

Flash Report on the Consolidated result for the first quarter ended February 28, 2010

July 2, 2009

Listed Company Name: LAWSON, INC.

Code No.: 2651

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

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1. Consolidated Performance for the current first quarter period (from March 1, 2009, to May 31, 2009)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Quarter	110,041	-	12,197	-	12,098	-
Previous 1st Quarter	76,817	4.4	12,011	12.6	11,807	11.1

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Quarter	6,105	-	61.57	61.52
Previous 1st Quarter	6,486	61.1	65.42	65.38

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

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
Current 1st Quarter	468,352	201,837	41.6	1,965.16
Last fiscal year	436,171	203,178	45.1	1,983.36

Notes: Capital adequacy May, 2009 194,881 million February, 2009 196,686 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2008 fiscal year	—	80	—	80	160
2009 fiscal year	—				
2010 fiscal year (Forecast)		80	—	80	160

Notes: Revision of forecast for dividends in the first quarter: None

3. Forecast Consolidated Performance for 2009 fiscal year (from March 1, 2009, to February 28, 2010)

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	¥
2009 interim period	233,000	43.5	29,200	0.3	28,900	0.0	15,700	1.2
2009 fiscal year	469,000	34.2	50,500	2.7	49,700	1.9	25,500	0.8

Reference: Forecast net profit per share for the 2009 fiscal year: 257.13yen

4. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None

(2) Adoptions of simplified accounting methods particular to presentation of quarterly financial statements: None

(3) Changes in accounting principles, procedures, presentation methods, etc., pertaining to preparation of consolidated financial statements (Those to be stated as significant accounting policies)

1. Changes associated with revision in accounting standards: Yes

2. Other changes: Yes

(4) The number of the issue stock:

i) The number of the stocks issued in the end of term

May, 2009: 99,600,000 February, 2009: 99,600,000

ii) The number of treasury shares in the end of term

May, 2009: 432,065 February, 2009: 432,015

iii) Average number of shares during the term

May, 2009: 99,167,968 May, 2009: 99,136,343

Note1: 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 forecasts due to many factors.

Note2: Adoption of Accounting Standards Concerning Quarterly Financial Statements

Effective from the fiscal year ending February 28, 2010, the Company has adopted "Accounting Standard for Quarterly Financial Statements" (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14). The quarterly consolidated financial statements have been prepared in accordance with the "Regulations for Quarterly Consolidated Financial Statements."

1. Qualitative Information on the Progress of Operating Results (Consolidated)

During the first quarter (March 1 to May 31, 2009) of fiscal 2009, the year ending February 28, 2010, the Japanese economy saw persistent concerns about job security and falling personal incomes caused by slumping corporate earnings due to the global economic slowdown. As before, consumers continued to exercise restraint in spending in light of these conditions. In this operating environment, the LAWSON Group (the “Company”) took the following actions with the aim of improving customer satisfaction in CVS operations and other businesses to realize its corporate philosophy of “Happiness and Harmony in Our Community.”

Total operating revenues were 110,041 million yen, recurring profit was 12,098 million yen, and net profit was 6,105 million yen.

(Convenience Store Operations)

On the merchandise front, LAWSON (the Company) is focusing on product development in certain product categories during the current fiscal year, namely fried foods, desserts, cooked noodles and rice balls. In fried foods, *L Chiki* fried chicken, which went on sale in March, won strong support for its reasonable price and generous volume. To address consumers’ increasingly frugal spending habits, the Company extended the *Value Line* series of private brand products, which have mainly been sold in LAWSON STORE100 stores, to regular LAWSON stores.

In sales promotions, meanwhile, the Company conducted campaigns with a stronger emphasis on entertainment. The Spring Rilakkuma Fair, run from March through May, helped immensely in increasing new customers, particularly women.

As for services, the Company newly introduced ATMs (automatic teller machines) to Fukushima prefecture making the total number of ATM-deployed prefectures to 38. Aggressive policies to promote the participation by customers in customer loyalty programs (LAWSON PASS and MY LAWSON POINTS), have earned the Company nearly 9.30 million card members for both programs combined. These programs have been received favorably by customers.

In store operations, following the launch of the new ordering system this year, the Company is offering guidance to stores on how to place orders based on customer-generated data.

New stores were opened in line with initial plans during the first quarter of fiscal 2009. And as a result of developing new stores that are expected to generate high earnings by rigorously adhering to proprietary standards for opening stores, daily sales of the new stores grew steadily.

In overseas operations, SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, was operating 294 stores in Shanghai, China, as of March 31, 2009.

On May 1, 2009, consolidated subsidiary Ninety-nine Plus Inc. merged with consolidated subsidiary VALUE LAWSON, Inc. Ninety-nine Plus Inc. is the surviving company.

On March 13, 2009, LAWSON concluded a transfer agreement with REX Holdings Inc. to purchase all of the shares in and receivables of am/pm convenience store operator am/pm Japan Co., Ltd. owned by REX

Holdings Inc. This acquisition was scheduled to take place on March 30, but LAWSON decided to discontinue the planned acquisition following discussions with REX Holdings Inc.

(Other Businesses)

In addition to convenience store operations, the Company is also involved in ticket sales, financial services and consulting.

LAWSON TICKET INC., which operates the ticket sales business, recorded year-on-year gains in ticket turnover sales and operating profit thanks to robust concert ticket sales, its business mainstay.

LAWSON TICKET, INC. merged with LAWSON Group company i-Convenience, Inc. on March 1, 2009. The surviving company, LAWSON TICKET, INC. plans to change its name to LAWSON ENTERMEDIA, INC. on July 20, 2009.

There were no important changes during the first quarter to the priority issues for the LAWSON Group.

LAWSON ATM Networks, Inc., which operates a financial services-related business, recorded higher operating revenues and operating profit as a result of increases in the number of ATM machines installed nationwide in LAWSON stores and in the number of transactions. As of May 31, 2009, the number of ATMs installed nationwide reached 6,257

Sales by product group throughout all Lawson Group stores

Fiscal period Product group	Previous 1st Quarter March 1, 2008 to May 31, 2008		Current 1st Quarter March 1, 2009 to May 31, 2009		Year-on-year comparison (%)
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)	
Processed foods	189,468	52.7	226,454	55.2	119.5
Fast foods	80,030	22.2	79,628	19.4	99.5
Daily delivered foods	43,174	12.0	55,873	13.6	129.4
Nonfood products	46,941	13.1	48,311	11.8	102.9
Total	359,613	100.0	410,268	100.0	114.1

Number of stores by prefecture (As of May 31, 2009)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	506	Saitama	368	Gifu	111	Tottori	86	Saga	58
Aomori	162	Chiba	341	Shizuoka	168	Shimane	84	Nagasaki	85
Iwate	165	Tokyo	1,231	Aichi	429	Okayama	121	Kumamoto	90
Miyagi	184	Kanagawa	642	Mie	86	Hiroshima	132	Oita	127
Akita	144	Niigata	99	Shiga	123	Yamaguchi	109	Miyazaki	84
Yamagata	57	Toyama	106	Kyoto	238	Tokushima	109	Kagoshima	106
Fukushima	98	Ishikawa	80	Osaka	940	Kagawa	99	Okinawa	133
Ibaraki	105	Fukui	95	Hyogo	529	Ehime	152	Total	9,562
Tochigi	104	Yamanashi	65	Nara	104	Kochi	60		
Gunma	68	Nagano	133	Wakayama	110	Fukuoka	336		

2. Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

(1) Total Assets, Total Liabilities and Net Assets at First Quarter-End

At May 31, 2009, total assets stood at ¥468,352 million, an increase of ¥32,180 million from February 28, 2009. This mainly reflected a ¥19,417 million increase in cash and bank deposits because of an increase in bill settlement transactions and other factors.

Total liabilities increased ¥33,522 million from February 28, 2009 to ¥266,515 million at May 31, 2009. This mainly reflected a ¥35,391 million increase in deposits received due to higher bill settlement transactions and other factors.

Net assets stood at ¥201,837 million, down ¥1,341 million from February 28, 2009. The decrease was principally due to a ¥1,827 million decline in retained earnings resulting from the payment of dividends and other factors.

(2) Cash Flows During First Quarter

Cash and cash equivalents at May 31, 2009 were ¥103,899 million, up ¥19,917 million from February 28, 2009.

Operating activities provided net cash of ¥39,390 million, mainly due to an increase in deposits received.

Investing activities used net cash of ¥9,596 million, mainly due to payments for the acquisition of property and store equipment and intangible fixed assets.

Financing activities used net cash of ¥9,875 million due to the payment of cash dividends and other factors.

3. Other

- (1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None
- (2) Adoptions of simplified accounting methods particular to presentation of quarterly financial statements: None
- (3) Changes in accounting principles, procedures, presentation methods, etc., pertaining to preparation of consolidated financial statements (Those to be stated as significant accounting policies)

- ① Adoption of Accounting Standards Concerning Quarterly Financial Statements

Effective from the fiscal year ending February 28, 2010, the Company has adopted “Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). The quarterly consolidated financial statements have been prepared in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

- ② Adoption of Accounting Standard for Measurement of Inventories

Effective from the first quarter of the fiscal year ending February 28, 2010, the Company has adopted “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 (July 5, 2006) and has calculated inventories at cost, cost being determined by the retail method (the book value on the balance sheet is written down based on a decline in profitability) in accordance with this standard. In the past, the Company has principally accounted for inventories at cost determined by the retail method. Therefore, this change had no effect on earnings.

- ③ Accounting Standard for Leases

Effective from the first quarter of the fiscal year ending February 28, 2010, the Company has adopted “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 (June 17, 1993 (First Committee of the Business Accounting Council), revised March 30, 2007)) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 (January 18, 1994 (Accounting Committee of Japanese Institute of Certified Public Accountants), revised March 30, 2007). As a result, the Company now accounts for finance leases that do not transfer ownership as ordinary sale and purchase leases. Previously, these leases were accounted for as rental transactions. Furthermore, in terms of the depreciation method for leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

This change had an immaterial impact on operating profit, recurring profit and net profit in the first quarter of the fiscal year ending February 28, 2010.

However, the Company has continued to treat as rental transactions finance leases that do not transfer ownership of leased property and that commenced before the first fiscal year in which the new accounting standard was applied.

4. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of May 31, 2009 and February 28, 2009

(Millions of yen)

	May 31, 2009	February 28, 2009
Current assets:		
Cash and bank deposits	101,903	82,486
Accounts receivable—due from franchised stores	26,131	21,376
Marketable securities	6,799	5,299
Merchandise inventories	4,980	5,292
Accounts receivable—other	24,445	26,692
Deferred tax assets	3,208	4,061
Other	10,010	9,692
Allowance for doubtful accounts	(151)	(140)
Total	177,327	154,760
Fixed assets:		
Property and store equipment		
Buildings and structures	175,306	173,747
Accumulated depreciation	(81,482)	(79,425)
Buildings and structures—net	93,824	94,321
Vehicles, tools, furniture and fixtures	61,790	61,920
Accumulated depreciation	(48,839)	(48,462)
Vehicles, tools, furniture and fixtures—net	12,951	13,458
Other	15,919	7,219
Accumulated depreciation	(289)	
Other—net	15,629	7,219
Subtotal	122,404	114,999
Intangible fixed assets;		
Software	27,778	26,586
Goodwill	5,251	4,851
Other	463	464
Subtotal	33,492	31,902
Investments and Other;		
Long-term loans receivable	27,379	27,422
Lease deposits	85,544	85,357
Deferred tax assets	15,118	14,544
Deferred tax assets for land revaluation	180	180
Other	9,256	9,410
Allowance for doubtful accounts	(2,352)	(2,406)
Subtotal	135,127	134,509
Total	291,025	281,410
Total assets	468,352	436,171

	(Millions of yen)	
	May 31, 2009	February 28, 2009
Current liabilities:		
Accounts payable —trade	83,853	77,215
Accounts payable— due to franchised stores	957	822
Long-term debt due within one year	816	816
Income taxes payable	3,622	9,455
Deposits received	94,235	58,844
Accrued employees' bonuses	1,838	3,199
Provision for use of points granted	1,051	933
Other	23,832	30,517
Total	210,207	181,804
Long-term Liabilities;		
Long-term debt	998	1,152
Allowance for employees' retirement benefits	5,305	5,050
Allowance for retirement benefits to executive officers and corporate auditors	191	201
Deposits received from franchisees and lessees	41,231	42,440
Other	8,580	2,344
Total	56,308	51,188
Total Liabilities	266,515	232,992
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	41,520	41,520
Retained earnings	97,482	99,310
Treasury stock	(1,712)	(1,712)
Total Owners' equity	195,796	197,624
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(43)	(28)
Land revaluation difference	(969)	(969)
Foreign currency translation adjustments	98	59
Valuation and translation adjustments	(914)	(937)
Stock acquisition rights	279	274
Minority interests	6,676	6,217
Total net assets	201,837	203,178
Total Liabilities and net assets	468,352	436,171

(2) Consolidated Statements of Income(Unaudited)

For the first quarter of the fiscal year ending May 31, 2009 (March 1, 2009 – May 31, 2009)

	(Millions of yen)
	May 31, 2009
Operating revenues	58,510
Franchise commission from franchised stores	46,501
Other	12,009
Net sales	51,530
Total operating revenues	110,041
Cost of goods sold	38,335
Operating gross profit	71,705
Selling, general and administrative expenses	59,508
Operating profit	12,197
Non – operating income and expenses;	
Non – operating income;	371
Interest received	165
Other	206
Non – operating expenses;	470
Interest expense	45
Loss on cancellation of store lease	317
Other	107
Recurring profit	12,098
Special gains and losses;	
Special gains;	628
Gain on change in equity	625
Other	2
Special losses;	2,792
Loss on disposal of fixed assets	834
Loss on impairment of long-lived assets	1,354
Other	603
Income before income taxes and minority interests	9,933
Income taxes;	3,407
Income taxes - current	3,251
Deferred income taxes	156
Minority interests in net income	420
Net profit	6,105

(3) Consolidated Statements of Cash Flows (Unaudited)

For the first quarter of the fiscal year ending May 31, 2009 (March 1, 2009 – May 31, 2009)

	(Millions of yen)
	May 31, 2009
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Operating activities;	
Income before income taxes	9,933
Depreciation of fixed assets	5,751
Increase in provision for allowance for retirement benefits to employees	255
Interest received and dividend income received	(165)
Interest expense	80
Loss on impairment of long-lived assets	1,354
Loss from disposal of fixed assets	600
Other-net	(1,253)
Increase in accounts receivable due from franchised stores	(4,755)
Decrease in accounts receivable—other	2,253
Increase in accounts payable—trade and due to franchised stores	6,772
Decrease in accounts payable—other	(8,179)
Increase in deposits received	35,391
Decrease in lease deposits from franchisee and lessees	(1,208)
Other-net	1,363
Subtotal	48,194
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Interest and dividend income received	164
Interest expenses paid	(78)
Income taxes paid	(8,889)
Net cash flows provided by operating activities	39,390
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Investing activities;	
Payments into time deposits	(1,500)
Payment for purchase of marketable securities	(299)
Proceeds from redemption of marketable securities	800
Payment for acquisition of property and store equipment	(5,416)
Increase in short-term loans receivable	(218)
Payment for acquisition of intangible fixed assets	(2,314)
Increase in advances to associated company	(100)
Other – net	(547)
Net cash used in investing activities	(9,596)
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Financing activities;	
Repayment of long-term loans payable	(154)
Repayments of lease obligations	(1,747)
Cash dividends paid	(7,933)
Other	(40)
Net cash used in financing activities	(9,875)
Net increase in cash and cash equivalents	19,917
Cash and cash equivalents, beginning of year	83,981
Cash and cash equivalents at end of period	103,899

Adoption of Accounting Standards Concerning Quarterly Financial Statements

Effective from the fiscal year ending February 28, 2010, the Company has adopted “Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan (ASBJ) Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14). The quarterly consolidated financial statements have been prepared in accordance with the “Regulations for Quarterly Consolidated Financial Statements.”

(4) Notes to Going Concern

Not Applicable

(5) Segment Information

1. Business segment information

(From March 1, 2009 to May 31, 2009)

The Company operates mainly the franchised store business and total operating revenue, operating income and total assets of the franchised store business account for more than 90% of the respective consolidated totals at all segments for current 1st Quarter, therefore information by industry segment is omitted.

2. Geographic segment information

(From March 1, 2009 to May 31, 2009)

The Company has no foreign consolidated subsidiary and branch office for current 1st Quarter, therefore geographic segment information is omitted.

3. Overseas sales

(From March 1, 2009 to May 31, 2009)

Overseas sales account for less than 10% of consolidated sales at all segments for current 1st Quarter, therefore overseas sales information is omitted.

(6) Notes to Significant Changes in Shareholders' Equity

Not Applicable

Reference

Consolidated Financial Statements for the first quarter of the fiscal year ending May 31, 2008 (March 1, 2008 – May 31, 2008)

Consolidated Statement of Income (Unaudited)	(Millions of yen)
	May 31, 2008
Operating revenues	55,737
Net sales	21,079
Total operating revenues	76,817
Cost of goods sold	15,260
Gross profit on sales	(5,819)
Operating gross profit	61,557
Selling, general and administrative expenses	49,545
Operating profit	12,011
Non – operating income and expenses;	
Non – operating income	467
Non – operating expenses	671
Recurring profit	11,807
Special losses	2,641
Income before income taxes and minority interests	9,166
Income taxes	2,530
Minority interests in net profit	149
Net profit	6,486

Consolidated Statement of Cash Flows (Unaudited)

(Millions of yen)

May 31, 2008

Operating activities;	
Income before income taxes	9,166
Depreciation of fixed assets	4,817
Increase in provision for allowance for retirement benefits to employees	202
Loss from disposal of fixed assets	625
Loss on impairment of long-lived assets	1,644
Interest received	(221)
Other-net	(568)
Increase in accounts receivable due from franchised stores	(10,953)
Decrease in accounts receivable—other	5,559
Increase in accounts payable—trade and due to franchised stores	10,197
Increase in accounts payable—other	2,619
Increase in deposits received	9,396
Decrease in lease deposits from franchisee and lessees	(979)
Other-net	(246)
Subtotal	31,259
Interest received	221
Interest expenses paid	(5)
Income taxes paid	(10,978)
Net cash flows provided by operating activities	20,497
Investing activities;	
Payment for purchase of marketable securities	(20,953)
Proceeds from redemption of marketable securities	1,000
Decrease in short-term loans receivable	20,000
Payment for purchase of fixed assets	(3,291)
Payment for purchase of intangible fixed assets	(2,121)
Other – net	(6,239)
Net cash used in investing activities	(11,606)
Financing activities;	
Cash dividends paid	(5,452)
Payment for acquisition of treasury stock	(0)
Other	(27)
Net cash used in financing activities	(5,480)
Net increase in cash and cash equivalents	3,410
Cash and cash equivalents, beginning of year	62,822
Cash and cash equivalents at end of period	66,233