

## Flash Report on the Consolidated result for interim period ended August 31, 2002

October 15, 2002

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

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Date of the Board of Directors Meeting on the Closing of Accounts: October 15, 2002

Based on US GAAP: Unapplicable

### 1. Consolidated Performance for the current interim period (from March 1, 2002, to August 31, 2002 )

#### (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  | 131,021                  | (1.6) | 20,675           | (11.1) | 18,667          | (16.9) |
| Previous interim period | 133,089                  | (8.0) | 23,246           | 0.2    | 22,454          | 3.3    |
| Last fiscal year        | 256,116                  |       | 36,363           |        | 35,207          |        |

|                         | Net income |        | Net income per share | Fully diluted income per share |
|-------------------------|------------|--------|----------------------|--------------------------------|
|                         | ¥ Million  | %      | ¥                    | ¥                              |
| Current interim period  | 4,558      | (60.2) | 42.36                | —                              |
| Previous interim period | 11,455     | 32.7   | 100.56               | —                              |
| Last fiscal year        | 16,123     |        | 145.54               | —                              |

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

Current interim period: (¥1,231 million) Previous interim period: (¥99million) Last fiscal year: (¥142million)

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

Current interim period: 107,599,657 shares

Previous interim period: 113,908,117 shares Last 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 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  | 351,053      | 149,493              | 42.6  | 1,389.34                        |
| Previous interim period | 370,715      | 159,098              | 42.9  | 1,478.61                        |
| Last fiscal year        | 342,934      | 149,827              | 43.7  | 1,392.45                        |

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

107,599,625 shares at August 31, 2002 107,599,929 shares at August 31, 2001

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  |
| Current interim period  | 28,164                               | ( 8,278)                             | ( 5,400)                             | 85,650   |
| Previous interim period | 35,079                               | (16,372)                             | (45,724)                             | 101,726  |
| Last 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 non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 2

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

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

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

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

|                  | Total operating revenue | Ordinary profit | Net income |
|------------------|-------------------------|-----------------|------------|
|                  | ¥ Million               | ¥ Million       | ¥ Million  |
| 2003 fiscal year | 249,000                 | 29,800          | 8,100      |

Reference: Forecast net income per share for the 2003 fiscal year: 75.28 yen

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 6th 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 networks in Lawson and Daiei stores.

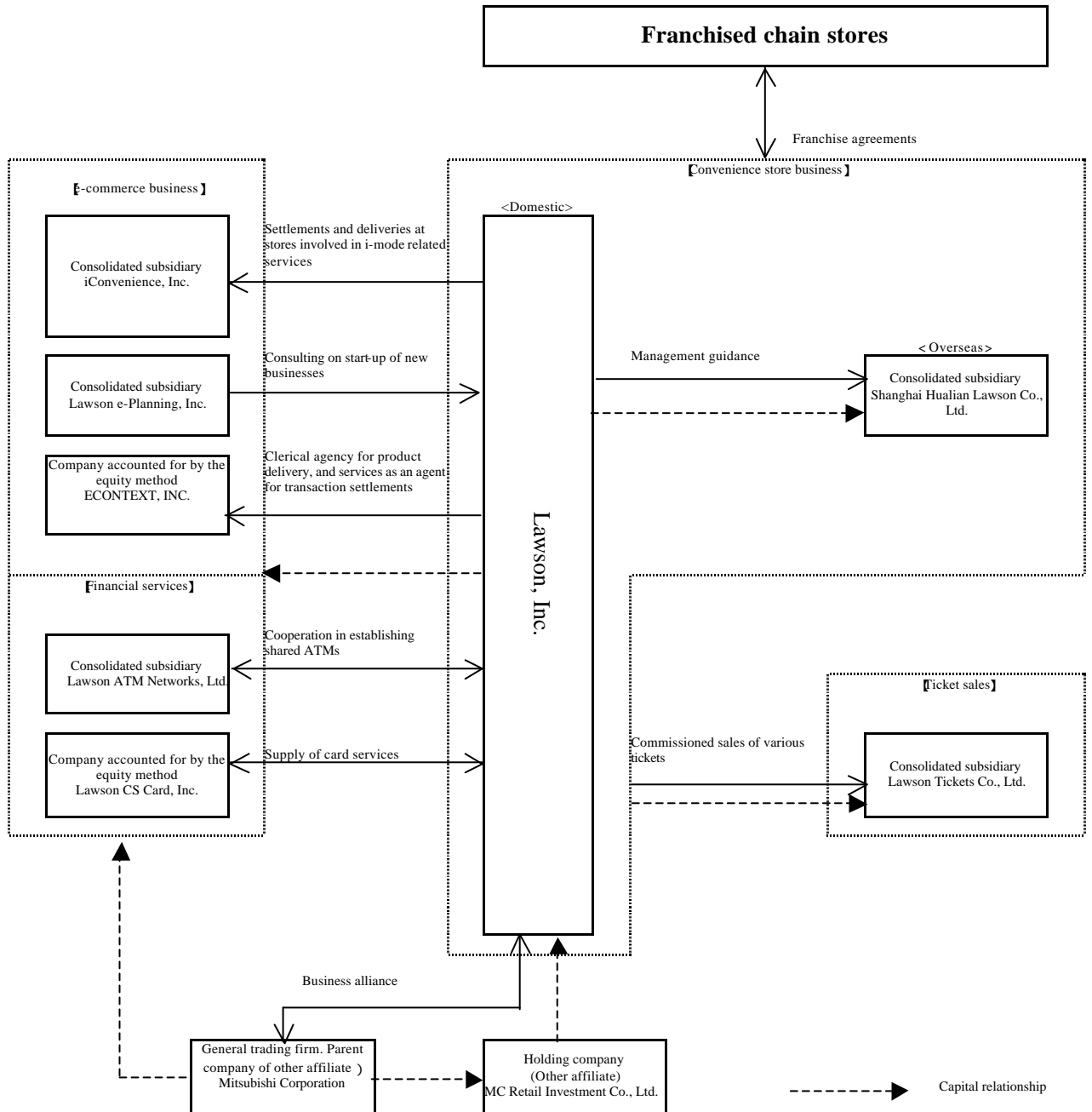
[e-commerce business]

- 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.
- A subsidiary, LAWSON e-Planning, Inc., which had engaged in the areas of ebusiness 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 investing purpose of the Company was achieved by showing certain results with regard to its 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

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

< Corporate philosophy >

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

< Action guidelines >

(1) Customer Satisfaction

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

(2) Owner Satisfaction

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

(3) Partners Satisfaction

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

(4) Investor Satisfaction

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

(5) Society Satisfaction

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

(6) Employee Satisfaction

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

### 2. Basic Policy on Profit Distribution

The Company attaches a high priority to profit distribution to shareholders and follows a policy of paying performance-based dividends with due regard for adequate earnings retention in view of the return on equity (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 for this semiannual period. 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 further enhancement of the information system infrastructure to help new businesses start smoothly.

### 3. Intermediate- and Long-Term Management Strategies

Amid the ongoing stagnant consumption environment, the business climate surrounding the Company is becoming increasingly difficult due to intensifying competition with not only industrial competitors but also supermarkets, specialty shops and other entrants from different business categories. It is certain that the Company’s management has reflected on its previous approaches and concluded that one cause of the current hardships had the Company’s adherence to a standard assortment of goods at each store in an effort to ensure efficiency while neglecting to respond quickly to customer needs.

We intend to reconfirm our basic concept of becoming “the ‘hot’ station in the neighborhood” where “hot” (up-to-date) products, services and information, as well as a place of recreation and relaxation, are supplied to customers, and execute such effective measures as those mentioned below.

To this end, we will strive to maximize revenue for franchised store owners by thoroughly exerting the “individual store” principle to supply products, services and information that adequately meet the requests and needs of local customers in their respective regions and stores. In addition, we intend to proactively commit ourselves to the development of new services and new businesses to swiftly address diversifying customer needs.

(1) Revitalization of storefronts

The storefront-first policy should be followed. We will therefore focus on putting management resources, especially our talented workforce, in storefronts and frontline-support roles to strengthen the leadership in franchised stores.

(2) Profitability-focused store openings

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

(3) Optimization of manufacturing, logistics and procurement networks

We will rebuild the network of manufacturing vendors to reinforce our marketability and product development capability for original products and safety and security in terms of quality. We will also work to further improve distribution quality and cost reduction. In addition, we will thoroughly review our overall logistics without being restrained by previous methodologies, while reducing procurement costs by cultivating optimum procurement routes for raw materials.

(4) Increased convenience

We will upgrade customers' convenience level with a variety of services through the synergy of Loppi multimedia terminals, which comprise the only system in the industry with a pipeline in all 47 prefectures; increasing the number of installed ATMs; and the members' card "LAWSON PASS." Although currently at an experimental stage, we will continue to research novel store formats such as "NATURAL LAWSON" and "in-hospital Lawson," for which the concepts are more innovative than those of existing convenience stores.

(5) Introduction of a results-oriented management system

We will introduce a merit-based compensation system to motivate talented employees to achieve predetermined operating objectives. The stock option system, which has been introduced for directors, executive officers and certain management staff, aims to fortify their incentive to fulfill their respective objectives by instilling a drive to higher corporate value.

#### 4. Target Management Indices

As priority indicators, the Company aims to achieve consolidated operating income of ¥50 billion and an ROA of 15% for fiscal 2004. We intend to stress profitability with storeowners and at headquarters by discarding the previous standard for store opening (daily sales) that had been applied uniformly throughout the country.

#### 5. Measures for Streamlining Administrative Organizations

Under the interim-term management plan, "Lawson Challenge 2004," the Company designated its organizational reform, with the purpose of revitalizing existing stores and strengthening marketing support to franchised chain stores at the operational line as frontline sales.

In compliance with this reform, the Administrative Headquarters divides the country into 19 administrative divisions to build a stronger chain-store support system by raising the density of store management. Moreover, we have integrated logistical support activities such as accounting, owner consulting and facilities management as a means of reinforcing the chain-store support system.

As of October 1, 2002, we set up the Kinki and Chubu Headquarters to powerfully promote locally oriented, new store openings and store operation. And we divided the country into 20 administrative divisions from 19 still more.

#### 6. Basic Policies on Relations with Related Parties

##### Relationship with Mitsubishi Corporation

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

## Operating Performance and Financial Position

### 1. Operating Performance

#### 【Overview】

During the semiannual period ended August 31, 2002, despite an increase in exports and a rally in manufacturing production, the Japanese economy remained stagnant, as a whole. This negative undertone greatly reflected a continued decline in private-sector investment and lingering sluggishness in personal consumption due to increased anxiety over the employment environment.

The retail store industry saw continuing price reductions for many products and intensified competition beyond traditional business categories and industries. The harsh business environment surrounding the industry generally resulted in sluggish growth in sales at existing stores.

Under these circumstances, the Lawson Group endeavored to realize the concept of truly becoming “the ‘hot’ station in the neighborhood,” which was the original intention of Lawson stores. The Company fortified its leadership in franchised chain stores by increasing the frontline workforce and accelerated the closing of unprofitable Company-operated stores ahead of schedule in an effort to enhance profitability. The Company also committed itself to new services such as sales of videos and DVDs of *Sen to Chihiro no Kamikakushi* (“Spirited Away”) by reservation and the issuance of “LAWSON PASS,” a convenient and money-saving members’ card. As a result, net sales throughout the Lawson chain increased 0.4% year over year to ¥667,265 million. On the other hand, ordinary profit declined 16.9% to ¥18,667 million and net income for the interim period fell 60.2% to ¥4,558 million, influenced by an expanded expense related to the introduction of a new information system and the initial cost required to appeal to and acquire new cardholders.

#### 【Sales by product group at Lawson chain stores】

By product category, sales of processed foods rose 3.7% year over year mainly due to steady sales of the ¥100 candy series and chilled beverages. Sales of fast foods expanded 0.6%, reflecting favorable sales of processed noodle products. Sales of daily delivered foods declined 13.1%, reflecting sluggish sales of ice cream. As a result, sales of total foods improved 1.0%, whereas sales of nonfood products fell 2.1% because of weak sales of toys and cosmetics despite favorable sales of DVDs and video software related to *Sen to Chihiro no Kamikakushi* (“Spirited Away”).

(Millions of yen, %)

| Fiscal period         | Current interim period<br>(New classification)<br>March 1, 2002, to August 31,<br>2002 |                      | Current interim period<br>(Former classification)<br>March 1, 2002, to August 31,<br>2002 |                      | Previous interim period<br>March 1, 2001, to August 31,<br>2001 |                      | Year-on-year<br>comparison |
|-----------------------|--|----------------------|---|----------------------|---|----------------------|----------------------------|
|                       | Sales  | Composition<br>ratio | Sales   | Composition<br>ratio | Sales   | Composition<br>ratio |                            |
| Processed foods       | 309,883  | 46.4                 | 309,883   | 46.4                 | 298,904   | 45.0                 | 103.7                      |
| Fast foods            | 155,774  | 23.4                 | 187,139   | 28.0                 | 185,972   | 28.0                 | 100.6                      |
| Daily delivered foods | 75,063   | 11.2                 | 43,698  | 6.6                  | 50,311  | 7.5                  | 86.9                       |
| Total food products   | 540,720  | 81.0                 | 540,720   | 81.0                 | 535,187   | 80.5                 | 101.0                      |
| Nonfood products      | 126,545  | 19.0                 | 126,545   | 19.0                 | 129,249   | 19.5                 | 97.9                       |
| Total                 | 667,265  | 100.0                | 667,265   | 100.0                | 664,436   | 100.0                | 100.4                      |

Note: Effective this interim period, “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.” The figures in “Year-on-year comparison” are calculated with the values converted into those under the former classification standard.

#### 【Store development】

During the semiannual period under review, the Company strove to open quality-focused new stores by shifting the store-opening standard from daily sales to profitability. At the same time, we actively pursued a policy of closing unprofitable Company-operated stores and relocating stores with low daily sales. Accordingly, we opened 256 new stores and closed 342, including those that were relocated. Compared with the end of the previous fiscal year, the total number of stores domestically decreased by 86, whereas overseas stores similarly decreased by two for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, as of August 31, 2002, there were 7,648 domestic stores and 88 overseas stores, totaling 7,736.

## Number of stores by prefecture (As of August 31, 2002)

| Prefecture | Number of stores | Prefecture | Number of stores | Prefecture | Number of stores | Prefecture | Number of stores | Prefecture      | Number of stores |
|------------|------------------|------------|------------------|------------|------------------|------------|------------------|-----------------|------------------|
| Hokkaido   | 476              | Saitama    | 268              | Gifu       | 77               | Tottori    | 56               | Saga            | 52               |
| Aomori     | 104              | Chiba      | 243              | Shizuoka   | 168              | Shimane    | 56               | Nagasaki        | 78               |
| Iwate      | 97               | Tokyo      | 699              | Aichi      | 315              | Okayama    | 110              | Kumamoto        | 76               |
| Miyagi     | 170              | Kanagawa   | 450              | Mie        | 65               | Hiroshima  | 123              | Oita            | 100              |
| Akita      | 97               | Niigata    | 114              | Shiga      | 105              | Yamaguchi  | 106              | Miyazaki        | 79               |
| Yamagata   | 57               | Toyama     | 89               | Kyoto      | 171              | Tokushima  | 104              | Kagoshima       | 106              |
| Fukushima  | 109              | Ishikawa   | 67               | Osaka      | 820              | Kagawa     | 100              | Okinawa         | 112              |
| Ibaraki    | 100              | Fukui      | 68               | Hyogo      | 450              | Ehime      | 124              | <b>Subtotal</b> | <b>7,648</b>     |
| Tochigi    | 98               | Yamanashi  | 65               | Nara       | 109              | Kochi      | 41               | Shanghai        | 88               |
| Gunma      | 61               | Nagano     | 142              | Wakayama   | 106              | Fukuoka    | 265              | <b>Total</b>    | <b>7,736</b>     |

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of its interim closing date (June 30, 2002) is reported.

### 【Income and expenses】

Consolidated operating revenue for the semiannual period ended August 31, 2002, amounted to ¥131,021 million, down ¥2,068 million (1.6%) year over year. The primary reasons for this decline were reduced sales from Company-operated stores, of which the number declined due to a shift from Company-operated stores to franchised ones, and the closing of unprofitable stores, partially offset by a rise in royalty income from the increased number of chain stores and improved operating revenue from ticket sales by Lawson Tickets Co., Ltd., a subsidiary of the Company.

Consolidated operating income decreased ¥2,571 million (11.1%) over the corresponding period of a year earlier to ¥20,675 million, despite an increase of ¥4,306 million in gross operating profit. This decline principally resulted from an increase of ¥6,877 million in selling, general and administrative expenses mainly due to increases in rent for store buildings and the costs involved in the new information system.

Consolidated ordinary profit for the interim period decreased ¥3,787 million (16.9%) to ¥18,667 million, mainly due to the increased initial issuance cost of the new members' card, partly offset by the improved net interest expense of ¥156 million from the repayment of borrowings.

As a result of these items, consolidated net income before corporate, inhabitant and enterprise taxes amounted to ¥9,286 million, down 54.2% year over year. This decline resulted from special gains and losses of ¥9,381 million, which mainly consists of special loss factors such as a loss on retirement of fixed assets of ¥9,322 million and an premium severance benefit of ¥4,423 million, which were partially offset by a ¥5,774 million gain on sales of investment securities.

Consolidated net income for the interim period under review declined ¥6,897 million (60.2%) year over year to ¥4,558 million, and net income per share was ¥42.36

## 2. Financial Position

### 【Cash flows】

For the semiannual period ended August 31, 2002, cash provided by operating activities fell ¥6,915 million to ¥28,164 million, on a consolidated basis. This decrease was due largely to a considerable decline in net income before corporate, inhabitant and enterprise taxes for the interim period and an increase in income taxes paid. Net cash used in investing activities declined ¥8,094 million to ¥8,278 million, reflecting gain on sales of investment securities more than offset by a payment of ¥17,566 million due to capital investments. Net cash provided by financing activities was ¥5,400 million, taking into account the repayment of long-term debt of ¥3,140 million and ¥2,260 million in dividends paid.

As a result of these cash flows, cash and cash equivalents at the end of the semiannual period totaled ¥85,650 million, down ¥16,076 million, compared with those at the end of the same term last year.

### 【Full-year outlook】

The industrial competition with entrants from other business categories is intensifying, in addition to the stringent employment and income environments, thus making the Lawson Group's operating conditions tougher than ever. In such a challenging environment, we will firmly establish a locally oriented store operation policy and increase strategic investments, practice "Lawson's Three Challenge Practices" in the pursuit of truly becoming "the 'hot' station in the neighborhood."

Perfect execution of the “individual store” principle  
 Cleanup of the store and quarters (the store’s trading area)  
 Cordial service in receiving visitors

[Strategic investments in second semiannual period]

Marketing•••Investments of commercial in television. Complete of support execution of individual stores.  
 Operate to reform the stores  
 Reinforce of supply•••Restructuring the vender networks, set up Merchandise Development Dept  
 Strengthening of human education •••Fill up education system in operating department.

Now that the fiscal year ending February 28, 2003, the Company anticipates nonconsolidated ordinary profit of ¥32.8billion, a 8.6% year-on-year decrease, and consolidated ordinary profit of ¥29.8 billion, a 15.4% year-on-year decrease over the previous fiscal year, both on a full-year basis.

(Millions of yen)

|                               | August 2002<br>interim period<br>(Actual results) | February 2003<br>fiscal term<br>(Forecast) | February 2002<br>fiscal term<br>(Actual results) | Year-on-year change<br>(%) |
|-------------------------------|---|--|--|----------------------------|
| Operating revenue             | 131,021   | 249,000                                    | 256,116  | -2.8                       |
| Ordinary profit               | 18,667  | 29,800                                     | 35,207   | -15.4                      |
| Net income                    | 4,558   | 8,100                                      | 16,123   | -49.8                      |
| Net income per share<br>(yen) | 42.36   | 75.28*                                     | 145.54   | -                          |

Average number of shares during the term: 107,599,657 shares for the August 2002 interim period and 110,779,922 shares for the February 2002 fiscal term

\*The value is calculated based on the number of shares outstanding (107,599,625 shares) as of August 31, 2002.

Reference: Forecast nonconsolidated performance

(Millions of yen)

|                               | August 2002<br>interim period<br>(Actual results) | February 2003<br>fiscal term<br>(Forecast) | February 2002<br>fiscal term<br>(Actual results) | Year-on-year change<br>(%) |
|-------------------------------|---|--|--|----------------------------|
| Operating revenue             | 126,070   | 238,000                                    | 249,050  | -4.4                       |
| Ordinary profit               | 19,977  | 32,800                                     | 35,898   | - 8.6                      |
| Net income                    | 5,888   | 10,300                                     | 16,714   | -38.4                      |
| Net income per share<br>(yen) | 54.72   | 95.72*                                     | 150.87   | -                          |

Average number of shares during the term: 107,599,657 shares for the August 2002 interim period and 110,779,922 shares for the February 2002 fiscal term

\*The value is calculated based on the number of shares outstanding (107,599,625 shares) as of August 31, 2002.

Consolidated Balance Sheet

(Millions of yen)

| Fiscal period<br>Account item                  | Current interim period<br>(As of August 31, 2002) |                   | Previous interim period<br>(As of August 31, 2001) |                   | Last fiscal year<br>(As of February 28, 2002) |                   |
|--|---|-------------------|--|-------------------|---|-------------------|
|  | Amount  | Composition ratio | Amount   | Composition ratio | Amount  | Composition ratio |
| (Assets)                                       |   | %                 |  | %                 |   | %                 |
| Current assets                                 |   |                   |  |                   |   |                   |
| Cash and bank deposits                         | 85,113  |                   | 28,450   |                   | 61,193  |                   |
| Accounts receivable—due from franchised stores | 8,017   |                   | 4,255  |                   | 6,197   |                   |
| Marketable securities                          | 28,273  |                   | 100,236  |                   | 41,210  |                   |
| Merchandise inventories                        | 1,572   |                   | 2,093  |                   | 2,097   |                   |
| Deferred tax assets                            | 1,024   |                   | 1,702  |                   | 1,881   |                   |
| Other  | 21,214  |                   | 20,914   |                   | 18,683  |                   |
| Allowance for doubtful accounts                | (74)  |                   | (69)   |                   | (40)  |                   |
| Total current assets                           | 145,139   | 41.3              | 157,581  | 42.5              | 131,221                                       | 38.3              |
| Fixed assets                                   |   |                   |  |                   |   |                   |
| Property and store equipment—at net book value |   |                   |  |                   |   |                   |
| Buildings and structures                       | 49,324  |                   | 43,023   |                   | 47,965  |                   |
| Furniture, fixtures and equipment              | 18,916  |                   | 24,398   |                   | 21,767  |                   |
| Land   | 6,223   |                   | 19,846   |                   | 6,536   |                   |
| Construction in progress                       | 301   |                   | 112  |                   | 168   |                   |
| Total property and store equipment— net        | 74,764  | 21.3              | 87,379   | 23.6              | 76,436  | 22.3              |
| Intangible fixed assets                        | 15,619  | 4.5               | 9,622  | 2.6               | 13,905  | 4.0               |
| Investments and other                          |   |                   |  |                   |   |                   |
| Investments in securities                      | 2,475   |                   | 14,511   |                   | 8,434   |                   |
| Lease deposits                                 | 90,983  |                   | 90,075   |                   | 91,277  |                   |
| Deferred tax assets                            | 8,019   |                   | 5,584  |                   | 8,060   |                   |
| Deferred tax assets for land revaluation       | 5,022   |                   | -  |                   | 6,088   |                   |
| Other  | 10,287  |                   | 6,249  |                   | 8,486   |                   |
| Allowance for doubtful accounts                | (1,255)   |                   | (287)  |                   | (973)   |                   |
| Total investments and other                    | 115,531   | 32.9              | 116,132  | 31.3              | 121,372                                       | 35.4              |
| Total fixed assets                             | 205,914   | 58.7              | 213,133  | 57.5              | 211,713                                       | 61.7              |
| Deferred charges                               | -   | -                 | 1  | 0.0               | -   | -                 |
| Total Assets                                   | 351,053   | 100.0             | 370,715  | 100.0             | 342,934                                       | 100.0             |

(Millions of yen)

| Fiscal period<br>Account item   | Current interim period<br>(As of August 31, 2002) |                      | Previous interim period<br>(As of August 31, 2001) |                      | Last fiscal year<br>(As of February 28, 2002) |                      |
|---|---|----------------------|--|----------------------|---|----------------------|
|   | Amount  | Composition<br>ratio | Amount   | Composition<br>ratio | Amount  | Composition<br>ratio |
| (Liabilities)   |   | %                    |  | %                    |   | %                    |
| Current liabilities   |   |                      |  |                      |   |                      |
| Accounts payable —trade   | 77,522  |                      | 77,351   |                      | 62,180  |                      |
| Accounts payable— due to<br>franchised stores                         | 3,968   |                      | 6,705  |                      | 4,904   |                      |
| Current portion of long-term<br>borrowings                            | -   |                      | 13,499   |                      | 3,140   |                      |
| Account payable—other   | 19,627  |                      | 12,233   |                      | 16,690  |                      |
| Income taxes payable  | 1,830   |                      | 9,551  |                      | 10,546  |                      |
| Deposits received   | 29,244  |                      | 24,212   |                      | 27,866  |                      |
| Accrued employees' bonuses  | 2,287   |                      | 2,498  |                      | 2,213   |                      |
| Other   | 4,437   |                      | 3,142  |                      | 2,974   |                      |
| Total current liabilities   | 138,915   | 39.5                 | 149,191  | 40.2                 | 130,513                                       | 38.0                 |
| Long-term liabilities   |   |                      |  |                      |   |                      |
| Allowance for employees' retirement benefits                          | 3,971   |                      | 2,972  |                      | 3,006   |                      |
| Allowance for retirement benefits to directors and corporate auditors | 179   |                      | 255  |                      | 300   |                      |
| Lease deposits from franchisee and lessees                            | 56,071  |                      | 56,710   |                      | 56,655  |                      |
| Other   | 356   |                      | -  |                      | 355   |                      |
| Total long-term liabilities   | 60,577  | 17.3                 | 59,937   | 16.2                 | 60,316  | 17.6                 |
| Total Liabilities   | 199,492   | 56.8                 | 209,128  | 56.4                 | 190,829                                       | 55.6                 |
| (Minority Interest)   |   |                      |  |                      |   |                      |
| Minority Interest   | 2,068   | 0.6                  | 2,489  | 0.7                  | 2,278   | 0.7                  |
| (Shareholders' Equity)  |   |                      |  |                      |   |                      |
| Common stock  | 58,507  | 16.7                 | 58,507   | 15.8                 | 58,507  | 17.1                 |
| Additional paid-in capital  | 41,520  | 11.8                 | 41,520   | 11.2                 | 41,520  | 12.1                 |
| Land revaluation difference   | (6,935)   | (2.0)                | -  | -                    | (8,408)                                       | (2.5)                |
| Retained earnings   | 56,475  | 16.1                 | 53,133   | 14.3                 | 55,649  | 16.2                 |
| Net unrealized gain on available-for-sale securities                  | (219)   | (0.0)                | 5,767  | 1.6                  | 2,323   | 0.7                  |
| Foreign currency transaction adjustments                              | 146   | 0.0                  | 171  | 0.0                  | 237   | 0.1                  |
| Treasury stock-at cost  | 149,494   | 42.6                 | 159,098  | 42.9                 | 149,828                                       | 43.7                 |
|   | (1)   | (0.0)                | (0)  | (0.0)                | (1)   | (0.0)                |
| Total Shareholders' Equity  | 149,493   | 42.6                 | 159,098  | 42.9                 | 149,827                                       | 43.7                 |
| Total Liabilities, Minority Interest and Shareholders' Equity         | 351,053   | 100.0                | 370,715  | 100.0                | 342,934                                       | 100.0                |

Consolidated Statement of Income

(Millions of yen)

| Fiscal period<br>Account item                                   | Current interim period<br>(From March 1, 2002<br>to August 31, 2002) |            | Previous interim period<br>(From March 1, 2001<br>to August 31, 2001) |            | Last Fiscal year<br>(From March 1, 2001<br>to February 28, 2002) |            |
|---|--|------------|---|------------|--|------------|
|   | Amount   | Percentage | Amount  | Percentage | Amount   | Percentage |
| Operating revenues  | 85,853   | 65.5       | 79,725  | 59.9       | 154,398  | 60.3       |
| Franchise commissions from<br>franchised stores                 | 77,064   |            | 73,439  |            | 141,621  |            |
| Net sales reported by franchised<br>stores                      |  |            |   |            |  |            |
| Current interim period:<br>¥622,240million                      |  |            |   |            |  |            |
| Previous interim period:<br>¥611,275million                     |  |            |   |            |  |            |
| Last fiscal year: ¥1,184,204million                             |  |            |   |            |  |            |
| Total net sales of Lawson stores<br>including franchised stores |  |            |   |            |  |            |
| Current interim period:<br>¥667,265million                      |  |            |   |            |  |            |
| Previous interim period:<br>¥664,436million                     |  |            |   |            |  |            |
| Last fiscal year: ¥1,285,557million                             |  |            |   |            |  |            |
| Other   | 8,789  |            | 6,286   |            | 12,777   |            |
| Net sales   | 45,168   | (100.0)    | 53,364  | (100.0)    | 101,718  | (100.0)    |
|   |  | 34.5       |   | 40.1       |  | 39.7       |
| Total operating revenues  | 131,021  | 100.0      | 133,089   | 100.0      | 256,116  | 100.0      |
| Cost of goods sold  | 33,143   | (73.4)     | 39,517  | (74.1)     | 75,230   | (74.0)     |
| Gross profit on sales   | (12,025)   | (26.6)     | (13,847)  | (25.9)     | (26,488)   | (26.0)     |
| Operating gross profit  | 97,878   | 74.7       | 93,572  | 70.3       | 180,886  | 70.6       |
| Selling, general and administrative<br>expenses                 | 77,203   | 58.9       | 70,326  | 52.8       | 144,523  | 56.4       |
| Operating income  | 20,675   | 15.8       | 23,246  | 17.5       | 36,363   | 14.2       |
| Non-operating income  | 575  | 0.4        | 772   | 0.6        | 1,333  | 0.5        |
| Interest received   | 129  |            | 249   |            | 483  |            |
| Dividend income   | 0  |            | 42  |            | 42   |            |
| Compensation received for damage                                | 163  |            | 135   |            | 218  |            |
| Compensation received for removal                               | 51   |            | 84  |            | 108  |            |
| Rental revenue  | 63   |            | 72  |            | 172  |            |
| Other   | 169  |            | 190   |            | 310  |            |
| Non-operating expense   | 2,583  | 2.0        | 1,564   | 1.2        | 2,489  | 1.0        |
| Interest expense  | 52   |            | 328   |            | 513  |            |
| Loss on cancellation of lease<br>contract                       | 1,155  |            | 721   |            | 1,254  |            |
| Equity in losses of affiliated<br>companies                     | 1,231  |            | 99  |            | 142  |            |
| Other   | 145  |            | 416   |            | 580  |            |
| Ordinary profit   | 18,667   | 14.2       | 22,454  | 16.9       | 35,207   | 13.7       |

|  |        |      |        |      |        |      |
|--|--------|------|--------|------|--------|------|
| Special gains  | 5,821  | 4.5  | 3,890  | 2.9  | 3,878  | 1.5  |
| Gain on sales of investments in securities                             | 5,774  |      | -      |      | 21     |      |
| Gain on securities contributed to employees' retirement benefit trusts | -      |      | 3,857  |      | 3,857  |      |
| Other  | 47     |      | 33     |      | -      |      |
| Special losses   | 15,202 | 11.6 | 6,060  | 4.6  | 10,057 | 3.9  |
| Loss from disposal of fixed assets                                     | 9,322  |      | 2,442  |      | 6,017  |      |
| Premium severance benefit  | 4,423  |      | 2,685  |      | 2,685  |      |
| Loss on sales of fixed assets  | 7      |      | 933    |      | 1,140  |      |
| Other  | 1,450  |      | -      |      | 215    |      |
| Income before corporate, inhabitant and enterprise taxes               | 9,286  | 7.1  | 20,284 | 15.2 | 29,028 | 11.3 |
| Corporate, inhabitant and enterprise taxes                             | 1,090  |      | 8,737  |      | 13,212 |      |
| Deferred income taxes  | 3,804  | 3.7  | 208    | 6.7  | 47     | 5.2  |
| Minority interest in earnings of consolidated subsidiaries             | (166)  | 0.1  | (116)  | 0.1  | (354)  | 0.2  |
| Net income   | 4,558  | 3.5  | 11,455 | 8.6  | 16,123 | 6.3  |

Consolidated Retained Earnings

(Millions of yen)

| Account item   | Fiscal period | Current interim period<br>(From March 1, 2002<br>to August 31, 2002) | Previous interim period<br>(From March 1, 2001<br>to August 31, 2001) | Last Fiscal year<br>(From March 1, 2001<br>to February 28, 2002) |
|--|---------------|--|---|--|
|  |               | Amount   | Amount  | Amount   |
| Balance of retained earnings at beginning of the interim period        |               | 55,649   | 78,421  | 78,421   |
| Decrease in retained earnings  |               |  |   |  |
| Cash dividends   |               | 2,260  | 2,068   | 4,220  |
| Purchase and redemption of treasury stock                              |               | -  | 34,675  | 34,675   |
| Reversal of land revaluation difference                                |               | 1,472  | -   | -  |
| Net income   |               | 4,558  | 11,455  | 16,123   |
| Balance of consolidated retained earnings at end of the interim period |               | 56,475   | 53,133  | 55,649   |

## Consolidated Statements of Cash Flows

( Millions of yen )

| Fiscal period<br>Account item  | Current interim<br>period<br>(From March 1,2002<br>to August 31, 2002) | Previous interim<br>period<br>(From March 1,2001<br>to August 31, 2001) | Last Fiscal year<br>(From March 1,2001<br>to February 28, 2002) |
|--|--|---|---|
|  | Amount   | Amount  | Amount  |
| Operating activities:  |  |   |   |
| Income before corporate,<br>inhabitant and enterprise taxes                    | 9,286  | 20,284  | 29,028  |
| Depreciation of fixed assets   | 6,209  | 6,658   | 14,187  |
| Depreciation of intangible fixed<br>assets                                     | 1,203  | 779   | 2,141   |
| Gain on securities contributed<br>to employees' retirement<br>benefit trusts   | -  | (3,857)   | (3,857)   |
| Premium severance benefit  | -  | 2,032   | -   |
| Pension and severance costs  | -  | (7,973)   | (7,973)   |
| Increase in provision for<br>allowance for retirement<br>benefits to employees | 965  | 8,692   | 8,674   |
| Provision for (reversal of)<br>allowance for doubtful accounts                 | 316  | (90)  | 567   |
| Interest and dividend income   | (129)  | (291)   | (525)   |
| Interest expense   | 52   | 328   | 513   |
| Loss from disposal of fixed<br>assets  | 6,411  | 1,673   | 4,571   |
| Loss on sales of fixed assets  | 7  | 933   | 1,140   |
| Gain on sales of investments in<br>securities                                  | (5,774)  | -   | -   |
| Other-net  | 3,498  | 261   | 1,078   |
| (Increase) decrease in accounts<br>receivable due from franchised<br>stores    | (1,835)  | 1,823   | (117)   |
| Decrease in merchandise<br>inventories   | 515  | 490   | 491   |
| Increase in accounts payable—<br>trade and due to franchised<br>stores         | 14,424   | 19,167  | 2,184   |
| Increase (decrease) in accounts<br>payable—other                               | 2,954  | (2,700)   | 3,782   |
| Increase (decrease) in deposits<br>received                                    | 1,378  | (619)   | 3,035   |
| (Decrease) increase in lease<br>deposits from franchisee and<br>lessees        | (584)  | 820   | 765   |
| Other—net  | (1,000)  | (1,481)   | 404   |
| Subtotal   | 37,896   | 46,929  | 60,088  |
| Interest and dividend income<br>received                                       | 122  | 290   | 514   |
| Interest expenses paid   | (48)   | (321)   | (498)   |
| Income taxes paid  | (9,806)  | (5,019)   | (8,500)   |
| Cash contributed to employees'<br>retirement benefit trust                     | -  | (6,800)   | (6,800)   |
| Net cash provided by operating<br>activities                                   | 28,164   | 35,079  | 44,804  |

|  |          |          |          |
|--|----------|----------|----------|
| Investing activities:  |          |          |          |
| Proceeds from cancelation of time deposits                                   | 161      | -        | -        |
| Payment for purchase of marketable securities                                | (17,885) | (13,862) | (44,957) |
| Proceeds from redemption of marketable securities                            | 21,122   | 8,003    | 34,072   |
| Proceeds from sales of investments in securities                             | 8,300    | 2,154    | 2,433    |
| Increase in advances to associated company                                   | (2,300)  | -        | -        |
| Payment for purchase of investments in subsidiary from minority shareholders | (55)     | -        | -        |
| Proceeds from sales of investments in securities to minority shareholders    | 60       | -        | -        |
| Payment for acquisition of property and store equipment                      | (11,300) | (8,143)  | (22,249) |
| Increase in intangible fixed assets  | (4,984)  | (3,262)  | (9,553)  |
| Increase in lease deposits—net   | (1,282)  | 175      | (2,947)  |
| Other—net  | (115)    | (1,437)  | (830)    |
| Net cash used in investing activities  | (8,278)  | (16,372) | (44,031) |
| Financing activities:  |          |          |          |
| Repayment of long-term borrowings  | (3,140)  | (10,031) | (20,390) |
| Cash dividends paid  | (2,260)  | (2,068)  | (4,220)  |
| Proceeds from minority shareholders with establishment of subsidiaries       | -        | 1,050    | 1,050    |
| Purchase of treasury stock for cancellation                                  | -        | (34,675) | (34,676) |
| Net cash used in financing activities  | (5,400)  | (45,724) | (58,236) |
| Effects of exchange rate changes on cash and cash equivalents                | (105)    | 88       | 77       |
| Net increase (decrease) in cash and cash equivalents                         | 14,381   | (26,929) | (57,386) |
| Cash and cash equivalents, beginning of year                                 | 71,269   | 128,655  | 128,655  |
| Cash and cash equivalents, end of year                                       | 85,650   | 101,726  | 71,269   |

## 《Basis of Presenting the Consolidated Financial Statements》

### 1. Scope of consolidation

Consolidated subsidiaries: 5

Lawson Tickets Co., Ltd.

Shanghai Hualian Lawson Co., Ltd.

LAWSON e-Planning, Inc.

i-Convenience, Inc.

LAWSON ATM Networks, Inc.

All the subsidiaries are consolidated.

### 2. Application of the equity method

Affiliated companies to which the equity method is applied: 2

ECONTEXT, INC.

LAWSON CS Card, Inc.

The equity method is applied.

### 3. Closing day for settlement of accounts of consolidated subsidiaries

Of the consolidated subsidiaries, Shanghai Hualian Lawson Co., Ltd., has 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 market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

The cost of securities sold is determined based on the moving-average method.

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

Inventories:

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

#### (2) Depreciation method of depreciable assets

Property and store equipment:

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

Intangible fixed assets:

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

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 is provided at the amount accrued 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, corporate auditors and executive officers is calculated to state the liability at 100% of the amount that would be required if all directors, corporate auditors and executive officers 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. 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.

《Notes to the Consolidated Financial Statements》

**Notes to the Consolidated Balance Sheets**

|  | (Millions of yen)        |                          |                            |
|--|--------------------------|--------------------------|----------------------------|
|  | As of August<br>31, 2002 | As of August<br>31, 2001 | As of February<br>28, 2002 |
| 1. Accumulated depreciation for property and store equipment | 69,328                   | 98,279                   | 91,403                     |
| 2. Assets pledged as collateral and secured debt             |                          |                          |                            |
| Investments in securities                                    | -                        | 7,276                    | -                          |
| Lease deposits   | -                        | 937                      | -                          |
| <b>Total</b>   | <b>-</b>                 | <b>8,213</b>             | <b>-</b>                   |
| Debt corresponding to the above                              |                          |                          |                            |
| Long-term borrowings due within one year                     | -                        | 1,895                    | -                          |
| <b>Total</b>   | <b>-</b>                 | <b>1,895</b>             | <b>-</b>                   |

## Notes to the Consolidated Statements of Income

|   | (Millions of yen)                        |  |  |
|---|--|--|--|
|   | From March 1, 2002<br>to August 31, 2002 | From March 1, 2001<br>to August 31, 2001 | From March 1, 2001<br>to February 28, 2002 |
| 1. Main account of selling, general and administrative expenses                     |  |  |  |
| Promotion   | 6,348                                    | 8,435                                    | 15,405                                     |
| Salary  | 12,683                                   | 13,942                                   | 25,748                                     |
| Provision for accrued employees' bonuses  | 2,288                                    | 2,498                                    | 2,214                                      |
| Retirement benefit costs  | 1,931                                    | 1,269                                    | 2,423                                      |
| Provision for allowance for retirement benefits to directors and corporate auditors | 93                                       | 59                                       | 104  |
| Amortization of goodwill  | 49                                       | 64                                       | 128  |
| Rent account  | 19,917                                   | 18,118                                   | 36,731                                     |
| Depreciation of fixed assets  | 6,209                                    | 6,658                                    | 14,187                                     |
| 2. Distribution of loss from disposal of fixed assets                               |  |  |  |
| Buildings and structures  | 1,333                                    | 1,693                                    | 2,030                                      |
| Furniture, fixtures and equipment   | 5,930                                    | 749                                      | 3,987                                      |
| Software  | 2,059                                    | -  | -  |
| 3. Distribution of loss from sales of fixed assets                                  |  |  |  |
| Buildings and structures  | -  | -  | 160  |
| Furniture, fixtures and equipment   | 6  | 146                                      | 193  |
| Land  | 1  | 787                                      | 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,<br>2002 | As of August 31,<br>2001 | As of February 28,<br>2002 |
| Cash and bank deposits   | 85,113                   | 28,450                   | 61,193                     |
| Marketable securities  | 28,273                   | 100,236                  | 41,210                     |
| Short-term loans receivable  | -                        | -                        | -                          |
| Time deposits, etc., for which the deposit period exceeds three months | (635)                    | (1,648)                  | (796)                      |
| Bonds, etc., for which the redemption period exceeds three months      | (27,101)                 | (25,312)                 | (30,338)                   |
| Cash and cash equivalents  | 85,650                   | 101,726                  | 71,269                     |

## 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,<br>2002 | As of August 31,<br>2001 | As of February 28,<br>2002 |
| Acquisition cost   | 73,174                   | 30,771                   | 48,879                     |
| Accumulated depreciation                                 | 18,614                   | 15,556                   | 18,391                     |
| Leased property  | 54,560                   | 15,215                   | 30,488                     |
|  |                          |                          |                            |
| Obligations under finance leases                         |                          |                          |                            |
| Due within one year                                      | 12,534                   | 5,500                    | 8,113                      |
| Due after one year                                       | 42,553                   | 10,254                   | 22,860                     |
| Total  | 55,087                   | 15,754                   | 30,973                     |
|  |                          |                          |                            |
| Lease payments depreciation expense and interest expense |                          |                          |                            |
| Lease payments   | 6,448                    | 3,253                    | 6,996                      |
| Depreciation expense                                     | 6,017                    | 2,973                    | 6,433                      |
| Interest expense   | 528                      | 262                      | 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.

2. Operating lease contracts

Obligations under operation leases

|                     | (Millions of yen)        |                          |                            |
|---------------------|--------------------------|--------------------------|----------------------------|
|                     | As of August 31,<br>2002 | As of August 31,<br>2001 | As of February 28,<br>2002 |
| Due within one year | 979                      | 638                      | 893                        |
| Due after one year  | 6,924                    | 6,860                    | 7,142                      |
| Total               | 7,903                    | 7,498                    | 8,035                      |

## Notes to Market Value Information of Securities

(As of August 31, 2002)

1. Information regarding marketable held-to-maturity debt securities as of August 31, 2002, was as follows:  
(Millions of yen)

| Type             | Book value per consolidated balance sheets | Market value  | Unrealized gain (loss) |
|------------------|--|---------------|------------------------|
| Bonds and notes  | 3,217                                      | 3,215         | (2)                    |
| Commercial paper | 6,998                                      | 6,998         | (0)                    |
| Other            | 16,886                                     | 16,884        | (1)                    |
| <b>Total</b>     | <b>27,101</b>                              | <b>27,097</b> | <b>(3)</b>             |

2. Information regarding marketable available-for-sale securities as of August 31, 2002, was as follows:  
(Millions of yen)

| Type         | Cost         | Book value per consolidated balance sheets | Unrealized gain (loss) |
|--------------|--------------|--|------------------------|
| Securities   | 1,460        | 1,082                                      | (378)                  |
| <b>Total</b> | <b>1,460</b> | <b>1,082</b>                               | <b>(378)</b>           |

3. Available-for-sale securities whose fair value is not readily determinable as of August 31, 2002, were as follows:

Available-for-sale securities (Millions of yen)

|  | Book value per consolidated balance sheets |
|--|--|
| Money management fond                      | 1,172                                      |
| Unlisted shares (excluding OTC securities) | 2  |
| <b>Total</b>                               | <b>1,175</b>                               |

(As of August 31, 2001)

1. Information regarding marketable held-to-maturity debt securities as of August 31, 2001, was as follows:  
(Millions of yen)

| Type                                 | Book value per consolidated balance sheets | Market value  | Unrealized gain (loss) |
|--------------------------------------|--|---------------|------------------------|
| Government and municipal bonds, etc. | 25,312                                     | 25,347        | 35                     |
| <b>Total</b>                         | <b>25,312</b>                              | <b>25,347</b> | <b>35</b>              |

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

| Type         | Cost         | Book value per consolidated balance sheets | Unrealized gain (loss) |
|--------------|--------------|--|------------------------|
| Securities   | 4,417        | 14,359                                     | 9,942                  |
| <b>Total</b> | <b>4,417</b> | <b>14,359</b>                              | <b>9,942</b>           |

3. Available-for-sale securities whose fair value is not readily determinable as of August 31, 2002, were as follows:

| Available-for-sale securities (Millions of yen) |  |
|---|--|
|   | Book value per consolidated balance sheets |
| Money management fund                           | 73,822                                     |
| Medium-term government bond funds               | 1,102                                      |
| Unlisted shares (excluding OTC securities)      | 75   |
| Total   | 74,999                                     |

(As of February 28, 2002)

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

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

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

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

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

| (Millions of yen)      |                          |                          |
|------------------------|--------------------------|--------------------------|
| Proceeds from the sale | Total gain from the sale | Total loss from the sale |
| 9,325                  | 21                       | (198)                    |

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

| Available-for-sale securities              | (Millions of yen)                          |
|--|--|
|  | 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:

| Type                                 | (Millions of yen) |
|--------------------------------------|-------------------|
|                                      | 1 year or less    |
| Government and municipal bonds, etc. | 17,199            |
| Other bonds                          | 22,839            |
| Total                                | 40,038            |

#### 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.

## Flash Report on the Non-consolidated result for interim period ended August 31, 2002

October 15, 2002

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

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: October 15, 2002

Interim Dividend System: Yes

Date of cash dividend payments to acquired company's shareholders commencing on: November 15, 2002

1. Non-consolidated Performance for the current interim period (from March 1, 2002, to August 31, 2002)

(1) Operating results

Note: Amounts below one million yen are truncated

|                         | Total operating revenues<br>(Total net sales of Lawson stores<br>including franchised stores ) |             |           | Operating income |       | Ordinary profit |       |
|-------------------------|--|-------------|-----------|------------------|-------|-----------------|-------|
|                         | ¥ Million  |             | %         | ¥ Million        | %     | ¥ Million       | %     |
| Current interim period  | 126,070  | (665,817)   | -2.9(0.4) | 20,761           | -11.0 | 19,977          | -11.6 |
| Previous interim period | 129,808  | (663,006)   | -8.7(2.0) | 23,315           | 1.0   | 22,607          | 4.4   |
| Last fiscal year        | 249,050  | (1,282,369) |           | 36,934           |       | 35,898          |       |

|                         | Net income |       | Net income per share |
|-------------------------|------------|-------|----------------------|
|                         | ¥ Million  | %     | ¥                    |
| Current interim period  | 5,888      | -49.2 | 54.72                |
| Previous interim period | 11,592     | 35.4  | 101.77               |
| Last fiscal year        | 16,714     | 3.3   | 150.87               |

Notes Average number of shares during the period Current interim period: 107,599,657 shares

Previous interim period: 113,908,152 shares Last 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 period.

(2) Dividends status

|                         | Interim dividends per share | Dividend per share for the year |
|-------------------------|-----------------------------|---------------------------------|
|                         | ¥                           | ¥                               |
| Current interim period  | 20.00                       | -                               |
| Previous interim period | 20.00                       | -                               |
| Last fiscal year        | -                           | 41.00                           |

(3) Financial position

|                         | Total assets | Shareholders' equity | Ratio of shareholders' equity to total assets | Shareholders' equity per share |
|-------------------------|--------------|----------------------|---|--------------------------------|
|                         | ¥ Million    | ¥ Million            | %   | ¥                              |
| Current interim period  | 345,499      | 152,419              | 44.1  | 1,416.54                       |
| Previous interim period | 365,472      | 160,215              | 43.8  | 1,488.99                       |
| Last fiscal year        | 338,518      | 151,333              | 44.7  | 1,406.45                       |

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

107,599,625 shares at August 31, 2002 107,600,000 shares at August 31, 2001 107,599,829 shares at February 28, 2002

Number of treasury stock-at cost at the end of the respective years:

375 shares at August 31, 2002 71 shares at August 31, 2001 171 shares at February 28, 2002

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

|                  | Total operating revenue<br>(Total net sales of Lawson stores<br>including franchised stores) | Ordinary profit | Net income | Annual dividend per share |       |
|------------------|--|-----------------|------------|---------------------------|-------|
|                  |  |                 |            | Year-end dividend         |       |
|                  | ¥ Million  | ¥ Million       | ¥ Million  | ¥                         | ¥     |
| 2003 fiscal year | 238,000<br>(1,292,000)   | 32,800          | 10,300     | 21.00                     | 41.00 |

Reference: Forecast net income per share for the 2003 fiscal year: 95.72 yen

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 6th page of appending data about matters, such as precondition of the above-mentioned forecast.

Non-consolidated Balance Sheet

(Millions of yen)

| Fiscal period<br>Account item                  | Current interim period<br>(As of August 31, 2002) |                   | Previous interim period<br>(As of August 31, 2001) |                   | Last fiscal year<br>(As of February 28, 2002) |                   |
|--|---|-------------------|--|-------------------|---|-------------------|
|  | Amount  | Composition ratio | Amount   | Composition ratio | Amount  | Composition ratio |
| (Assets)                                       |   | %                 |  | %                 |   | %                 |
| Current assets                                 |   |                   |  |                   |   |                   |
| Cash and bank deposits                         | 76,192  |                   | 19,974   |                   | 54,441  |                   |
| Accounts receivable—due from franchised stores | 7,895   |                   | 4,183  |                   | 6,026   |                   |
| Marketable securities                          | 27,100  |                   | 98,563   |                   | 40,038  |                   |
| Merchandise inventories                        | 1,489   |                   | 2,005  |                   | 1,987   |                   |
| Deferred tax assets                            | 978   |                   | 1,658  |                   | 1,850   |                   |
| Other  | 20,412  |                   | 20,614   |                   | 18,054  |                   |
| Allowance for doubtful accounts                | (70)  |                   | (68)   |                   | (39)  |                   |
| Total current assets                           | 133,998   | 38.8              | 146,931  | 40.2              | 122,359                                       | 36.1              |
| Fixed assets                                   |   |                   |  |                   |   |                   |
| Property and store equipment—at net book value |   |                   |  |                   |   |                   |
| Buildings                                      | 41,530  |                   | 36,317   |                   | 40,352  |                   |
| Furniture, fixtures and equipment              | 18,669  |                   | 24,175   |                   | 21,517  |                   |
| Land   | 6,222   |                   | 19,845   |                   | 6,535   |                   |
| Other  | 7,979   |                   | 6,737  |                   | 7,698   |                   |
| Total property and store equipment— net        | 74,402  | 21.5              | 87,076   | 23.8              | 76,104  | 22.5              |
| Intangible fixed assets                        | 14,183  | 4.1               | 9,199  | 2.5               | 12,535  | 3.7               |
| Investments and other                          |   |                   |  |                   |   |                   |
| Investments in securities                      | 9,990   |                   | 20,756   |                   | 14,723  |                   |
| Lease deposits                                 | 90,878  |                   | 89,962   |                   | 91,164  |                   |
| Deferred tax assets                            | 8,018   |                   | 5,584  |                   | 8,059   |                   |
| Deferred tax assets for land revaluation       | 5,022   |                   | -  |                   | 6,088   |                   |
| Other  | 10,260  |                   | 6,249  |                   | 8,457   |                   |
| Allowance for doubtful accounts                | (1,254)   |                   | (287)  |                   | (972)   |                   |
| Total investments and other                    | 122,915   | 35.6              | 122,265  | 33.5              | 127,519                                       | 37.7              |
| Total fixed assets                             | 211,501   | 61.2              | 218,541  | 59.8              | 216,159                                       | 63.9              |
| Total Assets                                   | 345,499   | 100.0             | 365,472  | 100.0             | 338,518                                       | 100.0             |

(Millions of yen)

| Fiscal period<br>Account item   | Current interim period<br>(As of August 31, 2002) |                   | Previous interim period<br>(As of August 31, 2001) |                   | Last fiscal year<br>(As of February 28, 2002) |                   |
|---|---|-------------------|--|-------------------|---|-------------------|
|   | Amount  | Composition ratio | Amount   | Composition ratio | Amount  | Composition ratio |
| (Liabilities)   |   | %                 |  | %                 |   | %                 |
| Current liabilities   |   |                   |  |                   |   |                   |
| Accounts payable—trade  | 77,303  |                   | 77,116   |                   | 62,112  |                   |
| Accounts payable— due to franchised stores                            | 3,967   |                   | 6,703  |                   | 4,902   |                   |
| Current portion of long-term borrowings                               | -   |                   | 13,499   |                   | 3,140   |                   |
| Account payable—other   | 19,757  |                   | 11,713   |                   | 16,328  |                   |
| Income taxes payable  | 1,639   |                   | 9,532  |                   | 10,533  |                   |
| Deposits received   | 25,073  |                   | 21,316   |                   | 25,395  |                   |
| Accrued employees' bonuses  | 2,260   |                   | 2,464  |                   | 2,185   |                   |
| Other   | 2,857   |                   | 2,981  |                   | 2,622   |                   |
| Total current liabilities   | 132,858   | 38.5              | 145,328  | 39.8              | 127,219                                       | 37.6              |
| Long-term liabilities   |   |                   |  |                   |   |                   |
| Allowance for employees' retirement benefits                          | 3,956   |                   | 2,955  |                   | 2,994   |                   |
| Liability for retirement benefits to directors and corporate auditors | 178   |                   | 255  |                   | 300   |                   |
| Lease deposits from franchisee and lessees                            | 56,086  |                   | 56,718   |                   | 56,671  |                   |
| Total long-term liabilities   | 60,221  | 17.4              | 59,929   | 16.4              | 59,965  | 17.7              |
| Total Liabilities   | 193,080   | 55.9              | 205,257  | 56.2              | 187,184                                       | 55.3              |
| (Shareholders' Equity)  |   |                   |  |                   |   |                   |
| Common stock  | 58,506  | 16.9              | 58,506   | 16.0              | 58,506  | 17.3              |
| Additional paid-in capital  | 41,520  | 12.0              | 41,520   | 11.3              | 41,520  | 12.3              |
| Legal reserve   | 727   | 0.2               | 727  | 0.2               | 727   | 0.2               |
| Land revaluation difference   | (6,935)   | (2.0)             | -  | -                 | (8,407)                                       | (2.5)             |
| Retained earnings   |   |                   |  |                   |   |                   |
| General reserve   | 30,000  |                   | 30,000   |                   | 30,000  |                   |
| Unappropriated retained earnings                                      | 28,822  |                   | 23,696   |                   | 26,665  |                   |
| Total retained earnings   | 58,822  | 17.1              | 53,696   | 14.7              | 56,665  | 16.7              |
| Net unrealized gain on available-for-sale securities                  | (220)   | (0.1)             | 5,765  | 1.6               | 2,321   | 0.7               |
| Treasury stock-at cost  | (1)   | (0.0)             | -  | -                 | (0)   | (0.0)             |
| Total Shareholders' Equity  | 152,419   | 44.1              | 160,215  | 43.8              | 151,333                                       | 44.7              |
| Total Liabilities and Shareholders' Equity                            | 345,499   | 100.0             | 365,472  | 100.0             | 338,518                                       | 100.0             |

Non-consolidated Statement of Income

(Millions of yen)

| Fiscal period<br>Account item                                   | Current interim period<br>(From March 1, 2002<br>to August 31, 2002) |            | Previous interim period<br>(From March 1, 2001<br>to August 31, 2001) |            | Last Fiscal year<br>(From March 1, 2001<br>to February 28, 2002) |            |
|---|--|------------|---|------------|--|------------|
|   | Amount   | Percentage | Amount  | Percentage | Amount   | Percentage |
| Operating revenues  | 81,997   | 65.0       | 77,849  | 60.0       | 150,214  | 60.3       |
| Franchise commissions from<br>franchised stores                 | 77,038   |            | 73,418  |            | 141,559  |            |
| Net sales reported by franchised<br>stores                      |  |            |   |            |  |            |
| Current interim period:<br>¥621,744 million                     |  |            |   |            |  |            |
| Previous interim period:<br>¥611,046million                     |  |            |   |            |  |            |
| Last fiscal year: ¥1,183,533million                             |  |            |   |            |  |            |
| Total net sales of Lawson stores<br>including franchised stores |  |            |   |            |  |            |
| Current interim period:<br>¥665,817 million                     |  |            |   |            |  |            |
| Previous interim period:<br>¥663,006million                     |  |            |   |            |  |            |
| Last fiscal year: ¥1,282,369million                             |  |            |   |            |  |            |
| Other   | 4,958  |            | 4,431   |            | 8,654  |            |
| Net sales   | 44,073   | (100.0)    | 51,959  | (100.0)    | 98,836   | (100.0)    |
|   |  | 35.0       |   | 40.0       |  | 39.7       |
| Total operating revenues  | 126,070  | 100.0      | 129,808   | 100.0      | 249,050  | 100.0      |
| Cost of goods sold  | 32,249   | (73.2)     | 38,368  | (73.8)     | 72,912   | (73.8)     |
| Gross profit on sales   | (11,823)   | (26.8)     | (13,590)  | (26.2)     | (25,923)   | (26.2)     |
| Operating gross profit  | 93,821   | 74.4       | 91,440  | 70.4       | 176,138  | 70.7       |
| Selling, general and administrative<br>expenses                 | 73,060   | 57.9       | 68,124  | 52.4       | 139,203  | 55.9       |
| Operating income  | 20,761   | 16.5       | 23,315  | 18.0       | 36,934   | 14.8       |
| Non-operating income  | 562  | 0.4        | 729   | 0.6        | 1,267  | 0.5        |
| Interest received and dividend<br>income                        | 122  |            | 272   |            | 471  |            |
| Other   | 439  |            | 457   |            | 795  |            |
| Non-operating expense   | 1,346  | 1.1        | 1,437   | 1.2        | 2,303  | 0.9        |
| Interest expense  | 49   |            | 327   |            | 511  |            |
| Other   | 1,296  |            | 1,109   |            | 1,791  |            |
| Ordinary profit   | 19,977   | 15.8       | 22,607  | 17.4       | 35,898   | 14.4       |
| Special gains   | 5,806  | 4.6        | 3,878   | 3.0        | 3,878  | 1.6        |
| Special losses  | 15,171   | 12.0       | 6,058   | 4.7        | 9,930  | 4.0        |
| Income before corporate, inhabitant<br>and enterprise taxes     | 10,612   | 8.4        | 20,427  | 15.7       | 29,846   | 12.0       |
| Corporate, inhabitant and enterprise<br>taxes                   | 904  |            | 8,718   |            | 13,189   |            |
| Deferred income taxes   | 3,819  | 3.7        | 116   | 6.8        | (57)   | 5.3        |
| Net income  | 5,888  | 4.7        | 11,592  | 8.9        | 16,714   | 6.7        |
| Unappropriated retained earnings—<br>carried forward            | 24,406   |            | 46,778  |            | 46,778   |            |
| Interim cash dividends  | -  |            | -   |            | 2,151  |            |
| Reversal of land revaluation difference                         | (1,472)  |            | -   |            | -  |            |
| Purchase and redemption of treasury<br>stock                    | -  |            | 34,675  |            | 34,675   |            |
| Unappropriated retained earnings—at<br>end of year              | 28,822   |            | 23,696  |            | 26,665   |            |

## 《Summary of Significant Accounting Policies》

### 1. Valuation basis and method for assets

#### 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.

#### 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 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.

#### Allowance for retirement benefits to directors and corporate auditors:

Allowance for retirement benefits to directors, corporate auditors and executive officers is calculated to state the liability at 100% of the amount that would be required if all directors, corporate auditors and executive officers 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.

《Notes to Non-consolidated Financial Statements》

**Notes to the Non-consolidated Balance Sheets**

|  | (Millions of yen)        |                          |                            |
|--|--------------------------|--------------------------|----------------------------|
|  | As of August<br>31, 2002 | As of August<br>31, 2001 | As of February<br>28, 2002 |
| 1. Accumulated depreciation for property and store equipment               | 68,823                   | 97,811                   | 90,896                     |
| 2. Assets pledged as collateral and secured debt                           |                          |                          |                            |
| Investments in securities  | -                        | 7,276                    | -                          |
| Lease deposits   | -                        | 937                      | -                          |
| Total  | -                        | 8,213                    | -                          |
| Debt corresponding to the above  |                          |                          |                            |
| Long-term borrowings due within one year                                   | -                        | 1,895                    | -                          |
| Total  | -                        | 1,895                    | -                          |
| 3. 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          | 7,300,000shares            |
| Aggregate purchase amount  | -                        | ¥34,675million           | ¥34,675million             |

**Notes to Non-consolidated Statements of Income**

|  | (Millions of yen)                        |  |  |
|--|--|--|--|
|  | From March 1, 2002<br>to August 31, 2002 | From March 1, 2001<br>to August 31, 2001 | From March 1, 2001<br>to February 28, 2002 |
| 1. Main account of special gains           |  |  |  |
| Gain on sales of investments in securities | 5,763                                    | -  | -  |
| 2. Main account of special losses          |  |  |  |
| Loss from disposal of fixed assets         | 9,318                                    | -  | -  |
| Premium severance benefit                  | 4,423                                    | -  | -  |
| 3. Depreciation                            |  |  |  |
| Property and store equipment               | 6,153                                    | 6,596                                    | 14,057                                     |
| Intangible fixed assets                    | 958                                      | 723                                      | 1,835                                      |

## 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 August 31,<br>2002 | As of August 31,<br>2001 | As of February 28,<br>2002 |
| Acquisition cost   | 65,642                   | 29,061                   | 42,956                     |
| Accumulated depreciation                                 | 17,538                   | 14,477                   | 17,295                     |
| Leased property  | 48,104                   | 14,584                   | 25,660                     |
|  |                          |                          |                            |
| Obligations under finance leases                         |                          |                          |                            |
| Due within one year                                      | 11,071                   | 5,214                    | 7,067                      |
| Due after one year                                       | 37,550                   | 9,887                    | 19,069                     |
| Total  | 48,622                   | 15,102                   | 26,136                     |
|  |                          |                          |                            |
| Lease payments depreciation expense and interest expense |                          |                          |                            |
| Lease payments   | 5,762                    | 3,078                    | 6,432                      |
| Depreciation expense                                     | 5,340                    | 2,813                    | 5,900                      |
| Interest expense   | 515                      | 254                      | 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.

- Operating lease contracts

Obligations under operation leases

|                     | (Millions of yen)        |                          |                            |
|---------------------|--------------------------|--------------------------|----------------------------|
|                     | As of August 31,<br>2002 | As of August 31,<br>2001 | As of February 28,<br>2002 |
| Due within one year | 979                      | 637                      | 892                        |
| Due after one year  | 6,924                    | 6,860                    | 7,142                      |
| Total               | 7,903                    | 7,497                    | 8,035                      |

## Notes to Marketable Securities and Investments in Securities

As of August 31, 2002, August 31, 2001 and February 28, 2002, fair value is not readily determinable for any of the investments in subsidiaries or affiliated companies.