

Flash Report on the Consolidated result for interim period ended August 31, 2004

October 13, 2004

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 13, 2004

Based on US GAAP: Unapplicable

1. Consolidated Performance for the current interim period (from March 1, 2004, to August 31, 2004)

(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	128,452	2.4	23,227	10.2	22,515	12.5
Previous interim period	125,479	(4.2)	21,073	1.9	20,018	7.2
Last fiscal year	245,601	(1.9)	38,087	11.7	36,563	19.3

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current interim period	11,294	10.9	108.99	
Previous interim period	10,182	123.4	95.86	
Last fiscal year	18,571	109.6	175.78	

Notes: Equity in net income (loss) of unconsolidated subsidiaries and affiliates:
 Current interim period:(¥404million) Previous interim period:(¥657million) Last fiscal year:(¥1,128million)
 Average number of shares outstanding at the beginning and end of the years:
 Current interim period: 103,632,173 shares
 Previous interim period: 106,220,768 shares Last fiscal year: 105,651,228 shares
 Change in accounting method: None
 Percentages for total operating revenues, operating income, ordinary profit and net income show increase (decrease) from previous period.
 Effective from current period, amounts of less than one million yen in the consolidated financial statements have been truncated instead of the previous method of rounding them off.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per shares
	¥ Million	¥ Million	%	¥
Current interim period	368,848	155,610	42.2	1,519.17
Previous interim period	369,073	154,359	41.8	1,456.21
Last fiscal year	354,831	154,317	43.5	1,479.31

Note: Number of outstanding shares at the end of the respective years:
 102,431,846 shares at August 31, 2004 106,000,175 shares at August 31, 2003
 104,316,616 shares at February 29, 2004

(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	47,563	(26,569)	(10,010)	87,373
Previous interim period	32,444	(18,087)	(7,525)	100,824
Last fiscal year	37,424	(40,621)	(14,364)	76,389

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

Number of consolidated subsidiaries: 5

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

Number of affiliates accounted for by the equity method: 2

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

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

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

2. Forecast Consolidated Performance for 2005 fiscal year (from March 1, 2004, to February 28, 2005)

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2005 fiscal year	256,000	40,500	20,000

Reference: Forecast net income per share for the 2005 fiscal year: 195.25 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 10th 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 their respective business segments are as follows:

[Convenience store business]

- The Company operates and manages its own and franchised LAWSON stores as the headquarters of LAWSON chain stores.
- A subsidiary, NATURAL LAWSON, INC., changed its trade name from that of its predecessor, LAWSON e-Planning, Inc., as of April 11, 2004. This subsidiary engages in the operations outsourced by the Company with regard to the establishment of business formats, product planning and development and store management guidance for “NATURAL LAWSON” stores, which are dedicated to pursuing the three keywords: “Physical Health,” “Mental Health” and “Health of the Earth.”
- An affiliate, Shanghai Hualian Lawson Co., Ltd., engages in LAWSON’s chain-store development operations in Shanghai, China. This affiliate is a joint venture with Brilliance Group Co., Ltd., which has its headquarters in Shanghai. The assignment of equity in May 2004 reduced the Company’s equity position in Shanghai Hualian Lawson Co., Ltd., from 70.0% to 49.0%. As a result, Shanghai Hualian Lawson Co., Ltd., has become an affiliate accounted for by the equity method instead of a consolidated subsidiary of the Company.

[Ticket sales business]

- A subsidiary, Lawson Tickets Co., Ltd., sells tickets to concerts, sporting events, movies and other events mainly through the Loppi multimedia terminals installed in LAWSON stores.

[e-commerce business]

- A subsidiary, i-Convenience, 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.

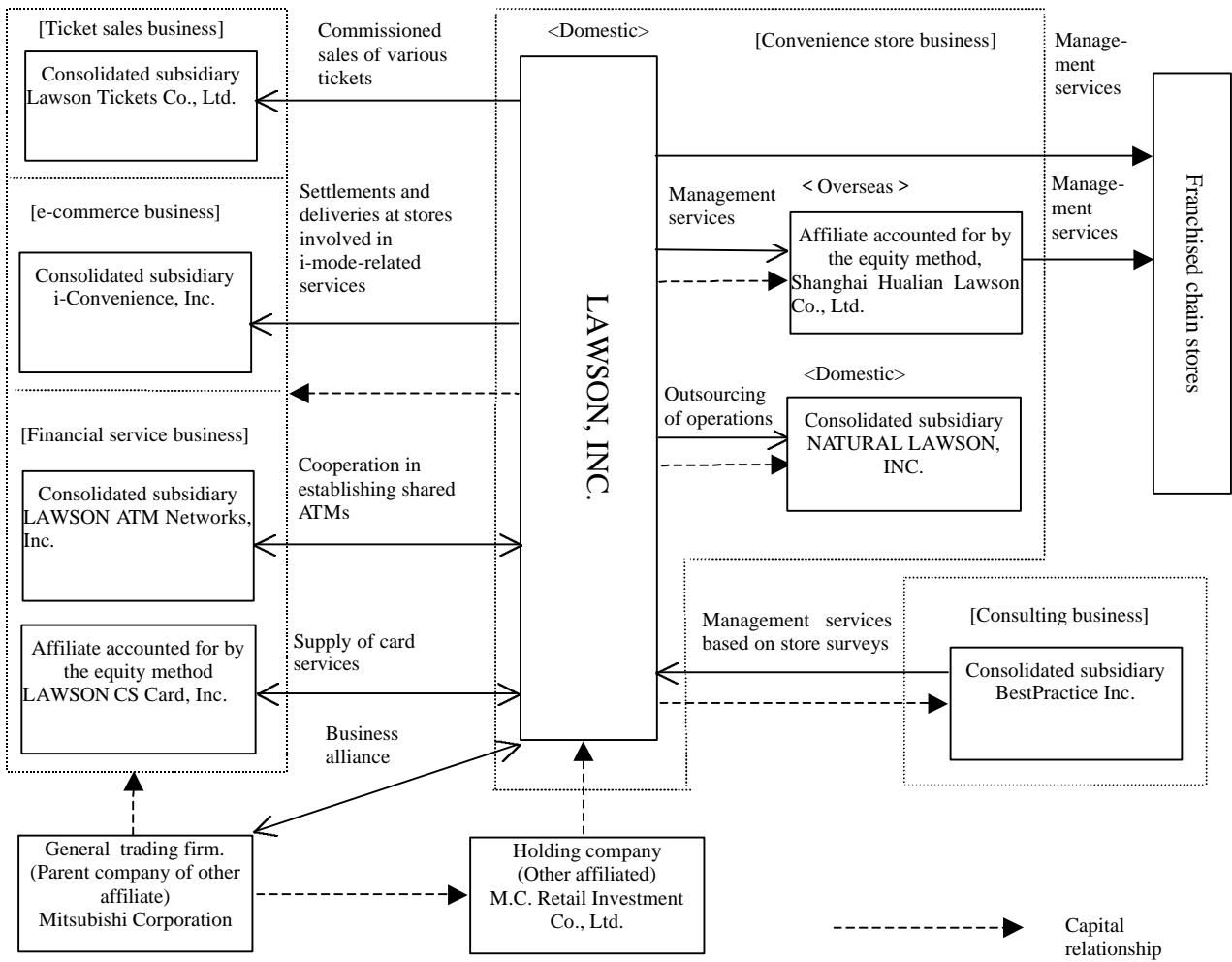
[Financial service business]

- A subsidiary, LAWSON ATM Networks, Inc., establishes, maintains and operates shared ATMs mainly in LAWSON stores, and conducts the outsourced 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.

[Consulting business]

- A subsidiary, BestPractice Inc., mainly engages in actual-condition surveys concerning convenience stores to give advice and specific proposals for the improvement of LAWSON stores.

The following diagram shows the relationships among the LAWSON businesses.



Management Policy

1. Business Keynote

(1) Corporate philosophy and action guidelines

Under the LAWSON corporate philosophy of “LAWSON contributes to the convenience of customers and the development of local communities with its respectful personal services and creative activities,” our corporate activities are carried out in accordance with the action guidelines that focus on satisfying six major stakeholders: customers, franchised 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

To become “the ‘hot’ station in the neighborhood,” the Company always works on improvements. This catchphrase expresses the ideal image for LAWSON stores to portray, 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 innovative measures that serve to gain the strong support of customers in respective areas toward realizing this ever-improving store vision of becoming a community-based convenience-store chain.

2. Basic Policy on Profit Distribution

The Company places a high priority to profit distribution to shareholders and follows a policy of paying appropriate dividends with due regard for adequate earnings retention required for future business development, in accordance with the Company’s financial position, profitability level and payout ratio.

In compliance with this policy, the Company paid an interim dividend of ¥35 per share for this semiannual period and plans to pay a year-end dividend of ¥35 for a total dividend of ¥70 per share annually. At the present time, the Company intends to ensure continued profit distributions around the target payout ratio of 35%.

Retained earnings not distributed to shareholders will be allocated to improving the value of the Company by the reinvestment of such funds in new store openings and the restoration of existing stores, as well as the reinforcement of management foundations and the encouragement of new business development.

3. Target Management Indices

As priority indicators, the Company aims to achieve consolidated operating income of ¥42.1 billion and an ROE of 12.4% for fiscal 2004, the year ending February 28, 2005.

4. Our Tasks Ahead

The convenience store (CVS) industry in which the Company operates has five major risk factors as described below in its business environment. Considering them as key trends to be addressed going forward, the Company will incorporate them directly into its management strategies.

<Major trends to be addressed>

(1) Changes in domestic customer segments

Along with the clear progression of the aging population combined with the diminishing number of children, we have to actively cope with new, extensive needs from potential customer segments such as females and middle-aged people in addition to the conventionally targeted core group of males in their 20s and 30s.

(2) Intensifying competition

As industrial competition has intensified beyond the differences in business type or category, with new entrants from the restaurant and drug store industries, we must review and adjust the previous nationally unified or standard type methods and systems in terms of store management and product lineup.

(3) High increase in raw material prices

We must be well prepared for unexpected increases in costs of raw materials, as was seen for rice prices in the summer of 2003 due to unusually cool weather and beef prices due to the outbreak of the bovine spongiform encephalopathy (BSE) disease.

(4) Deregulation with the Revised Large-Scale Retail Store Location Law

Customers’ options have been steadily increasing recently as represented by long hours of operation and even the 24-hour operation of supermarkets. Accordingly, we should pursue new CVS.

(5) Unseasonable weather

We need to pay much more attention to daily weather variations as well as fully understand local weather conditions when selecting the assortment of exhibited items, in addition to the swift and proper adaptation to unseasonable changes in the weather such as a cool summer and warm winter.

5. Intermediate- and Long-Term Management Strategies

We will continue to promote our medium-term management plan, Lawson Challenge 2004, to cope with the risk factors in the entire CVS business environment and to promote further growth.

In the rapidly changing environment, we believe raising customer satisfaction (CS) is vitally important to being “the ‘hot’ station in the neighborhood” that truly satisfies every customer in every store and community. We hereby define LAWSON’s CS-raising power as consisting of three elements: product development capabilities; LAWSON’s Three Challenge Practices (creation of the stores and sales floors that highly satisfy local customers in the areas, cleanup of the store and surroundings and cordial customer service); and “convenient site location,” and we are therefore striving to upgrade our CS-raising power with the following measures. In anticipation of future environmental changes, we are also addressing the further improvement of LAWSON convenience. To this end, we will make companywide efforts to support franchised storeowners so that they can increase earnings by promoting customer-focused stores.

(1) Strengthening product development capabilities (promoting “safety, security, health and deliciousness” and actively responding to regional characteristics)

With the catchphrase, “safety, security, health and deliciousness,” we intend to aggressively strengthen our product development capabilities for original products by implementing more efficient procurement methods for raw materials and installing the latest cooking equipment in the plants of outsourced manufacturing vendors, while proactively coping with regional characteristics such as the seasoning of foods. With such an innovative commitment, we aim to develop products with enhanced value-added that would be firmly supported by customers.

(2) Reinforcing store management capabilities by promoting LAWSON’s Three Challenge Practices at the storefront

We will promote the “individual store” principle to improve customer satisfaction at every store, instead of pursuing nationwide uniform storefronts. The individual store principle means that storeowners understand customers’ attributes in their trading areas and create familiar sales floor layouts that promise maximum CS to customers in each area. In addition, staff at every store will endeavor to clean up inside and outside the store to create a good atmosphere and will provide cordial service to visitors to ensure repeat visits.

(3) Convenient site location (profitability-focused store openings)

We intend to stress profitability with franchised storeowners and at headquarters by careful examination by region and store, without relying on the uniform store-opening standard. We will promote new store openings through closer on-site collaboration in sharing information among the administration and store development departments, enhanced joint programs with locally influential corporations and active business alliances.

(4) Increase in convenience

As we search for enhanced customer convenience, we will promote a variety of novel store formats based on flexible ideas without being constrained by ready-made ideas. For example, Hospital Lawson is a store format designed for locations within hospital premises. In addition, Postal Lawson stores are opened inside post offices through a business tie-up with JAPAN POST. These programs aim to extend store deployment in new trading areas in response to changing customer needs. We also 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.

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

(1) Basic views on corporate governance

The Company stresses shareholders’ viewpoints and those of its other stakeholders. Accordingly, we are committed to maximizing corporate value so that all the stakeholders are happy with LAWSON: customers, thanks to LAWSON stores’ locations and operations; franchised storeowners, owing to their affiliation with the LAWSON 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 systems in managerial organizations involved in management decision making, administration and supervision of the Company

Pursuant to the resolution adopted by the Ordinary General Shareholders' Meeting held in May 2003, the number of directors totals nine (four in-house directors and five outside counterparts). As a consequence, we are confident that the insight and expertise of the outside directors are thoroughly taken into account, thereby resulting in fairer judgments on important management-related matters, including the planning of overall business strategies.

With the continued adoption of the corporate auditor system, the Board of Corporate Auditors' four members (including three outside counterparts) attend important meetings, such as the Board of Directors' meetings, to provide objective and fair opinions on overall business administration as well as individual matters. Moreover, the corporate auditors continue to audit routine business duties conducted by the respective directors, including the investigation of internal control systems related to compliance and risk management. The Board of Corporate Auditors meets monthly, in principle. In addition, the Internal Audit Office, an independent in-house audit department, 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 judgments with regard to corporate management and daily business operations. The Company has also concluded a contract with the accounting firm of Deloitte ToucheTohmatsu for the auditing of its accounts.

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

Among the five outside directors, Hiroshi Mino is currently Senior Vice President of Mitsubishi Corporation, LAWSON's most important strategic partner. Koji Furukawa also comes from Mitsubishi Corporation and is currently Vice Chairman of Mitsubishi Motors Corporation. Muneaki Masuda is currently President and CEO 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 the Company'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 Graduate School of Tama University and has no business relationship with the Company. The three outside corporate auditors are Masaaki Kojima from Mitsubishi Corporation; Yoshiyuki Sanada, an employee of Mitsubishi Corporation; and Tetsuo Ozawa, a lawyer with no business relationship with the Company.

Measures implemented in the recent six months (March–August 2004) to enhance corporate governance

The Board of Directors has met seven times 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 Hiroshi Mino, has met five times. It submitted reports on the method for determining remuneration for directors and senior vice presidents. The Risk Management Committee headed by Katsuhiko Yamasaki, Member of the Board, Executive Vice President and CRO, has met six times to build an internal compliance system in corporate organizations and to make decisions related to risk management on trading purposes. Furthermore, the Information Security Office was established on June 1, 2004, to enhance the protection of computer-processed personal data in anticipation of the Law for the Protection of Computer-Processed Personal Data that will go into effect in April 2005. A responsible senior vice president and dedicated staff were also appointed.

7. 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 and existing businesses such as store development and product development, to enhance LAWSON's corporate value.

Operating Performance and Financial Position

1. Operating Performance

Overview

During the semiannual period ended August 31, 2004, the Japanese economy showed a gradual recovery undertone with such favorable signs as a rally in domestic private-sector investment against the backdrop of a recovery in corporate profits, an improvement in the effective demand-supply ratio of labor force for employment and somewhat robust moves in personal spending.

The retail industry saw a clear contrast in corporate earnings mainly due to the intensifying competition in recent years accelerated by new entrants from outside occupational and industrial segments, yet the industry enjoyed a favorable business environment as a whole thanks to the Olympic Games in Greece and the extremely hot summer.

Under these circumstances, the LAWSON Group endeavored to swiftly respond to the ever-changing needs of the times and customers through such measures as fortified leadership in franchised chain stores, quality-focused store and product development in pursuit of good-selling regular products and locally featured items and the continued practice of LAWSON's Three Challenge Practices" (creation of the stores and sales floors that highly satisfy local customers in the areas, cleanup of the store and surrounding areas and cordial customer service). During this interim period ended August 31, 2004, our original brand "GU-GU-GU," which was developed jointly with 12 food manufacturers, succeeded in gaining strong customer support and recorded more than one million units sold within only three weeks after the brand was launched. Apart from the CVS business, the number of ATMs operated by LAWSON ATM Networks, Inc. increased 243 units to 3,371 (the number of ATMs in LAWSON stores increased 190 units to 3,317) as of August 31, 2004, compared with the end of the previous fiscal year. In addition, postal savings cards have become available at these ATMs in LAWSON stores for bank-balance checking, savings withdrawal and depositing services since March 22, 2004.

As a result, net sales throughout the LAWSON chain for the interim period under review increased 3.6% year over year to ¥675,445 million. Ordinary profit rose 12.5% to ¥22,515 million, and net income increased 10.9% to ¥11,294 million, principally owing to higher franchise commissions from franchised stores.

Sales by product group throughout the LAWSON chain stores

By product category, sales of processed foods rose 7.7% year over year, mainly due to steady sales of chilled beverages influenced by the extremely hot summer. Sales of fast foods declined 2.5%, owing to sluggish sales of rice items and salads despite favorable sales of hot foods. Sales of daily delivered foods rose 7.2%, reflecting favorable sales of fresh food items and ice cream. As a result, sales of total foods improved 4.8%, whereas sales of nonfood products fell 1.9% because of weak sales of magazines and cosmetics.

Fiscal period Product group	Previous interim period March 1, 2003, to August 31, 2003		Current interim period March 1, 2004, to August 31, 2004		Year-over-year comparison (%)
	Sales (Millions of yen)	Composition ratio (%)	Sales (Millions of yen)	Composition ratio (%)	
Processed foods	313,548	48.1	337,830	50.0	107.7
Fast foods	154,342	23.7	150,552	22.3	97.5
Daily delivered foods	73,587	11.3	78,917	11.7	107.2
Total food products	541,477	83.1	567,299	84.0	104.8
Nonfood products	110,204	16.9	108,146	16.0	98.1
Total	651,681	100.0	675,445	100.0	103.6

Note: For the previous interim period, sales by the chain stores operated by Shanghai Hualian Lawson Co., Ltd. are included in the figures above.

Store development

During the semiannual period under review, the Company strove to open quality-focused stores based on the store-opening standard formulated by region and store. The Company also accelerated new openings in major

metropolitan areas, such as Tokyo, Nagoya and Osaka. At the same time, the Company followed the policy of closing or relocating unprofitable stores and those with low daily sales ahead of schedule. Accordingly, we opened 358 new stores and closed 270, including those that were relocated. Compared with the end of the previous fiscal year, the total number of domestic stores increased 88 to 7,909 as of August 31, 2004.

Overseas stores increased 26 to 172 for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, there were 7,909 domestic stores and 172 overseas stores, totaling 8,081, as of August 31, 2004.

Number of stores by prefecture (As of August 31, 2004)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	494	Saitama	297	Gifu	81	Tottori	63	Saga	56
Aomori	121	Chiba	266	Shizuoka	157	Shimane	61	Nagasaki	82
Iwate	107	Tokyo	760	Aichi	337	Okayama	113	Kumamoto	83
Miyagi	160	Kanagawa	470	Mie	71	Hiroshima	117	Oita	105
Akita	111	Niigata	107	Shiga	109	Yamaguchi	109	Miyazaki	81
Yamagata	56	Toyama	94	Kyoto	171	Tokushima	102	Kagoshima	109
Fukushima	106	Ishikawa	66	Osaka	810	Kagawa	95	Okinawa	114
Ibaraki	106	Fukui	73	Hyogo	457	Ehime	134	Subtotal	7,909
Tochigi	97	Yamanashi	63	Nara	98	Kochi	51	Shanghai	172
Gunma	64	Nagano	136	Wakayama	108	Fukuoka	281	Total	8,081

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of the interim closing date (June 30, 2004) is reported.

Income and expenses

Consolidated operating revenues for the semiannual period ended August 31, 2004, increased ¥2,973 million, or 2.4%, year over year to ¥128,452 million. The primary reasons for this gain were increases of royalty income due to increased number of franchised chain stores and commission fees for the use of ATMs by a subsidiary, LAWSON ATM Networks, Inc.

Consolidated operating income increased ¥2,154 million, or 10.2%, year over year to ¥23,227 million. This rise principally resulted from an increase of ¥4,537 million in operating gross profit, which was partly offset by the restrained increase of ¥2,382 million in selling, general and administrative expenses mainly for the ATM operating expense and the rent for store buildings.

Consolidated ordinary profit for this interim period increased ¥2,497 million, or 12.5%, year over year, to ¥22,515 million, reflecting the improved profitability of an affiliate, LAWSON CS Card, Inc., despite an increase in loss from cancellation of lease contracts for store buildings.

As a result of these factors, consolidated income before income taxes and minority interest for this interim period amounted to ¥20,293 million, up 9.3%, year over year, despite an increase in special loss of ¥765 million in the interim period under review resulting mainly from the release from the substituted portion of the Employees' Pension Fund during the previous interim period ended August 31, 2003.

Consequently, consolidated net income for the interim period ended August 31, 2004, increased ¥1,112 million, or 10.9%, year over year to ¥11,294 million, and net income per share was ¥108.99.

Full-year outlook

Although a gradual recovery undertone is visible in the Japanese economy, the industrial competition with entrants from other business types or categories is intensifying and customer needs have become increasingly diversified. In such a challenging environment, we are actively committed to promoting community-oriented policies at branches; reinforcing store management capabilities through the promotion of LAWSON's Three Challenge Practices at storefronts; strengthening product development capability with the catchphrase "safety, security, health and deliciousness"; upgrading customers' convenience level through business alliances and the provision of diverse services; and improving the earnings structure by carefully reviewing the store-opening standard and reducing indirect costs. In particular, as for upgrading customers' convenience level, we have started a new securities agency service via Loppi multimedia terminals at LAWSON stores as a business alliance with Nikko Cordial Securities Inc. The service commenced on August 31, 2004, at several LAWSON stores in the Kanto region and has been extended to other stores nationwide since September 13, 2004.

For the year ending February 28, 2005, the Company anticipates non-consolidated ordinary profit will increase 9.0% year over year to ¥41.0 billion and consolidated ordinary profit will rise 10.8% to ¥40.5 billion.

(Millions of yen)

	August 2004 interim period (Actual results)	February 2005 fiscal term (Forecast)	February 2004 fiscal term (Actual results)	Year-on-year change (%)
Operating revenues	128,452	256,000	245,601	4.2
Ordinary profit	22,515	40,500	36,563	10.8
Net income	11,294	20,000	18,571	7.7
Net income per share (yen)	108.99	*195.25	175.78	-

Average number of shares during the fiscal period: 103,632,173 shares for the August 2004 interim period and 105,651,228 shares for the February 2004 fiscal term.

* The value is calculated based on the number of shares outstanding of the Company (102,431,846 shares) as of August 31, 2004.

Reference: Forecast non-consolidated performance

(Millions of yen)

	August 2004 interim period (Actual results)	February 2005 fiscal term (Forecast)	February 2004 fiscal term (Actual results)	Year-on-year change (%)
Operating revenues	121,118	242,000	231,099	4.7
Ordinary profit	22,322	41,000	37,629	9.0
Net income	11,438	20,700	19,018	8.8
Net income per share (yen)	110.37	*202.09	180.01	-

Average number of shares during the fiscal period: 103,632,173 shares for the August 2004 interim period and 105,651,228 shares for the February 2004 fiscal term.

* The value is calculated based on the number of shares outstanding of the Company (102,431,846 shares) as of August 31, 2004.

2. Financial Position

Cash flows

For the semiannual period ended August 31, 2004, net cash provided by operating activities increased ¥15,119 million to ¥47,563 million on a consolidated basis. This increase was largely due to a rise in income before income taxes and minority interest and a decline in accounts receivable.

Net cash used in investing activities increased ¥8,482 million to ¥26,569 million, reflecting a decline in proceeds from redemption of marketable securities and an increase in purchases of property and store equipment. Net cash used in financing activities totaled ¥10,010 million, taking into account the purchase of treasury stock of ¥7,820 million and ¥2,190 million in cash dividends paid.

As a result of these cash flows, cash and cash equivalents at the end of the interim period totaled ¥87,373 million, up ¥10,984 million, compared with those at the end of the previous fiscal year.

Consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Previous interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Last fiscal year (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	87,974		80,376		76,393	
Accounts receivable—due from franchised stores	13,138		7,324		18,628	
Marketable securities	20,182		26,038		9,244	
Merchandise inventories	1,449		1,419		1,497	
Accounts receivable—other	18,438		17,375		18,028	
Deferred tax assets	2,852		2,777		2,818	
Other	9,924		11,678		11,186	
Allowance for doubtful accounts	(124)		(87)		(132)	
Total current assets	153,833	41.7	146,904	39.8	137,662	38.8
Fixed assets						
Property and store equipment—at net book value						
Buildings and structures	54,387		61,706		57,317	
Furniture, fixtures and equipment	19,791		19,705		20,517	
Land	5,012		5,273		4,938	
Construction in progress	111		353		500	
Total property and store equipment— net	79,301	21.5	87,039	23.6	83,272	23.5
Intangible fixed assets	16,244	4.4	13,866	3.8	14,872	4.2
Investments and other						
Investments in securities	2,133		1,332		1,715	
Lease deposits	89,656		90,090		90,496	
Deferred tax assets	10,322		6,502		6,804	
Deferred tax assets for land revaluation	4,819		4,828		4,808	
Other	14,319		20,118		16,953	
Allowance for doubtful accounts	(1,554)		(1,834)		(1,751)	
Total investments and other	119,695	32.4	121,037	32.8	119,025	33.5
Total fixed assets	215,240	58.3	221,944	60.2	217,169	61.2
Total Assets	369,073	100.0	368,848	100.0	354,831	100.0

(Millions of yen)

Fiscal period Account item	Previous interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Last fiscal year (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	76,344		76,959		63,322	
Accounts payable— due to franchised stores	2,407		5,475		1,402	
Account payable—other	21,707		12,580		18,204	
Income taxes payable	11,125		9,373		10,009	
Deposits received	39,577		44,870		43,745	
Accrued employees' bonuses	2,819		2,955		2,689	
Provision for use of LAWSON PASS points	-		386		-	
Other	3,343		3,146		3,227	
Total current liabilities	157,322	42.6	155,749	42.2	142,598	40.2
Long-term liabilities						
Allowance for employees' retirement benefits	1,070		1,348		1,144	
Allowance for retirement benefits to directors and corporate auditors	162		239		218	
Lease deposits from franchisee and lessees	53,625		52,821		53,373	
Other	359		219		289	
Total long-term liabilities	55,216	15.0	54,627	14.8	55,024	15.5
Total Liabilities (Minority Interest)	212,538	57.6	210,377	57.0	197,622	55.7
Minority Interest (Shareholders' Equity)	2,176	0.6	2,860	0.8	2,892	0.8
Common stock	58,507	15.9	58,506	15.9	58,507	16.5
Capital surplus	41,520	11.2	41,523	11.2	41,521	11.7
Retained earnings	66,515	18.0	71,165	19.3	72,769	20.5
Land revaluation difference	(7,082)	(1.9)	(7,037)	(1.9)	(7,067)	(2.0)
Net unrealized gain on available-for-sale securities	19	0.0	64	0.0	53	0.0
Foreign currency transaction adjustments	147	0.0	42	0.0	68	0.0
Treasury stock-at cost	(5,267)	(1.4)	(8,652)	(2.3)	(11,534)	(3.2)
Total Shareholders' Equity	154,359	41.8	155,610	42.2	154,317	43.5
Total Liabilities, Minority Interest and Shareholders' Equity	369,073	100.0	368,848	100.0	354,831	100.0

Consolidated Statement of Income

(Millions of yen)

Account item	Fiscal period		Previous interim period (From March 1, 2003 to August 31, 2003)		Current interim period (From March 1, 2004 to August 31, 2004)		Last Fiscal year (From March 1, 2003 to February 29, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage		
Operating revenues	90,590	72.2	95,481	74.3	177,216	72.2		
Net sales reported by franchised stores								
Previous interim period: ¥617,315million								
Current interim period: ¥642,713million								
Last fiscal year: ¥1,220,819million								
Total net sales of LAWSON stores including franchised stores								
Previous interim period: ¥ 651,681million								
Current interim period: ¥675,445million								
Last fiscal year: ¥1,288,297million								
Net sales	34,889	(100.0)	32,971	(100.0)	68,385	(100.0)		
		27.8		25.7		27.8		
Total operating revenues	125,479	100.0	128,452	100.0	245,601	100.0		
Cost of goods sold	25,414	(72.8)	23,850	(72.3)	50,058	(73.2)		
Gross profit on sales	(9,475)	(27.2)	(9,120)	(27.7)	(18,327)	(26.8)		
Operating gross profit	100,065	79.7	104,602	81.4	195,543	79.6		
Selling, general and administrative expenses	78,992	63.0	81,374	63.3	157,456	64.1		
Operating income	21,073	16.7	23,227	18.1	38,087	15.5		
Non-operating income	514	0.4	795	0.6	1,048	0.4		
Interest received	143		171		297			
Compensation received for removal	121		204		204			
Compensation received for damage	115		107		221			
Other	135		313		326			
Non-operating expense	1,569	1.2	1,507	1.2	2,572	1.0		
Interest expense	9		7		15			
Loss on cancellation of lease contract	711		952		1,139			
Equity in losses of affiliated companies	657		404		1,128			
Other	192		143		290			
Ordinary profit	20,018	15.9	22,515	17.5	36,563	14.9		

Special gains	967	0.8	166	0.1	1,525	0.6
Gain on sales of fixed assets	115		18		115	
Gain on sales of investments in securities	11		71		2	
Reversal of allowance for doubtful accounts	19		76		22	
Special profit on disaffiliation from Employees' Pension Fund	812		-		812	
Other	10		-		574	
Special losses	2,424	1.9	2,388	1.8	5,165	2.1
Loss from disposal of fixed assets	1,895		1,904		3,950	
Loss on sales of fixed assets	15		42		93	
Fringe benefit associated with prior years	314		-		314	
Other	200		440		808	
Income before income taxes	18,561	14.8	20,293	15.8	32,923	13.4
Income taxes-current	10,267	8.1	8,513	6.6	12,992	5.3
Deferred income taxes	(1,816)	(1.4)	337	0.3	1,725	0.7
Minority interest in earnings of consolidated subsidiaries	(72)	(0.0)	148	0.1	(365)	(0.2)
Net income	10,182	8.1	11,294	8.8	18,571	7.6

Consolidated Statements of Capital surplus and Retained Earnings

(Millions of yen)

Account item	Fiscal period	Previous interim period (From March 1,2003 to August 31, 2003)		Current interim period (From March 1,2004 to August 31, 2004)		Last Fiscal year (From March 1,2003 to February 29, 2004)	
		Amount		Amount		Amount	
(Capital surplus)							
Balance of Capital surplus at beginning of the interim period			41,520		41,521		41,520
Increase in capital surplus							
Gain on disposal of treasury stock		-	-	1	1	1	1
Balance of capital surplus at end of the interim period			41,520		41,523		41,521
(Retained earnings)							
Balance of retained earnings at beginning of the interim period			58,608		72,769		58,608
Increase in retained earnings							
Net income		10,182	10,182	11,294	11,294	18,571	18,571
Decrease in retained earnings							
Cash dividends		2,260		2,190		4,380	
Reversal of land revaluation difference		15		5		30	
Retirement of treasury stock		-	2,275	10,703	12,899	-	4,410
Balance of retained earnings at end of the interim period			66,515		71,165		72,769

Consolidated Statements of Cash Flows

(Millions of yen)

Account item	Fiscal period	Previous interim period (From March 1,2003 to August 31, 2003)	Current interim period (From March 1,2004 to August 31, 2004)	Last Fiscal year (From March 1,2003 to February 29, 2004)
		Amount	Amount	Amount
Operating activities:				
Income before income taxes		18,561	20,293	32,923
Depreciation of fixed assets		6,580	7,041	14,212
Loss from disposal of fixed assets		1,254	1,311	2,603
Depreciation of intangible fixed assets		1,979	2,148	4,287
Increase (decrease) in provision for allowance for retirement benefits to employees		(2,716)	204	(2,642)
Increase in provision for use of LAWSON PASS points		-	386	-
Increase in allowance for doubtful accounts		157	45	362
Interest received		(143)	(171)	(297)
Interest expense		9	7	15
Gain on sales of fixed assets		(115)	(18)	(115)
Loss on sales of fixed assets		15	42	93
Gain on sales of investments in securities		(11)	(71)	(2)
Other - net		1,072	1,070	1,367
Decrease (increase) in accounts receivable due from franchised stores		(6,100)	11,131	(11,601)
Decrease (increase) in merchandise inventories		43	(43)	(15)
Decrease (increase) in accounts receivable - other		(1,666)	599	(2,432)
Increase (decrease) in accounts payable—trade and due to franchised stores		10,093	17,995	(3,914)
Increase (decrease) in accounts payable—other		4,695	(5,359)	3,212
Increase in deposits received		6,547	1,125	10,715
Decrease in lease deposits from franchisee and lessees		(1,364)	(547)	(1,616)
Other—net		219	(640)	587
Subtotal		39,109	56,548	47,742
Interest and dividend income received		101	171	295
Interest expenses paid		(9)	(7)	(15)
Income taxes paid		(6,757)	(9,149)	(10,598)
Net cash provided by operating activities		32,444	47,563	37,424

Investing activities:			
Payment for purchase of marketable securities	(29,244)	(20,288)	(28,270)
Proceeds from redemption of marketable securities	29,507	10,494	24,471
Proceeds from sales of investments in securities	0	-	3
Sales of a subsidiary's stock - net	-	(585)	-
Proceeds from sales of investments in subsidiary to minority shareholders	30	150	90
Payment for acquisition of property and store equipment	(10,746)	(12,522)	(23,832)
Increase in short-term loans receivable	(4,000)	-	(6,250)
Increase in intangible fixed assets	(1,039)	(1,292)	(2,128)
Increase in lease deposits—net	(157)	368	(1,002)
Other—net	(2,438)	(2,894)	(3,703)
Net cash used in investing activities	(18,087)	(26,569)	(40,621)
Financing activities:			
Purchase of treasury stock	(5,265)	(7,820)	(11,549)
Proceeds from minority shareholders	-	-	1,547
Cash dividends paid	(2,260)	(2,190)	(4,380)
Other	-	-	18
Net cash used in financing activities	(7,525)	(10,010)	(14,364)
Effects of exchange rate changes on cash and cash equivalents	(2)	-	(44)
Net increase (decrease) in cash and cash equivalents	6,830	10,984	(17,605)
Cash and cash equivalents, beginning of year	93,994	76,389	93,994
Cash and cash equivalents, end of year	100,824	87,373	76,389

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries: 5

Lawson Tickets Co., Ltd.

i-Convenience, Inc.

LAWSON ATM Networks, Inc.

BestPractice Inc.

NATURAL LAWSON, INC.

All the subsidiaries are consolidated.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 2

LAWSON CS Card, Inc.

Shanghai Hualian Lawson Co., Ltd.

3. 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 (including executive officers) 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.

Provision for use of LAWSON PASS points:

The Company provides LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Effective March 1, 2004, the company established a provision for the future use of such points by the entitled pass holders. Prior to March 1, 2004, points were accounted for as an expense when a pass holder used such points. As the amount for future use can now be reasonably estimated using the experience history of percentage of points used compared with those entitled, a provision has been established. The effect of this change was to decrease operating income, ordinary profit, and income before corporate, inhabitant, and enterprise taxes by ¥ 386 million, respectively.

(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 foreign associated company is 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 attributable to the Company 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.

4. 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.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)		
	As of August 31, 2003	As of August 31, 2004	As of February 29, 2004
1. Accumulated depreciation for property and store equipment	75,496	81,795	78,915
2. Contingent liabilities-guarantee of bank loans LAWSON CS Card, Inc.	400	2,300	-

Notes to the Consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2003 to August 31, 2003	From March 1, 2004 to August 31, 2004	From March 1, 2003 to February 29, 2004
1. Main account of selling, general and administrative expenses			
Promotion	6,561	4,750	11,188
Salary	11,351	11,284	22,716
Provision for accrued employees' bonuses	2,815	2,955	2,689
Retirement benefit costs	817	600	1,272
Provision for allowance for retirement benefits to directors and corporate auditors	64	66	148
Amortization of goodwill	3	4	8
Rent account	20,834	22,906	42,679
Depreciation of fixed assets	6,580	7,041	14,212
2. Distribution of gain from sales of fixed assets			
Buildings	-	18	-
Furniture, fixtures and equipment	0	-	0
Land	115	-	115
3. Distribution of loss from disposal of fixed assets			
Buildings and structures	1,218	1,192	2,506
Furniture, fixtures and equipment	609	712	1,301
Software	68	-	125
Others	-	-	18
4. Distribution of loss from sales of fixed assets			
Buildings and structures	15	25	51
Furniture, fixtures and equipment	0	-	-
Land	-	16	42

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, 2004	As of February 29, 2004
Cash and bank deposits	87,974	80,376	76,393
Marketable securities	20,182	26,038	9,244
Time deposits, etc., for which the deposit period exceeds three months	(150)	(4)	(4)
Bonds, etc., for which the redemption period exceeds three months	(7,182)	(19,038)	(9,244)
Cash and cash equivalents	100,824	87,373	76,389

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, 2004	As of February 29, 2004
Acquisition cost	77,239	81,376	78,216
Accumulated depreciation	26,460	35,194	30,710
Leased property	50,779	46,181	47,506
Obligations under finance leases			
Due within one year	13,469	14,429	13,663
Due after one year	38,069	32,720	34,706
Total	51,538	47,149	48,369
Lease payments depreciation expense and interest expense			
Lease payments	7,473	7,975	15,133
Depreciation expense	7,006	7,470	14,186
Interest expense	596	594	1,160

Computation method of depreciation expense

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

Computation method of interest expense

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

2. Operating lease contracts
Obligations under operation leases

	As of August 31, 2003	As of August 31, 2004	(Millions of yen) As of February 29, 2004
Due within one year	941	618	736
Due after one year	6,039	5,765	5,814
Total	6,980	6,383	6,550

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:

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:

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, 2004)

1. Information regarding marketable held-to-maturity debt securities as of August 31, 2004, was as follows:

Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Bonds and notes	10,999	10,998	(0)
Other	15,038	15,036	(2)
Total	26,038	26,035	(2)

2. Information regarding marketable available-for-sale securities as of August 31, 2004, was as follows:

(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities	935	1,044	108
Total	935	1,044	108

3. Available-for-sale securities whose fair value is not readily determinable as of August 31, 2004, were as follows:

Available-for-sale securities (Millions of yen)

	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	39
Total	39

(As of February 29, 2004)

1. Information regarding marketable held-to-maturity debt securities as of February 29, 2004, 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	2,499	2,499	0
Securities with book value per consolidated balance sheets exceeding market value	6,745	6,744	(1)
Total	9,244	9,243	(1)

2. Information regarding marketable available-for-sale securities as of February 29, 2004, 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	925	1,016	91
Stock			
Subtotal	925	1,016	91
Securities with book value per consolidated balance sheets exceeding cost	10	8	(2)
Stock			
Subtotal	10	8	(2)
Total	935	1,024	89

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
3	2	-

4. Available-for-sale securities whose fair value is not readily determinable as of February 29, 2004, were as follows:

Available-for-sale securities	(Millions of yen)
	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	40
Total	40

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 29, 2004 by contractual maturity were as follows:

	(Millions of yen)
Type	1 year or less
Government and municipal bonds, etc.	5,219
Other bonds	4,025
Total	9,244

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, 2004

October 13, 2004

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) 5435-2773

Date of the Board of Directors Meeting on the Closing of Accounts: October 13, 2004

Interim Dividend System: Yes

Date of cash dividend payments to acquired company's shareholders commencing on: November 10, 2004

1. Non-consolidated Performance for the current interim period (from March 1, 2004, to August 31, 2004)

(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	121,118	(675,445)	2.6(3.9)	22,644	8.6	22,322	9.0
Previous interim period	118,014	(650,083)	-6.4(-2.4)	20,856	0.5	20,471	2.5
Last fiscal year	231,099	(1,285,018)	-3.4(-0.5)	38,039	10.2	37,629	13.3

	Net income		Net income per share
	¥ Million	%	¥
Current interim period	11,438	8.2	110.37
Previous interim period	10,574	79.6	99.54
Last fiscal year	19,018	85.3	180.01

Notes Average number of shares during the period Current interim period: 103,632,173 shares

Previous interim period: 106,220,768 shares Last fiscal year: 105,651,228 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	35.00	-
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	362,104	159,305	44.0	1,555.24
Previous interim period	364,689	157,750	43.3	1,488.21
Last fiscal year	349,328	157,843	45.2	1,513.12

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

102,431,846 shares at August 31,2004 106,000,175 shares at August 31,2003 104,316,616 shares at February 29,2004

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

2,168,154 shares at August 31,2004 1,599,825 shares at August 31,2003 3,283,384 shares at February 29,2004

2. Forecast Non-consolidated Performance for 2005 Fiscal Year (from March 1, 2004, to February 28, 2005)

	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	¥	¥
2005 fiscal year	242,000 (1,348,000)	41,000	20,700	35.00	70.00

Reference: Forecast net income per share for the 2005 fiscal year: 202.09 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 10th 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	Previous interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Last fiscal year (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	79,765		68,534		66,280	
Accounts receivable—due from franchised stores	12,999		7,324		18,455	
Marketable securities	20,181		26,038		9,244	
Merchandise inventories	1,348		1,418		1,376	
Deferred tax assets	2,818		2,710		2,755	
Other	26,846		27,934		27,989	
Allowance for doubtful accounts	(122)		(86)		(123)	
Total current assets	143,838	39.4	133,875	37.0	125,977	36.1
Fixed assets						
Property and store equipment—at net book value						
Buildings	45,615		51,544		47,963	
Furniture, fixtures and equipment	19,431		19,580		20,118	
Land	5,012		5,273		4,937	
Other	8,834		10,502		9,811	
Total property and store equipment— net	78,893	21.6	86,901	24.0	82,830	23.7
Intangible fixed assets	14,929	4.1	13,013	3.6	13,886	4.0
Investments and other						
Investments in securities	9,717		8,103		8,850	
Lease deposits	89,560		90,032		90,400	
Deferred tax assets	10,822		7,085		7,391	
Deferred tax assets for land revaluation	4,818		4,828		4,808	
Other	14,297		20,098		16,934	
Allowance for doubtful accounts	(1,553)		(1,834)		(1,751)	
Allowance for impairment of investment	(635)		-		-	
Total investments and other	127,028	34.9	128,313	35.4	126,633	36.2
Total fixed assets	220,851	60.6	228,228	63.0	223,350	63.9
Total Assets	364,689	100.0	362,104	100.0	349,328	100.0

(Millions of yen)

Fiscal period Account item	Previous interim period (As of August 31, 2003)		Current interim period (As of August 31, 2004)		Last fiscal year (As of February 29, 2004)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	76,073		76,959		63,152	
Accounts payable— due to franchised stores	2,324		5,475		1,385	
Short-term borrowings	700		300		-	
Account payable—other	20,930		11,800		17,350	
Income taxes payable	10,953		9,129		9,922	
Deposits received	35,063		38,537		39,203	
Accrued employees' bonuses	2,778		2,852		2,630	
Provision for use of LAWSON PASS points	-		386		-	
Other	3,271		2,994		3,135	
Total current liabilities	152,093	41.7	148,435	41.0	136,779	39.1
Long-term liabilities						
Allowance for employees' retirement benefits	1,047		1,314		1,114	
Liability for retirement benefits to directors and corporate auditors	159		226		212	
Lease deposits from franchisee and lessees	53,637		52,822		53,378	
Total long-term liabilities	54,844	15.0	54,363	15.0	54,704	15.7
Total Liabilities	206,938	56.7	202,798	56.0	191,484	54.8
(Shareholders' Equity)						
Common stock	58,506	16.0	58,506	16.1	58,506	16.7
Capital surplus						
Additional paid-in capital	41,520		41,520		41,520	
Other capital surplus						
Gain on disposal of treasury stock	-		3		1	
Total capital surplus	41,520	11.4	41,523	11.5	41,521	11.9
Retained earnings						
Legal reserve	727		727		727	
General reserve	30,000		50,000		30,000	
Unappropriated retained earnings	39,326		24,174		45,636	
Total retained earnings	70,054	19.2	74,901	20.7	76,363	21.9
Land revaluation difference	(7,082)	(1.9)	(7,037)	(1.9)	(7,066)	(2.0)
Net unrealized gain on available-for-sale securities	19	0.0	64	0.0	53	0.0
Treasury stock-at cost	(5,267)	(1.4)	(8,652)	(2.4)	(11,534)	(3.3)
Total Shareholders' Equity	157,750	43.3	159,305	44.0	157,843	45.2
Total Liabilities and Shareholders' Equity	364,689	100.0	362,104	100.0	349,328	100.0

Non-consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Previous interim period (From March 1, 2003 to August 31, 2003)		Current interim period (From March 1, 2004 to August 31, 2004)		Last Fiscal year (From March 1, 2003 to February 29, 2004)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	84,559	71.7	88,386	73.0	165,404	71.6
Net sales reported by franchised stores						
Previous interim period: ¥616,629million						
Current interim period: ¥642,713million						
Last fiscal year: ¥1,219,323 million						
Total net sales of LAWSON stores including franchised stores						
Previous interim period: ¥650,083million						
Current interim period: ¥675,445million						
Last fiscal year: ¥1,285,018million						
Net sales	33,454	(100.0)	32,731	(100.0)	65,694	(100.0)
Total operating revenues	118,014	100.0	121,118	100.0	231,099	100.0
Cost of goods sold	24,205	(72.4)	23,635	(72.2)	47,804	(72.8)
Gross profit on sales	(9,249)	(27.6)	(9,096)	(27.8)	(17,889)	(27.2)
Operating gross profit	93,808	79.5	97,483	80.5	183,294	79.3
Selling, general and administrative expenses	72,952	61.8	74,838	61.8	145,255	62.8
Operating income	20,856	17.7	22,644	18.7	38,039	16.5
Non-operating income	494	0.4	775	0.6	1,003	0.4
Non-operating expense	879	0.7	1,097	0.9	1,412	0.6
Ordinary profit	20,471	17.4	22,322	18.4	37,629	16.3
Special gains	945	0.8	111	0.1	947	0.4
Special losses	2,449	2.1	2,378	1.9	5,033	2.2
Income before income taxes	18,967	16.1	20,055	16.6	33,543	14.5
Income taxes - current	10,089	8.5	8,270	6.9	12,738	5.5
Deferred income taxes	(1,695)	(1.4)	346	0.3	1,785	0.8
Net income	10,574	9.0	11,438	9.4	19,018	8.2
Unappropriated retained earnings—carried forward	28,767		23,445		28,767	
Reversal of land revaluation difference	14		5		30	
Retirement of treasury stock	-		10,703		-	
Interim cash dividends	-		-		2,120	
Unappropriated retained earnings—at end of year	39,326		24,174		45,636	

《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.

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 (including executive officers) 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.

Provision for use of LAWSON PASS points:

The Company provides LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Effective March 1, 2004, the company established a provision for the future use of such points by the entitled pass holders. Prior to March 1, 2004, points were accounted for as an expense when a pass holder used such points. As the amount for future use can now be reasonably estimated using the experience history of percentage of points used compared with those entitled, a provision has been established. The effect of this change was to decrease operating income, ordinary profit, and income before corporate, inhabitant, and enterprise taxes by ¥386 million, respectively.

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 31, 2003	As of August 31, 2004	As of February 29, 2004
1. Accumulated depreciation for property and store equipment	74,923	81,661	78,328
2. Contingent liabilities (Guarantee for bank loan borrowed by the affiliated company)			
LAWSON CS Card, Inc.	400	2,300	-
3. Change in number of shares issued			
Retirement of treasury stock			
The number of shares for retirement of treasury stock	-	3,000,000 shares	-
The amounts of purchased treasury stock	-	10,703	-

Notes to Non-consolidated Statements of Income

	(Millions of yen)		
	From March 1, 2003 to August 31, 2003	From March 1, 2004 to August 31, 2004	From March 1, 2004 to February 29, 2004
1. Main account of non-operating income			
Interest received	123	163	264
2. Main account of non-operating expense			
Loss on cancellation of store lease contract	711	952	1,138
3. Main account of special gains			
Special profit on disaffiliation from Employees' Pension Fund	811	-	811
Special profit on disaffiliation from Employees' Pension Fund			
<p>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.</p>			
4. Main account of special losses			
Loss from disposal of fixed assets	1,810	1,904	3,835
5. Depreciation			
Property and store equipment	6,509	7,012	14,074
Intangible fixed assets	1,787	1,993	3,687

Notes to Lease Contracts

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

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

	As of August 31, 2003	As of August 31, 2004	(Millions of yen) As of February 29, 2004
Acquisition cost	68,659	71,964	69,239
Accumulated depreciation	23,934	31,027	27,418
Leased property	44,724	40,937	41,821
Obligations under finance leases			
Due within one year	11,780	12,572	11,895
Due after one year	33,690	29,318	30,774
Total	45,470	41,890	42,670
Lease payments depreciation expense and interest expense			
Lease payments	6,644	7,069	13,434
Depreciation expense	6,184	6,570	12,500
Interest expense	587	588	1,143

Computation method of depreciation expense

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

Computation method of interest expense

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

2. Operating lease contracts

Obligations under operation leases

	As of August 31, 2003	As of August 31, 2004	(Millions of yen) As of February 29, 2004
Due within one year	940	618	735
Due after one year	6,039	5,765	5,813
Total	6,979	6,383	6,549

Notes to Marketable Securities and Investments in Securities

As of August 31, 2003, August 31, 2004 and February 29, 2004, 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.