Flash Report on the Consolidated result for the year ended February 29, 2012

Listed Company Name : LAWSON, INC.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Listing: Tokyo Stock Exchange and Osaka Securities Exchange
Location of Head Office: Metropolis of Tokyo
Company Representative: Takeshi Niinami, Representative Director, President & CEO
Contact: Tomoki Takanishi, Financial & Accounting Office General Manager Tel.: (03) 5435-2773
Scheduled date for the ordinary general meeting of shareholders: May 29, 2012
Scheduled date for payment of dividend: May 30, 2012
Scheduled date for submission of annual report: May 30, 2012
Supplementary Documents fiscal year results: Yes
Presentation of annual results: Yes (for institutional investors and analysts)

1. Consolidated Performance for the 2011 fiscal year (from March 1, 2011, to February 29, 2012)

(1) Consolidated operating results

Notes: ①Amounts below one million yen are truncated.
Notes: ②Percentages for total operating revenues, operating income, recurring profit and net profit show increase (decrease) from previous year.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2011 fiscal year	478,957	8.5	61,769	11.2	61,728	13.1
2010 fiscal year	441,277	(5.5)	55,540	10.5	54,594	10.4

	Net profit		Net profit per share	Fully diluted profit per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to total operating revenues
	¥ Million	%	¥	¥	%	%	%
2011 fiscal year	24,885	(2.0)	249.17	248.80	12.0	12.3	12.9
2010 fiscal year	25,386	102.1	254.61	254.31	12.8	11.8	12.6

Notes: Comprehensive income:
2011 fiscal year: ¥25,603million (1.9%) 2010 fiscal year: ¥26,106million －%
Equity in net income (loss) of affiliates:
2011 fiscal year: ¥380million 2010 fiscal year: ¥311million

(2) Consolidated financial position

	Total assets	Net assets	shareholder's equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2011 fiscal year	531,453	214,662	39.7	2,114.00
2010 fiscal year	476,036	208,466	42.7	2,037.50

Note: Equity capital:
2011 fiscal year: ¥211,154million 2010 fiscal year: ¥203,479million

(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
2011 fiscal year	86,356	(52,912)	(27,544)	73,670
2010 fiscal year	72,210	(30,522)	(28,798)	67,712

2. Dividends status

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	2Q	3Q	Year-end dividend	Total			
	¥	¥	¥	¥	¥	¥ Million	%	%
2010 fiscal year	—	85	—	85	170	16,977	66.8	8.6
2011 fiscal year	—	87	—	93	180	17,977	72.2	8.7
2012 fiscal year (Forecast)	—	95	—	95	190	—	56.8	—

3. Forecast Consolidated Performance for 2012 fiscal year（from March 1, 2012 to February 28, 2013）

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2012 2Q (accumulated)	251,000	4.6	34,000	4.4	33,600	3.1	16,700	86.4
2012 fiscal year	503,000	5.0	66,000	6.8	65,100	5.5	33,400	34.2

Reference: Forecast net profit per share for the 2012 half year: 167.19yen
Forecast net profit per share for the 2012 fiscal year: 334.38yen

4.Other

(1) Change in important subsidiaries during the period: None

(Note) This indicates any changes in specified subsidiaries during the fiscal year resulting from a revision of the scope of consolidation.

(2) Changes in accounting principles, procedures, presentation methods, etc., pertaining to preparation of consolidated financial statements

i) Changes associated with revision in accounting standards: Yes

ii) Other changes: None

(3) Number of issued shares

i) The number of shares issued at the end of term
February, 2012: 100,300,000 February, 2011: 100,300,000

ii) The number of treasury shares in the end of term
February, 2012: 416,166 February, 2011: 433,040

iii) Average number of shares during the term
February, 2012: 99,871,558 February, 2011: 99,705,265

[Reference]

1.Non-consolidated Performance for the 2011 Fiscal Year (from March 1, 2011, to February 29,2012)

(1)Operating results

Notes: ①Amounts below one million yen are truncated

Notes: ②Percentages for total operating revenues (Total net sales of Lawson stores), operating income, recurring profit and net profit show increase (decrease) from previous year.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2011 fiscal year	272,498	3.5	56,263	12.1	56,110	13.8
2010 fiscal year	263,209	(3.1)	50,210	11.6	49,312	10.6

	Net profit		Net profit per share	Fully diluted profit per share
	¥ Million	%	¥	¥
2011 fiscal year	22,462	(8.8)	224.91	224.58
2010 fiscal year	24,643	19.2	247.15	246.85

(2) Financial position

	Total assets	Net assets	shareholder's equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2011 fiscal year	500,667	216,826	43.2	2,166.35
2010 fiscal year	444,821	211,448	47.4	2,113.24

Note: Equity capital:
2011 fiscal year: ¥216,383 million 2010 fiscal year: ¥211,043 million

2.Forecast Non-consolidated Performance for 2012 fiscal Year（from March 1, 2012, to February 28, 2013)

	Total operating revenues		Operating profit		Recurring profit		Net profit		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million
2012 2Q (accumulated)	144,000	5.3	30,500	3.0	30,500	2.9	15,800	72.2	158.18
2012 fiscal year	287,000	5.3	60,000	6.6	59,400	5.9	31,500	40.2	315.36

Note: Disclosure of progress of review procedures

At the time of disclosure of this fiscal flash report, review procedures for fiscal earnings reports based on the Financial Instruments and Exchange Act had not been completed.

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 forecasts due to many factors. In addition, please refer to 9th page of appending data about matters, such as precondition of the above-mentioned forecast.

1. Operating Results

1. Review of Operation

(1) Analysis of Consolidated Operating Results
During fiscal 2011, ended on February 29, 2012, the LAWSON Group (hereinafter, "the Group") focused on achieving a speedy recovery of stores and the product supply chain affected by the Great East Japan Earthquake in March 2011 with the aim of realizing the Group's corporate philosophy of "Happiness and Harmony in Our Community." With these efforts, we were appreciated by customers as a convenience store chain with a nationwide network as well as social infrastructure that provides essential items at the local level.

(Convenience Store Operations and Overseas Businesses)
The status of merchandise strategy and services, store operations, store development and other aspects of Convenience Store Operations in the fiscal year under review is outlined as follows:
[Merchandise Strategy and Services]
On the merchandise front, the Group developed menus catering to customer needs as follows by leveraging customer purchase data acquired through the multi-partner loyalty program, Ponta, which the Group joined in March 2010. We also strived to provide appealing products that offer value for money by enhancing added-value in the ingredients procurement process, including bulk procurement of high-quality food materials, by employing a dedicated section.
In the rice category, we offered chilled lunch boxes, named "Lawson-Tei," which incorporates the color, taste and texture preferences of female customers, who have traditionally proven reluctant to purchase convenience store lunch boxes. The favorable performance of Lawson-Tei helped us succeed in expanding the demand for lunch boxes, especially among female customers.
In the over-the-counter fast food category, prepared foods such as croquettes and minced cutlets performed well, while new flavors for our Karaagekun and fried chicken also contributed to the category's strong performance.
Our private brand, "Lawson select," which is mainly comprised of prepared foods, processed foods, and daily necessities, was renewed significantly in October 2011. As a result of expansion in the number of items and strengthening of sales promotion, robust sales growth was recorded.
In the dessert category, sales climbed year on year, driven by our Uchi Café SWEETS line including the Premium Roll Cake Series.
In sales promotions, the Group focused on campaigns anticipated to bring a high return on investment (ROI), such as the Spring and Autumn Rilakkuma Fairs, Miffy Bowl/Plate Present Campaign, and Keion!! Fair II, which are centered on tie-ups with popular characters. We also implemented the HAPPY 10,000 Campaign in celebration of reaching the 10,000 store milestone in Japan. Total Ponta members reached 39 million as of February 29, 2012, including members joining through other participating companies. LAWSON provided loyalty points appealing to Ponta members in addition to expanding its membership base, which resulted in an increase in Ponta members' sales ratio.

Breakdown of sales at chain stores by merchandise categories

Fiscal period / Product group	Previous fiscal year March 1, 2010 to February 28,2011		Current fiscal year March 1, 2011 to February 29,2012		YOY Percentage change (%)
	Sales (Millions of yen)	Ratio to total (%)	Sales (Millions of yen)	Ratio to total (%)	
Processed foods	897,426	53.3	1,022,619	56.0	114.0
Fast foods	321,865	19.1	345,424	18.9	107.3
Daily delivered foods	264,169	15.7	263,179	14.4	99.6
Nonfood products	199,350	11.9	194,586	10.7	97.6
Total	1,682,812	100.0	1,825,809	100.0	108.5

Store Operations

To improve store operations, we promoted retail spaces and merchandise assortments that matched customer needs specific to each neighborhood by utilizing our backbone IT system to analyze customer sales data collected from Ponta cards and to use the analyzed data in store-based order placements. This operational reform in the store operation method is dubbed PRiSM. Through the promotion of PRiSM, we have strived to enhance accuracy in order placement in order to reduce opportunity loss. Through these measures, we will continue to work toward creating stores that fully satisfy the desires of customers to purchase “whatever you want, whenever and wherever you need it.”

Store Development

In opening new stores, the Group focused on maximizing return on investment (ROI), strictly adhered to its proprietary group standards for opening stores, and prioritized profitability.

In an effort to reinforce stores that cater to healthcare needs, we expanded the number of stores that market over-the-counter (OTC) drugs to 41 as of February 29, 2012, partly as a result of increasing licensed sales personnel based on human resources exchange with MatsumotoKiyoshi Holdings Co., Ltd. Starting from August 2010, the Group also launched Pharmacy LAWSON, an integration of drug-dispensing pharmacies and NATURAL LAWSON stores, in partnership with Qol Co., Ltd., which operates a chain of drug-dispensing pharmacies. As of February 29, 2012, we operate 7 Pharmacy LAWSON stores.

Regarding fresh foods convenience stores, we have been converting our directly managed stores into franchised stores to promote our franchise-based store management. The number of fresh foods convenience stores, LAWSON STORE100, operated by the Group’s consolidated subsidiary Ninety-nine Plus Inc., reached 1,172 as of February 29, 2012. In addition, at our conventional LAWSON stores that enhance focus on perishable foods and foods delivered daily, we promoted a strategy of expanding our customer base by attracting elderly customers and homemakers. As of February 29, 2012, the number of these fresh food-type LAWSON stores totaled 3,913. Some of these stores sell fresh vegetables produced at 4 LAWSON Farms in Japan, which the Group partially funded.

[Change in Total Number of Stores] (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100	Total
Total stores as of February 28 2011	8,686	90	1,077	9,853
Change during fiscal year	352	10	95	457
Total stores as of February 29, 2012	9,038	100	1,172	10,310

The number of LAWSON chain stores operated by LAWSON Toyama, Inc., a consolidated subsidiary of LAWSON, Inc. (hereinafter, “the Company”), reached 73 as of February 29, 2012.

The number of LAWSON chain stores operated by the Company’s equity-method affiliate, LAWSON Okinawa, Inc., through the business alliance agreement with SAN-A CO., LTD. totaled 147 as of February 29, 2012.

The Company agreed to conclude a franchise agreement with CVS Bay Area, Inc. as of January 25, 2012. Starting from March 1, 2012, CVS Bay Area, Inc. is converting its convenience stores to LAWSON stores and launching their operations.

[Overseas operations]

Regarding our business in the People’s Republic of China (hereinafter, “China”), the Company raised its controlling stake in its Chinese equity-method affiliate, SHANGHAI HUALIAN LAWSON CO., LTD., to 85% in September 2011, converting it into a consolidated subsidiary. Also, we opened our first store in Dalian in November 2011, in addition to advancing into Shanghai and Chongqing.

The number of LAWSON stores operated by SHANGHAI HUALIAN LAWSON CO., LTD. totaled 314 as of February 29, 2012.

CHONGQING LAWSON CO., LTD., also a consolidated subsidiary of the Company, was operating 38 LAWSON stores in Chongqing, China, as of February 29, 2012.
DALIAN LAWSON CO., LTD., the Company's 95% subsidiary, was operating 3 LAWSON stores as of February 29, 2012.

In regions outside of China, the Company established LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. (LAP) in May 2011 in the Republic of Singapore as its consolidated subsidiary, in order to control its subsidiaries and affiliates that operate convenience stores outside Japan (excluding China). Also, the Company entered into a licensing agreement in June 2011 with PT MIDI UTAMA INDONESIA Tbk (MIDI), a member of the Alfa Group, which operates a large-scale retail business in the Republic of Indonesia.

Furthermore, LAP acquired a 30% equity stake in MIDI in July 2011. As of February 29, 2012, MIDI operates 523 stores in its own store format and 15 LAWSON stores in Jakarta and its outskirts.

Number of LAWSON stores by prefecture (February 29, 2012)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	550	Tokyo	1,384	Nara	100	Fukuoka	375
Aomori	173	Kanagawa	738	Wakayama	115	Saga	63
Akita	158	Shizuoka	190	Osaka	985	Nagasaki	90
Iwate	153	Yamanashi	81	Hyogo	572	Oita	143
Miyagi	193	Nagano	135	Okayama	122	Kumamoto	98
Yamagata	64	Aichi	492	Hiroshima	146	Miyazaki	85
Fukushima	91	Gifu	125	Yamaguchi	112	Kagoshima	109
Niigata	108	Mie	99	Tottori	93	**Total(domestic)**	**10,310**
Tochigi	111	Ishikawa	91	Shimane	92	Shanghai	314
Gunma	71	Toyama	182	Kagawa	99	Zhongqing	38
Saitama	425	Fukui	101	Ehime	160	Dalian	3
Chiba	367	Kyoto	261	Tokushima	103	**Total(foreign)**	**355**
Ibaraki	117	Shiga	128	Kochi	60		

Corporate Social Responsibility (CSR) Activities

In the CSR field, the CSR Promotion Office promoted environmental protection and social contribution activities, working together with franchise owners and employees.
As part of our efforts to help create a low-carbon society, the Group set targets for reducing the CO_2 generated by power consumption at each store, and strived to actively install energy-saving devices, including LED lighting for signs and in stores, not only at new stores but also at existing stores.

In a collaborative effort with customers to fight global warming, in April 2008 the Group launched a carbon offset program, which allows customers to contribute to reducing CO_2 by purchasing carbon credits using their accumulated shopping points or cash, or by purchasing products designated for carbon offset. As of February 29, 2012, approximately 16 thousand tons of CO_2 had been offset through this program. In addition, the LAWSON Green Fund, active since 1992, in combination with donation drives for regions hit by the Great East Japan Earthquake, raised a total of approximately ¥1,737 million in fiscal 2011.

Furthermore, as part of its social contribution activities, the Group established a scholarship program dubbed “Support For Dreams Fund” to help junior and senior high school students that were affected by the Great East Japan Earthquake, and began paying it out from October 2011.

Moving forward, working together with customers, the Company will continue its environmental protection and social contribution activities.

[Other Businesses]

In addition to convenience store operations, the Group is involved in entertainment/e-commerce business, financial services, and other businesses.

We expanded the Group’s e-commerce business, leveraging the alliance with Yahoo JAPAN Corporation which commenced in June 2011. Furthermore, we have been focusing on reinforcing the e-commerce business by providing price comparison and product search functions owned by Venture Republic Inc., an equity-method affiliate with which the Company entered into a capital and business alliance in January 2011. By capitalizing on these alliances, the Group opened its comprehensive online entertainment mall, LAWSON HOT STATION Lpaca, and its online shopping mall, Loppi, in August and September 2011, respectively, thereby making a full-fledged start for its e-commerce business. Loppi has expanded merchandise offering since November 2011 with particular emphasis on daily necessities and foods, and Lpaca has increased the number of books, both in an effort to provide customers with “whatever you want, whenever and wherever you need it.”

The Company’s consolidated subsidiary, LAWSON HMV ENTERTAINMENT, INC., which was established on September 1, 2011 through the merging of LAWSON ENTERMEDIA, INC. and HMV Japan K.K., is also engaged in entertainment/e-commerce-related business. The merged company has shown steady recovery at a pace exceeding our original expectations despite the negative impact of the Great East Japan Earthquake which resulted in voluntary cancellation and postponement of some concerts and in the voluntary delay of new CD/DVD releases.

LAWSON ATM NETWORKS, INC., which operates a financial services-related business, has worked to increase the number of transactions in response to the increased number of ATMs installed nationwide in LAWSON stores. As of February 29, 2012, the number of ATMs installed nationwide totaled 9,002.

In response to the misconduct that was uncovered in fiscal 2009 within the Company’s subsidiary LAWSON ENTERMEDIA, INC., we have undertaken rigorous initiatives to prevent future misconduct within the Company and its Group companies. Specifically, the Company implemented centralized management of its affiliates’ funds, examined the status of the distribution of authorities and risk management at its affiliates, and provided stronger guidance to affiliates for improvement based on internal audits within the Group. In addition, the Company revised and enforced its Affiliate Management Regulation to strengthen guidance to affiliates with respect to risk management and establishment of internal control systems. We intend to continue to promote the measures we are implementing.

(2) Profit and Loss

In terms of operating results for the consolidated fiscal year under review, total operating revenues increased by 8.5% from the previous fiscal year to ¥478,957 million. This was due to a ¥17.9 billion increase in franchise commission from franchised stores owing to the positive effect of measures to expand customer bases comprising women and seniors and a rise in spending per customer resulting from a tax hike on tobacco.

As a result, operating income grew ¥6,229 million, or 11.2%, from the previous fiscal year to ¥61,769 million.

Recurring profit climbed ¥7,133 million, or 13.1%, from the previous fiscal year to ¥61,728 million.

Net income decreased ¥501 million, or 2.0%, from the previous fiscal year to ¥24,885 million, partly as a result of an increase of ¥7,317 million in extraordinary loss, which reflects the posting of ¥8,292 million in loss on adjustment for changes of accounting standard for asset retirement obligations and ¥3,460 million in loss from the disaster caused by the Great East Japan Earthquake. And net income per share stood at ¥249.17.

(3) Outlook for Fiscal 2012

The LAWSON Group is promoting the following management measures with the aim of realizing its corporate philosophy of "Happiness and Harmony in Our Community."

1) Create merchandise assortments that meet customer needs

In an effort to create stores that meet the needs of customers in the neighborhood, the Group will continue to use the Ponta data to develop customer-centric merchandise assortment. We will enhance the level of PRiSM operational reform based on our core IT system, and strive to improve ordering precision to reduce sales opportunity losses and product disposal losses. We will also step up our efforts to enhance product development capabilities by leveraging the Ponta data.

2) Provide appealing services by leveraging the Ponta multi-partner shopping points program

The number of companies participating in the Ponta program is expected to increase in the days ahead, which will lead to more convenient services for customers. LAWSON will pursue broader marketing analysis and sales promotion measures in collaboration with the other participating companies to provide customers with more appealing services.

3) Promote the fresh foods convenience store business

We will further expand our fresh foods convenience store business, which is a growth area, by opening new LAWSON STORE100 and fresh foods convenience stores mainly in residential areas. By accelerating the introduction of perishable foods at our stores and strengthening our private brand, “Lawson select,” which is mainly comprised of prepared foods, processed foods, and daily necessities, we will strive to respond to the increasing needs of customers desiring to prepare their meals at home, while further expanding our customer base by attracting elderly and female customers in addition to male customers in their 20s and 30s, who have constituted the main body of convenience store shoppers.

4) Respond to demand for OTC drugs and healthcare

LAWSON will expand OTC drug sales and help customers achieve the healthy and comfortable lifestyles they seek by stepping up the development and marketing of health-oriented foods harnessing the knowhow acquired through operation of NATURAL LAWSON stores. In addition to selling OTC drugs at our convenience stores, we intend to promote our healthcare business based on in-store drug-dispensing pharmacies. Based on the idea that “you are what you eat,” we will continue to help customers lead healthy and fulfilling lives.

5) Full-scale operation of entertainment/e-commerce business

In our entertainment/e-commerce business, we aim to offer an entertainment-related merchandise assortment that meets diverse customer needs both online and offline. We also plan to provide new services in e-commerce by further promoting partnership with other companies.

6) Proactive development of overseas business

Currently, the Group operates LAWSON stores in Shanghai, Chongqing, and Dalian in China, and Jakarta and its outskirts in Indonesia. We will continue to look into the possibility of opening new stores in these countries, as well as in other countries and regions where economic growth is expected, by analyzing their economic and political situations. We will also proactively examine whether we can advance into Europe, the United States, and other developed countries, by finding opportunities to apply our business model.

7) Addressing operating risks

The Group will continue to address risks inherent in expanding its business formats and regions of operation. In particular, we will strive to step up efforts to tackle risks related to large-scale disasters, including natural disasters, in order to mitigate their effects. In addition, the Group will improve its business continuity framework by addressing risks concerning information security, including the handling of personal information, as well as risks concerning legal regulations.

We kindly ask our shareholders to provide us with continued guidance and support in the years ahead.

By consistently implementing the aforementioned management measures to enhance customer satisfaction and expand our customer base, we are aiming to improve corporate earnings by expanding the number of customers, increase the earnings of franchised stores, and in turn, enhance our corporate value.

For fiscal 2012, we project an recurring profit of ¥65.1 billion, up 5.5% year on year, an net income of ¥33.4 billion, up 34.2% on a consolidated basis, and an recurring profit of ¥59.4 billion up, 5.9% year on year, an net income ¥31.5 billion, up 40.2% on an unconsolidated basis.

(4) Analysis of Financial Position

[Total assets, Total liabilities, Total net assets analysis]

Total assets increased by ¥55,416 million year on year to ¥531,453 million, mainly due to a ¥25,001 million increase in net property and store equipment.

Total liabilities stood at ¥316,791 million, a year-on-year increase of ¥49,221 million. This mainly reflected a ¥12,663 million increase in deposits payable, and a ¥15,263 million increase in asset retirement obligations.

Net assets increased by ¥6,195 million year on year to ¥214,662 million. This was primarily due to the increase of retained earnings by ¥7,640 million, although decrease of 1,516 million in minority interests.

[Cash flow analysis]

Net cash provided by operating activities amounted to ¥86,356 million, ¥14,146 million higher year on year, due to a ¥16,216 million increase in deposits payable.

Investing activities used net cash of ¥52,912 million, ¥22,390 million higher year on year, mainly due to a ¥5,983 million increase in purchase of property and store equipment.

Financing activities used net cash of ¥27,544 million, ¥1,254 million less year on year, mainly reflecting a ¥3,506 million decrease in payments for purchase of treasury stock.

(5) Basic Policy on Profit Distribution, and the Reporting Term’s & Next Term’s Dividend Payment

The Company places a high priority on profit distribution to shareholders, and follows a policy of paying appropriate dividends with due regard for sufficient 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 ¥87 per share for the first-half period, and plans to pay a year-end dividend of ¥93 for a total dividend of ¥180 per share annually.

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 renovation of existing stores, as well as the encouragement of new business development.

Furthermore, based on the high priority it gives to returning profits to shareholders, LAWSON plans to pay an annual dividend per share of ¥190 applicable to the fiscal year ending February 28, 2013 despite expectations of a difficult operating environment.

In addition to paying dividends, the Company reserves the right to respond flexibly to market circumstances by acquiring or retiring treasury stock as a strategy to improve shareholder profit.

(6) Operating Risks

The principal categories of risk that may have a material effect on the business performance or financial position of the LAWSON Group are listed below. The Group is fully aware of the potential for such risks to materialize, and intends to implement risk management accordingly, while taking optimal countermeasures as necessary. These risks faced by the Group include, but are not limited to, the following:

(i) Risks involving change in the Group’s operating environment

In view of the fact that LAWSON Group is principally involved in the convenience store business, changes in the economic, market and societal structure of Japan or other countries in which the Group operates, or any usual weather conditions, insofar as they may affect consumer behavior, may exert a significant effect on the Group's business. Other factors that are likely to affect the Group's business performance and financial position include competition with other convenience store operators or with companies operating other business formats within the retail sector.

(ii) Risks involving food safety and hygiene

The Group sells food products to customers in its core convenience store business. In cooperation with its business partners, the Group rigorously enforces a system of quality control from the initial food processing stage to food item sales at its stores, ensuring appropriate labeling of "best by" and expiration dates, product origins, and ingredients. The Group also ensures strict hygiene control and sales data management within its stores. However, in the unlikely event of a serious incident such as food poisoning, the discovery of foreign matter within a food product, or mislabeling of food products, this could damage the Group's reputation for trustworthiness in the eyes of its customers, resulting in an adverse impact on the Group's business performance and financial position.

In such an event, the Group's policy is to do its utmost to promptly provide full disclosure of information about the situation through the news media, with the aim of minimizing the effect on the reputation of its stores among consumers.

(iii) Risks involving the handling of personal information

In the course of conducting its business operations, the Group comes into the possession of, and handles, various items of personal information relating to customers, shareholders, business partners, and franchised store owners (the franchisees). Management recognizes as serious risks the leak of personal information to third parties, and unauthorized access to such information. In addition to information security measures, the Group has created a Personal Information Protection Policy, and all employees have been acquainted with it in detail. However, in the unlikely event of a leak of confidential personal information, the Group's business performance and financial position could be adversely affected.

(iv) Legal risk

The Group operates stores in all 47 prefectures of Japan, as well as a number of stores in Shanghai, Chongqing, and Dalian in China, and Jakarta and its outskirts in Indonesia, most of which are open 24 hours a day. For this reason, the Group is forced to carefully observe a number of national and local laws and regulations in Japan, China (Shanghai, Chongqing, and Dalian), and Indonesia (Jakarta and its outskirts), pertaining to store opening locations, store operations, hygiene standards, merchandise procurement transactions, and environmental protection, and is required to obtain various permits and licenses from the competent authorities.

For these reasons, in the event of unforeseeable changes in such laws or regulations, or in law enforcement methods going forward, the Group may incur additional expenses needed to conform to the new laws, and so forth, and this may have a material effect on its business performance and financial position.

(v) Risks involving franchise operations

In its principal business line of convenience store operations, the Group employs a franchise system under which the owner of the store signs a franchise contract with the Group, enabling him or her to use the Group's proprietary brand name and logo. Consequently, an illegal or improper action or actions taken by one franchise store, as a contractual counterparty, could damage the image of the LAWSON chain as a whole, possibly adversely affecting the Group's business performance and financial position.

Furthermore, as its franchise system is designed to encourage the improvement of business performance for both the franchise store and the Group, on the basis of a relationship of mutual trust between the two contracted parties, in the event that the said relationship of trust between the Group and its franchisee is weakened, and as a consequence, that a large number of franchise contracts are dissolved, this would adversely affect the Group's business performance and financial position.

(vi) Risks involving disasters

The Group operates a truly national chain of stores with outlets located in all of Japan's 47 prefectures, and additionally operates stores in Shanghai, Chongqing, and Dalian in China, and Jakarta and its outskirts in Indonesia. Therefore, in the event that natural phenomena such as a major earthquake, tsunami, or typhoon cause physical damage to the Group's stores, its vendors' plants, logistics centers, or other facilities, the Group's business performance and financial position could be adversely affected.

The Group's principal convenience store business plays an important social role. Therefore, even in the event of a natural disaster or a major epidemic of a new influenza or other illness, we will continue to operate stores under a business continuity plan. However, in the unlikely event that stores are temporarily closed, the Group’s business performance and financial position could be adversely affected.

(vii) Risks involving damage to IT systems
Operation of the Group’s IT system may be impeded by a computer virus, or obstructed by natural causes such as an earthquake, which could disrupt the information network system, creating delays in the delivery of products to stores and causing the suspension of store services. Such developments could adversely affect the Group’s business performance and financial position.
(viii) Risks involving a surge in raw material prices
When raw material prices rise due to a surge in crude oil prices, abnormal weather, or other unpredictable problems, the Group’s business performance and financial position may be affected.

2. Corporate Group

The business segments in which the Company operates are as follows:

<u>Convenience store business</u>

- The Company serves as the headquarters for its own and franchised stores in the LAWSON and NATURAL LAWSON chains.
- A subsidiary, Ninety-nine Plus Inc., operates the price-point store “LAWSON STORE 100” and other stores either by direct management or under the franchise system.
- A subsidiary, SHANGHAI HUALIAN LAWSON CO., LTD., engages in the Company’s chain-store development operations in Shanghai, China.
- A subsidiary, CHONGQING LAWSON CO., LTD., operates LAWSON stores in Chongqing, China.
- A subsidiary, DALIAN LAWSON CO., LTD operates LAWSON stores in DALIAN LAWSON CO., LTD, China.
- A subsidiary, LAWSON Toyama, Inc. engages in the Company’s chain-store development operations in Toyama Prefecture.
- LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. is investment company in Singapore.
- An affiliate, LAWSON Okinawa, Inc. engages in the Company’s chain-store development operations in Okinawa Prefecture. This affiliate is a joint venture with SAN-A CO., LTD.

<u>Entertainment/e-commerce business</u>

- A subsidiary, LAWSON HMV ENTERTAINMENT, INC. sells tickets for concerts, sporting events, movies, etc. mainly through the Loppi multimedia terminals in LAWSON stores, and imports and markets music/video products such as CDs and DVDs.
- Venture Republic Inc. has been undertaked various marketing and the sales promotion enterprise using the purchase support enterprise and the Internet for the consumers who led management of the price comparison Web site.

<u>Financial service business</u>

- A subsidiary, LAWSON ATM Networks, Inc installs, maintains and operates bank ATMs located mainly in LAWSON stores and conducts clerical procedures for depositing and withdrawing money as well as money transfers via the ATM network in question for alliance partners on a consignment basis.

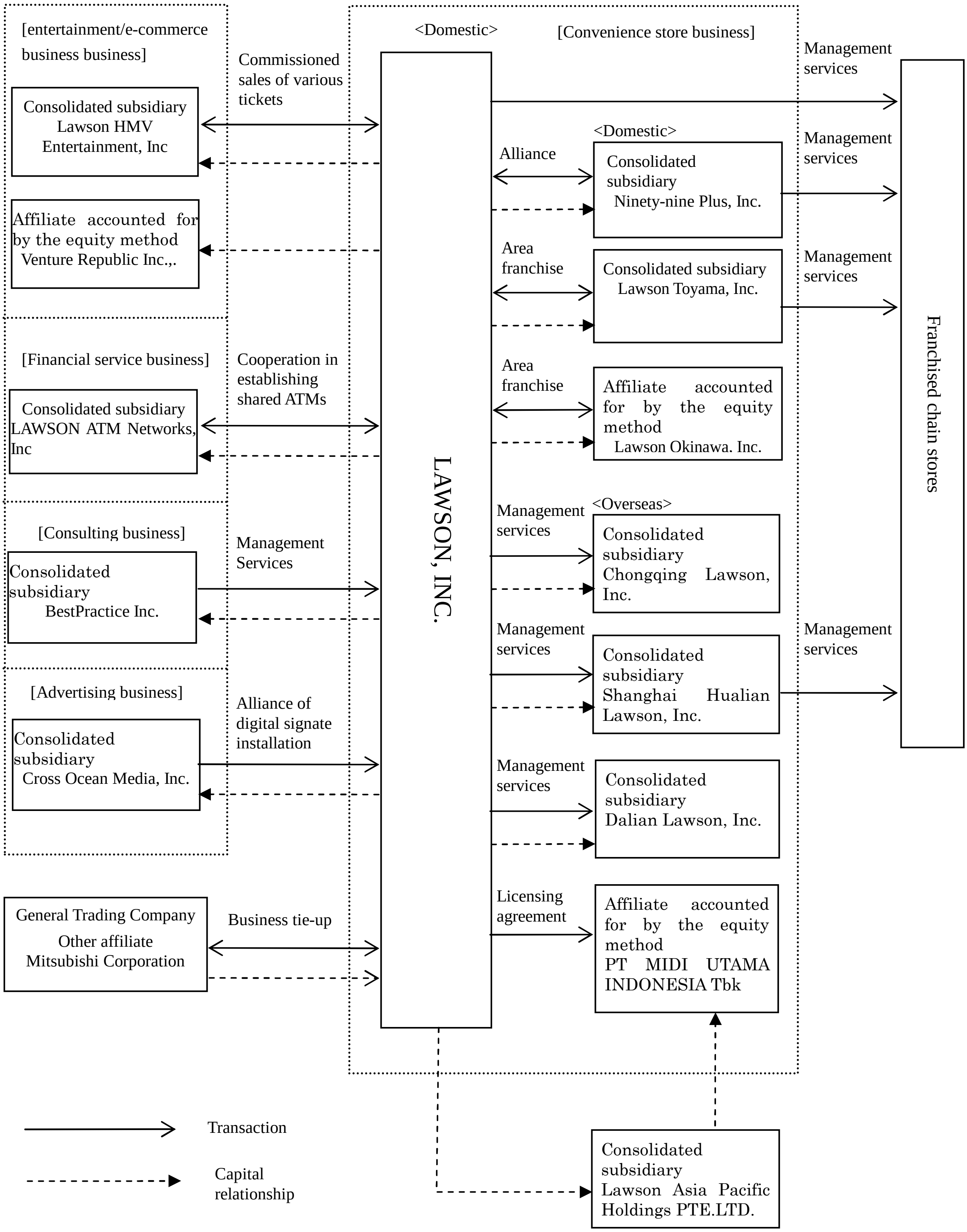
<u>Consulting business</u>

- A subsidiary, BestPractice Inc., mainly conducts surveys of convenience store operation performance. Based on the survey results, it then gives advice and specific proposals to LAWSON stores on improvement of store operations.

<u>Advertising business</u>

- A subsidiary, Cross Ocean Media, Inc., engages in electronic advertising business.

The following chart shows the relationship among LAWSON Group companies and affiliates.



3. Management Policy

(1) Basic Management Policy
(i) Corporate Philosophy and Code of Conduct
The Company's corporate philosophy "Happiness and Harmony in Our Communities" reflects its belief that its social significance derives from relationships with all its stakeholders.
Under this concept, the Company has established a Code of Conduct based on three principles governing its day-to-day corporate activities:
1) Act with utmost consideration for others,
2) Tackle challenges with innovative ideas and actions, and
3) See objectives through to the very end.
(ii) Vision
The Company is taking various steps to realize "Happiness and Harmony in Our Communities." Central to this effort is "Neighborhood Hot Station (Machi No Hotto Station in Japanese)," a nickname for the Company's stores, which communicates the idea of "hot" new merchandise, information and services that take into account local preferences and aims to be a place where customers can relax ("hotto" suru in Japanese).

(2) Performance Indicators (Target)
From the perspective of medium-and-long-term management strategy, the Company believes that investing in businesses with high return on investment (ROI) will maximize the efficiency in the use of shareholders' equity, which will in turn enhance shareholder value. The Company regards return on equity (ROE) as the best measure of optimal utilization of shareholders' equity. Accordingly, the Company is targeting a ROE 20% on a consolidated basis over the medium term.

(3) Medium-and-Long-Term Management Strategies
The business environment facing convenience stores is defined by several factors, including: population decline arising from Japan's declining birthrate and aging society; deflation; and stronger environmental awareness. Never before has the convenience store industry experienced such an environment. Against this backdrop, the Company recognizes the following as priority issues ahead.
The Company believes that its core business strategies must address these priority issues.

(4) Priority Issues of the Company
(i) Growing Need to Broaden Customer Segments
Faced with a declining birthrate and aging society, the Company must expand its customer base and increase customer numbers by targeting not only men in their 20s and 30s, its traditional core customers, but also women, the middle-aged and seniors. It must therefore continue to develop merchandise and services suited to the needs of each customer segment.
(ii) Responding to diversification of consumption patterns and deregulation
Amid growing regional disparity, the Company faces changes in its operating environment defined by deregulation following the amendment of the Pharmaceutical Affairs Act and other legislation, and intensifying competition from other industries and retail segments. In response, the Company must revamp nationwide and standardized store management practices, take a fresh look at its merchandise assortments and continue to improve the level of convenience in an effort to reinvent its stores to better suit the customer.
(iii) Increasing public interest in CSR
The Company recognizes the societal duties the convenience store sector bears and, as a publicly listed corporation, it must not only seek profit, but also remain fully aware of CSR priorities in the course of business operations.
Key to the measures necessary to address the above issues is the Company's mid- to long-term basic strategy of "creating stores to suit the needs of each and every customer in the area." While focused on this strategy, the Company is working to raise the customer satisfaction of each individual in every location. The Company continues to provide total support to franchised store owners (franchisees) so that they can focus on building stores with more emphasis on customers, to improve

earnings. To ensure the effectiveness of this support, the Company is focusing on the following concrete initiatives.

Initiatives to Address Priority Issues

(i) Improving New Merchandise Development Capabilities

While strengthening its ability to develop safe and reliable original merchandise, the Company will proactively develop merchandise suited to regional preferences by focusing on such aspects as taste and price. In this process, the Company aims to raise its original added value and develop merchandise that garners a strong customer response.

(ii) Improving Store Operation Capabilities

The Company will continue its efforts to improve customer satisfaction through promoting the Three Challenge Practices. They are (1) ensuring merchandise assortments are matched to individual locations, (2) keeping stores and surrounding areas clean, and (3) serving customers courteously. When selecting store merchandise, the Company will focus on ensuring the merchandise assortment suits local customers, by creating individually tailored stores. At the same time, the Company will strive to create attractive stores where the customer feels comfortable shopping and makes return visits by ensuring that stores and their surrounding neighborhoods are kept clean and that customers are truly made to feel welcome.

(iii) Reinforcing Store-Development Capabilities

The Company's store-development policy prioritizes customer convenience and profitability for both franchise store owners and headquarters. The Company seeks to establish high-ROI (return on income) stores by avoiding a standardized, nationwide approach to decision-making and choosing new store locations based on detailed regional and location characteristics.

(iv) Tailoring Store Formats to Suit Local Characteristics

Conscious that market needs are becoming increasingly complex and diversified, the Company provides store formats that offer retail spaces and merchandise assortments to suit the location. As for the Company's store development strategy, regular LAWSON stores will be opened to target customers seeking new merchandise, famous brand goods and convenient services; NATURAL LAWSON stores will be opened to target customers seeking beauty, health and amenity. The LAWSON STORE 100 will be opened to target customers seeking perishables packaged in small quantities and low standardized prices.

(v) Enhancing Convenience by Opening Stores in Special Locations and Expanding Financial Services

To enhance customer convenience, the Company develops initiatives based on new ideas rather than on established practices. In tie-ups with other corporations, the Company opens stores in special locations (captive commercial spaces providing high profitability due to the absence of competing stores). In its financial services, the Company aims to increase convenience for customers by expanding the Ponta card programs and offering various services via the "Loppi" multimedia terminals, and in-store ATMs.

(vi) Accelerating Business Reform through Capital and Business Alliances

The Company continues to effectively respond to the rapidly changing social environment and the needs of customers through capital and business alliances that enable it to improve profitability on an individual store basis

4. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of February 28, 2011 and February 29, 2012

（Millions of yen）

	February 28, 2011	February 29, 2012
Current assets:		
Cash and bank deposits	74,816	79,074
Accounts receivable—due from franchised stores	16,159	19,521
Marketable securities	2,999	4,999
Merchandise inventories	7,011	8,075
Prepaid expenses	7,424	8,110
Accounts receivable—other	29,285	32,645
Deferred tax assets	4,943	4,800
Other	2,466	3,080
Allowance for doubtful accounts	(97)	(149)
Total current assets	**145,009**	**160,157**
Fixed assets:		
Property and store equipment;		
Buildings and structures	192,865	219,536
Accumulated depreciation	(96,463)	(112,475)
Buildings and structures－net	96,401	107,061
Vehicles, tools, furniture and fixtures	61,156	63,563
Accumulated depreciation	(47,914)	(49,549)
Vehicles, tools, furniture and fixtures－net	13,241	14,013
Land	6,609	6,815
Lease assets	51,055	72,538
Accumulated depreciation	(9,120)	(18,400)
Lease assets－net	41,934	54,137
Construction in progress	646	1,806
Subtotal	**158,833**	**183,835**
Intangible fixed assets;		
Software	23,182	19,288
Software in progress	4,719	8,263
Goodwill	7,717	10,871
Other	477	553
Subtotal	**36,096**	**38,977**
Investments and Other;		
Investments in Securities	3,116	7,702
Long-term loans receivable	31,825	32,138
Long-term prepaid expenses	5,736	7,988
Lease deposits	81,654	83,665
Deferred tax assets	13,253	16,870
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,372	15,136
Other	1,184	832
Allowance for doubtful accounts	(16,047)	(15,851)
Subtotal	**136,096**	**148,483**
Total fixed assets	**331,026**	**371,295**
Total assets	**476,036**	**531,453**

Consolidated Balance Sheets (Unaudited) - Continued

		（Millions of yen）
	February 28, 2011	February 29, 2012
Current liabilities:		
Accounts payable —trade	13,014	13,761
Accounts payable —trade for franchised stores	68,384	74,501
Accounts payable — due to franchised stores	1,179	1,390
Current portion of long-term loans payable	—	500
Lease obligations	7,953	11,223
Accounts payable — other	18,101	17,419
Accounts payable — other for franchised stores	138	122
Income taxes payable	10,673	15,305
Consumption taxes payable	2,894	1,508
Accrued expenses	2,610	2,912
Deposits received	62,340	75,004
Accrued employees' bonuses	3,768	3,204
Provision for use of points granted	1,287	701
Asset retirement obligations	—	101
Other	248	322
Total Current liabilities	**192,595**	**217,978**
Long-term Liabilities;		
Long-term debt	500	—
Long-term lease obligations	28,253	37,902
Allowance for employees' retirement benefits	7,529	8,745
Allowance for retirement benefits to executive officers and corporate auditors	234	308
Deposits received from franchisees and lessees	37,139	35,735
Accumulated impairment loss on long-term leased assets	667	679
Asset retirement obligations	—	15,161
Other	650	280
Total Long-term Liabilities	**74,974**	**98,812**
Total Liabilities	**267,570**	**316,791**
Shareholders' equity;		
Common stock	58,506	58,506
Capital surplus	47,696	47,707
Retained earnings	99,608	107,249
Treasury stock	(1,693)	(1,627)
Total Shareholders' equity	**204,117**	**211,835**
Accumulated other comprehensive income;		
Net unrealized gain on available-for-sale securities	(4)	(11)
Land revaluation difference	(634)	(567)
Foreign currency translation adjustments	1	(101)
Total Accumulated other comprehensive income	**(638)**	**(680)**
Stock acquisition rights	**405**	**442**
Minority interests	**4,581**	**3,064**
Total net assets	**208,466**	**214,662**
Total Liabilities and net assets	**476,036**	**531,453**

(2) Consolidated Statements of Income (Unaudited)
For the fiscal year ended February 28, 2011 and February 29, 2012

	(Millions of yen)	
	February 28, 2011	February 29, 2012
Total operating revenues	**441,277**	**478,957**
Net sales	**192,329**	**208,063**
Cost of goods sold	143,101	156,245
Gross profit on sales	**49,228**	**51,817**
Operating revenues:		
Franchise commission from franchised stores	197,673	215,573
Other	51,274	55,320
Operating gross profit	**298,176**	**322,711**
Selling, general and administrative expenses	242,635	260,941
Operating profit	**55,540**	**61,769**
Non – operating income and expenses:		
Non – operating income;	**1,718**	**2,268**
Interest received	661	672
Compensation income for damage	64	44
Compensation income for removal	207	446
Equity in earnings of affiliates	311	380
Other	473	723
Non – operating expenses;	**2,665**	**2,309**
Interest expense	983	1,122
Loss on cancellation of store lease	1,224	661
Other	457	526
Recurring profit	**54,594**	**61,728**
Extraordinary gains and losses:		
Extraordinary gains;	**1**	**2,059**
Gain on step acquisitions	—	1,570
Gain on sales of investment securities	1	—
Gain on negative goodwill	—	291
Other	—	197
Extraordinary losses;	**10,184**	**17,502**
Loss on disposal of fixed assets	3,017	2,068
Loss on sales of fixed assets	1,303	40
Loss on impairment of long-lived assets	4,989	3,318
Loss on disaster	—	3,460
Impropriety-related loss	—	8,292
Other	873	320
Income before income taxes and minority interests	**44,411**	**46,285**
Income taxes:		
Income taxes - current	**16,551**	**22,963**
Deferred income taxes	**1,668**	**(2,321)**
Income before minority interests	—	**25,643**
Minority interests in income	**803**	**758**
Net profit	**25,386**	**24,885**

(3) Consolidated Statements of Comprehensive Income (Unaudited)
For the fiscal year ended February 29, 2012

	(Millions of yen)	
	February 28, 2011	February 29, 2012
Income before minority interests	—	**25,643**
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(6)
Land valuation difference	—	67
Foreign currency translation adjustment	—	(116)
Share of other comprehensive income of associates accounted for using equity	—	16
Total other comprehensive income	—	**(39)**
Comprehensive income	—	**25,603**
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	—	24,843
Comprehensive income attributable to minority interests	—	760

(4) Consolidated Statements of Changes in Net Assets (Unaudited)

	February 28, 2011	February 29, 2012
	(Millions of yen)	
Shareholders' equity:		
Common stock and preferred stock		
Balance at the end of the previous period	58,506	58,506
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	58,506	58,506
Capital surplus		
Balance at the end of the previous period	41,520	47,696
Changes during the current period		
Increase by share exchanges	6,176	—
Exercise of subscription rights to shares (Issuarance of treasury stock)	—	10
Total changes during the current period	6,176	10
Balance at the end of the current period	47,696	47,707
Retained earnings		
Balance at the end of the previous period	94,171	99,608
Changes during the current period		
Cash dividends paid	(16,422)	(17,177)
Net income	25,386	24,885
Disposal of treasury stock	(0)	—
Retirement of treasury stock	(3,528)	—
Reversal of land revaluation differences, net of tax	—	(67)
Total changes during the current period	5,436	7,640
Balance at the end of the current period	99,608	107,249
Treasury stock		
Balance at the end of the previous period	(1,713)	(1,693)
Changes during the current period		
Purchase of treasury stock	(3,510)	(3)
Exercise of subscription rights to shares (Issuarance of treasury stock)	—	69
Disposal of treasury stock	1	—
Retirement of treasury stock	3,528	—
Total changes during the current period	19	65
Balance at the end of the current period	(1,693)	(1,627)
Total Shareholders' equity		
Balance at the end of the previous period	192,485	204,117
Changes during the current period		
Increase by share exchanges	6,176	—
Cash dividends paid	(16,422)	(17,177)
Net profit	25,386	24,885
Purchase of treasury stock	(3,510)	(3)
Disposal of treasury stock	1	—
Reversal of land revaluation differences, net of tax	—	(67)
Total changes during the current period	11,632	7,717
Balance at the end of the current period	204,117	211,835

Consolidated Statements of Changes in Net Assets (Unaudited) - Continued

(Millions of yen)

	February 28, 2011	February 29, 2012
Accumulated other comprehensive income:		
Unrealized holding gains on securities, net of tax		
Balance at the end of the previous period	14	(4)
Changes during the current period		
Net changes of items other than shareholders' equity	(19)	(6)
Total changes during the current period	(19)	(6)
Balance at the end of the current period	(4)	(11)
Land revaluation difference, net of tax		
Balance at the end of the previous period	(634)	(634)
Changes during the current period		
Net changes of items other than shareholders' equity	—	67
Total changes during the current period	—	67
Balance at the end of the current period	(634)	(567)
Foreign currency translation adjustments		
Balance at the end of the previous period	65	1
Changes during the current period		
Net changes of items other than shareholders' equity	(64)	(102)
Total changes during the current period	(64)	(102)
Balance at the end of the current period	1	(101)
Total Accumulated other comprehensive income		
Balance at the end of the previous period	(554)	(638)
Reversal of land revaluation difference, net of tax	—	67
Changes during the current period		
Net changes of items other than shareholders' equity	(83)	(109)
Total changes during the current period	(83)	(42)
Balance at the end of the current period	(638)	(638)
Stock acquisition rights		
Balance at the end of the previous period	346	405
Changes during the current period		
Net changes of items other than shareholders' equity	59	37
Total changes during the current period	59	37
Balance at the end of the current period	405	442
Minority interests		
Balance at the end of the previous period	5,858	4,581
Changes during the current period		
Net changes of items other than shareholders' equity	(1,276)	(1,516)
Total changes during the current period	(1,276)	(1,516)
Balance at the end of the current period	4,581	3,064
Total net assets		
Balance at the end of the previous period	198,135	208,466
Changes during the current period		
Increase by share exchanges	6,176	—
Cash dividends paid	(16,422)	(17,177)
Net profit	25,386	24,885
Purchase of treasury stock	(3,510)	(3)
Exercise of subscription rights to shares (Issuarance of treasury stock)	—	80
Disposal of treasury stock	1	—
Net changes of items other than shareholders' equity	(1,301)	(1,588)
Total changes during the current period	10,331	6,195
Balance at the end of the current period	208,466	214,662

(5) Consolidated Statements of Cash Flows (Unaudited) - Continued
For the fiscal year ended February 28, 2011 and February 29, 2012

(Millions of yen)

	February 28, 2011	February 29, 2012
Operating activities:		
Income before income taxes	44,411	46,285
Depreciation of property and store equipment	33,083	37,845
Loss from disposal of fixed assets	1,468	2,064
Loss from disposal of intangible fixed assets	267	—
Loss on impairment of long-lived assets	4,989	3,318
Loss (gain) on sales of fixed assets	1,303	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	8,292
Loss on disaster	—	3,460
Gain on step acquisitions	—	(1,570)
Increase in provision for allowance for retirement benefits to employees	941	1,215
Increase in allowance for doubtful accounts	1,352	(384)
Equity in earnings (losses) of an affiliates	(311)	(290)
Interest received	(661)	(672)
Interest expense	983	1,122
Other-net	1,115	407
Decrease (increase) in accounts receivable due from franchised stores	4,631	(1,348)
Decrease (increase) in merchandise inventories	57	(920)
Decrease (increase) in accounts receivable—other	(1,237)	(1,444)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(1,788)	236
Increase (decrease) in accounts payable—trade and due to franchised stores	5,248	3,053
Increase (decrease) in accounts payable—other	(5,126)	(1,341)
Increase (decrease) in deposits received	(3,560)	12,656
Increase (decrease) in lease deposits from franchisee and lessees	(1,571)	(1,596)
Other-net	2,612	(1,804)
Subtotal	**88,208**	**108,583**
Interest received	661	673
Interest expenses paid	(982)	(1,122)
Income taxes paid	(15,676)	(18,405)
Loss on disaster paid	—	(3,372)
Net cash provided by operating activities	**72,210**	**86,356**

Consolidated Statements of Cash Flows (Unaudited) - Continued

	(Millions of yen)	
	February 28, 2011	February 29, 2012
Investing activities:		
Payments into time deposits	(26,304)	(20,404)
Proceeds from withdrawal of time deposits	25,374	20,104
Proceeds from redemption of marketable securities	2,500	—
Increase (decrease) in long-term loans receivable – net	(2,069)	(297)
Purchase of stocks of subsidiaries and affiliates	(650)	(6,335)
Proceeds from sales of stocks of subsidiaries and affiliates	225	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(809)	(982)
Proceeds from purchase of investments in subsidiaries resulting from change of scope of consolidation	455	—
Payments for transfer of business	—	(3,415)
Payment for acquisition of property and store equipment	(22,883)	(28,866)
Payment for acquisition of intangible fixed assets	(7,511)	(7,449)
Increase (decrease) in lease deposit –net	2,299	(1,932)
Increase (decrease) in long-term prepaid expenses	(1,045)	(3,511)
Other – net	(102)	177
Net cash used in investing activities	**(30,522)**	**(52,912)**
Financing activities:		
Repayments of lease obligations	(8,785)	(10,382)
Cash dividends paid	(16,422)	(17,177)
Purchase of treasury stock	(3,510)	—
Other –net	(80)	14
Net cash used in financing activities	**(28,798)**	**(27,544)**
Effect of exchange rate change on cash and cash equivalents	**(20)**	**8**
Net increase (decrease) in cash and cash equivalents	**12,868**	**5,908**
Cash and cash equivalents, beginning of year	**54,843**	**67,712**
Increase (decrease) in cash and cash equivalents resulting from chang of consolidation	—	**49**
Cash and cash equivalents at end of period	**67,712**	**73,670**

《Notes Concerning Going Concern Assumption》

None

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries: 10

Lawson HMV Entertainment, Inc..
Lawson ATM Networks, Inc.
BestPractice Inc.
Ninety-nine Plus Inc.
Cross Ocean Media, Inc
Lawson Toyama, Inc.
Chongqing Lawson, Inc.
Shanghai Hualian Lawson, Inc.
Dalian Lawson, Inc.
Lawson Asia Pacific Holdings Pte.Ltd.

Dalian Lawson, Inc, and Lawson Asia Pacific Holdings Pte.Ltd, which was established on 2012, became LAWSON's consolidated subsidiary.
LAWSON Toyama, Inc. became LAWSON's consolidated subsidiary because of its importance.
Shanghai Hualian Lawson, Inc. became LAWSON's consolidated subsidiary because of increase of the ownership.
LAWSON HMV ENTERTAINMENT, INC., which was established on September 1, 2011 through the merging of LAWSON ENTERMEDIA, INC. and HMV Japan K.K., is also engaged in entertainment/e-commerce-related business.

Radish Lawson Supermarket, Inc. categorized as a non-consolidated subsidiary, has been excluded from the application of the equity method because it has a negligible impact on total assets, net sales, net income, retained earnings, etc., and does not interfere with reasonable judgment of the corporate group's financial condition and business results.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 2

(Japan)
LAWSON Okinawa, Inc.
Venture Republic Inc.
(Other)
PT MIDI UTAMA INDONESIA Tbk

Venture Republic Inc. has been included the equity method because the acquisition date has arrived.

The Company does not apply the equity method to one affiliated company (KOBE HOT DELI Co., LTD. and Herushirru, Inc. and LAWSON Farm Chiba, Inc. and LAWSON Farm Kagoshima, Inc. and LAWSON Farm Tokachi, Inc. and LAWSON Farm Oita, Inc.) and Radish Lawson Supermarket, Inc. and LAWSON USA HAWAII ,INC. categorized as a non-consolidated subsidiary, because the financial figures such as net income, retained earnings, and others are negligibly insignificant in comparison with the Company's consolidated financial statements.
Venture Republic Inc. has been included the equity method because the acquisition date has arrived.

Among share method application companies, it is December 31 on the settling day of Venture Republic Inc. and PT MIDI UTAMA INDONESIA Tbk.. When creating the consolidated balance sheets, the Company used balance sheets created by provisional settlement based on the financial data at the end of the most recently settled fiscal quarter and, as required, made adjustments on a consolidated basis to take into account significant transactions that subsequently occurred in the interval until the end of the consolidated term.

3. Closing day for settlement of accounts of consolidated subsidiaries

The balance sheet date of Shanghai Hualian Lawson, Inc. and Chongqing Lawson, Inc.. and Dalian Lawson, Inc. are December 31. In order to prepare for the consolidated financial statements, temporary financial statements based on the latest quarterly financial statements are used and significant transactions which occur between the latest quarterly balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation. The fiscal year end date for the other consolidated subsidiaries correspond with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

Marketable securities and investments in securities:

Held-to-maturity debt securities: Carried at amortized cost.

Available-for-sale securities:

Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Other: Stated at cost determined by the moving-average method.

Inventories:

About the product, have adopted the retail cost method.

(For balance sheet is calculated by the method according to the book value write-down based on the reduction of profitability)

Certain consolidated subsidiaries have adopted the cost method individually.

(For balance sheet is determined by the method according to the book value write-down based on the reduction of profitability)

(2) Depreciation method of depreciable assets

Property and store equipment (except for lease assets):

Depreciation is mainly 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 (except for lease 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.

Lease assets:

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.

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.

Long - term prepaid expense

Amortization of long-term prepaid expense is computed by the straight - line method.

(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.

Provision for use of points granted:

The Company provides mainly MY LAWSON POINT holders and 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.

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. Actuarial differences will be mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is mainly amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

(Changes in accounting treatment)

Effective from the fiscal year ended March 31, 2011, the Company adopted the Partial Amendments to Accounting Standard for Retirement Benefits (Part 3) (ASBJ Statement No. 19, issued on July 31, 2008).

This change had no effect on operating income, ordinary income and income before income taxes and minority interests.

Allowance for Retirement Benefits to Directors and Corporate Auditors:

Allowance for retirement benefits to corporate auditors and executive officers of The Company, and to directors and corporate auditors of the certain consolidated subsidiary are calculated to state the liability at 100% of the amount that would be required if all corporate auditors, executive officers and directors resigned their services with the Company at the balance sheet date.

(4) Foreign Currency Transactions and Foreign Currency Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts as well as revenue and expense accounts of foreign affiliated companies are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" in a separate component of net assets.

(5) Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries, including the portion attributable to minority interests, are valued at their fair values at the respective dates when the subsidiaries were initially consolidated.

6. Amortization of Goodwill

Concerning goodwill, the amount is amortized on a straight-line basis over a maximum of 20 years, depending on the reason for the occurrence of goodwill.

7. 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.

《Important change in accounting method》

(Application of Accounting Standards etc. for Asset Retirement Obligations)

Effective from the current fiscal year, the Company has adopted the Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Implementation Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

As a result, operating profit and recurring profit decreased ¥967 million respectively, and income before income taxes declined ¥9,157 million.

(Accounting standards for equity method and Approach to adopt on Unification of affiliated companies accounted for under the equity method accounting)

Effective from the current fiscal year, the Company has adopted the Accounting standards for equity method (ASBJ Statement No. 16, March 10, 2008) and Approach to adopt on Unification of affiliated companies accounted for under the equity method accounting (Practical Solution No. 24, March 10, 2008).There is no impact.

(Application of Accounting Standard for Presentation of Comprehensive Income）

The Company is applying the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, June 30, 2010). To "Accumulated other comprehensive income" and "Accumulated other comprehensive income" in the previous fiscal year are presented in the amount of "total valuation and translation adjustments" and "valuation and translation adjustments" in the previous year.

《Notes to Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

As of February 28, 2011	As of February 29, 2012
1.Investment in affiliated companies Investments in securities (stock) ¥2,474 million Investment amount for jointly-controlled companies ¥100 million Other (other equity investments) ¥ 468 million	1.Investment in affiliated companies Investments in securities (stock) ¥7,175 million Investment amount for jointly-controlled companies ¥100 million Other (other equity investments) ¥ 96 million
2.Accounts receivable due from franchised stores, accounts payable due to franchised stores-the amounts of credits and debts incurred for the deal with franchised stores.	2.Same as in the left
3.Accounts payable-trade for franchised stores－the amounts payable to vendors for merchandise purchased by franchised stores.	3.Same as in the left
4.Accounts payable-other due for franchised stores －the amounts payable for supplies purchased by franchised stores.	4.Same as in the left
5.Deposits received from franchise and lessees-the amounts received from mainly franchised stores.	5.Same as in the left
6. Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as land revaluation difference. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥269 million	6. Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as land revaluation difference. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥287 million

Notes to Consolidated Statements of Income

(Millions of yen)

From March 1, 2009 to February 28, 2011		From March 1, 2009 to February 29, 2012	
1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.		1.Same as in the left	
2.Main account of selling, general and administrative expenses		2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	10,905	Sales promotion and advertising	14,146
Doubtful debt account	182	Doubtful debt account	8
Salary	43,403	Salary	45,399
Provision for accrued employees' bonuses	3,770	Provision for accrued employees' bonuses	3,880
Retirement benefit costs	1,810	Retirement benefit costs	1,884
Provision for allowance for retirement benefits to directors and corporate auditors	83	Provision for allowance for retirement benefits to directors and corporate auditors	88
Rent account	73,231	Rent account	78483
Depreciation of fixed assets	24,529	Depreciation of fixed assets	28,007
3.Distribution of loss on disposal of fixed assets		3.Distribution of loss on disposal of fixed assets	
Buildings and structures	2,012	Buildings and structures	1,422
Furniture, fixtures and equipment	743	Furniture, fixtures and equipment	541
Software	153	Leased property	100
Software development in progress	84	Software	2
Other	24	Other	1
4.Distribution of loss on sales of fixed assets		4.Distribution of loss on sales of fixed assets	
Buildings and Structures	1,228	Buildings and Structures	28
Furniture, fixtures and equipment	11	Furniture, fixtures and equipment	2
Land	61	Land	10
Other	1	Other	0

5. Loss on impairment of long-lived assets

The Group recognized an impairment loss mainly for each stores as the smallest category bear cash flows. The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on following assets due to a decline in value of the related asset categories due mainly to a continuous operating losses.

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	1,223
	Osaka	〃	192
	Others	〃	2,128
Others	—	Software	1,438
	—	Others	6
Total	—	—	4,989

Category by fixed assets

Buildings and Structure	2,043
Furniture, fixtures and equipment	380
Leased property	1,094
Software	1,438
Other	31

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 3.3% discount rate was mainly applied.

6. ―――――――

5. Loss on impairment of long-lived assets

The Group recognized an impairment loss mainly for each stores as the smallest category bear cash flows. The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on following assets due to a decline in value of the related asset categories due mainly to a continuous operating losses.

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	546
	Osaka	〃	557
	Others	〃	2,213
Total	—	—	3,318

Category by fixed assets

Buildings and Structure	2,101
Furniture, fixtures and equipment	251
Leased property	673
Land	155
Other	136

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 4.3% discount rate was mainly applied.

6. Loss on disaster

Loss of franchise support	1,793mil
Loss of fixed assets	644mil
Other	1,023mil
Total	3,460mil

(Notes to the Consolidated Statements of Income of Comprehensive Income)

For the fiscal year ended February 29,2012

Comprehensive income of previous year	(Millions of yen)
Comprehensive income attributable to owner of the parent	25,303
Comprehensive income attributable to minority interests	803
Total	26,106

Other comprehensive income of previous year	(Millions of yen)
Valuation difference on available-for-sale securities	(19)
Foreign currency translation adjustment	(20)
Share of other comprehensive income of associates accounted for using equity	(44)
Total	(83)

(Notes to the Consolidated Statements of Changes in Net assets)

Previous period (From March 1, 2010 to February 28, 2011)

1. Number of shares of outstanding stock and treasury stock.

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock Common stock (*1)	99,600	1,602	902	100,300
Treasury stock Common stock (*2)	432	903	902	433

(*1) The 1,602,000 increase in shares outstanding resulted from the 1,314,000 increase in shares outstanding due to the share exchange between the Company and Ninety-nine Plus Inc., effective as of July 1, 2010, and the 287,000 increase in shares outstanding due to the share exchange between the Company and LAWSON ENTERMEDIA, INC., effective as of July 1, 2010.The 902,000 decrease in shares outstanding resulted from the retirement of treasury stock.

(*2) The 903,000 share increase in treasury stock resulted from the 902,000 share increase due to acquisition of treasury stock in accordance with a Board of Directors' resolution and the 1,000 share increase due to purchase of stock less than one share unit.

The 902,000 share decrease in treasury stock resulted from the 902,000 share decrease due to retirement of treasury stock and the 0 thousand shares decrease due to requests for additional purchase of stock less than one share unit.

2. Stock acquisition rights and treasury stock acquisition rights

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			End of the previous period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	405
Total		—	—	—	—	—	405

3. Dividend

(1) Dividend payment

Date of resolution	Class of shares	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 25, 2010)	Common stock	7,933	80	As of February, 28, 2010	As of May, 26, 2010
Directors' meeting (October 12, 2010)	Common stock	8,488	85	As of August 31, 2010	As of November, 10, 2010

(2) Dividends for which effective date is after Balance sheet date of year-ended, among dividends attributed in the Current period.

Date of resolution	Class of shares	Reserve of Dividend	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 24, 2011)	Common stock	Retained Earnings	8,488	85	As of February, 28, 2011	As of May, 25, 2011

Current period (From March 1, 2011 to February 29, 2012)

1. Number of shares of outstanding stock and treasury stock.

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock Common stock	100,300	—	—	100,300
Treasury stock Common stock (*)	433	0	17	416

(*) The 0 thousand shares increase in treasury stock resulted from the 0 thousand shares increase due to purchase of stock less than one share unit.

The 17,000 share decrease in treasury stock resulted from the 17,000 share decrease due to exercise of a right for stock acquisition and the 0 thousand shares decrease due to requests for additional purchase of stock less than one share unit.

2. Stock acquisition rights and treasury stock acquisition rights

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			End of the previous period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	442
Total		—	—	—	—	—	442

3. Dividend

(1) Dividend payment

Date of resolution	Class of shares	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 25, 2011)	Common stock	8,488	85	As of February, 28, 2011	As of May, 26, 2011
Directors' meeting (October 13, 2011)	Common stock	8,688	87	As of August 31, 2011	As of November, 10, 2011

(2) Dividends for which effective date is after Balance sheet date of year-ended, among dividends attributed in the Current period.

Date of resolution	Class of shares	Reserve of Dividend	Amounts of dividend payment (Millions of yen)	Dividend per shares (yen)	Date recorded for dividend	Effective date
The General meeting of shareholders (May 24, 2011)	Common stock	Retained Earnings	9,289	93	As of February, 29, 2012	As of May, 30, 2012

Notes to the Consolidated Statements of Cash Flows

1. 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 February 28, 2011
Cash and bank deposits	79,074
Marketable securities	4,999
Time deposits, etc., for which the deposit period exceeds three months	(10,104)
Cash and cash equivalents	73,670

2. Description of significant non-fund transactions

Assets and liabilities related to finance lease transactions newly recognized for the year ended February 29, 2012 were 21,969 million yen respectively.

3. Details of assets and liabilities of companies that have been newly consolidated through the acquisition of shares

Assets and liabilities of the transfer of business at the time when it was newly consolidated through the additional acquisition of Investments in capital by the Company, as well as the acquisition price of shares in SHANGHAI HUALIAN LAWSON CO., LTD. and payment for acquisition were as follows:

	(Millions of yen)
Current assets	1,241
Fixed assets	590
Goodwill	2,675
Current liabilities	(1,226)
Fixed liabilities	(36)
Foreign currency translation adjustments	29
Minority interests	(85)
Acquisition price of Investments in capital in newly consolidated company	3,188
Gain on step acquisitions	(1,570)
Book amount before consolidated	(278)
Foreign currency translation adjustments	15
Cash and cash equivalents held by newly consolidated company	(368)
Actual cost of acquisition of shares in newly consolidated company	(982)

5. Details of assets and liabilities of companies that have been newly acquisited through the transfer of business

Assets and liabilities of the transfer of business when it was newly acquisited through the transfer of business by the Company, as well as the acquisition price of the transfer of business and payment for the transfer of business were as follows:

	(Millions of yen)
Current assets	281
Fixed assets	2,665
Goodwill	1,545
Current liabilities	(359)
Fixed liabilities	(526)
Acquisition price of the transfer of businesss	3,607
Cash and cash equivalents held by the business	(191)
Actual payment of acquisition of the business	3,415

Notes to Lease Contracts

1. Finance lease transactions (lessees)

Non-ownership-transferred finance lease transactions

(i) Details of leased assets

Mainly store furniture (including fixtures and fittings) used in the convenience store business

(ii) Depreciation method for leased assets

As stated in the Basis of Presentation of the Consolidated Financial Statements under "4.Accounting standards (2) Depreciation methods for important depreciable assets."

With regard to non-ownership-transferred finance lease transactions whose effective date of lease transaction precedes February 28, 2009, the Company applies the accounting method that it uses to account for ordinary lease transactions. Details of the transaction are summarized below.

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

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Furniture, fixtures and equipment		
Acquisition cost	44,128	30,181
Accumulated depreciation	27,880	21,057
Accumulated impairment loss	1,128	754
Leased property	15,119	8,368

(2) Obligations under finance leases

Furniture, fixtures and equipment		
Due within one year	6,970	4,324
Due after one year	10,076	5,411
Total	17,047	9,735
Allowance for impairment loss on leased property	760	760

(3) Lease payments, depreciation expense, interest expense and impairment loss

Lease payments	9,290	6,940
Transfer from allowance for impairment loss on leased property	553	444
Depreciation expense	8,973	6,627
Interest expense	631	389
Impairment loss	861	388

(4) 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.

(5) Computation method of interest expense

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

2. Operating lease contracts

Obligations under operation leases

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Due within one year	785	910
Due after one year	1,320	1,526
Total	2,106	2,437

Notes to Market Value Information of Securities

(As of February 28, 2011)

1. Information regarding marketable held-to-maturity debt securities as of February 28, 2011, was as follows:

(Millions of yen)

Description	Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	Government and municipal bonds, etc.	—	—	—
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Securities with book value per consolidated balance sheets exceeding market value	Government and municipal bonds, etc.	2,999	2,999	(0)
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	2,999	2,999	(0)
Total		2,999	2,999	(0)

2. Information regarding marketable available-for-sale securities as of February 28, 2011, was as follows:

(Millions of yen)

Description	Type	Book value per consolidated balance sheets	Cost	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets Stock	Equity	—	—	—
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Securities with book value per consolidated balance sheets exceeding cost Stock	Equity	144	166	(21)
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	144	166	(21)
Total		144	166	(21)

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
54	1	13

(As of February 29, 2012)

1. Information regarding marketable held-to-maturity debt securities as of February 29, 2012, was as follows:

(Millions of yen)

Description	Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	Government and municipal bonds, etc.	—	—	—
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Securities with book value per consolidated balance sheets exceeding market value	Government and municipal bonds, etc.	4,999	4,999	(0)
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	4,999	4,999	(0)
Total		4,999	4,999	(0)

2. Information regarding marketable available-for-sale securities as of February 29, 2012, was as follows:

(Millions of yen)

Description	Type	Book value per consolidated balance sheets	Cost	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets Stock	Equity	5	3	1
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	5	3	1
Securities with book value per consolidated balance sheets exceeding cost Stock	Equity	109	166	(56)
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	109	166	(56)
Total		115	169	(54)

3. Information regarding available-for-sale securities sold during the year was as follows:
none

Note to Derivative Transactions

(As of February 28, 2011)
None of disclosure is required because The Lawson group made no derivative transactions.
(As of February 29, 2012)
None of disclosure is required because of its small effect for the Lawson group.

Note to Retirement Benefits

From March 1, 2010 to February 28, 2011

1. Summary of the retirement benefit plans adopted
   The Company and certain domestic subsidiary have defined benefit - lump - sum severance indemnity plans which cover substantially all of their employees.
   The Company established a trust fund for its lump - sum severance indemnity plan. In addition, the Company has a defined Contribution plan for severance payments.

2. Projected benefit obligations

		(Millions of yen)
a	Projected benefit obligations	(13,676)
b	Plan assets	5,577
c	Projected benefit obligation in excess of plan assets (a + b)	(8,099)
d	Unrecognized prior service cost	527
e	Unrecognized actuarial differences	42
f	Reported amount on the consolidated balance sheets, net (c + d + e)	(7,529)

Notes: Consolidated subsidiaries adopted the simplified method to calculate the projected benefit obligation.

3. Net periodic benefit cost

		(Millions of yen)
a	Service cost	1,028
b	Interest cost	249
c	Amortization of prior service cost	174
d	Amortization of actuarial differences	85
e	Net periodic benefit cost(a+b+c+d)	1,537
f	Contribution to defined contribution plan	271
g	Total (= e + f)	1,809

Notes: Net periodic benefit cost for consolidated subsidiaries, which adopted the simplified method, are included in “a. Service cost.”

4. Basis of calculation of projected benefit obligations

a	Discount rate	2.0 %
b	Expected rate of return on plan assets	0 %
c	Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period)
d	Amortization period of prior service cost	10 years
e	Recognition of actuarial differences	10 years

d: Prior service cost is amortized, starting the fiscal year incurred, on a straight-line basis over a certain period within an average remaining service period of employees.

e: Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period within an average remaining service period of employees at the time of their occurrence.

From March 1, 2011 to February 29, 2012

1. Summary of the retirement benefit plans adopted

The Company and certain domestic subsidiary have defined benefit - lump - sum severance indemnity plans which cover substantially all of their employees.

The Company established a trust fund for its lump - sum severance indemnity plan. In addition, the Company has a defined Contribution plan for severance payments.

2. Projected benefit obligations

		(Millions of yen)
a	Projected benefit obligations	(14,890)
b	Plan assets	5,577
c	Projected benefit obligation in excess of plan assets (a + b)	(9,312)
d	Unrecognized prior service cost	351
e	Unrecognized actuarial differences	216
f	Reported amount on the consolidated balance sheets, net (c + d + e)	(8,745)

Notes: Consolidated subsidiaries adopted the simplified method to calculate the projected benefit obligation.

3. Net periodic benefit cost

		(Millions of yen)
a	Service cost	1,076
b	Interest cost	265
c	Amortization of prior service cost	173
d	Amortization of actuarial differences	92
e	Net periodic benefit cost(a+b+c+d)	1,607
f	Contribution to defined contribution plan	277
g	Total (= e + f)	1,884

Notes: Net periodic benefit cost for consolidated subsidiaries, which adopted the simplified method, are included in "a. Service cost."

4. Basis of calculation of projected benefit obligations

a	Discount rate	2.0 %
b	Expected rate of return on plan assets	0 %
c	Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period)
d	Amortization period of prior service cost	10 years

Prior service cost is amortized, starting the fiscal year incurred, on a straight-line basis over a certain period within an average remaining service period of employees.

e	Recognition of actuarial differences	10 years

Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period within an average remaining service period of employees at the time of their occurrence.

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Deferred tax assets		
Enterprise taxes payable	935	1,281
Accrued employees' bonuses	1,562	1,304
Excess of depreciation	6,832	9,051
Excess of amortization of software	788	739
Allowance for employees' retirement benefits	5,333	5,230
Allowance for doubtful accounts	3,377	3,503
Impairment loss	3,288	2,929
Tax loss carryforward	5,421	5,609
Loss on replacement of computer system	—	—
Other	3,302	3,503
Subtotal of deferred tax assets	30,842	33,154
Valuation allowances	(10,304)	(9,433)
Total deferred tax assets	20,537	23,721
Affiliates' stock (paid-in capital decrease)	(2,340)	(2,050)
Total deferred tax liabilities	(2,340)	(2,050)
Deferred tax assets-net	18,197	21,670

2. The difference between the normal effective statutory tax rate and the actual effective tax rate for previous fiscal year is reconciled as follows:

(As of February 28, 2011)
The reconciliation between the statutory tax rate and the effective tax rate for previous and current fiscal year has not been disclosed because the difference is less than 5% of the statutory tax rate.

(As of February 29, 2012)

The reconciliation between the statutory tax rate	40.7%
(Adjustments)	
Increase of Valuation allowances	(1.4%)
Tax loss carryforward	0.2%
Residents' tax	0.7%
Permanent difference in entertainment expenses	0.5%
Decrease in deferred tax assets due to tax rate changes	3.1%
Other	0.8%
the effective tax rate for previous and current fiscal year	44.6%

3. Fix the amount of deferred tax assets due to changes in statutory tax rate
Implementing measures for the reconstruction from effects of the Great East Japan Earthquake and the law to revise the part of the income tax, etc. in order to build a tax system in response to changes in the structure of the economy and society "(Law No. 114) of the corporate tax rate from fiscal year will be promulgated on December 2, 2011 special Measures Law "(No. 117) concerning the assurance of the financial resources needed to, beginning on or after April 1, 2012 became that special corporate income tax cuts and reconstruction is carried out.

As a result, the statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities for fiscal years beginning on March 1, 2015 for fiscal years beginning on March 1, 2013 from 40.7% of conventional temporary differences are expected to eliminate 38.0% to, eliminate temporary differences are expected for fiscal years beginning on or after March 1, Heisei 28 will be 35.6%.

The effect of this tax rate change (net of the amount of deferred tax liabilities) the amount of deferred tax assets decreased by ¥ 1,586 million and income taxes will have increased by 1,586 million yen.

Segment Information

From March 1, 2010 to February 28, 2011

1. Business segment information

   (From March 1, 2010 to February 28, 2011)

   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 both current and previous fiscal years, therefore information by industry segment is excluded.

2. Geographic segment information

   (From March 1, 2010 to February 28, 2011)

   Net sales in Japan account for more than 90% of total net sales at all segments for current fiscal years, therefore geographical segment information is excluded.

3. Overseas sales

   (From March 1, 2010 to February 28, 2011)

   Overseas sales account for less than 10% of consolidated sales at all segments for both current and previous fiscal years, therefore, overseas sales information is excluded.

From March 1, 2011 to February 29, 2012

i) Outline of reporting segments

The Company’s financial information is provided separately by reporting segment and is subject to regular review by the board of directors with regard to the allocation of managerial resources and performance evaluation.The Group’s primary business is the operation of convenience stores, which is undertaken by the incorporation of related businesses.

Therefore, the Group has made the convenience store unit its main reporting segment, based on consideration of financial characteristics and the nature of the services provided.

LAWSON, 99plus and LAWSON Toyama running the LAWSON, NATURAL LAWSON, LAWSON STORE 100 and other chains, the convenience store unit operates a franchise system as well as undertaking the direct management of stores in Japan.

ii) Information related to the amount of sales, profit and loss by segment

from March 1, 2010, to February 28, 2011)

(Millions of yen)

	Convenience Store business	Others (Note 1)	Total	Adjusted amount	Amount posted on the Consolidated profit and loss statement (Note 2)
Total operating revenues					
Sales to external customers	403,647	37,630	441,277	—	441,277
Internal sales or transfers between segments	1,651	2,073	3,724	(3,724)	—
Total	405,298	39,703	445,002	(3,724)	441,277
Segment profit	51,395	4,107	55,503	36	55,540
Segment asset	459,902	30,637	490,540	(14,503)	476,036
Other					
depriciation	30,700	1,684	32,384	—	32,384
Goodwill depreciation	557	175	733	(34)	698
Invest for affiliates	1,724	—	1,724	—	1,724
Increase of fixed assets	29,853	540	30,394	—	30,394

(Note)

1. The “others” category refers to business segments that do not fall under the main reporting segment and includes the entertainment/e-commerce segment and overseas segment.

2. The segment profit is adjusted against the operating profits consolidated.

from March 1, 2011, to February 29, 2012)

(Millions of yen)

	Convenience Store business	Others(Note 1)	Total	Adjusted amount	Amount posted on the Consolidated profit and loss statement (Note 2)
Total operating revenues					
Sales to external customers	413,899	65,057	478,957	—	478,957
Internal sales or transfers between segments	1,975	2,129	4,105	(4,105)	—
Total	415,875	67,187	483,062	(4,105)	478,957
Segment profit	57,371	4,445	61,816	(46)	61,769
Segment asset	520,992	46,607	567,599	(36,146)	531,453
Other					
depriciation	34,376	2,520	36,896	—	36,896
Goodwill depreciation	676	306	983	(34)	948
Invest for affiliates	2,786	4,241	7,027	—	7,027
Increase of fixed assets	35,288	1,027	36,315	—	36,315

(Note)
1. The “others” category refers to business segments that do not fall under the main reporting segment and includes the entertainment/e-commerce segment and overseas segment.
2. The segment profit is adjusted against the operating profits consolidated.

(Additional Information)
Effective from this fiscal period, the "Accounting Standards for Disclosure of Segment Information, Etc." (ASBJ Statement No. 17, March 27,2009) and the "Guidance for Application of the Accounting Standards for Disclosure of Segment Information, Etc."(ASBJ Guidance No. 20, March 21, 2008) shall apply here to.

Related Party Transactions

(As of February 28, 2011)

Companies with the Same Parent as the Company Submitting Consolidated Financial Statements and Other Subsidiaries of Affiliates of the Company Submitting Consolidated Financial Statements

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	3,285	Accounts payable-trade	210
								(Purchases for the franchised stores)	(74,708)	Accounts payable-trade for franchised stores	5,348
	Food Service Network Co.,Ltd	Chuo-ku, Tokyo	2,000	Sales of fast foods and daily delivered foods	(Ownership) Direct — Indirect —	—	Vendor	Purchases for the Company-operated stores	10,229	Accounts payable-trade	732
								(Purchases for the franchised stores)	(227,351)	Accounts payable-trade for franchised stores	19,387

Transaction conditions and the principles on the decision thereof：

The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, the Company acts as an alternative payer, not as direct party of purchase.

Companies with the Same Parent as the Company Submitting Consolidated Financial Statements and Other Subsidiaries of Affiliates of the Company Submitting Consolidated Financial Statements

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	49,976	Accounts payable-trade	3,760
								(Purchases for the franchised stores)	(9,347)	Accounts payable-trade for franchised stores	1,241

Transaction conditions and the principles on the decision thereof：

The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, consolidated subsidiary acts as an alternative payer, not as direct party of purchase.

(As of February 29, 2012)

Companies with the Same Parent as the Company Submitting Consolidated Financial Statements and Other Subsidiaries of Affiliates of the Company Submitting Consolidated Financial Statements

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	3,268	Accounts payable-trade	210
								(Purchases for the franchised stores)	(101,071)	Accounts payable-trade for franchised stores	5,348
	Food Service Network Co.,Ltd	Chuo -ku, Tokyo	2,000	Sales of fast foods and daily delivered foods	(Ownership) Direct — Indirect —	—	Vendor	Purchases for the Company-operated stores	9,614	Accounts payable-trade	732
								(Purchases for the franchised stores)	(267,302)	Accounts payable-trade for franchised stores	19,387

Transaction conditions and the principles on the decision thereof：

The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, the Company acts as an alternative payer, not as direct party of purchase.

Companies with the Same Parent as the Company Submitting Consolidated Financial Statements and Other Subsidiaries of Affiliates of the Company Submitting Consolidated Financial Statements

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	50,838	Accounts payable-trade	4,147
								(Purchases for the franchised stores)	(21,620)	Accounts payable-trade for franchised stores	1,811

Transaction conditions and the principles on the decision thereof：

The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, consolidated subsidiary acts as an alternative payer, not as direct party of purchase.

Notes regarding significant subsequent events

Previous period (From March 1, 2010 to February 28, 2011)
As a result of the earthquake off the pacific coast of Tohoku, which occurred on March 11, 2011, some of the LAWSON Group stores in the Tohoku region and the Kanto region including Ibaragi Prefecture have been affected. Some of their merchandise and fittings fell, tipped over or broke and buildings have been damaged or suffered from power outages. Some of the stores, mainly in Iwate and Miyagi Prefectures, remained closed or opening hours were shortened. In addition, due to the influence of the planned power outages mainly in the Kanto region, opening hours have been shortened for some stores and there has been a delay in the delivery of goods. The extent of the damage to the Company caused by this earthquake is currently being studied. The influence on the Company's operational activities, etc., the outlook for recovery and the amount of damage including the cost of repairs are not yet clear.

Present period (From March 1, 2011to February 29, 2012)
None

5. Non-Consolidated Financial Statements etc.

(1) Non-Consolidated Balance Sheets (Unaudited)

As of February 28, 2011 and February 29, 2012

（Millions of yen）

	February 28, 2011	February 29, 2012
Current assets:		
Cash and bank deposits	68,743	75,389
Accounts receivable—due from franchised stores	15,661	18,064
Marketable securities	2,999	4,999
Merchandise inventories	862	807
Prepaid expenses	6,599	7,070
Accounts receivable—other	23,641	26,212
Deferred tax assets	3,344	3,122
Other	1,459	2,245
Allowance for doubtful accounts	(77)	(73)
Total current assets	**123,234**	**137,840**
Fixed assets:		
Property and store equipment;		
Buildings	146,815	166,654
Accumulated depreciation	(68,710)	(79,968)
Buildings－net	78,104	86,686
Structures	33,709	35,825
Accumulated depreciation	(22,492)	(24,699)
Structures－net	11,216	11,126
Vehicles, tools, furniture and fixtures	53,619	56,049
Accumulated depreciation	(42,656)	(44,164)
Vehicles, tools, furniture and fixtures－net	10,962	11,884
Land	6,609	6,815
Lease assets	41,140	57,959
Accumulated depreciation	(7,063)	(14,171)
Lease assets－net	34,076	43,787
Construction in progress	643	1,776
Subtotal	**141,614**	**162,075**
Intangible fixed assets;		
Goodwill	1,163	871
Right of leasehold	84	84
Right of trademark	85	82
Right of telephone	288	287
Software	21,627	17,891
Software in progress	4,674	8,194
Other	2	1
Subtotal	**27,925**	**27,413**
Investments and Other;		
Investments in Securities	438	460
Stocks of subsidiaries and affiliates	16,656	27,288
Investments in affiliated limited	924	3,006
Long-term loans receivable	31,756	32,075
Long-term loans receivable from subsidiaries and affiliates	8,100	9,907
Long-term prepaid expenses	5,252	7,551
Lease deposits	77,164	78,450
Deferred tax assets	11,693	14,475
Other	1,662	1,502
Allowance for doubtful accounts	(1,601)	(1,380)
Subtotal	**152,046**	**173,337**
Total fixed assets	**321,586**	**362,826**
Total assets	**444,821**	**500,667**

Non-Consolidated Balance Sheets (Unaudited) - Continued

（Millions of yen）

	February 28, 2011	February 29, 2012
Current liabilities:		
Accounts payable —trade	1,907	1,796
Accounts payable —trade for franchised stores	65,725	70,955
Accounts payable — due to franchised stores	1,171	1,006
Short-term loans payable to subsidiaries and affiliates	5,870	15,830
Lease obligations	5,893	8,545
Accounts payable — other	13,396	13,780
Accounts payable — other for franchised stores	138	122
Income taxes payable	9,738	14,259
Consumption taxes payable	2,635	1,046
Accrued expenses	1,821	1,757
Deposits received	52,548	63,587
Accrued employees' bonuses	3,610	3,012
Provision for use of points granted	925	556
Other	14	147
Total Current liabilities	**165,398**	**196,405**
Long-term Liabilities;		
Long-term lease obligations	22,612	30,699
Allowance for employees' retirement benefits	7,036	8,188
Allowance for retirement benefits to executive officers and corporate auditors	212	289
Deposits received from franchisees and lessees	37,240	35,718
Accumulated impairment loss on long-term leased assets	562	655
Asset retirement obligations	—	11,642
Other	310	241
Total Long-term Liabilities	**67,974**	**87,435**
Total Liabilities	**233,372**	**283,840**
Shareholders' equity;		
Common stock	58,506	58,506
Capital surplus		
Additional paid-in capital	47,696	47,696
Other	—	10
Total capital surplus	47,696	47,707
Retained earnings		
Legal reserve	727	727
Other legal reserve		
General reserve	50,000	50,000
Earned surplus brought forward	56,455	61,673
Total retained earnings	107,182	112,400
Treasury stock	(1,693)	(1,627)
Total Shareholders' equity	**211,692**	**216,986**
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(14)	(35)
Land revaluation difference	(634)	(567)
Valuation and translation adjustments	**(648)**	**(602)**
Stock acquisition rights	**405**	**442**
Total net assets	**211,448**	**216,826**
Total Liabilities and net assets	**444,821**	**500,667**

(2) Non-Consolidated Statements of Income (Unaudited)

For the fiscal year ended February 28, 2011 and February 29, 2012

(Millions of yen)

	February 28, 2011	February 29, 2012
Total operating revenues	**263,209**	**272,498**
Net sales	**46,641**	**39,417**
Cost of goods sold		
Inventory at beginning of year	1,063	862
Purchase amount	32,852	27,980
Total	33,915	28,843
Inventory at end of year	862	807
Cost of goods sold	33,053	28,035
Gross profit on sales	**13,587**	**11,382**
Operating revenues:		
Franchise commission from franchised stores	193,746	209,045
Other	22,821	24,035
Operating gross profit	**230,156**	**244,462**
Selling, general and administrative expenses	179,945	188,199
Operating profit	**50,210**	**56,263**
Non – operating income and expenses:		
Non – operating income;	**1,297**	**1,638**
Interest received	679	725
Compensation income for damage	64	—
Compensation income for removal	177	348
Other	376	564
Non – operating expenses;	**2,195**	**1,791**
Interest expense	768	850
Loss on cancellation of store lease	1,075	579
Other	351	361
Recurring profit	**49,312**	**56,110**
Extraordinary gains and losses:		
Extraordinary gains;	**75**	**97**
Gain on sales of fixed assets	—	50
Gain on sales of investment securities	1	—
Gain on sales of subsidiaries and affiliates' stock	73	—
Gain on reversal of subscription rights to shares	—	44
Other	—	2
Extraordinary losses;	**7,180**	**15,074**
Loss on disposal of fixed assets	2,926	1,888
Loss on sales of fixed assets	1,303	—
Loss on impairment of long-lived assets	2,410	2,764
Loss on disaster	—	3,229
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	6,823
Other	540	369
Income before income taxes and minority interests	**42,206**	**41,133**
Income taxes:		
Income taxes - current	14,984	21,216
Deferred income taxes	2,579	(2,545)
Net profit	**24,643**	**22,462**

(3) Non-Consolidated Statements of Changes in Net Asset

(Millions of yen)

	February 28, 2011	February 29, 2012
Shareholders' equity:		
Common stock and preferred stock		
Balance at the end of the previous period	58,506	58,506
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	58,506	58,506
Capital surplus common stock and preferred stock		
Balance at the end of the previous period	41,520	47,696
Changes during the current period		
Increase by share exchanges	6,176	—
Total changes during the current period	6,176	—
Balance at the end of the current period	47,696	47,696
Other capital surplus		
Balance at the end of the previous period	—	—
Changes during the current period		
Exercise of subscription rights to shares (Issuance of treasury stock)	—	10
Total changes during the current period	—	10
Balance at the end of the current period	—	10
Total capital surplus		
Balance at the end of the previous period	41,520	47,696
Changes during the current period		
Increase by share exchanges	6,176	—
Exercise of subscription rights to shares (Issuance of treasury stock)	—	10
Total changes during the current period	6,176	10
Balance at the end of the current period	47,696	47,707
Retained earnings		
Legal earnings reserve		
Balance at the end of the previous period	727	727
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	727	727
Other earned surplus		
Special reserve fund		
Balance at the end of the previous period	50,000	50,000
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	50,000	50,000
Earned surplus carried forward		
Balance at the end of the previous period	51,762	56,455
Changes during the current period		
Cash dividends paid	(16,422)	(17,177)
Net profit	24,643	22,462
Disposal of treasury stock	(0)	—
Retirement of treasury stock	(3,528)	—
Reversal of land revaluation differences, net of tax	—	(67)
Total changes during the current period	4,692	5,217
Balance at the end of the current period	56,455	61,673
Total retained earnings		
Balance at the end of the previous period	102,490	107,182
Changes during the current period		
Cash dividends paid	(16,422)	(17,177)
Net profit	24,643	22,462
Disposal of treasury stock	(0)	—
Retirement of treasury stock	(3,528)	—
Reversal of land revaluation differences, net of tax	—	(67)
Total changes during the current period	4,692	5,217
Balance at the end of the current period	107,182	112,400

Non-Consolidated Statements of Changes in Net Assets - Continued

(Millions of yen)

	February 28, 2011	February 29, 2012
Treasury stock		
Balance at the end of the previous period	(1,713)	(1,693)
Changes during the current period		
Purchase of treasury stock	(3,510)	(3)
Disposal of treasury stock	1	—
Retirement of treasury stock	3,528	—
Exercise of subscription rights to shares (Issuance of treasury stock)	—	69
Total changes during the current period	19	65
Balance at the end of the current period	(1,693)	(1,627)
Total shareholders' equity		
Balance at the end of the previous period	200,803	211,692
Changes during the current period		
Increase by share exchanges	6,176	—
Cash dividends paid	(16,422)	(17,177)
Net profit	24,643	22,462
Purchase of treasury stock	(3,510)	(3)
Disposal of treasury stock	1	—
Reversal of land revaluation differences, net of tax	—	(67)
Exercise of subscription rights to shares (Issuance of treasury stock)	—	80
Total changes during the current period	10,888	5,294
Balance at the end of the current period	211,692	216,986
Valuation and translation adjustments:		
Unrealized holding gains on securities, net of tax		
Balance at the end of the previous period	(8)	(14)
Changes during the current period		
Net changes of items other than shareholders' equity	(5)	(21)
Total changes during the current period	(5)	(21)
Balance at the end of the current period	(14)	(35)
Land revaluation difference, net of tax		
Balance at the end of the previous period	(634)	(634)
Changes during the current period		
Reversal of revaluation reserve for land	—	67
Net changes of items other than shareholders' equity	—	—
Total changes during the current period	—	67
Balance at the end of the current period	(634)	(567)
Total valuation and translation adjustments		
Balance at the end of the previous period	(643)	(648)
Changes during the current period		
Reversal of revaluation reserve for land	—	67
Net changes of items other than shareholders' equity	(5)	(21)
Total changes during the current period	(5)	45
Balance at the end of the current period	(648)	(602)
Stock acquisition rights		
Balance at the end of the previous period	346	405
Changes during the current period		
Net changes of items other than shareholders' equity	59	37
Total changes during the current period	59	37
Balance at the end of the current period	405	442

Total net assets		
Balance at the end of the previous period	200,506	211,448
Changes during the current period		
Increase by share exchanges	6,176	—
Cash dividends paid	(16,422)	(17,177)
Net profit	24,643	22,462
Purchase of treasury stock	(3,510)	(3)
Disposal of treasury stock	1	—
Reversal of revaluation reserve for land	—	—
Exercise of subscription rights to shares (Issuance of treasury stock)	—	80
Net changes of items other than shareholder's equity	53	15
Total changes during the current period	10,942	5,377
Balance at the end of the current period	211,448	216,826

《Notes Concerning Going Concern Assumption》

None

《Summary of Significant Accounting Policies》

1. 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 net assets. The cost of securities sold is determined based on the moving-average method.

Other: Stated at cost determined by the moving-average method.

2. Inventories:

About the product, have adopted the retail cost method.

(For balance sheet is calculated by the method according to the book value write-down based on the reduction of profitability)

3. Depreciation method of depreciable assets

Property and store equipment(except lease assets):

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:(except lease 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.

Lease assets:

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.

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.

Long - term prepaid expense

Amortization of long-term prepaid expense is computed by the straight - line method.

4. 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.

Provision for use of points granted:

The Company provides mainly MY LAWSON POINT holders and 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.

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. Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

Allowance for retirement benefits to directors and corporate auditors:

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

5. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

《Important change in accounting method》

Application of Accounting Standards etc. for Asset Retirement Obligations

Effective from the current fiscal year, the Company has adopted the Accounting Standards for Asset Retirement Obligations (ASBJ Statement No. 18, March 31, 2008) and the Implementation Guidance on Accounting Standards for Asset Retirement Obligations (ASBJ Guidance No. 21, March 31, 2008).

As a result, operating income and ordinary income decreased ¥625 million respectively, and income before income taxes declined ¥7,472 million.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

As of February 28, 2011	As of February 29, 2012
1.Accounts receivable due from franchised stores, accounts payable due to franchised stores-the amounts of credits and debts incurred for the deal with franchised stores.	1.Same as in the left
2.Accounts payable-trade for franchised stores－the amounts payable to vendors for merchandise purchased by franchised stores.	2.Same as in the left
3.Accounts payable-other due for franchised stores －the amounts payable for supplies purchased by franchised stores.	3.Same as in the left
4.Deposits received from franchise and lessees-the amounts received from mainly franchised stores.	4.Same as in the left
5.—	5. Contingent liabilities we provide guaranteed payable for the following affiliated companies, Ninety-nine Plus Inc. ¥1,045mil
6..Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in net assets as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥269million	6. Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as land revaluation difference. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥287 million

Notes to Non-consolidated Statements of Income

(Millions of yen)

From March 1, 2010 to February 28, 2011		From March 1, 2011to February 29, 2012	
1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.		1.Same as in the left	
2.Main account of selling, general and administrative expenses		2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	8,961	Sales promotion and advertising	11,144
Salary	23,125	Salary	23,447
Provision for accrued employees' bonuses	3,610	Provision for accrued employees' bonuses	3,012
Retirement benefit costs	1,738	Retirement benefit costs	1,760
Provision for allowance for retirement benefits to directors and corporate auditors	51	Provision for allowance for retirement benefits to directors and corporate auditors	77
Rent account	66,621	Rent account	69,738
Depreciation of fixed assets	21,312	Depreciation of fixed assets	24,191
3.Distribution of loss on disposal of fixed assets		3.Distribution of loss on disposal of fixed assets	
Buildings	1,731	Buildings	1,140
Structures	228	Structures	130
Furniture, fixtures and equipment	720	Furniture, fixtures and equipment	520
Software	146	Software	96
Software development in progress	84		
Others	15		
4.Distribution of loss on sales of fixed assets		4.Distribution of loss on sales of fixed assets	
Buildings	1,227	Buildings	22
structures	0	structures	5
Furniture, fixtures and equipment	11	Furniture, fixtures and equipment	2
Telephone subscription rights	61	Land	10
	1	Telephone subscription rights	0

5. Loss on impairment of long-lived assets

The Group recognized an impairment loss mainly for each stores as the smallest category bear cash flows.

The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on following assets due to a decline in value of the related asset categories due mainly to a continuous operating losses

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	468
	Osaka	〃	85
	Others	〃	1,790
Others	—	Software	66
Total	—	—	2,410

Category by fixed assets	(Millions of yen)
Buildings	1,435
Structure	179
Furniture, fixtures and equipment	211
Land	492
Leased property	66
Other	25

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 4.9% discount rate was applied.

5. Loss on impairment of long-lived assets

The Group recognized an impairment loss mainly for each stores as the smallest category bear cash flows.

The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on following assets due to a decline in value of the related asset categories due mainly to a continuous operating losses

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	465
	Osaka	〃	500
	Others	〃	1,798
Total	—	—	2,764

Category by fixed assets	(Millions of yen)
Buildings	1,427
Structure	189
Furniture, fixtures and equipment	201
Leased property	664
Land	155
Other	125

Recoverable value of the assets of the Group is the higher amount of net selling price or value in use. Not selling price of land was calculated based on appraised value by real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which the 3.3% discount rate was applied.

6. Loss on disaster

Loss of franchise support	1,749mil
Loss of fixed assets	546mil
Other	932mil
Total	3,229mil

Notes to the Non - consolidated Statements of Changes in Net assets

Previous period (From March 1, 2010 to February 28, 2011)

Number of shares of treasury stock

	Number of shares at the end of previous period (thousand shares)	Increase during the current period (thousand shares)	Decrease during the current period (thousand shares)	Number of shares at the end of the current period (thousand shares)
Common stock	432	903	902	433

Note: The 903,000 share increase in treasury stock resulted from the 902,000 share increase due to acquisition of treasury stock in accordance with a Board of Directors' resolution and the 1,000 share increase due to purchase of stock less than one share unit.

The 902,000 share decrease in treasury stock resulted from the 902,000 share decrease due to retirement of treasury stock and the 0 thousand shares decrease due to requests for additional purchase of stock less than one share unit.

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Current period (From March 1, 2011 to February 29, 2012)

Number of shares of treasury stock

	Number of shares at the end of previous period (thousand shares)	Increase during the current period (thousand shares)	Decrease during the current period (thousand shares)	Number of shares at the end of the current period (thousand shares)
Common stock	433	0	17	416

Note: The 0 thousand shares increase in treasury stock resulted from the 0 thousand shares increase due to purchase of stock less than one share unit.

The 17,000 share decrease in treasury stock resulted from the 17,000 share decrease due to exercise of a right for stock acquisition and the 0 thousand shares decrease due to requests for additional purchase of stock less than one share unit.

Notes to Lease Contracts

1. Finance lease transactions (lessees)
Non-ownership-transferred finance lease transactions
(i) Details of leased assets
Mainly store furniture (including fixtures and fittings) used in the convenience store business
(ii) Depreciation method for leased assets
As stated in Summary of Significant Accounting Policies under "Accounting standard for important reserves 3.Depreciation method of depreciable assets."

With regard to non-ownership-transferred finance lease transactions whose effective date of lease transaction precedes February 28, 2009, the Company applies the accounting method that it uses to account for ordinary lease transactions. Details of the transaction are summarized below.

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

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Furniture, fixtures and equipment		
Acquisition cost	27,313	18,060
Accumulated depreciation	16,659	11,356
Accumulated impairment loss	964	727
Leased property	9,689	5,977

(2) Obligations under finance leases

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Furniture, fixtures and equipment		
Due within one year	3,906	2,335
Due after one year	7,108	4,662
Total	11,014	6,997
Allowance for impairment loss on leased property	562	655

(3) Lease payments, depreciation expense, interest expense and impairment loss

	As of February 28, 2011	As of February 29, 2012
Lease payments	5,463	3,887
Transfer from allowance for impairment loss on leased property	382	280
Depreciation expense	5,430	3,870
Interest expense	351	232
Impairment loss	492	388

(4) 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.

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

2. Operating lease contracts
Obligations under operation leases

(Millions of yen)

	As of February 28, 2011	As of February 29, 2012
Due within one year	435	909
Due after one year	330	1,526
Total	766	2,436

Notes to Marketable Securities and Investments in Securities

（February 28,2011）
Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 28, 2011 were as follows:

(Millions of yen)

	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in subsidiary	599	449	(149)

（February 29,2012）
Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 29, 2012 were as follows:

(Millions of yen)

	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in affiliated company	599	591	(7)

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

(Millions of yen)

	As of February 28, 2011*	As of February 29, 2012
Deferred tax assets		
Enterprise taxes payable	832	1,166
Accrued employees' bonuses	1,498	1,225
Reversal of write-off investments in securities	1,946	1,787
Excess of depreciation	5,456	7,822
Excess of amortization of software	747	673
Allowance for employees' retirement benefits	5,132	5,002
Allowance for doubtful accounts	437	502
Impairment loss	2,470	2,717
Other	1,661	1,549
Total deferred tax assets	20,183	22,445
Valuation allowances	(2,805)	(2,797)
Deferred tax assets-net	17,378	19,648
Available-for-sale securities	(2,340)	(2,050)
Total deferred tax liabilities	(2,340)	(2,050)
Deferred tax assets-net	15,037	17,598

*With regard to the deferred tax liability related to the 1,002 million yen of affiliates' shares which was assumed through the share exchange method specified in the Companies Act under Article 796 (3), the amount has not been recognized based on the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 announced on December 26, 2008).

2. The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

(As of February 28, 2011)
The reconciliation between the statutory tax rate and the effective tax rate for previous and current fiscal year has not been disclosed because the difference is less than 5% of the statutory tax rate.

(As of February 29, 2012)

The reconciliation between the statutory tax rate	40.7%
(Adjustments)	
Increase of Valuation allowances	0.4%
Permanent difference in entertainment expenses	0.6%
Permanent difference in dividends income	0.3%
Residents' tax	0.4%
Decrease in deferred tax assets due to tax rate changes	3.7%
Others	(0.3%)
the effective tax rate for previous and current fiscal year	45.4%

Fix the amount of deferred tax assets due to changes in statutory tax rate

Implementing measures for the reconstruction from effects of the Great East Japan Earthquake and the law to revise the part of the income tax, etc. in order to build a tax system in response to changes in the structure of the economy and society "(Law No. 114) of the corporate tax rate from fiscal year will be promulgated on December 2, 2011 special Measures Law "(No. 117) concerning the assurance of the financial resources needed to, beginning on or after April 1, 2012 became that special corporate income tax cuts and reconstruction is carried out.

As a result, the statutory tax rate used to calculate the deferred tax assets and deferred tax liabilities for fiscal years beginning on March 1, 2015 for fiscal years beginning on March 1, 2013 from 40.7% of conventional temporary differences are expected to eliminate 38.0% to, eliminate temporary differences are expected for fiscal years beginning on or after March 1, Heisei 28 will be 35.6%.

The effect of this tax rate change (net of the amount of deferred tax liabilities) the amount of deferred tax assets decreased by ¥ 1,504 million and income taxes will have increased by 1,504 million yen.

〈〈Personnel changes (effective May 29, 2012)〉〉

[Changes in directors]

＜New director candidates＞

Name	Current Position
Genichi Tamatsuka	Senior Executive Vice President, Chief Operating Officer and Group CEO of CVS Operating Group
Emi Osono	Professor, International Business Strategy, Hitotsubashi University's Graduate School

＜Retiring directors＞

Name	Current Position
Manabu Asano	Director, Executive Vice President and CCO in charge of CSR Director of Compliance and Risk Management Office
Hiroshi Tasaka	Director (Outside) Professor, Graduate School of Tama University

[Changes in auditors]

＜New auditor candidate＞

Name	Current Position
Shinichi Hokari	Retired from the Board of Audit of Japan in March 2012

＜Retiring auditor＞

Name	Current Position
Munehiko Nakano	Standing Corporate Auditor