In addition, the Company conducted an originality-focused product development with such measures as sales of “*Onigiriya*” brand series rice ball products and a positive product development of original products through tie-ups with food manufacturers. As a result, net sales throughout the Lawson chain increased 0.7% year over year to ¥1,294,042 million. On the other hand, ordinary profit declined ¥4,551 million to ¥30,656 million (a year-over-year decrease of 12.9%), influenced by an expanded expense related to the introduction of the new information system and the initial cost required to appeal to and acquire new cardholders, and net income for the year fell to ¥8,861 million (a year-over-year decrease of 45.0%), mainly due to an increase in the special loss resulting from a disposal of corporate properties.

【Sales by product group at Lawson chain stores】

By product category, sales of processed foods rose 2.9% year over year mainly due to steady sales of chilled beverages and the ¥100 candy series. Sales of fast foods expanded 2.0%, reflecting favorable sales of processed noodle products and processed fast foods sold inside the store. Sales of daily delivered foods declined 8.3%, reflecting sluggish sales of desserts and fresh food items. As a result, sales of total foods improved 1.0%, whereas sales of nonfood products fell 0.7% because of weak sales of cosmetics and magazines despite favorable sales of DVDs and video software related to *Sen to Chihiro no Kamikakushi* (“Spirited Away”).

Fiscal period	Current fiscal year March 1, 2002, to February 28, 2003		Previous fiscal year March 1, 2001, to February 28, 2002		Year-on-year comparison
	Sales (Millions of yen)	Composition ratio (%)	Sales (Millions of yen)	Composition ratio (%)	
Processed foods	600,508	46.4	583,712	46.4	102.9
Fast foods	303,098	23.4	297,030	23.4	102.0
Daily delivered foods	138,353	10.7	150,862	10.7	91.7
Total food products	1,041,958	80.5	1,031,604	80.5	101.0
Nonfood products	252,083	19.5	253,953	19.5	99.3
Total	1,294,042	100.0	1,285,557	100.0	100.7

Note: Effective from this fiscal year, “bakeries” have been reclassified as “Daily delivered foods” from the previous “Fast foods” product group, and “pickles and several daily dishes” as “Fast foods” from the previous “Daily delivered foods,” respectively. The figures in “Year-on-year comparison” are calculated with the values converted into those under the new classification standard for the current fiscal year.

【Store development】

During the year under review, the Company strove to open new stores based on the new store-opening standard by region that most respects profitability. At the same time, we actively followed the policy of closing or relocating unprofitable stores with low daily sales and shifting unprofitable Company-operated stores to franchised ones. Accordingly, despite the openings of 502 new stores, 611 stores including 211 relocated ones were closed during the year principally due to the drastic closure of unprofitable Company-operated ones, resulting in the total number of domestic stores to 7,625, a decline of 109 stores compared with the end of the previous fiscal year.

Overseas stores increased by six to 96 for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, there were 7,625 domestic stores and 96 overseas stores, totaling 7,721, as of February 28, 2003.

Number of stores by prefecture (As of February 28, 2003)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	475	Saitama	275	Gifu	78	Tottori	58	Saga	53
Aomori	108	Chiba	242	Shizuoka	167	Shimane	55	Nagasaki	78
Iwate	103	Tokyo	703	Aichi	316	Okayama	109	Kumamoto	75
Miyagi	166	Kanagawa	447	Mie	65	Hiroshima	122	Oita	100
Akita	103	Niigata	113	Shiga	104	Yamaguchi	104	Miyazaki	79
Yamagata	55	Toyama	88	Kyoto	170	Tokushima	102	Kagoshima	107
Fukushima	106	Ishikawa	67	Osaka	801	Kagawa	97	Okinawa	112
Ibaraki	102	Fukui	69	Hyogo	445	Ehime	124	Subtotal	7,625
Tochigi	92	Yamanashi	64	Nara	108	Kochi	44	Shanghai	96
Gunma	63	Nagano	138	Wakayama	107	Fukuoka	266	Total	7,721

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of its closing date (December 31, 2002) is reported.

【Income and expenses】

Consolidated total operating revenues for the year ended February 28, 2003, amounted to ¥250,334 million, down ¥5,782 million (2.3%) year over year. This decline was primarily attributable to decreased sales from Company-operated stores of which the number was reduced due to a shift from Company-operated stores to franchised ones and the closing of unprofitable stores, despite a rise in royalty income due to an increase in the number of chain stores and the fees for the use of ATM machines by Lawson ATM Networks, Inc., a subsidiary of the Company.

Consolidated operating income decreased ¥2,256 million (6.2%) year over year to ¥34,107 million, despite an increase of ¥9,559 million in operating gross profit. This decline principally resulted from an increase of ¥11,815 million in selling, general and administrative expenses mainly due to the increases in the cost involved in the new information system, the rent for store buildings and the ATM operating expense.

Consolidated ordinary profit decreased ¥4,551 million (12.9%) year over year to ¥30,656 million, reflecting the increased initial issuance cost of new members' card.

As a result of these items, consolidated income before income taxes amounted to ¥17,603 million, down 39.4% year over year. This decline is mainly related to a loss on disposal of fixed assets of ¥12,040 million and premium severance benefit of ¥4,322 million, which were partially offset by a ¥5,778 million gain on sales of investment securities.

As a result, consolidated net income for the year ended February 28, 2003, declined ¥7,262 million (45.0%) year over year to ¥8,861 million, and net income per share was ¥82.35.

【Cash flows】

For the year ended February 28, 2003, net cash provided by operating activities fell ¥10,944 million to ¥33,860 million on a consolidated basis. This decrease was due largely to a considerable decline in income before income taxes and an increase in income taxes paid. Net cash used in investing activities declined ¥40,244 million to ¥3,787 million, reflecting the redemption at maturity of marketable securities and gain on sales of investment securities partially offset by a payment of ¥34,162 million due to capital investments. Net cash used in financing activities was ¥7,247 million, taking into account the repayment of long-term borrowing of ¥3,140 million and ¥4,412 million in cash dividends paid.

As a result of these cash flows, cash and cash equivalents at the end of the year ended February 28, 2003, totaled ¥93,994 million, up ¥22,725 million, compared with those at the end of the previous fiscal year.

2. Outlook

The industrial competition with entrants from other business categories is expected to become more intensified, while the recovery of personal spending is hard to predict. In such a challenging environment, we will conduct the following measures to become “the ‘hot’ station in the neighborhood” in view of the steady growth of earnings.

Introduce the Administrative Division System

A considerable delegation of power was carried out in our recent reform for locally oriented store openings, assortment of displayed items and effective store management of franchised chain stores, which will allow managerial staff at the posts nearer to actual store visitors to make speedy decisions.

Reinforce store management capability

We will take care of creating community-based stores by promoting the “Lawson’s Three Challenge Practices” (perfect execution of the “individual store” principle, cleanup of the store and quarters, and cordial service in receiving visitors).

Strengthen product development capability

With the catchphrase of “safety, security and health,” we intend to promote our product development capability of quality products that would meet current customer needs. We will also proactively integrate local preferences into new product development.

Start up new businesses

In addition to the ongoing ATM and card businesses, we will actively address new alliance projects without being restricted by the existing convenience store frameworks to improve the convenience of customers.

Improve the earnings structure

We will follow a policy of promoting the careful examination of profitability for each new store opening. We will also work to reduce indirect costs by radically reviewing the financial structure and improve the earnings structure by optimizing the material procurement and distribution networks.

For the year ending February 29, 2004, the Company anticipates nonconsolidated ordinary profit of ¥40 billion with a 20.4% increase over the previous year and consolidated ordinary profit of ¥38 billion with a 24.0% increase over the previous year, both on a full-year basis.

(Millions of yen)

	August 2003 interim period (Forecast)	February 2004 fiscal term (Forecast)	February 2003 fiscal term (Actual results)	Year-on-year change (%)
Operating revenue	128,300	254,000	250,334	1.5
Ordinary profit	19,400	38,000	30,656	24.0
Net income	8,800	17,200	8,861	94.1
Net income per share (yen)	*81.78	*159.85	82.35	

Average number of shares during the period: 107,599,576 shares for the fiscal year ended February 28, 2003.

*The values are calculated based on the number of shares outstanding of the Company (107,599,576 shares) as of February 28, 2003.

Reference: Forecast nonconsolidated performance

(Millions of yen)

	August 2003 interim period (Forecast)	February 2004 fiscal term (Forecast)	February 2003 fiscal term (Actual results)	Year-on-year change (%)
Operating revenue	121,300	239,000	239,315	(0.1)
Ordinary profit	20,500	40,000	33,209	20.4
Net income	9,900	19,200	10,263	87.1
Net income per share (yen)	*92.00	*178.43	95.38	

Average number of shares during the period: 107,599,576 shares for the fiscal year ended February 28, 2003.

*The values are calculated based on the number of shares outstanding (107,599,576 shares) as of February 28, 2003.

Consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2003)		Previous fiscal year (As of February 28, 2002)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	83,144		61,193		21,951
Accounts receivable—due from franchised stores	7,039		6,197		842
Marketable securities	12,445		41,210		(28,765)
Merchandise inventories	1,492		2,097		(605)
Prepaid expenses	3,961		4,289		(328)
Short-term loans receivable	4,362		-		4,362
Accounts receivable—other	15,602		13,396		2,206
Deferred tax assets	2,445		1,881		564
Other	551		998		(447)
Allowance for doubtful accounts	(93)		(40)		(53)
Total current assets	130,948	38.2	131,221	38.3	(273)
Fixed assets					
Property and store equipment—at net book value					
Buildings and structures	51,618		47,965		3,653
Furniture, fixtures and equipment	19,733		21,767		(2,034)
Land	6,178		6,536		(358)
Construction in progress	44		168		(124)
Total property and store equipment— net	77,573	22.6	76,436	22.3	1,137
Intangible fixed assets					
Software	15,496		7,457		8,039
Software development in progress	1,088		5,896		(4,808)
Goodwill	16		118		(102)
Other	748		434		314
Total intangible fixed assets	17,348	5.1	13,905	4.0	3,443
Investments and other					
Investments in securities	2,754		8,434		(5,680)
Long-term loans receivable	8,958		5,971		2,987
Lease deposits	89,499		91,277		(1,778)
Deferred tax assets	8,918		8,060		858
Deferred tax assets for land revaluation	5,009		6,088		(1,079)
Other	3,020		2,515		505
Allowance for doubtful accounts	(1,428)		(973)		(455)
Total investments and other	116,730	34.1	121,372	35.4	(4,642)
Total fixed assets	211,651	61.8	211,713	61.7	(62)
Total Assets	342,599	100.0	342,934	100.0	(335)

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2003)		Previous fiscal year (As of February 28, 2002)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	63,860		62,180		1,680
Accounts payable— due to franchised stores	4,799		4,904		(105)
Current portion of long-term borrowings	-		3,140		(3,140)
Account payable—other	15,013		16,690		(1,677)
Income taxes payable	7,615		10,546		(2,931)
Deposits received	33,030		27,866		5,164
Accrued employees' bonuses	2,824		2,213		611
Other	1,945		2,974		(1,029)
Total current liabilities	129,086	37.7	130,513	38.0	(1,427)
Long-term liabilities					
Allowance for employees' retirement benefits	3,786		3,006		780
Allowance for retirement benefits to directors and corporate auditors	223		300		(77)
Deposits received from franchisees and lessees	54,989		56,655		(1,666)
Other	421		355		66
Total long-term liabilities	59,419	17.3	60,316	17.6	(897)
Total Liabilities	188,505	55.0	190,829	55.6	(2,324)
(Minority Interest)					
Minority Interest	2,230	0.7	2,278	0.7	(48)
(Shareholders' Equity)					
Common stock	58,507	17.1	58,507	17.1	-
Additional paid-in capital	41,520	12.1	41,520	12.1	-
Retained earnings	58,608	17.1	55,649	16.2	2,959
Land revaluation difference	(6,917)	(2.0)	(8,408)	(2.5)	1,491
Net unrealized gain on available for sale securities	(2)	(0.0)	2,323	0.7	(2,325)
Foreign currency translation adjustments	150	0.0	237	0.1	(87)
Treasury stock-at cost	(2)	(0.0)	(1)	(0.0)	(1)
Total Shareholders' Equity	151,864	44.3	149,827	43.7	2,037
Total Liabilities, Minority Interest and Shareholders' Equity	342,599	100.0	342,934	100.0	(335)

Consolidated Statements of Income

(Millions of yen)

Account item	Current fiscal year (From March 1,2002 to February 28, 2003)		Previous fiscal year (From March 1,2001 to February 28, 2002)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	Percentage
Operating revenues	168,848	67.4	154,398	60.3	109.4
Franchise commissions from franchised stores	149,032		141,621		105.2
Net sales reported by franchised stores					
Current fiscal year: ¥ 1,213,088million					
Previous fiscal year: ¥1,184,204 million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥ 1,294,042million					
Previous fiscal year: ¥1,285,557 million					
Other	19,816		12,777		155.1
Net sales	81,486	(100.0)	101,718	(100.0)	80.1
		32.6		39.7	
Total operating revenues	250,334	100.0	256,116	100.0	97.7
Cost of goods sold	59,889	(73.5)	75,230	(74.0)	79.6
Gross profit on sales	21,597	(26.5)	26,488	(26.0)	81.5
Operating gross profit	190,445	76.1	180,886	70.6	105.3
Selling, general and administrative expenses	156,338	62.5	144,523	56.4	108.2
Operating income	34,107	13.6	36,363	14.2	93.8
Non-operating income	975	0.4	1,333	0.5	73.1
Interest received	261		483		
Dividend income	-		42		
Compensation received for damage	227		218		
Rental revenue	-		172		
Compensation received for removal	109		108		
Other	378		310		
Non-operating expense	4,426	1.8	2,489	1.0	177.8
Interest expense	61		513		
Loss on cancellation of store lease contract	1,925		1,254		
Equity in losses of affiliated companies	2,134		142		
Other	306		580		
Ordinary profit	30,656	12.2	35,207	13.7	87.1

Special gains	6,400	2.6	3,878	1.5	165.0
Gain on securities contributed to employees' retirement benefit trusts	-		3,857		
Gain on sales of investments in securities	5,778		21		
Other	622		-		
Special losses	19,453	7.8	10,057	3.9	193.4
Loss on disposal of fixed assets	12,040		6,017		
Loss on sales of fixed assets	58		1,140		
Premium severance benefit	4,322		2,685		
Change for compensation payment	1,150		-		
Other	1,883		215		
Income before income taxes	17,603	7.0	29,028	11.3	60.6
Income taxes – current	7,852		13,212		
Deferred income taxes	1,339	3.7	47	5.2	2,848.9
Minority interest in earnings(losses) of consolidated subsidiaries	(449)	0.2	(354)	0.2	126.8
Net income	8,861	3.5	16,123	6.3	55.0

Consolidated Statements of Additional paid-in capital and Retained Earnings

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2002 to February 28, 2003)		Previous fiscal year (From March 1,2001 to February 28, 2002)		Increase (Decrease)	
	Amount		Amount		Amount	
(Additional paid-in capital)						
Balance of paid-in capital at beginning of the period		41,520		41,520		-
Balance of paid-in capital at end of the period		41,520		41,520		-
(Retained earnings)						
Balance of retained earnings at beginning of the period		55,649		78,421		(22,772)
Increase in retained earnings						
Net income	8,861	8,861	16,123	16,123	(7,262)	(7,262)
Decrease in retained earnings						
Cash dividends	4,412		4,220		192	
Reversal of land revaluation difference	1,490	5,902	-	38,895	1,490	(32,993)
Purchase and cancellation of treasury stock	-		34,675		(34,675)	
Balance of retained earnings at end of the period		58,608		55,649		2,959

Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2002 to February 28, 2003)	Previous fiscal year (From March 1,2001 to February 28, 2002)	Increase (Decrease)
	Amount	Amount	Amount
Operating activities:			
Income before income taxes	17,603	29,028	(11,425)
Depreciation of fixed assets	13,135	14,187	(1,052)
Loss from disposal of fixed assets	7,842	4,571	3,271
Amortization of intangible fixed assets	2,936	2,141	795
Loss from of intangible fixed assets	3,167	1,092	2,075
Equity in losses of affiliated companies	2,134	142	1,992
Gain on securities contributed to employees' retirement benefit trusts	-	(3,857)	3,857
Decrease in liability for prior pension and severance costs	-	(7,973)	7,973
Increase in allowance for retirement benefits to employees	780	8,674	(7,894)
Increase in allowance for doubtful accounts	508	567	(59)
Interest and dividend income	(261)	(525)	264
Interest expense	61	513	(452)
Loss on sales of fixed assets	58	1,140	(1,082)
Gain on sales of investments in securities	(5,778)	(21)	(5,757)
Other	971	(135)	1,106
Increase in accounts receivable due from franchised stores	(857)	(117)	(740)
Decrease in merchandise inventories	596	491	105
Increase in accounts receivable—other	(2,208)	(514)	(1,694)
Increase in accounts payable—trade and due to franchised stores	1,593	2,184	(591)
Increase (decrease) in accounts payable—other	(1,661)	3,782	(5,443)
increase in deposits received	5,164	3,035	2,129
Increase (decrease) in deposits received from franchisees and lessees	(1,666)	765	(2,431)
Increase in other assets and liabilities—net	344	918	(574)
Subtotal	44,461	60,088	(15,627)

Interest and dividend income received	238	514	(276)
Interest expenses paid	(57)	(498)	441
Income taxes paid	(10,782)	(8,500)	(2,282)
Cash contributed to employees' retirement benefit trust	-	(6,800)	6,800
Net cash provided by operating activities	33,860	44,804	(10,944)
Investing activities:			
Proceeds from cancellation of time deposits	646	-	646
Payment for purchase of marketable securities	(25,532)	(44,957)	19,425
Proceeds from redemption of marketable securities	50,425	34,072	16,353
Proceeds from sales of investments in securities	8,300	2,433	5,867
Increase in advances to associated company	(3,550)	(380)	(3,170)
Proceeds from sales of investments in securities to minority shareholders	205	-	205
Payment for acquisition of property and store equipment	(22,543)	(22,249)	(294)
Increase in intangible fixed assets	(9,563)	(9,553)	(10)
Increase in lease deposits—net	(1,382)	(2,947)	1,565
Increase in Long-term prepaid expenses	(674)	(442)	(232)
Other—net	(119)	(8)	(111)
Net cash used in investing activities	(3,787)	(44,031)	40,244
Financing activities:			
Repayment of long-term borrowings	(3,140)	(20,390)	17,250
Proceeds from minority shareholders	306	1,050	(744)
Purchase of treasury stock for cancellation	-	(34,675)	34,675
Treasury stock-at cost	(1)	(1)	0
Cash dividends paid	(4,412)	(4,220)	(192)
Net cash (used in) provided by financing activities	(7,247)	(58,236)	50,989
Effects of exchange rate changes on cash and cash equivalents	(101)	77	(178)
Net (decrease) increase in cash and cash equivalents	22,725	(57,386)	80,111
Cash and cash equivalents, beginning of year	71,269	128,655	(57,386)
Cash and cash equivalents, end of year	93,994	71,269	22,725

《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: 1

LAWSON CS Card, Inc.

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 34 years for buildings and from 5 to 8 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 5 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 is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. 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, corporate auditors and senior vice president 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) 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.

(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.

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 5 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.

《Changes in financial statement presentation》

" Dividend income " (¥0 in this fiscal year) and " rental revenue " (¥ 87 million in this fiscal year), that were disclosed separately in the consolidated statement of income last fiscal year, were included in " other " non-operating income, as those amounts decreased to less than 10% of total non-operating income.

《Additional information》

(Presentation of consolidated balance sheets)

The Company adopted a new provision on additional clause No 2 of the " Cabinet Ordinance to amend part of Regulation on Terminology, Forms, and Preparation Method for the Consolidated Financial Statements " effective this fiscal year, and shareholders' equity included common stock, additional paid-in capital, retained earnings, and others. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

(Presentation of consolidated statements of additional paid-in capital and retained earnings

The Company adopted a new provision on additional clause No2 of the "Cabinet Ordinance to amend part of Regulation on Terminology Forms, and Preparation Method for the Consolidated Financial Statements " effective this fiscal year, and consolidated statements of additional paid-in capital and retained earnings represented additional paid-in capital and retained earnings. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

(Accounting Standard of Treasury Stock and Reduction of Legal Reserves)

The Company adopted " Accounting Standard for Treasury Stock and Reduction of Legal Reserves " (Accounting standard No.1) effective this fiscal year. The adoption of the standard did not have a significant impact on the Company's result of operations.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)	
	As of February 28, 2003	As of February 28, 2002
1. Accumulated depreciation for property and store equipment	71,986	91,403
2. Investment in affiliated companies		
Investments in securities (shares)	1,779	322
3. 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). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in sssetsas 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>The difference between book value and market value of the revalued land as of balance sheet date.</p> <p style="text-align: right;">¥ 461million</p>	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in sssetsas 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: ¥ 21,032million</p> <p>Book value of the land after revaluation: ¥ 6,536million</p>

Notes to the Consolidated Statements of Income

	(Millions of yen)	
	From March 1, 2002 to February 28, 2003	From March 1, 2001 to February 28, 2002
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	12,505	15,405
Doutful debt account	846	683
Salary	22,952	25,748
Provision for accrued employees' bonuses	2,825	2,214
Retirement benefit costs	3,259	2,423
Provision for allowance for retirement benefits to directors and corporate auditors	137	104
Amortization of goodwill	95	128
Rent account	40,035	36,731
Depreciation of fixed assets	13,135	14,187
2. Premium severance benefit	Premium severance benefit to retirees under a preferential early retirement plan	Premium severance benefit to retirees under a preferential early retirement plan
3. Distribution of loss from disposal of fixed assets		
Buildings and structures	2,540	2,030
Furniture, fixtures and equipment	7,151	3,987
Software	2,349	-
4. Distribution of loss from sales of fixed assets		
Buildings and structures	27	160
Furniture, fixtures and equipment	6	193
Land	25	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, 2003	As of February 28, 2002
Cash and bank deposits	83,144	61,193
Marketable securities	12,445	41,210
Short-term loans receivable	4,000	-
Time deposits, etc., for which the deposit period exceeds three months	(150)	(796)
Bonds, etc., for which the redemption period exceeds three months	(5,445)	(30,338)
Cash and cash equivalents	93,994	71,269

Notes to Lease Contracts

- 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, 2003	As of February 28, 2002
Acquisition cost	77,724	48,879
Accumulated depreciation	24,668	18,391
Leased property	53,056	30,488
Obligations under finance leases		
Due within one year	13,099	8,113
Due after one year	40,615	22,860
Total	53,714	30,973
Lease payments, depreciation expense and interest expense		
Lease payments	13,675	6,996
Depreciation expense	12,775	6,433
Interest expense	1,149	516

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.

- Operating lease contracts

Obligations under operation leases

	(Millions of yen)	
	As of February 28, 2003	As of February 28, 2002
Due within one year	954	893
Due after one year	6,850	7,142
Total	7,804	8,035

Notes to Market Value Information of Securities

(As of February 28, 2003)

- Information regarding marketable held-to-maturity debt securities as of February 28, 2003, 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	2,064	2,065	1
Securities with book value per consolidated balance sheets exceeding market value	10,381	10,379	(2)
Total	12,445	12,444	(1)

2. Information regarding marketable available-for-sale securities as of February 28, 2003, was as follows:
(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets	1	2	1
Stock			
Subtotal	1	2	1
Securities with book value per consolidated balance sheets exceeding cost	935	932	(3)
Stock			
Subtotal	935	932	(3)
Total	936	934	(2)

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
8,300	5,764	(51)

4. Available-for-sale securities whose fair value is not readily determinable as of February 28, 2003, were as follows:

Available-for-sale securities	(Millions of yen)
	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	41
Total	41

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 28, 2003 by contractual maturity were as follows:

Type	(Millions of yen)
	1 year or less
Government and municipal bonds, etc.	7,000
Other bonds	5,445
Total	12,445

(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 cost exceeding book value per consolidated balance sheets	2,420	7,134	4,714
Stock			
Subtotal	2,420	7,134	4,714
Securities with book value per consolidated balance sheets exceeding cost	1,627	919	(708)
Stock			
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:

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

Note to Derivative Transactions

None of disclosure is 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, 2002 to February 28, 2003

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.

(Millions of yen)	
2 . Projected benefit obligations	(Millions of yen)
a Projected benefit obligations	(23,535)
b Plan assets	14,111
c Projected benefit obligation in excess of plan assets (a + b)	(9,424)
d Unrecognized prior service cost	(955)
e Unrecognized actuarial differences	6,593
f Reported amount on the consolidated balance sheets, net (c + d + e)	(3,786)

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.

(Millions of yen)	
3 . Net periodic benefit cost	(Millions of yen)
a Service cost	2,521
b Interest cost	502
c Expected return on plan assets	(214)
d Amortization of unrecognized prior service costs	(106)
e Amortization of actuarial differences	555
f Premium severance benefit	4,322
g Net periodic benefit cost	7,580

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)

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

	(Millions of yen)	
	As of February 28, 2003	
Deferred tax assets		
Reversal of write-off of investments in securities	446	
Enterprise taxes payable	734	
Accrued employees' bonuses	928	
Excess of depreciation	1,420	
Excess of amortization of software	1,039	
Allowance for employees' retirement benefits	5,752	
Tax loss carry forward	1,221	
Other	1,819	
Subtotal of deferred tax assets	13,349	
Valuation allowances	(1,224)	
Total deferred tax assets	12,125	
Deferred tax liabilities		
Gain on securities contributed to employees' retirement benefit trusts	749	
Other	13	
Total deferred tax liabilities	762	
Deferred tax assets-net	11,363	

2. The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

	From March 1,2002 to February 28, 2003	
Normal effective statutory tax rate	42.0	%
(Reconciliation items)		
Permanently nondeductible expenses including expenses for entertainment	1.5	%
Inhabitant taxes – per capita	1.3	%
Tax loss carry forward for consolidated subsidiary	7.8	%
Other	(0.4)	%
Actual effective tax rate	52.2	%

3 . Tax-rates change after closing day

On March 31 2003, a new local tax law was enacted and became effective for fiscal years beginning on or after April 1, 2004. The new local tax law decreased the local tax rate and introduced a new tax levied based on paid-in capital (Shihon wari). As a result, the statutory effective tax rate applied on the deferred income taxes and liabilities have been decreased from 42% to 40.5%. This reduction of the statutory effective tax rate will result in a decrease in deferred tax assets of ¥ 194 million, decrease in deferred tax assets for land revaluation of ¥ 180 million, and a charge to income taxes of ¥ 194 million for the fiscal year ending February 28, 2004, respectively.

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.

Related Party Transactions

(As of February 28, 2003)

Subsidiaries and affiliates.

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)
						Director's posts held concurrently	Business relationship				
affiliated companies	LAWSON CS Card, Inc	Minato-ku, Tokyo	3,950	Financial service	(Ownership) Direct Indirect 50%	One directors of the Company	Outsourcing of a card service etc	Interest received	4	Short-term loans receivable	4,000
						One temporary transfer					

Transaction conditions and the principles on the decision thereof :

The interest rates of a short-term loans were determined rationally, referring to the market interest rate.

Overview of the Non-consolidated result for the year ended February 28, 2003

April 15, 2003

Listed Company Name: Lawson, Inc.

Code No.: 2651

(URL <http://www.lawson.co.jp>)

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative: Takeshi Niinami, Representative Director, President & CEO

Contact: Shoji Shiba, Senior Vice President, Financial & Accounting Office Tel.: (03) 5476-6853

Date of the Board of Directors Meeting on the Closing of Accounts: April 15, 2003

Interim Dividend System: Yes

Date of Ordinary General Meeting of Shareholders: May 27, 2003

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

1. Non-consolidated Performance for the 2003 Fiscal Year (from March 1, 2002, to February 28, 2003)

(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	%
2003 fiscal year	239,315	(1,291,030)	-3.9(0.7)	34,531	-6.5	33,209	-7.5
2002 fiscal year	249,050	(1,282,369)	-9.4(0.5)	36,934	-10.1	35,898	-9.0

	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	%	¥	¥	%	%	%
2003 fiscal year	10,263	-38.6	95.38	-	6.7	9.8	13.9
2002 fiscal year	16,714	3.3	150.87	-	10.1	9.9	14.4

Notes Average number of shares during the term 2003 fiscal year: 107,599,576 shares 2002 fiscal year: 110,779,922 shares

Changes in accounting methods: None

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	%	%
2003 fiscal year	41.00	20.00	21.00	4,411	43.0	2.8
2002 fiscal year	41.00	20.00	21.00	4,411	26.4	2.9

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
2003 fiscal year	338,221	154,860	45.8	1,439.23
2002 fiscal year	338,518	151,333	44.7	1,406.45

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

2003 fiscal year: 107,599,435 shares 2002 fiscal year: 107,599,829 shares

Number of treasury stock-at cost at the end of the fiscal year:

2003 fiscal year: 565 shares 2002 fiscal year: 171 shares

2.Forecast Nonconsolidated Performance for 2004 Fiscal Year (from March 1, 2003, to February 29, 2004)

	Operating revenue	Ordinary profit	Net income	Annual dividend per share		
				Interim	Year-end	
	¥ Million	¥ Million	¥ Million	¥	¥	¥
2004 interim period	121,300 (662,000)	20,500	9,900	20.00	-	-
2004 fiscal year	239,000 (1,308,000)	40,000	19,200	-	21.00	41.00

Reference: Forecast net income per share for the 2004 fiscal year: 178.43yen

Note: The above-mentioned forecast is based on the information which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecast due to many factors. In addition, please refer to 9th page of appending data about matters, such as precondition of the above-mentioned forecast.

Non-consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2003)		Previous fiscal year (As of February 28, 2002)		Increase (Decrease)
	Amount	Compositi on ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	75,257		54,441		20,816
Accounts receivable—due from franchised stores	6,925		6,026		898
Marketable securities	12,445		40,038		(27,592)
Merchandise inventories	1,398		1,987		(588)
Prepaid expenses	4,004		4,252		(247)
Short-term loans receivable	4,000		-		4,000
Accounts receivable—other	14,603		12,802		1,801
Deferred tax assets	2,405		1,850		555
Other	523		1,000		(476)
Allowance for doubtful accounts	(90)		(39)		(50)
Total current assets	121,475	35.9	122,359	36.1	(883)
Fixed assets					
Property and store equipment—at net book value					
Buildings	43,394		40,352		3,042
Structure	8,173		7,530		642
Furniture, fixtures and equipment	19,344		21,517		(2,173)
Land	6,177		6,535		(358)
Construction in progress	44		167		(123)
Total property and store equipment— net	77,134	22.8	76,104	22.5	1,029
Intangible fixed assets					
Software	14,158		6,252		7,906
Software development in progress	1,088		5,896		(4,807)
Other intangible fixed assets	701		387		314
Total intangible fixed assets	15,948	4.7	12,535	3.7	3,413
Investments and other					
Investments in securities	973		8,108		(7,134)
Investment in subsidiaries and affiliated companies	8,739		6,614		2,124
Long-term loans receivable	8,958		5,970		2,987
Long-term prepaid expenses	2,211		1,648		562
Lease deposits	89,396		91,164		(1,767)
Deferred tax assets	9,542		8,059		1,483
Deferred tax assets for land revaluation	5,008		6,088		(1,079)
Other	786		837		(51)
Allowance for doubtful accounts	(1,428)		(972)		(455)
Allowance for impairment of investment	(525)		-		(525)
Total investments and other	123,663	36.6	127,519	37.7	(3,856)
Total fixed assets	216,746	64.1	216,159	63.9	586
Total Assets	338,221	100.0	338,518	100.0	(297)

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 28, 2003)		Previous fiscal year (As of February 28, 2002)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	63,720		62,112		1,608
Accounts payable— due to franchised stores	4,777		4,902		(124)
Short-term borrowings	900		-		900
Current portion of long-term borrowings	-		3,140		(3,140)
Account payable—other	14,191		16,328		(2,137)
Income taxes payable	7,289		10,533		(3,224)
Deposits received	28,807		25,395		3,412
Accrued employees' bonuses	2,787		2,185		602
Other	1,890		2,622		(731)
Total current liabilities	124,365	36.8	127,219	37.6	(2,854)
Long-term liabilities					
Allowance for employees' retirement benefits	3,769		2,994		774
Liability for retirement benefits to directors and corporate auditors	222		300		(77)
Deposits received from franchisees and lessees	55,003		56,671		(1,667)
Total long-term liabilities	58,995	17.4	59,965	17.7	(969)
Total Liabilities	183,360	54.2	187,184	55.3	(3,824)
(Shareholders' Equity)					
Common stock	58,506	17.3	58,506	17.3	-
Additional paid-in capital	41,520	12.3	41,520	12.3	-
Retained earnings					
Legal reserve	727		727		-
General reserve	30,000		30,000		-
Unappropriated retained earnings	31,026		26,665		4,361
Total retained earnings	61,754	18.2	57,393	16.9	4,361
Land revaluation difference	(6,917)	(2.0)	(8,407)	(2.5)	1,490
Net unrealized gain on available-for-sale securities	(1)	(0.0)	2,321	0.7	(2,323)
Treasury stock-at cost	(2)	(0.0)	(0)	0.0	(1)
Total Shareholders' Equity	154,860	45.8	151,333	44.7	3,527
Total Liabilities and Shareholders' Equity	338,221	100.0	338,518	100.0	(297)

Non-consolidated Statements of Income

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1, 2002 to February 28, 2003)		Previous fiscal year (From March 1, 2001 to February 28, 2002)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	
Operating revenues	160,280	67.0	150,214	60.3	106.7
Franchise commissions from franchised stores	148,970		141,559		105.2
Net sales reported by franchised stores					
Current fiscal year: ¥ 1,211,995million					
Previous fiscal year: ¥1,183,533 million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥ 1,291,030million					
Previous fiscal year: ¥1,282,369million					
Other	11,309	(100.0)	8,654	(100.0)	130.7
Net sales	79,034	33.0	98,836	39.7	80.0
Total operating revenues	239,315	100.0	249,050	100.0	96.1
Cost of goods sold	57,871	(73.2)	72,912	(73.8)	79.4
Gross profit on sales	(21,163)	(26.8)	(25,923)	(26.2)	81.6
Operating gross profit	181,443	75.8	176,138	70.7	103.0
Selling, general and administrative expenses	146,912	61.4	139,203	55.9	105.5
Operating income	34,531	14.4	36,934	14.8	93.5
Non-operating income	948	0.4	1,267	0.5	74.8
Interest received	190		170		
Interest on securities	50		259		
Dividend income	-		42		
Compensation received for damage	227		217		
Compensation received for removal	109		107		
Rental revenue	-		171		
Other	370		298		
Non-operating expense	2,269	0.9	2,303	0.9	98.5
Interest expense	55		511		
Loss on cancellation of store lease contract	1,925		1,254		
Other	288		537		
Ordinary profit	33,209	13.9	35,898	14.4	92.5
Special gains	6,272	2.6	3,878	1.6	161.7
Gain on sales of fixed assets	42		-		
Gain on securities contributed to employees' retirement benefit trusts	-		3,857		
Gain on sales of investments in securities	5,763		21		
Other	466		-		

Special losses	20,966	8.8	9,930	4.0	211.1
Loss on disposal of fixed assets	11,824		5,999		
Loss on sales of fixed assets	52		1,140		
Premium severance benefit	4,321		2,685		
Loss on sales of investments in securities	51		105		
Reversal of write-off of investments in subsidiary	910		-		
Reversal of write-off of investments in securities	906		-		
Provision for allowance for impairment of investment	525		-		
Charge for compensation payment	1,150		-		
Other	1,224		-		
Income before income taxes	18,516	7.7	29,846	12.0	62.0
Income taxes—current	7,530		13,189		
Deferred income taxes	722	3.4	(57)	5.3	62.8
Net income	10,263	4.3	16,714	6.7	61.4
Unappropriated retained earnings—carried forward	24,406		46,778		
Reversal of land revaluation difference	1,490		-		
Interim cash dividends	2,151		2,151		
Purchase and redemption of treasury stock	-		34,675		
Unappropriated retained earnings—at end of year	31,026		26,665		116.4

《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 34 years for buildings and from 5 to 8 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 5 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.

Allowance for impairment of investment:

An allowance for impairment of investment is provided at an amount equal to the decrease in the fair value of the investee's financial position.

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. 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 and senior vice president 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.

《Changes in financial statement presentation》

" Dividend income " (¥0 in this fiscal year) and " rental revenue " (¥ 87 million in this fiscal year), that were disclosed separately in the statement of income last fiscal year, were included in " other " non-operating income, as those amounts decreased to less than 10% of total non-operating income.

《Additional information》

(Shareholder's equity)

The Company adopted a new provision on additional clause No 2 of the " Cabinet Ordinance to amend part of Regulation on Terminology, Forms, and Preparation Method for the Consolidated Financial Statements " effective this fiscal year, and shareholders' equity includes common stock, additional paid-in capital, retained earnings, and others. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

(Accounting Standard of Treasury Stock and Reduction of Legal Reserves)

The Company adopted " Accounting Standard for Treasury Stock and Reduction of Legal Reserves " (Accounting standard No.1) effective this fiscal year. The adoption of the standard did not have a significant impact on the Company's result of operations.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

	(Millions of yen)	
	As of February 28, 2003	As of February 28, 2002
1. Accumulated depreciation for property and store equipment	71,451	90,896
2. Total number of shares authorized to be issued by the Company	412,300,000	412,300,000 shares
Number of shares issued	107,600,000	107,600,000 shares
Change in number of shares issued		
a. Cancellation of shares by appropriation of profit	-	7,300,000 shares
Total acquisition value of shares cancelled	-	¥34,675 million
b. Purchase of odd-lot certificates	394 shares	171 shares
Total acquisition value of certificates	¥1,351,790	¥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). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in sssetsas 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>The difference between book value and market value of the revalued land as of balance sheet date.</p> <p style="text-align: right;">¥460million</p>	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in sssetsas 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, 2002 to February 28, 2003	From March 1, 2001 to February 28, 2002
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	12,978	15,575
Doubtful debt account	838	694
Salary	22,459	24,932
Provision for accrued employees' bonuses	3,384	2,185
Retirement benefit costs		
Provision for allowance for employees' retirement benefits	3,244	2,410
Provision for allowance for retirement benefits to directors and corporate auditors	137	104
Rent account	39,731	36,384
Depreciation	13,018	14,057
2. Distribution of gain on sales of fixed assets		
Buildings	7	-
Furniture, fixtures and equipment	1	-
Land	33	-
3. Distribution of loss on disposal of fixed assets		
Buildings	2,308	1,866
Structures	223	153
Furniture, fixtures and equipment	7,143	3,979
Software	2,148	-
4. Distribution of loss on sales of fixed assets		
Buildings	25	160
Furniture, fixtures and equipment	-	192
Land	26	787

Notes to Lease Contracts

- 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, 2003	As of February 28, 2002
Acquisition cost	69,390	42,956
Accumulated depreciation	22,813	17,295
Leased property	46,576	25,660
Obligations under finance leases		
Due within one year	11,488	7,067
Due after one year	35,735	19,069
Total	47,223	26,136
Lease payments, depreciation expense and interest expense		
Lease payments	12,187	6,432
Depreciation expense	11,304	5,900
Interest expense	1,127	496

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, 2003</u>	<u>As of February 28, 2002</u>
Due within one year	954	892
Due after one year	6,849	7,142
Total	7,803	8,035

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, 2003 and Notes to Market Value Information of Securities as of February 28, 2002 are presented as items in the notes to the consolidated financial statements. As of February 28, 2003, fair value is not readily determinable for any of the investments in subsidiaries or affiliated companies.

Notes to Accounting for income taxes

1. Deferred tax assets were described as follows:

	(Millions of yen)
	<u>As of February 28, 2003</u>
Deferred tax assets	
Reversal of write-off investments in securities	582
Reversal of write-off of investments subsidiary	382
Enterprise taxes payable	705
Accrued employees' bonuses	918
Excess of depreciation	1,419
Excess of amortization of software	1,038
Allowance for employees' retirement benefits	5,745
Other	1,917
Total deferred tax assets	12,710
Deferred tax liabilities	
Gain on securities contributed to employees' retirement benefit trusts	(748)
Other	(13)
Total deferred tax liabilities	(762)
Deferred tax assets-net	11,948

2 . The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

	<u>From March 1,2002 to February 28,2003</u>	
Normal effective statutory tax rate	4 2 . 0	%
(Reconciliation items)		
Permanently nondeductible expenses including expenses for entertainment	1 . 3	%
Inhabitant taxes - per capita	1 . 2	%
Other	<u>0 . 1</u>	<u>%</u>
Actual effective tax rate	4 4 . 6	%

3 . Tax-rates change after an closing day

On March 31 2003, a new local tax law was enacted and became effective for fiscal years beginning on or after April 1, 2004. The new local tax law decreased the local tax rate and introduced a new tax levied based on paid-in capital (Shihon wari). As a result, the statutory effective tax rate applied on the deferred income taxes and liabilities have been decreased from 42% to 40.5%. This reduction of the statutory effective tax rate will result in a decrease in deferred tax assets of ¥194 million, decrease in deferred tax assets for land revaluation of ¥180 million, and a charge to income taxes of ¥194 million for the fiscal year ending February 28, 2004, respectively.

Statement of Appropriation of Retained Earnings

(Millions of yen)

Fiscal period Account item	Current fiscal year ended February 28, 2003	Previous fiscal year ended February 28, 2002	Year-on-Year Change
Unappropriated retained earnings—At end of year	31,026	26,665	4,361
Total	31,026	26,665	4,361
To be appropriated as follows:			
Year-end dividends	2,259	2,259	0
	(21 yen per share)	(21 yen per share)	
Retained earnings to be carried forward	28,767	24,406	4,361

Note:

1. On November 11, 2002, the company made an interim cash dividend of ¥ 2,151,992,500 (common dividend of ¥20 per share).

Breakdown of dividend per share

	Current fiscal year ended February 28, 2003			Previous fiscal year ended February 28, 2002		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common dividend	¥ 41.00	¥ 20.00	¥ 21.00	¥ 41.00	¥ 20.00	¥ 21.00

Transfers of Officers

(As of April 15, 2003)

(1) Change in directors

Resignation: Director and Executive Vice President
Director of General Affairs Office Sumiya Nakajima

(2) Change in representative directors

Nothing concerned.

(3) Nominees for new directors

Director and Executive Vice
President
General Manager and Line Support
Division

Katsuhiko Yamasaki (currently Executive Vice President;
General Manager and Line Support Division)

Director

Muneaki Masuda (currently President, Culture Convenience
Club Co., Ltd.)

Director

Yukio Ueno (currently Executive Vice President in charge of
corporations and General Manager, Management Planning
Division; Mitsubishi Corporation)

(4) Nominee for new corporate auditors

Corporate Auditor (part-time)

Tetsuo Ozawa (currently lawyer at Tokyo Fuji Legal Office)

Note: The nominee is an outside corporate auditor stipulated in Article 18, Paragraph 1, of the “Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)” in Japan.

(5) Retiring corporate auditor

Corporate Auditor (part-time)

Itsuo Jitoshō