

Flash Report on the Consolidated result for the third quarter ended November 30, 2005

January 6, 2006

Listed Company Name: LAWSON, INC.

Code No.: 2651

(URL <http://www.lawson.co.jp/company/ir/index.html>)

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1. Items pertaining to preparation of quarterly consolidated financial statements, etc.

Application of simplified accounting method:

The Company and its significant subsidiaries adopted a simplified method for calculating tax expense, etc.

Differences in accounting treatments applied compared to previous consolidated fiscal year:

The Company and its significant subsidiaries adopted early the new accounting standard impairment of fixed assets ("Accounting for Impairment of Fixed Assets" issued by the Business Accounting Council in August 2002 and ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of fixed assets" issued by the Accounting Standards Board of Japan ("ASB") in October 2003) from the first quarter ended May 31, 2005.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the third quarter ended November 30, 2005 by ¥1,876 million.

Change in the scope of consolidation and application of the equity method:

Consolidation (newly included): 1

2. Consolidated Performance for the current first quarter period (from March 1, 2005, to November 30, 2005)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating income		Ordinary profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 3rd Quarter	203,173	6.2	36,127	4.8	35,987	6.7
Previous 3rd Quarter	191,256	2.4	34,461	12.4	33,723	15.1
Last fiscal year	254,395	3.6	42,941	12.7	42,322	15.8

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 3rd Quarter	18,307	6.2	179.17	179.11
Previous 3rd Quarter	17,242	13.1	167.04	-
Last fiscal year	20,435	10.0	198.47	-

Notes: Percentages for total operating revenues, operating income, ordinary profit and net income show increase (decrease) from previous period.

[Qualitative Information, etc., on the Progress of Operating Results (consolidated)]

During the first three quarters of the Company's 2005 fiscal term – the nine-month period from March 1 to November 30 2005 – the Japanese economy gave some indications that it is about to stage a full recovery, with real and nominal GDP turning plus in July to September period led principally by rising consumer spending and housing investment. The GDP deflator, however, remains in the minus column, and business confidence cannot be measured uniformly on a nationwide basis. The economic recovery trend is really apparent only in the Kanto and Chubu regions, while the business situation in the rest of the country remains difficult.

In September and October, the weather throughout most of Japan was warmer than usual, but it suddenly turned cold in November. As a result of this unusual weather pattern, exacerbated by the termination of the sale of expressway toll prepaid cards in mid-September, existing store sales of the LAWSON Group for the September-November quarter declined on a year-on-year comparison. In response to these circumstances, however, we did not simply rely on the usual sales campaigns, but undertook a reorganization of our marketing system to place a greater focus on profitability. These efforts were successful, and a year-on-year comparison of estimated markups on an existing store basis (an indicator on which we place great emphasis) revealed better results than in the case of sales for the same quarter.

Turning to new products, we developed the idea of offering boxed lunches that include a soup, thus conforming to the traditional Japanese meal-plan of "soup with three other dishes, plus rice." We put such boxed lunches on sale in our new *Gohan-Tei* series. Our *Onigiriya* series, which we have now been selling for three years, we brought out new versions of simple, traditional style rice balls. In the fast food category, we introduced *Kushi-oden*, a new style of *oden* (Japanese hotchpotch) served on wooden skewers, which had proved very popular when tried out at our outlets in Shanghai. In this way, by spicing up our food product lineup with new products, combined with active point-of-sale advertising, we maintained our longstanding growth trend with an almost double-digit year-on-year gain in this category.

In store operations, we have increased our efforts in collecting and analyzing data on customer buying behavior on an individual store basis and were able to more accurately provide stores with the lineup of products that most closely matches the preferences of customers in the store's community. Additionally, to improve the precision of ordering by our

franchisees, we are enhancing the level of support provided by our supervisors, who assist franchisees' specific product ordering plans.

Regarding our store-development initiatives, in addition to the core LAWSON store format and 34 stores in the "beauty & health" oriented NATURAL LAWSON format, we also opened the new-concept series of combined "convenience store & mini-supermarket" outlets (which handle fresh food such as vegetables hitherto not carried by our convenience stores), under the name of LAWSON STORE100, which was started in May of 2005. By the end of November, we had a total of 15 stores in this format. By flexibly employing a combination of these three formats, we are confident of being able to adapt efficiently to the needs of customers in every area of Japan.

The deployment of the NATURAL LAWSON and LAWSON STORE100 chains is expected to bring in more female customers and more in the over-fifty age group, who have not sufficiently been catered for by the conventional convenience store format. Thanks to the resulting expansion of our customer base, we project continuous growth in earnings well into the future.

Our store opening policies also include a strategy of diversifying the types of location of our outlets. For instance, in November 2005, we concluded a business tie-up agreement with TOKYU CORPORATION (the Tokyo-based railway company) under which we will jointly develop new type of business category, beginning with the opening of the first store of station-type convenience store in the summer of 2006.

As a result, net sales reported by franchised stores increased 3.2% year-on-year for the reporting nine months to ¥1,038,448 million on a consolidated basis in line with an increase in the number of stores. Ordinary profit increased 6.7% to ¥35,987 million, which is mainly attributable to increases in commissions from franchised stores and operating revenue of our subsidiary LAWSON ATM Networks, Inc. Net income also increased 6.2% for the same period to ¥18,307 million.

Sales by product group throughout the all Lawson Group stores

Fiscal period Product group	Previous 3rd Quarter March 1, 2004, to November 30, 2004		Current 3rd Quarter March 1, 2005, to November 30, 2005		Year-over-year comparison (%)
	Sales (Millions of yen)	Composition ratio (%)	Sales (Millions of yen)	Composition ratio (%)	
Processed foods	505,635	50.3	519,988	50.1	102.8
Fast foods	225,397	22.4	237,677	22.9	105.4
Daily delivered foods	113,973	11.3	116,956	11.2	102.6
Nonfood products	161,364	16.0	163,827	15.8	101.5
Total	1,006,369	100.0	1,038,448	100.0	103.2

Note: Above table includes sales of NATURAL LAWSON and LAWSON STORE100.

Number of stores by prefecture (As of November 30, 2005)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	500	Saitama	326	Gifu	88	Tottori	70	Saga	57
Aomori	136	Chiba	286	Shizuoka	151	Shimane	62	Nagasaki	81
Iwate	169	Tokyo	818	Aichi	341	Okayama	114	Kumamoto	87
Miyagi	159	Kanagawa	479	Mie	76	Hiroshima	119	Oita	110
Akita	132	Niigata	106	Shiga	116	Yamaguchi	110	Miyazaki	81
Yamagata	54	Toyama	101	Kyoto	178	Tokushima	102	Kagoshima	110
Fukushima	97	Ishikawa	71	Osaka	830	Kagawa	96	Okinawa	125
Ibaraki	108	Fukui	74	Hyogo	471	Ehime	148	Total	8,272
Tochigi	103	Yamanashi	63	Nara	96	Kochi	54	*Shanghai	263
Gunma	69	Nagano	137	Wakayama	109	Fukuoka	302	*For reference	

Note 1: Above table includes stores of NATURAL LAWSON (34stores) and LAWSON STORE100 (15 stores).

2: For SHANGHAI HUALIAN LAWSON CO., LTD., an affiliate accounted for by the equity method, the numbers of stores as of the 3rd Quarter closing date (September 30, 2005) is reported.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Current 3rd Quarter	375,751	171,176	45.6	1,674.41
Previous 3rd Quarter	356,997	157,060	44.0	1,537.14
Last fiscal year	356,309	160,282	45.0	1,568.66

(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 3rd Quarter	45,819	(45,779)	(7,777)	68,847
Previous 3rd Quarter	41,606	(29,780)	(13,836)	74,379
Last fiscal year	47,328	(33,297)	(13,836)	76,584

[Qualitative Information, etc., on the Fluctuation of Financial Conditions (consolidated)]

Total assets increased by ¥19,442 million during the reporting nine-month period, and shareholders' equity also increased by ¥10,894 million. As a result, the equity ratio (shareholders' equity as a percentage of total assets) stood at 45.6% at the end of November 2005.

Cash flow analysis

Cash flows from operating activities resulted in a net inflow of ¥45,819 million. The main contributing factors include the posting of ¥32,289 million in income before income taxes and increases in accounts payable (trade, due from franchised stores) and deposits received.

Cash flows from investing activities resulted in a net outflow of ¥45,779 million. This was primarily because payment for purchase of marketable securities and acquisition of property and store equipment more than offset ¥25,060 million in proceeds from the redemption of marketable securities.

Cash flows from financing activities resulted in a net outflow of ¥7,777 million, mainly due to dividend payments.

As a result, cash and cash equivalents decreased by ¥7,736 million during the reporting first three quarters, and stood at ¥68,847 million at the end of November 2005.

3. Forecast Consolidated Performance for 2006 fiscal year (from March 1, 2005, to February 28, 2006)

There are no changes to the full-year forecasts issued on October 12, 2005 for the fiscal year ending February 28, 2006.

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.

Reference:

Non-consolidated Performance for the current third quarter period (from March 1, 2005, to November 30, 2005)

(1) Non-consolidated 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 3rd Quarter	188,436	(1,037,860)	4.6(3.1)	35,736	6.2	35,543	6.1
Previous 3rd Quarter	180,220	(1,006,369)	2.7(3.6)	33,650	10.1	33,494	11.5
Last fiscal year	239,534	(1,329,077)	3.6(3.4)	42,220	11.0	42,237	12.2

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 3rd Quarter	18,711	7.9	183.11	183.06
Previous 3rd Quarter	17,337	7.7	167.96	
Last fiscal year	20,585	8.2	199.93	

Note: Percentages for total operating revenues (Total net sales of Lawson stores), operating income, etc. show increase (decrease) from previous period.

(2) Non-consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
Current 3rd Quarter	368,387	175,240	47.6	1,714.16
Previous 3rd Quarter	351,238	160,695	45.8	1,572.71
Last fiscal year	350,180	163,991	46.8	1,604.97

(3) Forecast Non-consolidated Performance for 2005 fiscal year (from March 1, 2005, to February 28, 2006)

There are no changes to the full-year forecasts issued on October 12, 2005 for the fiscal year ending February 28, 2006.

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.

Consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2004)		Current 3rd Quarter (As of November 30, 2005)		Last fiscal year (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	70,382		69,347		71,585	
Accounts receivable—due from franchised stores	11,521		11,753		10,332	
Marketable securities	19,006		23,467		13,021	
Merchandise inventories	1,658		1,693		1,376	
Accounts receivable—other	14,700		16,761		18,725	
Deferred tax assets	2,842		3,380		3,240	
Other	13,204		11,559		10,393	
Allowance for doubtful accounts	(93)		(81)		(81)	
Total current assets	133,222	37.3	137,882	36.7	128,592	36.1
Fixed assets						
Property and store equipment—at net book value						
Buildings and structures	62,657		71,819		67,042	
Furniture, fixtures and equipment	18,826		18,039		18,810	
Land	5,643		5,188		5,643	
Other	1,347		1,057		668	
Total property and store equipment— net	88,475	24.8	96,104	25.6	92,165	25.9
Intangible fixed assets	13,694	3.8	15,673	4.2	14,010	3.9
Investments and other						
Investments in securities	947		2,539		1,464	
Lease deposits	90,026		90,067		89,964	
Deferred tax assets	6,788		9,192		8,291	
Deferred tax assets for land revaluation	4,828		3,330		4,828	
Other	20,869		25,597		21,129	
Allowance for doubtful accounts	(1,856)		(4,636)		(4,137)	
Total investments and other	121,604	34.1	126,090	33.5	121,541	34.1
Total fixed assets	223,774	62.7	237,868	63.3	227,716	63.9
Total Assets	356,997	100.0	375,751	100.0	356,309	100.0

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2004)		Current 3rd Quarter (As of November 30, 2005)		Last fiscal year (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	71,800		72,046		62,554	
Accounts payable— due to franchised stores	3,075		2,955		3,982	
Account payable—other	10,063		10,485		13,021	
Income taxes payable	7,791		5,761		11,717	
Deposits received	43,341		47,702		40,269	
Accrued employees' bonuses	1,409		1,594		2,788	
Provision for use of LAWSON PASS points	438		662		409	
Other	4,076		4,610		3,187	
Total current liabilities	141,997	39.8	145,816	38.8	137,931	38.7
Long-term liabilities						
Allowance for employees' retirement benefits	1,575		2,568		1,807	
Allowance for retirement benefits to directors and corporate auditors	273		255		304	
Deposits received from franchisees and lessees	52,425		51,664		52,334	
Allowance for impairment loss on leased property	-		112		-	
Other	184		294		159	
Total long-term liabilities	54,458	15.2	54,894	14.6	54,606	15.3
Total Liabilities (Minority Interest)	196,456	55.0	200,711	53.4	192,537	54.0
Minority Interest (Shareholders' Equity)	3,480	1.0	3,863	1.0	3,490	1.0
Common stock	58,506	16.4	58,506	15.6	58,506	16.4
Capital surplus	41,523	11.6	41,520	11.0	41,523	11.7
Retained earnings	73,528	20.6	84,656	22.5	76,721	21.6
Land revaluation difference	(7,037)	(2.0)	(4,854)	(1.2)	(7,037)	(2.0)
Net unrealized gain on available-for-sale securities	61	0.0	628	0.2	110	0.0
Foreign currency transaction adjustments	53	0.0	82	0.0	33	0.0
Treasury stock-at cost	(9,574)	(2.6)	(9,362)	(2.5)	(9,574)	(2.7)
Total Shareholders' Equity	157,060	44.0	171,176	45.6	160,282	45.0
Total Liabilities, Minority Interest and Shareholders' Equity	356,997	100.0	375,751	100.0	356,309	100.0

Consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (From March 1,2004 to November 30, 2004)		Current 3rd Quarter (From March 1,2005 to November 30, 2005)		Last Fiscal year (From March 1, 2004 to February 28, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	142,277	74.4	152,870	75.2	189,873	74.6
Net sales reported by franchised stores						
Previous 3rd Quarter:	¥ 957,835 million					
Current 3rd Quarter:	¥ 988,549million					
Last fiscal year: ¥ 1,265,275 million						
Total net sales of Lawson stores including franchised stores						
Previous 3rd Quarter:	¥ 1,006,369 million					
Current 3rd Quarter:	¥ 1,038,448million					
Last fiscal year: ¥ 1,329,077 million		(100.0)		(100.0)		(100.0)
Net sales	48,979	25.6	50,302	24.8	64,522	25.4
Total operating revenues	191,256	100.0	203,173	100.0	254,395	100.0
Cost of goods sold	35,463	(72.4)	36,350	(72.3)	46,818	(72.6)
Gross profit on sales	(13,515)	(27.6)	(13,952)	(27.7)	(17,703)	(27.4)
Operating gross profit	155,792	81.4	166,823	82.1	207,576	81.6
Selling, general and administrative expenses	121,331	63.4	130,695	64.3	164,635	64.7
Operating income	34,461	18.0	36,127	17.8	42,941	16.9
Non-operating income	1,040	0.5	1,071	0.5	1,377	0.5
Non-operating expense	1,778	0.9	1,210	0.6	1,996	0.8
Ordinary profit	33,723	17.6	35,987	17.7	42,322	16.6
Special gains	352	0.2	1,039	0.5	245	0.1
Special losses	3,243	1.7	4,738	2.3	6,528	2.5
Income before income taxes	30,832	16.1	32,289	15.9	36,040	14.2
Income taxes	13,374	7.0	13,459	6.6	15,367	6.1
Minority interest in earnings of consolidated subsidiaries	215	0.1	521	0.3	237	0.1
Net income	17,242	9.0	18,307	9.0	20,435	8.0

Consolidated Statements of Capital surplus and Retained Earnings

(Millions of yen)

Account item	Fiscal period	Previous 3rd Quarter (From March 1,2004 to November 30, 2004)		Current 3rd Quarter (From March 1,2005 to November 30, 2005)		Last Fiscal year (From March 1, 2004 to February 28, 2005)	
		Amount		Amount		Amount	
(Capital surplus)							
Balance of Capital surplus at beginning of year			41,521		41,523		41,521
Increase in capital surplus							
Gain on disposal of treasury stock	1	1	-	-	1	1	
Decrease in capital surplus							
Disposal on loss of treasury stock	-	-	3	3	-	-	
Balance of capital surplus at end of the 3rd Quarter(year)			41,523		41,520		41,523
(Retained earnings)							
Balance of retained earnings at beginning of year			72,769		76,721		72,769
Increase in retained earnings							
Net income	17,242	17,242	18,307	18,307	20,435	20,435	
Decrease in retained earnings							
Cash dividends	5,775		8,174		5,775		
Reversal of land revaluation difference	5		2,182		5		
Disposal on loss of treasury stock	-		15		-		
Retirement of treasury stock	10,703	16,485	-	10,373	10,703	16,485	
Balance of retained earnings at end of the 3rd Quarter(year)			73,528		84,656		76,721

Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (From March 1,2004 to November 30, 2004)	Current 3rd Quarter (From March 1,2005 to November 30, 2005)	Last Fiscal year (From March 1, 2004 to February 28, 2005)
	Amount	Amount	Amount
Operating activities:			
Income before income taxes	30,832	32,289	36,040
Depreciation of fixed assets	14,113	15,159	19,633
Increase in provision for allowance for retirement benefits to employees	431	760	663
Loss from disposal of fixed assets	1,967	2,000	2,761
Loss on impairment of long-lived assets	-	1,876	-
Interest received	(262)	(287)	(355)
Other - net	(31)	(329)	4,312
Decrease (increase) in accounts receivable due from franchised stores	6,934	(1,421)	8,123
Decrease (increase) in accounts receivable - other	3,274	2,337	(745)
Increase in accounts payable—trade and due to franchised stores	10,436	8,463	2,097
Decrease in accounts payable—other	(7,877)	(2,751)	(4,919)
Increase (decrease) in deposits received	(404)	7,432	(3,476)
Decrease in lease deposits from franchisee and lessees	(943)	(670)	(1,034)
Other—net	(1,510)	(1)	(503)
Subtotal	56,960	64,856	62,597
Interest received	262	285	349
Interest expenses paid	(10)	(7)	(13)
Income taxes paid	(15,606)	(19,315)	(15,605)
Net cash provided by operating activities	41,606	45,819	47,328

Investing activities:			
Payment for purchase of marketable securities	(26,287)	(40,513)	(34,319)
Proceeds from redemption of marketable securities	20,525	25,060	35,545
Sales of a subsidiary's stock - net	(585)	-	(585)
Payment for acquisition of property and store equipment	(18,312)	(20,401)	(26,710)
Payment for acquisition intangible fixed assets	(2,204)	(5,853)	(2,691)
Other—net	(2,917)	(4,072)	(4,537)
Net cash used in investing activities	(29,780)	(45,779)	(33,297)
Financing activities:			
Purchase of treasury stock	(8,797)	(1)	(8,798)
Cash dividends paid	(5,775)	(7,971)	(5,775)
Other	736	195	737
Net cash used in financing activities	(13,836)	(7,777)	(13,836)
Net increase (decrease) in cash and cash equivalents	(2,010)	(7,736)	195
Cash and cash equivalents, beginning of year	76,389	76,584	76,389
Cash and cash equivalents, end of the 3rd Quarter (year)	74,379	68,847	76,584

Non-consolidated Balance Sheet

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2004)		Current 3rd Quarter (As of November 30, 2005)		Last fiscal year (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Assets)		%		%		%
Current assets						
Cash and bank deposits	59,506		61,832		60,574	
Accounts receivable—due from franchised stores	11,521		11,798		10,332	
Marketable securities	19,006		19,025		13,021	
Merchandise inventories	1,658		1,538		1,371	
Deferred tax assets	2,771		3,055		2,997	
Other	26,637		27,377		27,658	
Allowance for doubtful accounts	(92)		(80)		(80)	
Total current assets	121,008	34.5	124,547	33.8	115,875	33.1
Fixed assets						
Property and store equipment—at net book value						
Buildings	52,536		59,893		56,408	
Furniture, fixtures and equipment	18,694		17,943		18,683	
Land	5,643		5,188		5,643	
Other	11,435		12,832		11,286	
Total property and store equipment— net	88,310	25.1	95,857	26.0	92,022	26.3
Intangible fixed assets	12,904	3.7	15,216	4.1	13,270	3.8
Investments and other						
Investments in securities	8,306		8,863		8,443	
Long term loans receivable	16,032		19,962		16,809	
Lease deposits	89,966		89,932		89,907	
Deferred tax assets	7,368		9,735		8,851	
Deferred tax assets for land revaluation	4,828		3,330		4,828	
Other	4,368		5,577		4,309	
Allowance for doubtful accounts	(1,856)		(4,636)		(4,137)	
Total investments and other	129,015	36.7	132,765	36.1	129,011	36.8
Total fixed assets	230,230	65.5	243,840	66.2	234,304	66.9
Total Assets	351,238	100.0	368,387	100.0	350,180	100.0

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (As of November 30, 2004)		Current 3rd Quarter (As of November 30, 2005)		Last fiscal year (As of February 28, 2005)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Composition ratio
(Liabilities)		%		%		%
Current liabilities						
Accounts payable—trade	71,800		71,907		62,554	
Accounts payable— due to franchised stores	3,075		2,955		3,982	
Short-term borrowings	200		-		200	
Account payable—other	9,478		9,361		12,116	
Income taxes payable	7,603		5,562		11,462	
Deposits received	38,570		42,640		35,514	
Accrued employees' bonuses	1,303		1,326		2,636	
Provision for use of LAWSON PASS points	438		659		407	
Other	3,862		4,220		2,936	
Total current liabilities	136,332	38.8	138,632	37.6	131,810	37.7
Long-term liabilities						
Allowance for employees' retirement benefits	1,539		2,529		1,772	
Allowance for retirement benefits to directors and corporate auditors	256		227		285	
Deposits received from franchisees and lessees	52,413		51,646		52,318	
Allowance for impairment loss on leased property	-		112		-	
Total long-term liabilities	54,210	15.4	54,514	14.8	54,377	15.5
Total Liabilities	190,543	54.2	193,146	52.4	186,188	53.2
(Shareholders' Equity)						
Common stock	58,506	16.7	58,506	15.9	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		-		3	
Total capital surplus	41,523	11.8	41,520	11.3	41,523	11.8
Retained earnings						
Legal reserve	727		727		727	
General reserve	50,000		50,000		50,000	
Unappropriated retained earnings	26,488		38,075		29,736	
Total retained earnings	77,215	22.0	88,802	24.1	80,463	23.0
Land revaluation difference	(7,037)	(2.0)	(4,854)	(1.3)	(7,037)	(2.0)
Net unrealized gain on available-for-sale securities	61	0.0	628	0.2	110	0.0
Treasury stock-at cost	(9,574)	(2.7)	(9,362)	(2.6)	(9,574)	(2.7)
Total Shareholders' Equity	160,695	45.8	175,240	47.6	163,991	46.8
Total Liabilities and Shareholders' Equity	351,238	100.0	368,387	100.0	350,180	100.0

Non-consolidated Statement of Income

(Millions of yen)

Fiscal period Account item	Previous 3rd Quarter (From March 1, 2004 to November 30, 2004)		Current 3rd Quarter (From March 1, 2005 to November 30, 2005)		Last Fiscal year (From March 1, 2004 to February 28, 2005)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Operating revenues	131,686	73.1	140,888	74.8	175,732	73.4
Net sales reported by franchised stores						
Previous 3rd Quarter: ¥ 957,835 million						
Current 3rd Quarter: ¥ 990,313million						
Last fiscal year: ¥ 1,265,275 million						
Total net sales of Lawson stores including franchised stores						
Previous 3rd Quarter: ¥ 1,006,369 million						
Current 3rd Quarter: ¥ 1,037,860million						
Last fiscal year: ¥ 1,329,077 million		(100.0)		(100.0)		(100.0)
Net sales	48,533	26.9	47,547	25.2	63,801	26.6
Total operating revenues	180,220	100.0	188,436	100.0	239,534	100.0
Cost of goods sold	35,066	(72.3)	34,241	(72.0)	46,167	(72.4)
Gross profit on sales	(13,466)	(27.7)	(13,306)	(28.0)	(17,634)	(27.6)
Operating gross profit	145,153	80.5	154,194	81.8	193,366	80.7
Selling, general and administrative expenses	111,503	61.8	118,457	62.8	151,145	63.1
Operating income	33,650	18.7	35,736	19.0	42,220	17.6
Non-operating income	1,036	0.6	989	0.5	1,365	0.6
Non-operating expense	1,191	0.7	1,182	0.6	1,348	0.6
Ordinary profit	33,494	18.6	35,543	18.9	42,237	17.6
Special gains	154	0.1	1,039	0.5	36	0.0
Special losses	3,234	1.8	4,653	2.5	6,490	2.7
Income before income taxes	30,415	16.9	31,930	16.9	35,783	14.9
Income taxes	13,078	7.3	13,219	7.0	15,197	6.3
Net income	17,337	9.6	18,711	9.9	20,585	8.6
Unappropriated retained earnings — carried forward	23,445		26,160		23,445	
Reversal of land revaluation difference	5		2,182		5	
Disposal on loss of treasury stock	-		15		-	
Retirement of treasury stock	10,703		-		10,703	
Interim cash dividends	3,585		4,597		3,585	
Unappropriated retained earnings — at end of the 3rd Quarter (year)	26,488		38,075		29,736	