

Flash Report on the Consolidated Results

for the third quarter of the fiscal year ending February 28, 2010

January 7, 2010

LAWSON, INC.

Code No.: 2651 (URL <http://www.lawson.co.jp/company/ir/index.html>)

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

Contact: Tomoki Takanishi, Financial & Accounting Office General Manager

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Tel.: (03) 5435-2773

1. Consolidated Performance in the first three quarters of the fiscal year ending February 28, 2010 (from March 1, 2009, to November 30, 2009)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 3rd Quarter	339,656	—	44,001	—	43,435	—
Previous 3rd Quarter	242,184	6.2	43,325	14.3	43,077	13.9

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 3rd Quarter	23,020	—	232.13	231.94
Previous 3rd Quarter	23,142	22.8	233.40	233.19

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 3rd Quarter	441,973	211,486	46.1	2,054.96
Last fiscal year	436,171	203,178	45.1	1,983.36

Notes: Capital adequacy November, 2009 203,786 million February, 2009 196,686 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2008 fiscal year	—	80.00	—	80.00	160.00
2009 fiscal year	—	80.00	—		
2009 fiscal year (Forecast)				80.00	160.00

Notes: Revision of forecast for dividends in the first half: 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 fiscal year	479,000	37.1	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 and accounting methods particular to presentation of quarterly financial statements: Yes

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

i) Changes associated with revision in accounting standards: Yes

ii) Other changes: Yes

(4) The number of the issue stock:

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

November, 2009: 99,600,000 February, 2009: 99,600,000

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

November, 2009: 432,122 February, 2009: 432,015

iii) Average number of shares during the term

November, 2009: 99,167,908 February, 2009: 99,151,776

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."

Operating Performance and Financial Position

1. Review of Operations

(1) Overview of Operating Performance

During the first nine months of fiscal 2009, the period from March 1 to November 30, 2009, the Japanese economy partly recovered due to economic stimulus measures. Concerns about job security and decreases in personal income caused consumers to exercise more restraint in spending, prolonging the difficult conditions. Deflation added to the economy's ongoing difficulties. Due to declining side benefits from the introduction of taspo (adult identification IC card for cigarette vending machines), which has been in place in Japan for more than one year, and relatively bad weather, the Japanese convenience industry faced a difficult environment during the nine-month period.

In this 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 339,656million yen, recurring profit was 43,435million yen, and net profit was 23,020million yen.

Convenience Store Operations

The status of merchandise strategy and services, store operations, store development and other aspects of Convenience Store Operations in the first nine months of fiscal 2009 is outlined as follows.

On the merchandise front, the Company focused on product development in certain product categories during the current fiscal year, namely fried foods, desserts, and cooked noodles. In fried foods, *L Chiki* fried chicken, which we began to sell in March, won strong support for its reasonable price and generous volume. Regarding desserts, LAWSON launched a new brand called *Uchi Café Sweets* in September 2009. Products made from fresh cream, such as Premium Whipped Cream Roll, won strong customer support. In cooked noodles, we revamped our pasta lineup and offered customers bona fide fresh pasta like that found in specialty stores by employing a vacuum extrusion production method.

To assist customers in their efforts to maintain their lifestyles, the Company extended the *Value Line* series of private brand products, which have mainly been sold in LAWSON STORE100 stores, to regular LAWSON stores. Prepared meals and salads priced at 105 yen proved particularly popular and were bought together with other products. At the same time, we also continued to develop products offering a positive "surprise" to consumers with their high added value relative to price. One example is *Stamina Grilled Beef Bento*, which uses high-quality beef.

In sales promotions, the Company prioritized campaigns that are highly successful in boosting sales, such as the Spring Rilakkuma Fair, and Ponyo Ramen Bowl Present campaign. These promotions were popular with customers.

As for services, we promoted the installation of ATMs (automatic teller machines) and the number of ATMs nationwide reached 6,730 as at November 30, 2009. Regarding customer loyalty programs (LAWSON PASS and MY LAWSON POINT), the Company expanded the range of products eligible for bonus points, as well as running a promotion that enabled customers to collect more shopping points on certain days of the week, among other initiatives for point card holders. As of November 30, 2009, the total number of point card members exceeded 10.8 million, reflecting continued support for the Company's customer loyalty programs. From the spring of 2010, LAWSON will join Ponta, a multi-partner shopping points program run and managed by Loyalty Marketing, Inc. This move will enable us to offer customers even more convenient and appealing services.

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

The Company worked to develop stores which it expects to generate high earnings by rigorously adhering to proprietary standards for store openings. The Company concentrated on opening new stores mainly in major metropolitan areas in the Kanto, Chubu and Kinki regions.

(Number of Stores)

(March 1 to November 30, 2009)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total no. of stores at Feb. 28, 2009	8,509	93	925	9,527
Net increase (decrease)	135	0	32	167
Total no. of stores at Nov. 30, 2009	8,644	93	957	9,694

In overseas operations, SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, was operating 288 stores in Shanghai, China, as of September 30, 2009, a decrease of 12 stores from December 31, 2008.

Ninety-nine Plus Inc., which is developing a chain of fresh food convenience stores, continued to perform strongly by providing belt-tightening customers with a range of valuable products at a single fixed price. On November 19, 2009, LAWSON entered into a share exchange agreement with Ninety-nine Plus Inc. As a result, Ninety-nine Plus Inc. will become a wholly owned subsidiary of

the Company. The share exchange will take effect on March 1, 2010. Looking ahead, we will more quickly implement an integrated business strategy involving Ninety-nine Plus Inc. that seeks to improve LAWSON Group management efficiency and bolster our competitiveness.

On August 24, 2009, the Company entered into a business alliance agreement with MatsumotoKiyoshi Holdings Co., Ltd., as part of actions the Company is taking to capitalize on the June 1 amendments to the Pharmaceutical Affairs Law. Based on the business theme that “food is medicine,” the two companies will help customers to achieve the healthy and comfortable lifestyles they seek. This will be achieved by providing high-value-added, highly specialized merchandise and services and developing new types of stores.

Regarding CVS operations in Okinawa Prefecture, on December 1, 2009, we transferred 51% of the total outstanding shares of LAWSON Okinawa, Inc., which was established as a wholly owned LAWSON subsidiary, to SAN-A CO., LTD., Okinawa’s largest food supermarket operator. Both LAWSON and SAN-A will now jointly manage LAWSON Okinawa. Through LAWSON Okinawa, we aim to further develop the LAWSON chain in Okinawa Prefecture, as well as better create stores that cater to regional needs.

(Other Businesses)

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

On July 20, 2009, LAWSON TICKET, INC., which operates the ticket sales business, changed its name to LAWSON ENTERMEDIA, INC. The company recorded strong sales of mainstay concert tickets as well as sporting event tickets.

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..

Sales by product group throughout all Lawson Group stores

Fiscal period Product group	Current first half From March 1, 2009 to November30, 2009	
	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	682,865	54.5
Fast foods	246,509	19.7
Daily delivered foods	175,237	14.0
Nonfood products	148,115	11.8
Total	1,252,727	100.0

(Note) The above figures represent sales of convenience stores operated by the LAWSON Group.

Number of stores by prefecture (As of November 30, 2009)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	518	Saitama	372	Gifu	113	Tottori	87	Saga	61
Aomori	165	Chiba	345	Shizuoka	175	Shimane	86	Nagasaki	86
Iwate	163	Tokyo	1,242	Aichi	440	Okayama	120	Kumamoto	92
Miyagi	186	Kanagawa	657	Mie	90	Hiroshima	135	Oita	135
Akita	148	Niigata	103	Shiga	121	Yamaguchi	109	Miyazaki	82
Yamagata	58	Toyama	111	Kyoto	240	Tokushima	107	Kagoshima	108
Fukushima	99	Ishikawa	83	Osaka	948	Kagawa	96	Okinawa	136
Ibaraki	104	Fukui	98	Hyogo	539	Ehime	155	Total	9,694
Tochigi	107	Yamanashi	64	Nara	103	Kochi	60		
Gunma	66	Nagano	132	Wakayama	110	Fukuoka	339		

(Note) The above figures represent the number of stores of convenience stores operated by the LAWSON Group.

2. Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

(1) Financial Position at the First-three quarters end

At November 30, 2009, total assets stood at ¥441,973 million, an increase of ¥5,801 million from February 28, 2009. This mainly reflected an ¥18,893 million increase in property and store equipment due to the application of accounting standards relating to lease transactions.

Total liabilities decreased ¥2,506 million to ¥230,486 million over the same period. This mainly reflected an ¥11,407 million decrease in accounts payable-other, although long-term lease obligations increased ¥12,368 million.

Net assets stood at ¥211,486 million, up ¥8,307 million from February 28, 2009. This was principally due to a ¥6,889 million increase in retained earnings.

(2) Cash Flows During the First First-three quarters

Cash and cash equivalents at November 30, 2009 totaled ¥71,515 million, ¥12,466 million lower than at February 28, 2009.

Operating activities provided net cash of ¥40,868 million, mainly reflecting income before income taxes and an increase in depreciation of fixed assets.

Investing activities used net cash of ¥31,048 million mainly due to payments for the acquisition of property and store equipment.

Financing activities used net cash of ¥22,286 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 and accounting methods particular to presentation of quarterly financial statements:

① Adoption of simplified accounting methods

Regarding property and store equipment to which the declining-balance method is applied, the amount of depreciation is calculated by apportioning depreciation equally during the period.

② 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 half 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 November 30, 2009 and February 28, 2009

(Millions of yen)

	November 30, 2009	February 28, 2009
Current assets:		
Cash and bank deposits	75,099	82,486
Accounts receivable—due from franchised stores	15,456	21,376
Marketable securities	3,499	5,299
Merchandise inventories	5,090	5,292
Accounts receivable—other	23,606	26,692
Deferred tax assets	3,472	4,061
Other	9,316	9,692
Allowance for doubtful accounts	(132)	(140)
Total current assets	135,409	154,760
Fixed assets:		
Property and store equipment;		
Buildings and structures	182,251	173,747
Accumulated depreciation	(85,807)	(79,425)
Buildings and structures—net	96,444	94,321
Vehicles, tools, furniture and fixtures	58,458	61,920
Accumulated depreciation	(45,440)	(48,462)
Vehicles, tools, furniture and fixtures—net	13,018	13,458
Other	25,835	7,219
Accumulated depreciation	(1,405)	—
Other—net	24,429	7,219
Subtotal	133,893	114,999
Intangible fixed assets;		
Software	29,751	26,586
Goodwill	4,948	4,851
Other	479	464
Subtotal	35,178	31,902
Investments and Other;		
Long-term loans receivable	29,383	27,422
Lease deposits	84,975	85,357
Deferred tax assets	16,612	14,544
Deferred tax assets for land revaluation	—	180
Other	8,828	9,410
Allowance for doubtful accounts	(2,308)	(2,406)
Subtotal	137,491	134,509
Total fixed assets	306,563	281,410
Total assets	441,973	436,171

(Millions of yen)

	November 30, 2009	February 28, 2009
Current liabilities:		
Accounts payable —trade	81,436	77,215
Accounts payable— due to franchised stores	1,154	822
Long-term debt due within one year	—	816
Income taxes payable	6,710	9,455
Deposits received	57,584	58,844
Accrued employees' bonuses	1,759	3,199
Provision for use of points granted	1,359	933
Other	21,535	30,517
Total Current liabilities	171,540	181,804
Long-term Liabilities;		
Long-term debt	—	1,152
Allowance for employees' retirement benefits	5,931	5,050
Allowance for retirement benefits to executive officers and corporate auditors	227	201
Deposits received from franchisees and lessees	39,366	42,440
Other	13,420	2,344
Total Long-term Liabilities	58,946	51,188
Total Liabilities	230,486	232,992
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	41,520	41,520
Retained earnings	106,199	99,310
Treasury stock	(1,713)	(1,712)
Total Owners' equity	204,513	197,624
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(76)	(28)
Land revaluation difference	(705)	(969)
Foreign currency translation adjustments	55	59
Valuation and translation adjustments	(726)	(937)
Stock acquisition rights	286	274
Minority interests	7,412	6,217
Total net assets	211,486	203,178
Total Liabilities and net assets	441,973	436,171

(2) Consolidated Statements of Income (Unaudited)

For the first three quarters of the fiscal year ending February 28, 2010 (March 1, 2009 – November 30, 2009)

	(Millions of yen)
	November 30, 2009
Total operating revenues	339,656
Net sales	161,096
Cost of goods sold	119,744
Gross profit on sales	41,352
Operating revenues:	178,559
Franchise commission from franchised stores	142,635
Other	35,924
Operating gross profit	219,911
Selling, general and administrative expenses	175,910
Operating profit	44,001
Non – operating income and expenses:	
Non – operating income;	1,199
Interest received	521
Compensation income	308
Other	369
Non – operating expenses;	1,765
Interest expense	228
Loss on cancellation of store lease	1,079
Other	457
Recurring profit	43,435
Special gains and losses:	
Special gains;	655
Gain on sales of fixed assets	27
Gain on change in equity	625
Other	2
Special losses;	5,696
Loss on disposal of fixed assets	2,627
Loss on impairment of long-lived assets	2,394
Other	674
Income before income taxes and minority interests	38,394
Income taxes:	14,167
Income taxes - current	15,484
Deferred income taxes	(1,316)
Minority interests in income	1,206
Net profit	23,020

(3) Consolidated Statements of Cash Flows (Unaudited)

For the first three quarters of the fiscal year ending February 28, 2010 (March 1, 2009 – November 30, 2009)

	(Millions of yen)
	November 30, 2009
Operating activities:	
Income before income taxes	38,394
Depreciation of fixed assets	19,021
Increase in provision for allowance for retirement benefits to employees	880
Interest received	(521)
Interest expense	228
Loss on impairment of long-lived assets	2,394
Loss from disposal of fixed assets	1,535
Other-net	(650)
Decrease in accounts receivable due from franchised stores	5,920
Decrease in accounts receivable—other	3,087
Increase in accounts payable—trade and due to franchised stores	4,553
Decrease in accounts payable—other	(11,144)
Decrease in deposits received	(1,259)
Decrease in lease deposits from franchisee and lessees	(3,073)
Other-net	(809)
Subtotal	58,555
Interest received	520
Interest expenses paid	(229)
Income taxes paid	(17,977)
Net cash provided by operating activities	40,868
Investing activities:	
Payments into time deposits	(6,080)
Proceeds from withdrawal of time deposits	1,500
Payment for purchase of marketable securities	(2,799)
Proceeds from redemption of marketable securities	4,100
Payment for acquisition of property and store equipment	(18,672)
Payment for acquisition of intangible fixed assets	(7,256)
Increase in advances to associated company	(110)
Other – net	(1,729)
Net cash used in investing activities	(31,048)

Financing activities:	
Repayment of long-term loans payable	(1,968)
Repayments of lease obligations	(4,233)
Cash dividends paid	(15,866)
Other	(217)
Net cash used in financing activities	(22,286)
Net decrease in cash and cash equivalents	(12,466)
Cash and cash equivalents, beginning of year	83,981
Cash and cash equivalents at end of period	71,515

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

For the first three quarters of the fiscal year ending February 28, 2010 (March 1, 2009—November 30, 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 the current first three quarters of the fiscal 2009, therefore information by industry segment is omitted.

2. Geographic segment information

For the first three quarters of the fiscal year ending February 28, 2010 (March 1, 2009—November 30, 2009)

The Company has no foreign consolidated subsidiary and branch office for the current first three quarters of the fiscal 2009, therefore geographic segment information is omitted.

3. Overseas sales

For the first three quarters of the fiscal year ending February 28, 2010 (March 1, 2009—November 30, 2009)

Overseas sales account for less than 10% of consolidated sales at all segments for the current first three quarters of the fiscal 2009, therefore overseas sales information is omitted.

(6) Notes to Significant Changes in Shareholders' Equity

Not Applicable

Reference

Consolidated Financial Statements for the first three quarters of the fiscal year ending February, 28 2009 (March 1, 2008 – November 30, 2008)

Consolidated Statement of Income (Unaudited)	(Millions of yen)
	November 30, 2008
Operating revenues	175,624
Net sales	66,560
Total operating revenues:	242,184
Cost of goods sold	48,381
Gross profit on sales	18,179
Operating gross profit	193,803
Selling, general and administrative expenses	150,477
Operating profit	43,325
Non – operating income and expenses:	
Non – operating income	1,624
Non – operating expenses	1,872
Recurring profit	43,077
Special gains and losses:	
Special gains	93
Special losses	4,687
Income before income taxes and minority interests	38,484
Income taxes	14,865
Minority interests in income	476
Net profit	23,142

Consolidated Statement of Cash Flows (Unaudited)

(Millions of yen)

November 30, 2008

Operating activities:	
Income before income taxes and minority interests	38,484
Depreciation of fixed assets	14,972
Increase in provision for allowance for retirement benefits to employees	706
Loss from disposal of fixed assets	1,523
Loss on impairment of long-lived assets	1,788
Interest received	(731)
Other-net	963
Increase in accounts receivable due from franchised stores	(14,475)
Decrease in accounts receivable-other	5,456
Increase in accounts payable-trade and due to franchised stores	10,245
Increase in accounts payable-other	4,548
Increase in deposits received	5,425
Decrease in lease deposits from franchisees and lessees	(2,024)
Other-net	(746)
Subtotal	66,137
Interest received	734
Interest expenses paid	(17)
Income taxes paid	(19,698)
Net cash provided by operating activities	47,155

Investing activities:	
Payment for purchase of marketable securities	(25,454)
Proceeds from redemption of marketable securities	24,400
Decrease in short-term loans receivable	19,700
Proceeds from acquisition of shares of subsidiary resulting in change in scope of consolidation	2,227
Increase in advances to affiliated company	(49)
Additional investment in a subsidiary	(78)
Payment for acquisition of property and store equipment	(12,706)
Payment for acquisition of intangible fixed assets	(8,610)
Other-net	(2,401)
Net cash used in investing activities	(2,973)
Financing activities:	
Cash dividends paid	(13,385)
Purchase of treasury stock	(0)
Other-net	65
Net cash used in financing activities	(13,320)
Net increase in cash and cash equivalents	30,861
Cash and cash equivalents, beginning of year	62,822
Cash and cash equivalents at end of period	93,684