

Flash Report on the Consolidated result for interim period ended August 31, 2003

October 14, 2003

Listed Company Name: Lawson, Inc.

Code No.: 2651

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

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

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

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Date of the Board of Directors Meeting on the Closing of Accounts: October 14, 2003

Based on US GAAP: Unapplicable

1. Consolidated Performance for the current interim period (from March 1, 2003, to August 31, 2003)

(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	125,479	(4.2)	21,073	1.9	20,018	7.2
Previous interim period	131,021	(1.6)	20,675	(11.1)	18,667	(16.9)
Last fiscal year	250,334	(2.3)	34,107	(6.2)	30,656	(12.9)

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current interim period	10,182	123.4	95.86	
Previous interim period	4,558	(60.2)	42.36	
Last fiscal year	8,861	(45.0)	82.35	

Notes: Equity in net income (loss) of unconsolidated subsidiaries and affiliates:
 Current interim period:(¥657million) Previous interim period:(¥1,231million) Last fiscal year:(¥2,134million)
 Average number of shares outstanding at the beginning and end of the years:
 Current interim period: 106,220,768 shares
 Previous interim period: 107,599,657 shares Last fiscal year:107,599,576 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	369,073	154,359	41.8	1,456.21
Previous interim period	351,053	149,493	42.6	1,389.34
Last fiscal year	342,599	151,864	44.3	1,411.38

Note: Number of outstanding shares at the end of the respective years:
 106,000,175 shares at August 31,2003 107,599,625 shares at August 31,2002
 107,599,435 shares at February 28,2003

(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	32,444	(18,087)	(7,525)	100,824
Previous interim period	28,164	(8,278)	(5,400)	85,650
Last fiscal year	33,860	(3,787)	(7,247)	93,994

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

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for by the equity method: 1

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

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

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

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

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2003 fiscal year	250,000	38,000	18,200

Reference: Forecast net income per share for the 2004 fiscal year: 171.70yen

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 11th 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.

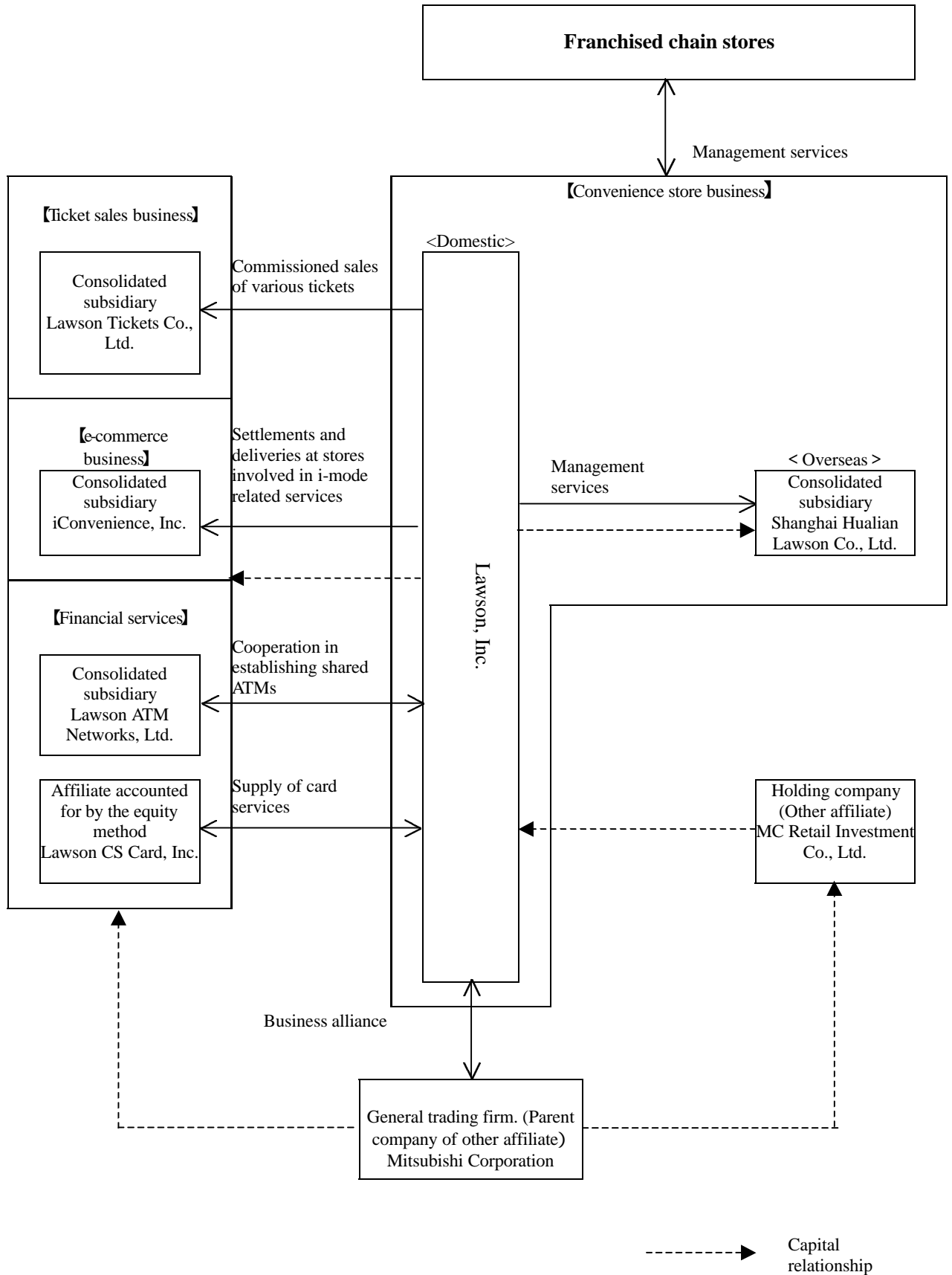
[e-commerce business]

- 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.
- A subsidiary, LAWSON e-Planning, Inc., is currently under a liquidation procedure.

[Financial service business]

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

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



Management Policy

1. Business Keynote

(1) Corporate philosophy and action guidelines

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

(2) Vision and strategy

“The ‘hot’ station in the neighborhood” catchphrase has been widely used in our advertising. It expresses an ideal image for Lawson stores to realize, that is, to be a station where customers can access “hot” (up-to-date) products, services and information, as well as find a place for recreation and relaxation. In the medium-term management plan, “Lawson Challenge 2004,” we continue our commitment to realizing this ever-improving “vision” leading to the next stage for Lawson—becoming a community-based convenience store chain.

2. Basic Policy on Profit Distribution

The Company places a high priority on profit distribution to shareholders and follows a policy of paying performance-based dividends with consideration to adequate earnings retention given the return on equity (ROE) and the payout ratio based on previous operating results and 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 improve 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 ongoing uncertainty in economic outlook and poor expectations for a recovery of consumer spending, the business climate surrounding the Company is forecast to be increasingly difficult. Furthermore, competition has intensified not only from industrial competitors but also from new entrants in different business categories. In this difficult environment, we will promote our medium-term management plan, “Lawson Challenge 2004,” in the pursuit of further growth.

We will upgrade the vision of becoming “the ‘hot’ station in the neighborhood” so that customers and franchised storeowners as our business partners can increasingly share the excitement of Lawson’s activities. To this end, we will make companywide efforts to support storeowners by providing innovative corporate images to the effect that customers can find something new every time they visit a Lawson’s store, while storeowners simultaneously work to elaborate their community-based store plan to improve earnings.

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

We will promote the “individual store” principle through which franchised storeowners understand customer attributes in their trading area and create familiar sales floor layouts where the required quantity of goods are assorted in an easy-to-search presentation. In addition, staff at every store endeavor to clean up inside and outside the store to create a good atmosphere and cordially receive visitors to ensure repeat visits.

- (2) Profitability-focused store openings

We intend to stress profitability with storeowners and at the Headquarters by carefully examining it by region and by store, without relying on uniform store opening figures or the total number of stores. We will promote new openings through closer collaboration in sharing information on site locations between the administration and store development departments and enhanced joint programs with locally influential corporations.

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

With the catchphrase “safety, security and health,” we intend to aggressively strengthen our product development capability for original products by reviewing our procurement methods for raw materials, reorganizing manufacturing vendors and proactively coping with regional characteristics such as the seasoning of foods. We believe the potential exists to supply excellent new products by applying the successful example of the “*Onigiriya*” series, which was created through cross-sectional involvement in product development, to various product groups.

- (4) Increase in convenience

We will enhance customers’ convenience level with a variety of novel store formats based on flexible ideas. “NATURAL LAWSON” is an experimental antenna shop. “Hospital Lawson” is a store format located within hospital premises. “Postal Lawson” stores are opened inside post offices through a business tie-up with JAPAN POST. These programs aim to extend and upgrade customer-oriented services. We will provide a variety of services with the “LAWSON PASS” members’ card, a business alliance with Culture Convenience Club Co., Ltd., and Loppi multimedia terminals and installed ATMs.

4. Target Management Indices

As priority indicators, the Company aims to achieve consolidated operating income of ¥50 billion and an ROE of 15% for fiscal 2004, the year ending February 29, 2004.

5. Basic Views on Corporate Governance and the Current State of Measures Implemented

- (1) Basic views on corporate governance

The Company stresses shareholders’ viewpoints and its respective stakeholders. Accordingly, we are committed to maximizing corporate value so that all the stakeholders are happy with Lawson: customers thanks to Lawson stores’ presence and operations, storeowners owing to their affiliation with the store chain, partners due to our business alliances and employees because of their worthwhile jobs. To that end, the Company believes it is important to raise management soundness and transparency through improved compliance and open disclosure, in other words, strengthened corporate governance.

- (2) Current state of measures implemented for corporate governance

Corporate governance system in managerial organizations involved in management decision making, administration and supervision of the Company

Pursuant to resolutions adopted at the Ordinary General Shareholders’ Meeting and by the Board of Directors, both of which were held in May 2003, the number of directors has become 9 (4 in-house directors and 5 outside directors). With this organizational reform, we anticipate that management would be able to ensure fairer judgments on important corporate management-related matters including the planning of overall business strategies by broadly taking the insight and expertise of the outside directors.

With the adoption of the corporate auditor system, the Board of Corporate Auditors’ four members (including 3 outside counterparts) attend important meetings, such as the Board of Directors’ meetings, to provide objective opinions on the overall business administration as well as individual matters. Moreover, the corporate auditors continue to audit the legitimacy of the routine business affairs conducted by the directors. The Board of Corporate Auditors typically meets monthly. In addition, the newly established Audit Station continuously audits the propriety of corporate operations in terms of compliance with laws and regulations and social responsibility, including the legal performance of operations and responses to risk management.

The Company has entered into advisory contracts with several law firms to receive advice on business judgment with regard to corporate management and daily business operations. The Company also has concluded a contract with accounting firm Tohmatsu & Co. for the audit of its accounts.

Summary of interests on personal relations, capital relations, trading relations and other relations with outside directors and outside corporate auditors

Of the four outside directors, Yorihiro Kojima is currently Vice President and Representative Director, and Executive Vice President, of Mitsubishi Corporation, Lawson's most important strategic partner. Yukio Ueno also is Executive Vice President of Mitsubishi Corporation. Muneaki Masuda is currently President of Culture Convenience Club Co., Ltd., with which the Company has a strategic alliance to jointly promote a shared shopping point saving system and other programs. Reiko Okutani is currently President of The R Co., Ltd., which is entrusted with part of Lawson's training program. None of these outside directors has a personal interest in business relations with the Company. Hiroshi Tasaka is currently a professor at Tama University Graduate School and has no business relationship with the Company. Of the three outside corporate auditors, Masaaki Kojima came from and Yoshiyuki Sanada is currently at Mitsubishi Corporation. Tetsuo Ozawa is currently a lawyer at Tokyo Fuji Legal Office and has no business relationship with the Company.

Measures implemented in the past one year to enhance corporate governance

The Board of Directors has met 15 times in the recent one year to determine statutory affairs and important management-related matters. The Board of Corporate Auditors supervised the circumstances of business operations and the affairs executed by the directors. The Remuneration Advisory Committee, which is chaired by Yorihiro Kojima, has met 5 times. It submitted reports on the amount of remuneration for directors and the method for determining remuneration for vice presidents. As of November 20, 2002, the Company established the Compliance Promotion Committee headed by Katsuhiko Yamasaki, Director and Executive Vice President, General Manager and CRO, Line Support. This committee has met 5 times to study how to build an internal compliance system in corporate organizations and to handle various operating issues related to improving compliance. Furthermore, the Private Information Protection Committee was newly established on June 24, 2003, and is chaired by Takeshi Niinami, Representative Director, President and CEO. This committee has met 9 times to discuss guidelines for handling private information and specific measures to deal with possible problems. Effective March 1, 2003, the Company introduced the Administrative Division System. This system divides the country into 7 divisional regions and shifts the functional organization to community-based administration. The Company intends to raise customer satisfaction with this organizational reform, which would allow speedy decision making by managerial staff at posts nearer to the actual store customers and significantly promote locally oriented store openings, an assortment of display items and quick and responsive store management of franchised Lawson stores.

6. Basic Policies on Relations with Related Parties

Relationship with Mitsubishi Corporation

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, 2003, despite several favorable signs of a gradual recovery, including a rising trend in the Nikkei Stock Average, an increase of private-sector investment in Japan and partially robust moves in personal spending, the Japanese economy could not eliminate such uncertainties as the effect of SARS (Serious Acute Respiratory Syndrome) early in the year and unstable trends in overseas economies.

The retail industry experienced a harsh business environment mainly due to intensifying competition from outside the occupational and industrial segments and the most unusual unseasonable summer weather in the past decade during the summer business competition.

Under these circumstances, the Company endeavored to realize the concept of becoming “the ‘hot’ station in the neighborhood,” which was the original intention of Lawson stores. The Company continued to carry out “Lawson’s Three Challenge Practices” (perfect execution of the “individual store” principle, cleanup of the store and quarters, and cordial service in receiving visitors) to create innovative storefronts. Moreover, the Company is committed to understanding and responding swiftly to the ever-changing needs and desired services of consumers through such measures as fortified leadership in franchised chain stores, quality-focused store development and product development in pursuit of good-selling products and locally featured items. During the semiannual period under review, the Company continued to develop new products through cross-sectional initiatives such as the “Curry Taste Improvement Committee” with the purpose of releasing new hits following the success of the “*Onigiriya*” series in the previous fiscal year. Apart from the implementation of these operating measures, the Company intends to improve its earnings structure via a thorough review of indirect, product and distribution costs.

As a result, net sales throughout the Lawson chain decreased 2.3% year over year to ¥651,681 million. Ordinary profit increased 7.2% to ¥20,018 million and net income for the interim period rose 123.4% to ¥10,182 million, principally due to such factors as a rise in franchised commission from franchised stores.

【Sales by product group at Lawson chain stores】

By product category, sales of processed foods rose 1.2% year over year mainly due to steady sales of the ¥100 candy series and the confection series with a miniature toy prize. On the other hand, sales of fast foods declined 0.9% owing to sluggish sales of processed noodles and salads, reflecting the unseasonable coolness in July and August. Sales of daily delivered foods also declined 2.0%, reflecting sluggish sales of frozen food and ice cream. Despite these negative factors, sales of total food products edged up 0.1%. Sales of nonfood products fell 12.9%, considerably affected by the discontinued sale of the high-priced Highway Card series and weak sales of cosmetics.

Fiscal period	Current interim period March 1, 2003, to August 31, 2003		Previous interim period March 1, 2002, to August 31, 2002		Year-over- year comparison (%)
	Sales (Millions of yen)	Composition ratio (%)	Sales (Millions of yen)	Composition ratio (%)	
Processed foods	313,548	48.1	309,883	46.4	101.2
Fast foods	154,342	23.7	155,774	23.4	99.1
Daily delivered foods	73,587	11.3	75,063	11.2	98.0
Total food products	541,477	83.1	540,720	81.0	100.1
Nonfood products	110,204	16.9	126,545	19.0	87.1
Total	651,681	100.0	667,265	100.0	97.7

【Store development】

During the semiannual period under review, the Company strove to open quality-focused stores based on the renewed store-opening standard carefully reviewed during the previous fiscal year. The Company also actively pursued a policy of closing or relocating unprofitable stores and those with low daily sales, especially in the Tokyo, Nagoya and Osaka metropolitan areas. Accordingly, we opened 321 new stores and closed 235, including those that were relocated. Compared with the end of the previous fiscal year, the total number of stores domestically increased by 86 to 7,711.

The number of overseas stores expanded by 20 for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, as of August 31, 2003, there were 7,711 domestic stores and 116 overseas stores, totaling 7,827.

Number of stores by prefecture (As of August 31, 2003)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	475	Saitama	279	Gifu	77	Tottori	59	Saga	55
Aomori	113	Chiba	253	Shizuoka	161	Shimane	56	Nagasaki	80
Iwate	102	Tokyo	731	Aichi	323	Okayama	111	Kumamoto	77
Miyagi	163	Kanagawa	456	Mie	68	Hiroshima	117	Oita	101
Akita	106	Niigata	110	Shiga	109	Yamaguchi	107	Miyazaki	81
Yamagata	56	Toyama	88	Kyoto	169	Tokushima	99	Kagoshima	107
Fukushima	106	Ishikawa	66	Osaka	799	Kagawa	99	Okinawa	112
Ibaraki	104	Fukui	70	Hyogo	449	Ehime	126	Subtotal	7,711
Tochigi	93	Yamanashi	63	Nara	104	Kochi	47	Shanghai	116
Gunma	64	Nagano	139	Wakayama	110	Fukuoka	271	Total	7,827

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores reported is as of the interim closing date of June 30, 2003.

【Income and expenses】

Consolidated total operating revenue for the semiannual period ended August 31, 2003, decreased ¥5,542 million, or 4.2%, year over year to ¥125,479 million. The primary reasons for this decline were reduced sales of Company-operated stores, of which the number declined due to a shift from Company-operated stores to franchised stores, and the closure 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 increased ¥398 million, or 1.9%, over the corresponding period of a year earlier to ¥21,073 million. This rise principally resulted from an increase of ¥2,187 million in operating gross profit despite an increase of ¥1,789 million in selling, general and administrative expenses mainly due to increases in ATM operational costs and rent for store buildings.

Consolidated ordinary profit for the interim period increased ¥1,351 million, or 7.2%, year over year to ¥20,018 million, principally because the initial-stage investment for acquiring new card members by Lawson CS Card, Inc., an affiliate of the Company, completed.

As a result of these items, consolidated net income before corporate, inhabitant and enterprise taxes for the interim period amounted to ¥18,561 million, up 99.9 % year over year. This considerable rise resulted mainly from improved special gains and losses of ¥7,924 million owing to enhanced disposal of assets in the previous semiannual period.

Consequently, consolidated net income for the interim period under review jumped ¥5,624 million, or 123.4%, year over year to ¥10,182 million, and net income per share was ¥95.86.

2. Financial Position

【Cash flows】

(Cash flows from operating activities)

For the semiannual period ended August 31, 2003, net cash provided by operating activities increased ¥4,280 million to ¥32,444 million on a consolidated basis. This increase was largely due to a considerable rise in net income before corporate, inhabitant and enterprise taxes for the interim period and a decline in income taxes paid. Net cash used in investing activities increased ¥9,809 million to ¥18,087 million, reflecting a rise in purchases of marketable securities. Net cash used in financing activities increased ¥2,125 million to ¥7,525 million, taking into account the purchase of treasury stock for the cancellation of ¥5,265 million despite completing the repayment of long-term borrowings before the end of the previous interim accounting period.

As a result of these cash flows, cash and cash equivalents at the end of the semiannual period totaled ¥100,824 million, up ¥6,830 million, compared with those at the end of the same term last year.

【Full-year outlook】

An autonomous recovery in consumer spending is unlikely in the near term and competition is intensifying from nontraditional market entrants, thus making the Lawson Group's operating conditions increasingly tough.

In such a challenging environment, we continue to carry out the following measures in the pursuit of truly becoming "the 'hot' station in the neighborhood" and ensure earnings growth.

Promoting the Administrative Division System

The Administrative Division System, implemented on March 1, 2003, provides a new operating system for locally oriented store openings, an assortment of display items, sales promotions and effective store management. This reform allows managerial staff at posts nearer to actual store visitors to make speedy decisions.

Reinforcing store management capabilities

We are creating community-based stores by promoting "Lawson's Three Challenge Practices" (perfect execution of the "individual store" principle, cleanup of the store and quarters, and cordial service in receiving visitors).

Strengthening product development capabilities

With the catchphrase of "safety, security and health," we intend to promote product development of quality products that meet today's customer needs. In addition to extensively applying the successful example of the "Onigiriya" series, which was created through cross-sectional product development, to various product groups, we will proactively integrate local preferences into new product development.

Upgrading customers' convenience level

To enhance customers' convenience, we will provide a variety of services with the "LAWSON PASS" members' card, our business alliance with Culture Convenience Club Co., Ltd., and the Loppi multimedia terminals and installed ATMs.

Improving the earnings structure

We will promote the careful examination of profitability for each new store opening. We will also work to improve the earnings structure by reducing indirect costs through a thorough review of the financial structure and optimizing the material procurement and distribution networks.

For the fiscal year ending February 29, 2004, the Company anticipates non-consolidated ordinary profit rising 20.4% year over year to ¥40 billion and consolidated ordinary profit increasing 24.0% to ¥38 billion.

(Millions of yen)

	August 2003 interim period (Actual results)	February 2004 fiscal term (Forecast)	February 2003 fiscal term (Actual results)	Year-over-year change (%)
Total operating revenue	125,479	250,000	250,334	- 0.1
Ordinary profit	20,018	38,000	30,656	24.0
Net income	10,182	18,200	8,861	105.4
Net income per share (yen)	95.86	171.70*	82.35	—

Average number of shares during the term: 106,220,768 shares for the August 2003 interim period and 107,599,576 shares for the February 2003 fiscal term

*The value is calculated based on the number of shares outstanding (106,000,175 shares) as of August 31, 2003.

Reference: Forecast non-consolidated performance

(Millions of yen)

	August 2003 interim period (Actual results)	February 2004 fiscal term (Forecast)	February 2003 fiscal term (Actual results)	Year-over-year change (%)
Total operating revenue	118,014	235,000	239,315	- 1.8
Ordinary profit	20,471	40,000	33,209	20.4
Net income	10,574	19,900	10,263	93.9
Net income per share (yen)	99.54	187.73*	95.38	—

Average number of shares during the term: 106,220,768 shares for the August 2003 interim period and 107,599,576 shares for the February 2003 fiscal term

*The value is calculated based on the number of shares outstanding (106,000,175 shares) as of August 31, 2003.

Consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2003)		Previous interim period (As of August 31, 2002)		Last fiscal year (As of February 28, 2003)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	87,974		85,113		83,144	
Accounts receivable—due from franchised stores	13,138		8,017		7,039	
Marketable securities	20,182		28,273		12,445	
Merchandise inventories	1,449		1,572		1,492	
Accounts receivable—other	18,438		16,467		15,602	
Deferred tax assets	2,852		1,024		2,445	
Other	9,924		4,747		8,874	
Allowance for doubtful accounts	(124)		(74)		(93)	
Total current assets	153,833	41.7	145,139	41.3	130,948	38.2
Fixed assets						
Property and store equipment—at net book value						
Buildings and structures	54,387		49,324		51,618	
Furniture, fixtures and equipment	19,791		18,916		19,733	
Land	5,012		6,223		6,178	
Construction in progress	111		301		44	
Total property and store equipment— net	79,301	21.5	74,764	21.3	77,573	22.6
Intangible fixed assets	16,244	4.4	15,619	4.5	17,348	5.1
Investments and other						
Investments in securities	2,133		2,475		2,754	
Lease deposits	89,656		90,983		89,499	
Deferred tax assets	10,322		8,019		8,918	
Deferred tax assets for land revaluation	4,819		5,022		5,009	
Other	14,319		10,287		11,978	
Allowance for doubtful accounts	(1,554)		(1,255)		(1,428)	
Total investments and other	119,695	32.4	115,531	32.9	116,730	34.1
Total fixed assets	215,240	58.3	205,914	58.7	211,651	61.8
Total Assets	369,073	100.0	351,053	100.0	342,599	100.0

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2003)		Previous interim period (As of August 31, 2002)		Last fiscal year (As of February 28, 2003)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	76,344		77,522		63,860	
Accounts payable— due to franchised stores	2,407		3,968		4,799	
Account payable—other	21,707		19,627		15,013	
Income taxes payable	11,125		1,830		7,615	
Deposits received	39,577		29,244		33,030	
Accrued employees' bonuses	2,819		2,287		2,824	
Other	3,343		4,437		1,945	
Total current liabilities	157,322	42.6	138,915	39.5	129,086	37.7
Long-term liabilities						
Allowance for employees' retirement benefits	1,070		3,971		3,786	
Allowance for retirement benefits to directors and corporate auditors	162		179		223	
Lease deposits from franchisee and lessees	53,625		56,071		54,989	
Other	359		356		421	
Total long-term liabilities	55,216	15.0	60,577	17.3	59,419	17.3
Total Liabilities	212,538	57.6	199,492	56.8	188,505	55.0
(Minority Interest)						
Minority Interest (Shareholders' Equity)	2,176	0.6	2,068	0.6	2,230	0.7
Common stock	58,507	15.9	58,507	16.7	58,507	17.1
Additional paid-in capital	41,520	11.2	41,520	11.8	41,520	12.1
Retained earnings	66,515	18.0	56,475	16.1	58,608	17.1
Land revaluation difference	(7,082)	(1.9)	(6,935)	(2.0)	(6,917)	(2.0)
Net unrealized gain on available-for-sale securities	19	0.0	(219)	(0.0)	(2)	(0.0)
Foreign currency transaction adjustments	147	0.0	146	0.0	150	0.0
Treasury stock-at cost	(5,267)	(1.4)	(1)	(0.0)	(2)	(0.0)
Total Shareholders' Equity	154,359	41.8	149,493	42.6	151,864	44.3
Total Liabilities, Minority Interest and Shareholders' Equity	369,073	100.0	351,053	100.0	342,599	100.0

Consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Current interim period (From March 1, 2003 to August 31, 2003)		Previous interim period (From March 1, 2002 to August 31, 2002)		Last Fiscal year (From March 1, 2002 to February 28, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	90,590	72.2	85,853	65.5	168,848	67.4
Net sales reported by franchised stores						
Current interim period: ¥617,315million						
Previous interim period: ¥622,240million						
Last fiscal year: ¥1,213,088million						
Total net sales of Lawson stores including franchised stores						
Current interim period: ¥ 651,681million						
Previous interim period: ¥667,265million						
Last fiscal year: ¥1,294,042million						
Net sales	34,889	(100.0)	45,168	(100.0)	81,486	(100.0)
Total operating revenues	125,479	100.0	131,021	100.0	250,334	100.0
Cost of goods sold	25,414	(72.8)	33,143	(73.4)	59,889	(73.5)
Gross profit on sales	(9,475)	(27.2)	(12,025)	(26.6)	(21,597)	(26.5)
Operating gross profit	100,065	79.7	97,878	74.7	190,445	76.1
Selling, general and administrative expenses	78,992	63.0	77,203	58.9	156,338	62.5
Operating income	21,073	16.7	20,675	15.8	34,107	13.6
Non-operating income	514	0.4	575	0.4	975	0.4
Interest received	143		129		261	
Compensation received for damage	115		163		227	
Compensation received for removal	121		51		109	
Other	135		232		378	
Non-operating expense	1,569	1.2	2,583	2.0	4,426	1.8
Interest expense	9		52		61	
Loss on cancellation of lease contract	711		1,155		1,925	
Equity in losses of affiliated companies	657		1,231		2,134	
Other	192		145		306	
Ordinary profit	20,018	15.9	18,667	14.2	30,656	12.2

Special gains	967	0.8	5,821	4.5	6,400	2.6
Gain on sales of fixed assets	115		-		-	
Gain on sales of investments in securities	11		5,774		5,778	
Special profit on disaffiliation from Employees' Pension Fund	812		-		-	
Other	29		47		622	
Special losses	2,424	1.9	15,202	11.6	19,453	7.8
Loss from disposal of fixed assets	1,895		9,322		12,040	
Premium severance benefit	-		4,423		4,322	
Loss on sales of fixed assets	15		7		58	
Fringe benefit associated with prior years	314		-		-	
Other	200		1,450		3,033	
Income before corporate, inhabitant and enterprise taxes	18,561	14.8	9,286	7.1	17,603	7.0
Corporate, inhabitant and enterprise taxes	10,267	8.1	1,090	0.8	7,852	3.2
Deferred income taxes	(1,816)	(1.4)	3,804	2.9	1,339	0.5
Minority interest in earnings of consolidated subsidiaries	(72)	(0.0)	(166)	(0.1)	(449)	(0.2)
Net income	10,182	8.1	4,558	3.5	8,861	3.5

Consolidated Statements of Additional paid-in capital and Retained Earnings

(Millions of yen)

Fiscal period Account item	Current interim period (From March 1,2003 to August 31, 2003)		Previous interim period (From March 1,2002 to August 31, 2002)		Last Fiscal year (From March 1,2002 to February 28, 2003)	
	Amount		Amount		Amount	
(Additional paid-in capital)						
Balance of paid-in capital at beginning of the interim period		41,520		41,520		41,520
Balance of paid-in capital at end of the interim period		41,520		41,520		41,520
(Retained earnings)						
Balance of retained earnings at beginning of the interim period		58,608		55,649		55,649
Increase in retained earnings						
Net income	10,182	10,182	4,558	4,558	8,861	8,861
Decrease in retained earnings						
Cash dividends	2,260		2,260		4,412	
Reversal of land revaluation difference	15	2,275	1,472	3,732	1,490	5,902
Balance of retained earnings at end of the interim period		66,515		56,475		58,608

Consolidated Statements of Cash Flows

(Millions of yen)

Account item	Fiscal period	Current interim period (From March 1,2003 to August 31, 2003)	Previous interim period (From March 1,2002 to August 31, 2002)	Last Fiscal year (From March 1,2002 to February 28, 2003)
		Amount	Amount	Amount
Operating activities:				
Income before corporate, inhabitant and enterprise taxes		18,561	9,286	17,603
Depreciation of fixed assets		6,580	6,209	13,135
Loss from disposal of fixed assets		1,254	6,411	7,842
Depreciation of intangible fixed assets		1,979	1,203	2,936
Increase (decrease) in provision for allowance for retirement benefits to employees		(2,716)	965	780
Provision for allowance for doubtful accounts		157	316	508
Interest and dividend income		(143)	(129)	(261)
Interest expense		9	52	61
Loss on sales of fixed assets		15	7	58
Gain on sales of investments in securities		(11)	(5,774)	(5,778)
Other - net		957	3,498	5,972
Increase in accounts receivable due from franchised stores		(6,100)	(1,835)	(857)
Decrease in merchandise inventories		43	515	596
Increase in accounts receivable - other		(1,666)	(3,073)	(2,208)
Increase in accounts payable— trade and due to franchised stores		10,093	14,424	1,593
Increase (decrease) in accounts payable—other		4,695	2,954	(1,661)
Increase in deposits received		6,547	1,378	5,164
Decrease in lease deposits from franchisee and lessees		(1,364)	(584)	(1,666)
Other—net		219	2,073	644
Subtotal		39,109	37,896	44,461
Interest and dividend income received		101	122	238
Interest expenses paid		(9)	(48)	(57)
Income taxes paid		(6,757)	(9,806)	(10,782)
Net cash provided by operating activities		32,444	28,164	33,860

Investing activities:			
Proceeds from cancellation of time deposits	-	161	646
Payment for purchase of marketable securities	(29,244)	(17,885)	(25,532)
Proceeds from redemption of marketable securities	29,507	21,122	50,425
Proceeds from sales of investments in securities	0	8,300	8,300
Payment for purchase of investments in subsidiary	-	(2,300)	(3,550)
Payment for purchase of investments in subsidiary from minority shareholders	-	(55)	-
Proceeds from sales of investments in subsidiary to minority shareholders	30	60	205
Payment for acquisition of property and store equipment	(10,746)	(11,300)	(22,543)
Increase in short-term loans receivable	(4,000)	-	-
Increase in intangible fixed assets	(1,039)	(4,984)	(9,563)
Increase in lease deposits—net	(157)	(1,282)	(1,382)
Other—net	(2,438)	(115)	(793)
Net cash used in investing activities	(18,087)	(8,278)	(3,787)
Financing activities:			
Repayment of long-term borrowings	-	(3,140)	(3,140)
Proceeds from minority shareholders with establishment of subsidiaries	-	-	306
Purchase of treasury stock for cancellation	(5,265)	(0)	(1)
Cash dividends paid	(2,260)	(2,260)	(4,412)
Net cash used in financing activities	(7,525)	(5,400)	(7,247)
Effects of exchange rate changes on cash and cash equivalents	(2)	(105)	(101)
Net increase in cash and cash equivalents	6,830	14,381	22,725
Cash and cash equivalents, beginning of year	93,994	71,269	71,269
Cash and cash equivalents, end of year	100,824	85,650	93,994

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries: 5

Lawson Tickets Co., Ltd.

Shanghai Hualian Lawson Co., Ltd.

LAWSON e-Planning, Inc.

i-Convenience, Inc.

LAWSON ATM Networks, Inc.

All the subsidiaries are consolidated.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 1

LAWSON CS Card, Inc.

3. Closing day for settlement of accounts of consolidated subsidiaries

Of the consolidated subsidiaries, Shanghai Hualian Lawson Co., Ltd., has 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 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

Intangible fixed assets:

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

Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

(3) Accounting standard for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date.

Allowance for Retirement Benefits to Directors and Corporate Auditors:

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

(4) 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 minority interest and 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 3 months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

《Additional information》

(Tax - rates change)

In line with a new local tax law enacted and became effective on March 31, 2003 for fiscal years beginning on or after April 1, 2004, the statutory effective tax rate applied on the income taxes on deferred tax assets and liabilities (applicable only for portion taxable or deductible after March 1, 2005) decreased from 42.0% to 40.5%. This reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥ 212 million and corresponding increase in the provision for income taxes of ¥ 213 million, and a decrease in deferred tax assets for land revaluation and corresponding decrease in land revaluation difference of ¥ 180million, respectively.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)		
	As of August 31, 2003	As of August 31, 2002	As of February 28, 2003
1. Accumulated depreciation for property and store equipment	75,496	69,328	71,986

Notes to the Consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2003 to August 31, 2003	From March 1, 2002 to August 31, 2002	From March 1, 2002 to February 28, 2003
1. Main account of selling, general and administrative expenses			
Promotion	6,561	6,348	12,505
Salary	11,351	12,683	26,679
Provision for accrued employees' bonuses	2,815	2,288	2,825
Retirement benefit costs	817	1,931	3,259
Provision for allowance for retirement benefits to directors and corporate auditors	64	93	137
Amortization of goodwill	3	49	95
Rent account	20,834	19,917	40,035
Depreciation of fixed assets	6,580	6,209	13,135
2. Distribution of gain from sales of fixed assets			
Furniture, fixtures and equipment	0	-	-
Land	115	-	-
3. Distribution of loss from disposal of fixed assets			
Buildings and structures	1,218	1,333	2,540
Furniture, fixtures and equipment	609	5,930	7,151
Software	68	2,059	2,349
4. Distribution of loss from sales of fixed assets			
Buildings and structures	15	6	27
Furniture, fixtures and equipment	0	-	6
Land	-	1	25

5. Special profit on disaffiliation from Employees' Pension Fund

The Company voluntarily disaffiliated from the Daiei Employees' Pension Fund as of March 31, 2003.

The company recorded special gain of ¥ 812 million by reversing allowance for employees' retirement benefits, which was determined after reflecting recognition of all remaining actuarial loss and prior service cost, and special contribution to the Fund for disaffiliate.

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, 2003	As of August 31, 2002	As of February 28, 2003
Cash and bank deposits	87,974	85,113	83,144
Marketable securities	20,182	28,273	12,445
Short-term loans receivable	-	-	4,362
Time deposits, etc., for which the deposit period exceeds three months	(150)	(635)	(150)
Bonds, etc., for which the redemption period exceeds three months	(7,182)	(27,101)	(5,445)
Loans, for which the loan period exceeds three months	-	-	(362)
Cash and cash equivalents	100,824	85,650	93,994

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, 2003	As of August 31, 2002	As of February 28, 2003
Acquisition cost	77,239	73,174	77,724
Accumulated depreciation	26,460	18,614	24,668
Leased property	50,779	54,560	53,056
 Obligations under finance leases			
Due within one year	13,469	12,534	13,099
Due after one year	38,069	42,553	40,615
Total	51,538	55,087	53,714

Lease payments depreciation expense and interest expense

Lease payments	7,473	6,448	13,675
Depreciation expense	7,006	6,017	12,775
Interest expense	596	528	1,149

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, 2003	As of August 31, 2002	As of February 28, 2003
Due within one year	941	979	954
Due after one year	6,039	6,924	6,850
Total	6,980	7,903	7,804

Notes to Market Value Information of Securities

(As of August 31, 2003)

1. Information regarding marketable held-to-maturity debt securities as of August 31, 2003, was as follows:

(Millions of yen)

Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Bonds and notes	18,219	18,218	(1)
Other	1,963	1,963	(0)
Total	20,182	20,181	(1)

2. Information regarding marketable available-for-sale securities as of August 31, 2003, was as follows:

(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities	937	970	33
Total	937	970	33

3. Available-for-sale securities whose fair value is not readily determinable as of August 31, 2003, were as follows:

Available-for-sale securities (Millions of yen)

	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	41
Total	41

(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)
Total	27,101	27,097	(3)

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)
Total	1,460	1,082	(378)

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	1,173
Unlisted shares (excluding OTC securities)	2
Total	1,175

(As of February 28, 2003)

1. Information regarding marketable held-to-maturity debt securities as of February 28, 2003, was as follows:
(Millions of yen)

Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	2,064	2,065	1
Securities with book value per consolidated balance sheets exceeding market value	10,381	10,379	(2)
Total	12,445	12,444	(1)

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

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

3. Information regarding available-for-sale securities sold during the year was as follows :
(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
8,300	5,764	(51)

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

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

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

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

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, 2003

October 14, 2003

Listed Company Name: Lawson, Inc.

Code No.: 2651

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

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative Takeshi Niinami, Representative Director , President & CEO

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

Date of the Board of Directors Meeting on the Closing of Accounts: October 14, 2003

Interim Dividend System: Yes

Date of cash dividend payments to acquired company's shareholders commencing on: November 11, 2003

1. Non-consolidated Performance for the current interim period (from March 1, 2003, to August 31, 2003)

(1) Operating results

Note: Amounts below one million yen are truncated

	Total operating revenues (Total net sales of Lawson stores including franchised stores)			Operating income		Ordinary profit	
	¥ Million		%	¥ Million	%	¥ Million	%
Current interim period	118,014	(650,083)	-6.4(-2.4)	20,856	0.5	20,471	2.5
Previous interim period	126,070	(665,817)	-2.9(0.4)	20,761	-11.0	19,977	-11.6
Last fiscal year	239,315	(1,291,030)	-3.9(0.7)	34,531	-6.5	33,209	-7.5

	Net income		Net income per share
	¥ Million	%	¥
Current interim period	10,574	79.6	99.54
Previous interim period	5,888	-49.2	54.72
Last fiscal year	10,263	-38.6	95.38

Notes Average number of shares during the period Current interim period: 106,220,768 shares

Previous interim period: 107,599,657 shares Last fiscal year: 107,599,576 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	364,689	157,750	43.3	1,488.21
Previous interim period	345,499	152,419	44.1	1,416.54
Last fiscal year	338,221	154,860	45.8	1,439.23

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

106,000,175 shares at August 31, 2003 107,599,625 shares at August 31, 2002 107,599,435 shares at February 28, 2003

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

1,599,825 shares at August 31, 2003 375 shares at August 31, 2002 565 shares at February 28, 2003

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

	Total operating revenue (Total net sales of Lawson stores including franchised stores)	Ordinary profit	Net income	Annual dividend per share	
				Year-end dividend	
	¥ Million	¥ Million	¥ Million	¥	¥
2004 fiscal year	235,000 (1,294,000)	40,000	19,900	21.00	41.00

Reference: Forecast net income per share for the 2004 fiscal year: 187.73 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 11th page of appending data about matters, such as precondition of the above-mentioned forecast.

Non-consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2003)		Previous interim period (As of August 31, 2002)		Last fiscal year (As of February 28, 2003)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	79,765		76,192		75,257	
Accounts receivable—due from franchised stores	12,999		7,895		6,925	
Marketable securities	20,181		27,100		12,445	
Merchandise inventories	1,348		1,489		1,398	
Deferred tax assets	2,818		978		2,405	
Other	26,846		20,412		23,132	
Allowance for doubtful accounts	(122)		(70)		(90)	
Total current assets	143,838	39.4	133,998	38.8	121,475	35.9
Fixed assets						
Property and store equipment—at net book value						
Buildings	45,615		41,530		43,394	
Furniture, fixtures and equipment	19,431		18,669		19,344	
Land	5,012		6,222		6,177	
Other	8,834		7,979		8,217	
Total property and store equipment— net	78,893	21.6	74,402	21.5	77,134	22.8
Intangible fixed assets	14,929	4.1	14,183	4.1	15,948	4.7
Investments and other						
Investments in securities	9,717		9,990		9,713	
Lease deposits	89,560		90,878		89,396	
Deferred tax assets	10,822		8,018		9,542	
Deferred tax assets for land revaluation	4,818		5,022		5,008	
Other	14,297		10,260		11,955	
Allowance for doubtful accounts	(1,553)		(1,254)		(1,428)	
Allowance for impairment of investment	(635)		-		(525)	
Total investments and other	127,028	34.9	122,915	35.6	123,663	36.6
Total fixed assets	220,851	60.6	211,501	61.2	216,746	64.1
Total Assets	364,689	100.0	345,499	100.0	338,221	100.0

(Millions of yen)

Fiscal period Account item	Current interim period (As of August 31, 2003)		Previous interim period (As of August 31, 2002)		Last fiscal year (As of February 28, 2003)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	76,073		77,303		63,720	
Accounts payable— due to franchised stores	2,324		3,967		4,777	
Short-term borrowings	700		-		900	
Account payable—other	20,930		19,757		14,191	
Income taxes payable	10,953		1,639		7,289	
Deposits received	35,062		25,073		28,807	
Accrued employees' bonuses	2,778		2,260		2,787	
Other	3,272		2,857		1,890	
Total current liabilities	152,093	41.7	132,858	38.5	124,365	36.8
Long-term liabilities						
Allowance for employees' retirement benefits	1,047		3,956		3,769	
Liability for retirement benefits to directors and corporate auditors	159		178		222	
Lease deposits from franchisee and lessees	53,637		56,086		55,003	
Total long-term liabilities	54,844	15.0	60,221	17.4	58,995	17.4
Total Liabilities	206,938	56.7	193,080	55.9	183,360	54.2
(Shareholders' Equity)						
Common stock	58,506	16.0	58,506	16.9	58,506	17.3
Additional paid-in capital	41,520		41,520		41,520	
Retained earnings	41,520	11.4	41,520	12.0	41,520	12.3
Legal reserve	727		727		727	
Retained earnings						
General reserve	30,000		30,000		30,000	
Unappropriated retained earnings	39,326		28,822		31,026	
Total retained earnings	70,054	19.2	59,549	17.3	61,754	18.2
Land revaluation difference	(7,082)	(1.9)	(6,935)	(2.0)	(6,917)	(2.0)
Net unrealized gain on available-for-sale securities	19	0.0	(220)	(0.1)	(1)	(0.0)
Treasury stock-at cost	(5,267)	(1.4)	(1)	(0.0)	(2)	(0.0)
Total Shareholders' Equity	157,750	43.3	152,419	44.1	154,860	45.8
Total Liabilities and Shareholders' Equity	364,689	100.0	345,499	100.0	338,221	100.0

Non-consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Current interim period (From March 1, 2003 to August 31, 2003)		Previous interim period (From March 1, 2002 to August 31, 2002)		Last Fiscal year (From March 1, 2002 to February 28, 2003)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	84,559	71.7	81,997	65.0	160,280	67.0
Net sales reported by franchised stores						
Current interim period: ¥616,629million						
Previous interim period: ¥621,744million						
Last fiscal year: ¥1,211,995 million						
Total net sales of Lawson stores including franchised stores						
Current interim period: ¥650,083million						
Previous interim period: ¥665,817million						
Last fiscal year: ¥1,291,030million						
Net sales	33,454	(100.0)	44,073	(100.0)	79,034	(100.0)
Total operating revenues	118,014	100.0	126,070	100.0	239,315	100.0
Cost of goods sold	24,205	(72.4)	32,249	(73.2)	57,871	(73.2)
Gross profit on sales	(9,249)	(27.6)	(11,823)	(26.8)	(21,163)	(26.8)
Operating gross profit	93,808	79.5	93,821	74.4	181,443	75.8
Selling, general and administrative expenses	72,952	61.8	73,060	57.9	146,912	61.4
Operating income	20,856	17.7	20,761	16.5	34,531	14.4
Non-operating income	494	0.4	562	0.4	948	0.4
Non-operating expense	879	0.7	1,346	1.1	2,269	0.9
Ordinary profit	20,471	17.4	19,977	15.8	33,209	13.9
Special gains	945	0.8	5,806	4.6	6,272	2.6
Special losses	2,449	2.1	15,171	12.0	20,966	8.8
Income before corporate, inhabitant and enterprise taxes	18,967	16.1	10,612	8.4	18,516	7.7
Corporate, inhabitant and enterprise taxes	10,089	8.5	904	0.7	7,530	3.1
Deferred income taxes	(1,695)	(1.4)	3,819	3.0	722	0.3
Net income	10,574	9.0	5,888	4.7	10,263	4.3
Unappropriated retained earnings—carried forward	28,767		24,406		24,406	
Reversal of land revaluation difference	14		1,472		1,490	
Interim cash dividends	-		-		2,151	
Unappropriated retained earnings—at end of year	39,326		28,822		31,026	

《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 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

Intangible fixed assets:

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

Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

3. Accounting standard for reserves

Allowance for Doubtful Accounts:

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

Allowance for impairment of investment:

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

Accrued Employees' Bonuses:

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

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date.

Allowance for retirement benefits to directors and corporate auditors:

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

4. Lease

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

5. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

《Additional information》

(Tax - rates change)

In line with a new local tax law enacted and became effective on March 31, 2003 for fiscal years beginning on or after April 1, 2004, the statutory effective tax rate applied on the income taxes on deferred tax assets and liabilities (applicable only for portion taxable or deductible after March 1, 2005) decreased from 42.0% to 40.5%. This reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥230 million and corresponding increase in the provision for income taxes of ¥231 million, and a decrease in deferred tax assets for land revaluation and corresponding increase in land revaluation difference of ¥179 million, respectively.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

	(Millions of yen)		
	As of August 31, 2003	As of August 31, 2002	As of February 28, 2003
1. Accumulated depreciation for property and store equipment	74,923	68,823	71,451
2. Contingent liabilities (Guarantee for bank loan borrowed by the affiliated company) Lawson CS Card, Inc.	400	-	-

Notes to Non-consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2003 to August 31, 2003	From March 1, 2002 to August 31, 2002	From March 1, 2002 to February 28, 2003
1. Main account of non-operating income			
Interest received	123	122	190
2. Main account of non-operating expense			
Loss on cancellation of store lease contract	711	1,153	1,925
3. Main account of special gains			
Gain on sales of fixed assets	114	-	42
Gain on sales of investments in securities	0	5,763	5,763
Special profit on disaffiliation from Employees' Pension Fund	811	-	-
Special profit on disaffiliation from Employees' Pension Fund			

The Company voluntarily disaffiliated from the Daiei Employees' Pension Fund as of March 31, 2003. The company recorded special gain of ¥811 million by reversing allowance for employees' retirement benefits, which was determined after reflecting recognition of all remaining actuarial loss and prior service cost, and special contribution to the Fund for disaffiliate.

4. Main account of special losses			
Loss from disposal of fixed assets	1,810	9,318	11,824
Premium severance benefit	-	4,423	4,321
5. Depreciation			
Property and store equipment	6,509	6,153	13,018
Intangible fixed assets	1,787	958	2,457

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

	As of August 31, 2003	As of August 31, 2002	(Millions of yen) As of February 28, 2003
Acquisition cost	68,659	65,642	69,390
Accumulated depreciation	23,934	17,538	22,813
Leased property	44,724	48,104	46,576
Obligations under finance leases			
Due within one year	11,780	11,071	11,488
Due after one year	33,690	37,550	35,735
Total	45,470	48,622	47,223
Lease payments depreciation expense and interest expense			
Lease payments	6,644	5,762	12,187
Depreciation expense	6,184	5,340	11,304
Interest expense	587	515	1,127

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

	As of August 31, 2003	As of August 31, 2002	(Millions of yen) As of February 28, 2003
Due within one year	940	979	954
Due after one year	6,039	6,924	6,849
Total	6,979	7,903	7,803

Notes to Marketable Securities and Investments in Securities

As of August 31, 2003, August 31, 2002 and February 28, 2003, fair value is not readily determinable for any of the investments in subsidiaries or affiliated companies.

Significant Subsequent Events

There were no significant subsequent events for current interim period.