Flash Report on the Consolidated Result

for the year Ended February 28, 2013

April 10, 2013

Listed Company Name: Lawson, Inc.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Takeshi Niinami, Representative Director, President & CEO
Contact:Tomoki Takanishi , Financial & Accounting Office General Manager Tel.: (03) 5435-2773
Scheduled date for submission of quarterly earnings report: May 21, 2013
Scheduled date for payment of dividend: May 22, 2013
Scheduled date for submission of annual report: May 22, 2013
Supplementary Documents quarterly results: Yes
Presentation of quarterly results: Yes (for institutional investors and analysts)

1. Consolidated Performance for the 2012 fiscal year (from March 1, 2012, to February 28, 2013)
(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	%
2012 fiscal year	487,445	1.8	66,246	7.2	65,926	6.8
2011 fiscal year	478,957	8.5	61,769	11.2	61,728	13.1

	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	%	¥	¥	%	%	%
2012 fiscal year	33,182	33.3	332.20	331.69	15.2	11.9	13.6
2011 fiscal year	24,885	(2.0)	249.17	248.80	12.0	12.3	12.9

Notes: Comprehensive income:

2012 fiscal year: 34,871 million(36.2%) 2011 fiscal year: 25,603 million((1.9%))

Equity in net income of affiliates:

2012 fiscal year: 394 million 2011 fiscal year: 380 million

(2) Consolidated financial position

	Total assets	Net assets	shareholder's equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2012 fiscal year	579,809	230,181	39.1	2,267.17
2011 fiscal year	531,453	214,662	39.7	2,114.00

Notes: Capital adequacy:

2012 fiscal year: 226,475 million 2011 fiscal year: 211,154 million

(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
2012 fiscal year	85,188	(54,196)	(31,979)	72,766
2011 fiscal year	86,356	(52,912)	(27,544)	73,670

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	%	%
2011 fiscal year	—	87	—	93	180	17,977	72.2	8.7
2012 fiscal year	—	100	—	100	200	19,978	60.2	9.1
2013 fiscal year (Forecast)	—	105	—	105	210	—	58.4	—

3. Forecast Consolidated Performance for 2013 fiscal year（from March 1, 2013 to February 28, 2014）

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2013 2Q (accumulated)	257,000	3.2	35,500	2.7	34,600	1.0	17,300	(3.1)
2013 fiscal year	516,000	5.9	70,000	5.7	68,400	3.8	35,900	8.2

Reference: Forecast net profit per share for the 2013 half year: 173.18yen
Forecast net profit per share for the 2013 fiscal year: 359.38yen

4. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): Yes

Lawson (China) Holdings, Inc.

(2) Changes in accounting policies, changes in accounting estimation, retrospective restatement

1. Changes of accounting policies associated with revision in accounting standards: None
2. Other changes: None
3. Changes in accounting estimation: None
4. Retrospective restatement: None

(3) Number of issued shares:

i) The number of the stocks issued in the end of term
February, 2013: 100,300,000 February, 2012: 100,300,000

ii) The number of treasury shares in the end of term
February, 2013: 406,853 February, 2012: 416,166

iii) Average number of shares during the term
February, 2013: 99,887,245 February, 2012: 99,871,558

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 4th page of appending data about matters, such as precondition of the above-mentioned forecast.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Consolidated Operating Results

During the consolidated fiscal year under review, or fiscal 2012 ended February 28, 2013, the LAWSON Group (hereinafter, "the Group") implemented measures to enhance its function as a form of social infrastructure that provides essential items and services at the local level with the aim of realizing the Group's corporate philosophy of "Creating Happiness and Harmony in our Communities." Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM)[*1] and supply chain management (SCM)[*2] in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

*1 CRM: A marketing management method for providing merchandise and services that meet the specific needs of customers.

*2 SCM: A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

Operating results by business segment are as follows.

(Convenience Store Operations)

[Merchandising Strategies]

On the merchandising front, we upheld the expansion of our perishable food offerings as an important strategic agenda. In October 2012, we launched our Fresh Foods Convenience Store Declaration to strengthen our lineup of pre-cut vegetables and other fresh food items. We also strived to offer a wider range of seasonings and other home cooking supplies that meet growing consumer demand for at-home dining.

As of the end of February 2013, we are now operating nine Lawson Farms. The farms were established with the aim of supplying the Group's stores with vegetables and fruits on a stable basis as well as providing produce for use as ingredients in LAWSON's original products.

In the rice category, the high-value-added Furusato-no-umai! line released under the Onigiri-ya range was tremendously popular thanks to its high-quality ingredients. To offer products with even higher added value, the line will be expanded to include lunch boxes.

We have expanded our cooked-in-store fast food product range by increasing our lineup of deep-fried foods, including with the addition of Torikara fried chicken in June 2012.

The number of stores equipped with MACHI café, which offers casual but authentic drip coffee, increased to 2,860. Thanks to coffee sales, we have been able to deepen our interaction with customers.

In the dessert category, we launched Ankoya, a new Japanese dessert line from the Uchi Café SWEETS brand. Ankoya was developed to meet customer needs for smaller Japanese desserts with subdued sweetness. The intrinsic flavor of adzuki beans and the refreshing and reserved sweetness proved appealing to a wide range of customers.

In sales promotions, the Group, which has know-how in the entertainment field, executed a joint promotional campaign with the Aeon Group, which operates a diverse range of retail outlets, including AEON general merchandise stores and MINISTOP convenience stores. The business alliance was formed with the aim of leveraging synergies to create superior contents and appealing to a wider range of customers, especially families.

In addition, we implemented region-specific promotional campaigns such as the Hokkaido Gourmet Fair, Chiba Promotional Campaign, Shinshu Seasonal Travel Campaign, and Kumamoto Yokamon Fair to market merchandise from each region.

[Store Operations]

In store operations, we continued to reinforce adherence to our Triple Emphasis policy, which emphasizes (1) sincere customer service; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping the store and local areas clean, in addition to ensuring that products are safe, reliable, healthy, and delicious.

Notably, in tandem with the increase in the number of stores with MACHI café, we strived to comprehensively improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them.

Total Ponta members exceeded 50 million as of the end of February 2013, accounting for 45% of total sales. Based on customer base analysis using Ponta membership purchase data, we strived to improve accuracy in order placement, develop new products, focus on measures to promote customer visits in the evening and at night, and reduce sales opportunity loss.

[Store Development]

In opening new stores, the Group strictly adhered to its proprietary return-on-investment (ROI)-focused store development standard to prioritize profitability.

Regarding store format strategy, we promoted store openings to meet the needs of customers specific to each neighborhood by leveraging the LAWSON, NATURAL LAWSON, and LAWSON STORE 100 store formats to better advantage.

In an effort to reinforce stores that cater to healthcare needs, we increased the number of stores offering over-the-counter pharmaceuticals to 72 (up 31), and the number of Pharmacy LAWSON (pharmaceutical convenience stores), a store format that integrates drug-dispensing pharmacies operated by Qol Co., Ltd. with LAWSON and NATURAL LAWSON, to 30 (up 23), as of the end of February 2013. In August 2012, Lawson, Inc. (hereinafter, "the Company") acquired 5% of the total number of shares issued by Qol Co., Ltd., forming a capital alliance.

[Change in Total Number of Stores] (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE 100	Total
Total stores as of February 29, 2012	9,038	100	1,172	10,310
Change during fiscal year	604	10	52	666
Total stores as of February 28, 2013	9,642	110	1,224	10,976

[Number of LAWSON stores by prefecture (February 28, 2013)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	576	Tokyo	1,549	Nara	100	Fukuoka	393
Aomori	186	Kanagawa	799	Wakayama	118	Saga	65
Akita	168	Shizuoka	205	Osaka	1,004	Nagasaki	92
Iwate	159	Yamanashi	91	Hyogo	593	Oita	148
Miyagi	200	Nagano	141	Okayama	131	Kumamoto	103
Yamagata	66	Aichi	513	Hiroshima	155	Miyazaki	89
Fukushima	91	Gifu	131	Yamaguchi	114	Kagoshima	114
Niigata	114	Mie	104	Tottori	98	**Total(domestic)**	**10,976**
Tochigi	125	Ishikawa	99	Shimane	101	Shanghai	305
Gunma	80	Toyama	191	Kagawa	104	Zhongqing	49
Saitama	462	Fukui	102	Ehime	168	Dalian	8
Chiba	437	Kyoto	266	Tokushima	108	**Total(foreign)**	**362**
Ibaraki	124	Shiga	135	Kochi	64		

(Overseas Operations)

In the People's Republic of China, the Company established Lawson (China) Holdings, Inc. (hereinafter, "Lawson China") in Shanghai in May 2012 as a holding company that controls business investment, trademark licensing management, and administrative management functions within China. The Company's subsidiaries in Shanghai, Chongqing, and Dalian will be placed under the control of Lawson China to ensure efficient management. As of the end of February 2013, Shanghai Hualian Lawson, Inc. in Shanghai operated a total of 305 LAWSON stores (down nine year on year), Chongqing Lawson, Inc. in Chongqing, 49 stores (up 11 year on year), and Dalian Lawson, Inc. in Dalian, eight stores (up five year on year).

In Indonesia, PT MIDI UTAMA INDONESIA Tbk (hereinafter, "MIDI"), in which Lawson Asia Pacific Holdings Pte. Ltd. (hereinafter, "LAP"), the Company's subsidiary in Singapore, holds a 30% stake, operates LAWSON stores. As of the end of February 2013, MIDI operated 574 stores following its own store format and 83 LAWSON stores (up 68 year on year) in Jakarta and its outskirts as well as

on the island of Bali.
In the United States, Lawson USA Hawaii, Inc., the Company’s US subsidiary in Hawaii, launched its first LAWSON store in Honolulu in July 2012. As of the end of February 2013, two LAWSON stores were operating in Hawaii—one in the Sheraton Waikiki Hotel and the other in Moana Surfrider—both attracting customers from around the world in addition to Japanese customers.
In Thailand, in November 2012, we established Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand’s leading distributor of consumer goods, in preparation for opening stores in the country in fiscal 2013.

[Net Sales at All LAWSON Stores in the Convenience Store Business]

Fiscal period / Product group	Previous fiscal year March 1, 2011 to February 29, 2012		Current fiscal year March 1, 2012 to February 28, 2013		YOY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,022,619	56.0	1,064,133	55.8	104.1
Fast foods	345,424	18.9	373,385	19.6	108.1
Daily delivered foods	263,179	14.4	272,312	14.3	103.5
Nonfood products	194,586	10.7	196,716	10.3	101.1
Total	1,825,809	100.0	1,906,547	100.0	104.4

(Other Businesses)
In addition to convenience store operations and overseas operations, the Group is involved in the entertainment/home delivery business, financial services, and other businesses.
In the Group’s entertainment/home delivery business, the Company’s subsidiary, Lawson HMV Entertainment, Inc., successfully organized large-scale concerts by popular musicians, along with other events. As a result, revenues from the Group’s ticketing services for fiscal 2012 exceeded ¥100 billion, a record high, which secured the Group a top-tier position in the ticketing industry.
In January 2013, Smart Kitchen, Inc., a joint venture with Yahoo JAPAN Corp., launched an online food delivery service targeting busy homemakers. By consolidating the Group’s merchandise procurement capacity—well-proven by the popularity of NATURAL LAWSON among working women—and its know-how in original product development with Yahoo’s expertise in creating and operating high-traffic websites, Smart Kitchen offers via smartphone and tablet an easy-to-use and convenient online shopping service, delivering proprietary food ingredient sets that can be cooked in no time by following simple directions. Moreover, the assortment of items available is as large as that of a large-scale supermarket.
Lawson ATM Networks, Inc., which operates a financial-services-related business, posted a solid performance owing to an increase in the number of ATMs installed in LAWSON and other stores, along with a rise in the number of transactions. We started providing financial services for eight new banks as their business partner, bringing the total number of our financial institution partners to 58 nationwide, including online banks, and the number of ATMs installed nationwide to 9,672 (up 670 year on year) as of the end of February 2013.

[Environmental and Social Contribution Activities]
The Company’s Environment and Social Contribution Division promoted environmental protection and social contribution activities, working together with franchise store owners and Group employees.
In response to the launch of the Feed-in Tariff Scheme for Renewable Energy, a measure taken by the government against global warming, we started introducing solar power generation systems at our stores in October 2012 as our own initiative to tackle domestic energy issues. The systems will be installed at a total of 2,000 stores by the end of fiscal 2013.
In December 2012, we opened a cutting-edge energy-saving pilot store in Ebina-shi, Kanagawa Prefecture. Based on joint research with the Institute of Industrial Science of the University of Tokyo, the pilot store harnesses renewable energy such as solar power and geo-heat to reduce electricity consumption by about 30% compared with the fiscal 2010 level.
In our efforts to undertake social contribution activities at stores, we have been hosting the LAWSON Green Fund, a donation project active since 1992; the Support For Dreams Fund, a scholarship program

for senior high school students affected by the 2011 Great East Japan Earthquake; and a donation campaign for regions hit by heavy rains in northern Kyushu. These initiatives have raised a combined total of ¥502 million in fiscal 2012.
With a view to functioning as a lifeline to the community under all circumstances, the Group strives to improve its management system to ensure that its stores are kept open or restored to operation as soon as possible during or subsequent to a disaster. This enhancement is based on our hands-on experience in coping with various disasters since the Great Hanshin-Awaji Earthquake. When the Great East Japan Earthquake struck, the Group endeavored to continue operations in disaster-hit areas and promptly resumed operations in areas struck by the tsunami by setting up temporary stores. In addition, we helped these areas in their own restoration efforts, proactively sharing our experiences with the public.
In recognition of such activities, the Group received the Business Continuity Advancement Organization (BCAO) Award, which is presented to organizations that have contributed to the dissemination and practical execution of the business continuity concept in Japan.
The Group also received Japan’s 2012 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming in recognition of its significant contribution to preventing global warming by adopting environmentally friendly materials for its packaging. This was the third time the Group was given the award, following presentations in 2004 and 2009.

(2) Profit and Loss

In terms of operating results for the consolidated fiscal year under review, total operating revenues increased year on year by ¥8,487 million to ¥487,445 million (up 1.8%) as a result of new store openings and efforts to expand customer bases comprising homemakers and seniors. Operating income grew ¥4,476 million to ¥66,246 million (up 7.2%) and ordinary income climbed ¥4,198 million to ¥65,926 million (up 6.8%). Net income rose ¥8,297 million to ¥33,182 million (up 33.3%) owing to a decrease of ¥10,784 million in extraordinary loss resulting mainly from the absence of a loss on adjustment for changes of accounting standard for asset retirement obligations and loss from disaster caused by the Great East Japan Earthquake posted in the previous fiscal year.

(3) Outlook for Fiscal 2013

Outlook for the next fiscal year

	2013 2Q (accumulated)		2013 fiscal year	
	¥Million	YoY, %	¥Million	YoY, %
Total operating revenues	257,000	103.2	516,000	105.9
Operating profit	35,500	102.7	70,000	105.7
Recurring profit	34,600	101.0	68,400	103.8
Net profit	17,300	96.9	35,900	108.2

(4) Analysis of Financial Position

(i) Total assets, Total liabilities, Total net assets analysis
Total assets increased by ¥48,356 million year on year to ¥579,809 million, mainly due to a ¥25,303 million increase in net property and store equipment.
Total liabilities stood at ¥349,627 million, a year-on-year increase of ¥32,836 million, mainly owing to a ¥12,524 million rise in deposits received.
Net assets increased by ¥15,519 million year on year to ¥230,181 million. This was primarily due to an increase of ¥13,904 million in retained earnings.

(ii) Cash flow analysis
Net cash provided by operating activities amounted to ¥85,188 million, ¥1,168 million lower year on year, due to an increase of ¥13,303 million in income before income taxes and minority interests and a decrease of ¥11,877 million in accounts receivable—other.
Investing activities used net cash of ¥54,196 million, ¥1,283 million higher year on year, mainly due to a ¥8,396 million increase in purchase of property and store equipment.
Financing activities used net cash of ¥31,979 million, ¥4,434 million higher year on year, mainly reflecting a ¥3,386 million increase in repayments of lease obligations.

(Reference) Trends in cash flow indicators

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Shareholders' equity ratio (%)	42.7	39.7	39.1
Shareholders' equity ratio on market value basis (%)	84.4	78.3	118.7
Interest-bearing debt/cash flow ratio (years)	0.5	0.6	0.7
Interest coverage ratio (times)	73.5	76.9	69.6

(Note) Shareholders' equity ratio: Shareholders' equity/Total assets
Shareholders' equity ratio on market value basis: Market capitalization/Total assets
Interest-bearing debt/cash flow ratio: Interest-bearing debts/Cash flow provided by operating activities
Interest coverage ratio: Cash flow provided by operating activities/Interest expense

1. All indices are calculated using consolidated financial figures.
2. Market capitalization is calculated as closing share price at the end of period x the number of shares outstanding at the end of period (excluding treasury stock)
3. The figure for net cash provided by operating activities in the consolidated statements of cash flows is used as cash flow provided by operating activities. Interest-bearing debts refer to the sum for all liabilities in the consolidated balance sheets on which interest is paid. The figure for interest paid in the consolidated statements of cash flows is used as interest expense.

2. Management Policy

(1) Basic Management Policy

(i) Corporate Philosophy and Code of Conduct

The Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities" reflects its belief that its social significance derives from relationships with all its stakeholders. Under this concept, the Group 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 Group is taking various steps to realize "Happiness and Harmony in Our Communities." Central to this effort is the idea of serving as the "Neighborhood Hot Station" (*Machi No Hotto* Station in Japanese), a nickname for the Group's stores, which embodies the Group's vision of making the stores a place where customers can relax (*hotto suru* in Japanese) by offering "hot" new merchandise, information, and services that take into account local preferences.

(2) Performance Indicators (Target)

From the perspective of medium-and-long-term management strategy, the Group believes that investing in businesses with high return on investment (ROI) will maximize efficiency in the use of shareholders' equity, which will in turn enhance shareholder value. The Group regards return on equity (ROE) as the best measure of optimal utilization of shareholders' equity. Accordingly, the Group is targeting an ROE of 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 Group recognizes the following as priority issues ahead. The Group believes that its core business strategies must address these priority issues.

(4) Priority Issues of the Group

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

(i) Develop merchandise assortments that meet customer needs

In an effort to create stores that meet the needs of customers from the local neighborhood, the Group will continue to use the Ponta data to develop customer-centric merchandise assortments. We will place special focus on offering evening and nighttime merchandise assortments that differentiate our stores from others, as well as healthy and high-quality fresh food. We will also strive to serve customers with utmost sincerity and reinforce fast food sales.

(ii) Develop overseas business

The Group will strive to understand potential customer needs in each country and region overseas and will establish business models tailored to each locality. Not being bound by Japanese-style business models or store formats, we will pursue the hospitable customer service that is a signature feature of Japanese convenience stores while respecting local cultures with a view to promoting pleasant shopping experiences.

(iii) Provide home delivery service to offer customers more convenience

The Group will offer customers the luxury of convenience store shopping from the comfort of their own homes. To start with, we will establish a full-fledged home delivery network based on our Smart Kitchen delivery service to meet the needs of busy homemakers and elderly people.

(iv) Promote internal control systems and address operating risks

In order to ensure business continuity, it is imperative to foster the Group's internal control in its entirety and address operating risks. In addition, we believe that taking a proactive approach to corporate governance will lead to enhancing corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

(5) Other Important Managerial Matters

(i) Improving New Merchandise Development Capabilities

While strengthening its ability to develop safe and reliable original merchandise, the Group will proactively develop merchandise suited to regional preferences by focusing on such aspects as taste and price. We will also rebuild our value chain spanning from merchandise development to procurement of ingredients, production, and logistics and leverage the Ponta card data to best effect. In this process, the Group aims to raise its original added value and develop merchandise that garners a strong customer response.

(ii) Improving Store Operation Capabilities

With the aim of creating stores tailored to local customers in each neighborhood, we will promote merchandise assortments from the customers' perspective by continuing to utilize Ponta card data.

In addition, by increasing our use of the core IT system, we will strive to improve ordering precision in order to reduce sales opportunity losses and product disposal losses. This series of operational reform initiatives is dubbed PRiSM within the Group.

(iii) Reinforcing Store-Development Capabilities

With a view to creating stores that achieve high ROI, we will prioritize customer convenience and profitability for both franchise store owners and headquarters in opening new stores by following the Group's proprietary store development standard focused on ROI.

(iv) Tailoring Store Formats to Suit Local Characteristics

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

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

Through tie-ups with other corporations, the Group will open stores in special locations (captive commercial spaces providing high profitability due to the absence of competing stores). In its financial services, the Group will aim to increase convenience for customers by expanding the Ponta card programs and offering various services via the "Loppi" multimedia terminals and in-store ATMs. In addition, we are striving to enhance convenience by expanding our infrastructure for electronic payment (e.g., Suica).

(vi) Reviewing the Franchise Package to Promote Co-existence and Co-prosperity for Franchise Store Owners and Headquarters

In our endeavor to address changes occurring in the retail industry, we will promote co-existence and co-prosperity for both franchise store owners and headquarters by increasing earnings on a stable and ongoing basis through the Group's proprietary initiatives, such as expanding the customer base and reducing opportunity loss, and by revising franchise agreements.

(vii) Accelerating Business Reform through Capital and Business Alliances

The Group 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 for both franchise store owners and the Group by seeking maximum benefit and efficiency from the alliances.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited)

As of February 29, 2012 and February 28, 2013

(Millions of yen)

	February 29, 2012	February 28, 2013
Assets		
Current assets		
Cash and bank deposits	79,074	84,770
Accounts receivable—due from franchised stores	19,521	25,374
Marketable securities	4,999	—
Merchandise inventories	8,075	8,963
Prepaid expenses	8,110	8,793
Accounts receivable—other	32,645	46,008
Deferred tax assets	4,800	4,656
Other	3,080	3,011
Allowance for doubtful accounts	(149)	(1,281)
Total current assets	**160,157**	**180,296**
Fixed assets		
Property and store equipment		
Buildings and structures	219,536	242,934
Accumulated depreciation	(112,475)	(124,562)
Buildings and structures—net	107,061	118,372
Vehicles, tools, furniture and fixtures	63,563	67,399
Accumulated depreciation	(49,549)	(52,637)
Vehicles, tools, furniture and fixtures—net	14,013	14,761
Land	6,815	8,295
Lease assets	72,538	96,251
Accumulated depreciation	(18,400)	(30,452)
Lease assets—net	54,137	65,799
Construction in progress	1,806	1,910
Subtotal	**183,835**	**209,138**
Intangible fixed assets		
Software	19,288	22,255
Software in progress	8,263	1,659
Goodwill	10,871	9,683
Other	553	491
Subtotal	**38,977**	**34,089**
Investments and other		
Investments in Securities	7,702	10,098
Long-term loans receivable	32,138	34,580
Long-term prepaid expenses	7,988	9,130
Lease deposits	83,665	86,109
Deferred tax assets	16,870	16,215
Other	15,968	1,368
Allowance for doubtful accounts	(15,851)	(1,217)
Subtotal	**148,483**	**156,285**
Total fixed assets	**371,295**	**399,513**
Total assets	**531,453**	**579,809**

Consolidated Balance Sheets (Unaudited)—Continued

(Millions of yen)

	February 29, 2012	February 28, 2013
Liabilities		
Current liabilities		
Accounts payable—trade	13,761	11,169
Accounts payable—trade for franchised stores	74,501	76,018
Accounts payable—due to franchised stores	1,390	1,403
Short-term loans payable	—	1,431
Current portion of long-term loans payable	500	—
Lease obligations	11,223	14,489
Accounts payable—other	17,541	26,105
Income taxes payable	15,305	14,474
Deposits received	75,004	87,529
Accrued employees' bonuses	3,204	2,544
Provision for use of points granted	701	215
Asset retirement obligations	101	108
Other	4,743	4,304
Total current liabilities	**217,978**	**239,794**
Long-term liabilities		
Long-term loans payable	—	148
Long-term lease obligations	37,902	47,207
Allowance for employees' retirement benefits	8,745	9,898
Allowance for retirement benefits to executive officers and corporate auditors	308	332
Deposits received from franchisees and lessees	35,735	34,804
Asset retirement obligations	15,161	16,682
Other	958	758
Total long-term liabilities	**98,812**	**109,833**
Total liabilities	**316,791**	**349,627**
Net assets		
Shareholders' equity		
Common stock	58,506	58,506
Capital surplus	47,707	47,718
Retained earnings	107,249	121,154
Treasury stock	(1,627)	(1,593)
Total shareholders' equity	**211,835**	**225,785**
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(11)	78
Land revaluation difference	(567)	(567)
Foreign currency translation adjustments	(101)	1,179
Total accumulated other comprehensive income	**(680)**	**690**
Stock acquisition rights	**442**	**427**
Minority interests	**3,064**	**3,279**
Total net assets	**214,662**	**230,181**
Total liabilities and net assets	**531,453**	**579,809**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income (Unaudited)

Consolidated Statements of Income (Unaudited)

For the fiscal year ended February 29, 2012 and February 28, 2013

(Millions of yen)

	February 29, 2012	February 28, 2013
Total operating revenues	**478,957**	**487,445**
Net sales	**208,063**	**192,942**
Cost of goods sold	**156,245**	**144,885**
Gross profit on sales	**51,817**	**48,056**
Operating revenues		
Franchise commission from franchised stores	215,573	230,002
Other	55,320	64,500
Operating revenues	**270,893**	**294,503**
Operating gross profit	**322,711**	**342,560**
Selling, general and administrative expenses		
Advertising expenses	14,146	16,607
Supplies expenses	4,363	4,740
Directors’ compensations	553	448
Employees’ salaries and allowances	45,399	45,658
Employees’ bonuses	2,665	2,250
Provision for bonuses	3,880	2,544
Retirement benefit expenses	1,884	2,078
Provision for directors’ retirement benefits	88	86
Legal and employee benefits expenses	6,413	6,921
Traveling and transportation expenses	2,238	2,319
Utilities expenses	3,661	3,794
Taxes and dues	2,784	2,977
Rents	78,483	84,578
Repair expenses	6,456	6,829
Rent expenses	8,204	5,913
Depreciation	28,998	34,030
Amortization of goodwill	948	1,056
Other	49,767	53,479
Selling, general and administrative expenses	**260,941**	**276,313**
Operating profit	**61,769**	**66,246**
Non-operating income		
Interest received	672	756
Compensation income for damage	44	265
Equity in earnings of affiliates	380	394
Other	1,169	794
Non-operating income	**2,268**	**2,211**
Non-operating expenses		
Interest expense	1,122	1,231
Loss on cancellation of store lease	661	534
Other	526	765
Non-operating expenses	**2,309**	**2,531**
Recurring profit	**61,728**	**65,926**

Consolidated Statements of Income (Unaudited)—Continued

(Millions of yen)

	February 29, 2012	February 28, 2013
Extraordinary gains		
Gain on step acquisitions	1,570	—
Gain on sales of investment securities	—	145
Gain on negative goodwill	291	153
Compensation income	—	71
Other	197	11
Extraordinary gains	**2,059**	**381**
Extraordinary losses		
Loss on disposal of fixed assets	2,068	1,641
Loss on impairment of long-lived assets	3,318	2,929
Provision of allowance for doubtful accounts	—	1,127
Loss on disaster	3,460	—
Impropriety-related loss	8,292	—
Other	361	1,018
Extraordinary losses	**17,502**	**6,717**
Income before income taxes and minority interests	**46,285**	**59,589**
Income taxes - current	22,963	25,345
Deferred income taxes	(2,321)	748
Income taxes	**20,641**	**26,094**
Income before minority interests	**25,643**	**33,494**
Minority interests in income	**758**	**311**
Net profit	**24,885**	**33,182**

Consolidated Statements of Comprehensive Income (Unaudited)
For the fiscal year ended February 28, 2013

(Millions of yen)

	February 29, 2012	February 28, 2013
Income before minority interests	**25,643**	**33,494**
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	89
Land valuation difference	67	—
Foreign currency translation adjustment	(116)	1,926
Share of other comprehensive income of associates accounted for using equity	16	(639)
Total other comprehensive income	**(39)**	**1,377**
Comprehensive income	**25,603**	**34,871**
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	24,843	34,553
Comprehensive income attributable to minority interests	760	318

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

(Millions of yen)

	February 29, 2012	February 28, 2013
Shareholders' equity		
Common stock and preferred stock		
Capital stock	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		
Capital stock	47,696	47,707
Changes during the current period		
Disposal of treasury stock	—	0
Exercise of subscription rights to shares (Issuarance of treasury stock)	10	11
Total changes during the current period	10	11
Balance at the end of the current period	47,707	47,718
Retained earnings		
Capital stock	99,608	107,249
Changes during the current period		
Cash dividends paid	(17,177)	(19,278)
Net income	24,885	33,182
Reversal of land revaluation differences, net of tax	(67)	—
Total changes during the current period	7,640	13,904
Balance at the end of the current period	107,249	121,154
Treasury stock		
Capital stock	(1,693)	(1,627)
Changes during the current period		
Purchase of treasury stock	(3)	(7)
Disposal of treasury stock	—	0
Exercise of subscription rights to shares (Issuarance of treasury stock)	69	41
Total changes during the current period	65	33
Balance at the end of the current period	(1,627)	(1,593)
Total shareholders' equity		
Capital stock	204,117	211,835
Changes during the current period		
Cash dividends paid	(17,177)	(19,278)
Net profit	24,885	33,182
Purchase of treasury stock	(3)	(7)
Disposal of treasury stock	—	0
Exercise of subscription rights to shares (Issuarance of treasury stock)	80	52
Reversal of land revaluation differences, net of tax	(67)	—
Total changes during the current period	7,717	13,950
Balance at the end of the current period	211,835	225,785

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

(Millions of yen)

	February 29, 2012	February 28, 2013
Accumulated other comprehensive income		
Unrealized holding gains on securities, net of tax		
Capital stock	(4)	(11)
Changes during the current period		
Net changes of items other than shareholders' equity	(6)	89
Total changes during the current period	(6)	89
Balance at the end of the current period	(11)	78
Land revaluation difference, net of tax		
Capital stock	(634)	(567)
Changes during the current period		
Reversal of land revaluation difference, net of tax	67	—
Total changes during the current period	67	—
Balance at the end of the current period	(567)	(567)
Foreign currency translation adjustments		
Capital stock	1	(101)
Changes during the current period		
Net changes of items other than shareholders' equity	(102)	1,280
Total changes during the current period	(102)	1,280
Balance at the end of the current period	(101)	1,179
Total accumulated other comprehensive income		
Capital stock	(638)	(680)
Changes during the current period		
Reversal of land revaluation difference, net of tax	67	—
Net changes of items other than shareholders' equity	(109)	1,370
Total changes during the current period	(42)	1,370
Balance at the end of the current period	(680)	690
Stock acquisition rights		
Capital stock	405	442
Changes during the current period		
Net changes of items other than shareholders' equity	37	(15)
Total changes during the current period	37	(15)
Balance at the end of the current period	442	427
Minority interests		
Capital stock	4,581	3,064
Changes during the current period		
Net changes of items other than shareholders' equity	(1,516)	214
Total changes during the current period	(1,516)	214
Balance at the end of the current period	3,064	3,279

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

(Millions of yen)

	February 29, 2012	February 28, 2013
Total net assets		
Capital stock	208,466	214,662
Changes during the current period		
Cash dividends paid	(17,177)	(19,278)
Net profit	24,885	33,182
Purchase of treasury stock	(3)	(7)
Disposal of treasury stock	—	0
Exercise of subscription rights to shares (Issuarance of treasury stock)	80	52
Net changes of items other than shareholders' equity	(1,588)	1,569
Total changes during the current period	6,195	15,519
Balance at the end of the current period	214,662	230,181

(4) Consolidated Statements of Cash Flows (Unaudited)

For the fiscal year ended February 29, 2012 and February 28, 2013

(Millions of yen)

	February 29, 2012	February 28, 2013
Operating activities		
Income before income taxes	46,285	59,589
Depreciation of property and store equipment	37,845	43,886
Loss from disposal of fixed assets	2,064	1,641
Loss on impairment of long-lived assets	3,318	2,929
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	1,215	1,153
Increase in allowance for doubtful accounts	(384)	(13,510)
Equity in earnings (losses) of an affiliates	(290)	(8)
Interest received	(672)	(756)
Interest expense	1,122	1,231
Other – net	407	717
Decrease (increase) in accounts receivable due from franchised stores	(1,348)	(5,781)
Decrease (increase) in merchandise inventories	(920)	(861)
Decrease (increase) in accounts receivable—other	(1,444)	(13,322)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	236	14,546
Increase (decrease) in accounts payable—trade and due to franchised stores	3,053	(1,203)
Increase (decrease) in accounts payable—other	(1,341)	8,592
Increase (decrease) in deposits received	12,656	12,524
Increase (decrease) in lease deposits from franchisee and lessees	(1,596)	(935)
Other—net	(1,804)	1,455
Subtotal	**108,583**	**111,888**
Interest received	673	750
Interest expenses paid	(1,122)	(1,224)
Income taxes paid	(18,405)	(26,224)
Loss on disaster paid	(3,372)	—
Net cash provided by operating activities	**86,356**	**85,188**
Investing activities		
Payments into time deposits	(20,404)	(23,900)
Proceeds from withdrawal of time deposits	20,104	22,300
Increase (decrease) in long-term loans receivable—net	(297)	(2,441)
Purchase of investment securities	(75)	(2,053)
Purchase of stocks of subsidiaries and affiliates	(6,335)	(1,327)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(982)	—
Payments for transfer of business	(3,415)	—
Payment for acquisition of property and store equipment	(28,866)	(37,263)
Payment for acquisition of intangible fixed assets	(7,449)	(5,658)
Increase (decrease) in lease deposit—net	(1,932)	(2,429)
Increase (decrease) in long-term prepaid expenses	(3,511)	(2,705)
Other—net	253	1,284
Net cash used in investing activities	**(52,912)**	**(54,196)**

Consolidated Statements of Cash Flows (Unaudited)—Continued

(Millions of yen)

	February 29, 2012	February 28, 2013
Financing activities		
Repayments of lease obligations	(10,382)	(13,769)
Cash dividends paid	(17,177)	(19,278)
Other—net	14	1,067
Net cash used in financing activities	**(27,544)**	**(31,979)**
Effect of exchange rate change on cash and cash equivalents	**8**	**83**
Net increase (decrease) in cash and cash equivalents	**5,908**	**(903)**
Cash and cash equivalents, beginning of year	**67,712**	**73,670**
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	**49**	**—**
Cash and cash equivalents at end of period	**73,670**	**72,766**

(5) Notes Concerning Going Concern Assumption
None

(6) Basis of Presenting the Consolidated Financial Statements
1. Scope of consolidation
(i) Consolidated subsidiaries: 11
(Japan)
Lawson HMV Entertainment, Inc.
Lawson ATM Networks, Inc.
BestPractice Inc.
Ninety-nine Plus, Inc.
Smart Kitchen, Inc.
SCI, Inc.
(Overseas)
Chongqing Lawson, Inc.
Shanghai Hualian Lawson, Inc.
Dalian Lawson, Inc.
Lawson Asia Pacific Holdings Pte. Ltd.
Lawson (China) Holdings, Inc.

Among companies mentioned above, Smart Kitchen, Inc., SCI, Inc. and Lawson (China) Holdings, Inc., which were established on the fiscal year under review, have been included in the scope of consolidation.
Lawson Toyama, Inc. was excluded from the scope of consolidation, because it was dissolved after merging with Lawson, Inc. on December 1, 2012. In addition, Cross Ocean Media, Inc. was excluded from the scope of consolidation, because its liquidation was completed of on November 27, 2012.

(ii) Non-consolidated subsidiaries
(Japan)
Natural Lawson Direct, LLP
LAWSONWILL, Inc.
HATS UNLIMITED CO., LTD.
(Overseas)
Lawson USA Hawaii, Inc.
Shanghai Lesong Trading Co., Ltd.
Hangzhou Lawson Department store Co., Ltd.

(Reasons for excluding from the scope of consolidation)
The above non-consolidated subsidiaries are excluded from the scope of consolidation, because their total assets, net sales, net income and retained earnings, etc. are negligible and do not interfere with reasonable judgment on the corporate group’s financial condition and business results.

2. Application of the equity method
(i) Affiliated companies to which the equity method is applied: 2
(Japan)
Lawson Okinawa, Inc.
(Other)
PT MIDI UTAMA INDONESIA Tbk

Venture Republic Inc., which had been an equity method affiliate in the previous fiscal year, was excluded from the scope of the equity method affiliate, because the Company sold all equities in Venture Republic Inc. it owned.

(ii) The Company excluded non-consolidated subsidiaries (Natural Lawson Direct, LLP, LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Lawson USA Hawaii, Inc., Shanghai Lawson Trading Co., Ltd. and Hangzhou Lawson Department Co., Ltd.) and affiliated companies (KOBE HOT DELI CO., LTD., Herushiru, Inc., Double Culture Partners Co., Ltd., Lawson Farm Chiba, Inc. and Lawson Farm Kagoshima, Inc., Lawson Farm Tokachi, Inc., Lawson Farm Oita, Inc., Lawson Farm Oita Bungoono, Inc., Lawson Farm Tottori, Inc., Lawson Farm Hiroshima Jinsekikogen-cho, Inc., Lawson Farm Miyazaki, Inc., Lawson Farm Ehime, Inc. and Saha-Lawson, Co., Ltd.) from the scope of the equity method affiliate, because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these non-consolidated subsidiaries and affiliated companies do not significantly influence the consolidated financial statements and are negligibly insignificant.

(iii) The balance sheet date of PT MIDI UTAMA INDONESIA Tbk is 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.

3. Closing day for settlement of accounts of consolidated subsidiaries

The balance sheet date of Chongqing Lawson, Inc., Shanghai Hualian Lawson, Inc., Dalian Lawson, Inc. and Lawson (China) Holdings, Inc. is 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 other consolidated subsidiaries corresponds with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(i) 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 determined 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)

(ii) 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.

(iii) 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, to 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.

Allowance for retirement benefits to directors and corporate auditors:

Allowance for retirement benefits to 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) Other significant items related to the preparation of consolidated financial statements

Accounting for consumption tax:

Consumption tax is accounted for using the tax exclusion method.

(7) Accounting Standards, etc. that are not applied

Accounting Standard for Retirement Benefits (on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance NO. 25, on May 17, 2012)

1. Outline

(i) Treatment on consolidated balance sheets

Unrecognized actuarial differences and unrecognized prior service costs will be recorded in the "Net assets" section (accumulated other comprehensive income) after adjusting income tax effect and the amount that shows the reserve will be recorded as liabilities (or assets).

(ii) Treatment on consolidated statements of income and consolidated statements of comprehensive income

Among actuarial differences and prior service cost arising during the period, the portion that is not expensed will be recorded after including in other comprehensive income.

Among unrecognized actuarial differences and unrecognized prior service costs that are recorded in accumulated other comprehensive income, the portion that is expense for the fiscal year under review will be adjusted with other comprehensive income (reclassification adjustment).

2. Scheduled application date

The application will start from the end of a fiscal year that commences after April 1, 2013.

3. Influence from the application of the relevant Accounting Standards

Influence on the financial statements in its preparation is under evaluation.

(8) Changes in presentation

(Consolidated Balance Sheets)

In "Investments and other" section, "Claims provable in bankruptcy, claims provable in rehabilitation and other"

were presented separately in the previous fiscal year. Due to a decline in financial materiality, “Claims provable in bankruptcy, claims provable in rehabilitation and other” are now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Investments and other” section, the 15,136 million yen that had previously been presented as “Claims provable in bankruptcy, claims provable in rehabilitation and other” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In “Current liabilities” section, “Consumption taxes payable” were presented separately in the previous fiscal year. Due to a decline in financial materiality, “Consumption taxes payable” are now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Current liabilities” section, the 1,508 million yen that had previously been presented as “Consumption taxes payable” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In “Current liabilities” section, “Accrued expenses” were presented separately in the previous fiscal year. Due to a decline in financial materiality, “Accrued expenses” are now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Current liabilities” section, the 2,912 million yen that had previously been presented as “Accrued expenses” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

In “Long-term liabilities” section, “Accumulated impairment loss on long-term leased assets” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Accumulated impairment loss on long-term leased assets” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Long-term liabilities” section, the 679 million yen that had previously been presented as “Accumulated impairment loss on long-term leased assets” in the Consolidated Balance Sheets for the previous fiscal year is now included in “Other.”

(Consolidated Statements of Income)
In “Selling, general and administrative expenses” section, “Provision of allowance for doubtful accounts” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Provision of allowance for doubtful accounts” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Selling, general and administrative expenses” section, the 8 million yen that had previously been presented as “Provision of allowance for doubtful accounts” in the Consolidated Statements of Income for the previous fiscal year is now included in “Other.”

In “Non-operating income” section, “Compensation income for damage” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Compensation income for damage” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Non-operating income” section, the 44 million yen that had previously been included in “Other” in the Consolidated Statements of Income for the previous fiscal year is now separately presented as “Compensation income for damage.”

In “Non-operating income” section, “Compensation income for removal” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Compensation income for removal” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Non-operating income” section, the 446 million yen that had previously been presented as “Compensation income for removal” in the Consolidated Statements of Income for the previous fiscal year is now included in “Other.”

In “Extraordinary loss” section, “Loss on sales of noncurrent assets” was presented separately in the previous fiscal year. Due to a decline in financial materiality, “Loss on sales of noncurrent assets” is now presented in “Other.” To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Extraordinary loss” section, the 40 million yen that had previously been presented as “Loss on sales of noncurrent assets” in the Consolidated Statements of Income for the previous fiscal year is now included

in “Other.”

(Consolidated Statements of Cash Flows)
In “Net cash used in investing activities” section, “Purchase of investment securities” was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, “Purchase of investment securities” is now separately presented. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been reclassified.
As a result, in “Net cash used in investing activities” section, the (75 million yen) that had previously been included in “Other” in the Consolidated Statements of Cash Flows for the previous fiscal year is now separately presented as “Purchase of investment securities.”

(9) Additional information
For the accounting changes and error corrections made after the beginning of the fiscal year under review, the Company has adopted the Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 of December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24 of December 4, 2009).

(10) Notes to Consolidated Financial Statements
(Notes to the Consolidated Balance Sheets)

*1. Investment in non-consolidated subsidiaries and affiliated companies

	As of February 29, 2012	As of February 28, 2013
Investments in securities (stock)	¥7,175 million	¥7,407 million
Investment amount for jointly-controlled companies	¥100 million	¥93 million
Other (other equity investments)	¥96 million	¥38 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.

*3. Accounts payable-trade for franchised stores—the amounts payable to vendors for merchandise purchased by franchised stores.

*4. Deposits received from franchise and lessees—the amounts received from mainly franchised stores.

*5. 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

	As of February 29, 2012	As of February 28, 2013
The difference between book value and market value of the revalued land as of balance sheet date.	¥287 million	¥307 million

(Notes to Consolidated Statements of Income)

*1 Net sales, cost of goods sold, operating gross profit—the amounts from mainly company operated stores.

*2 Distribution of loss on disposal of fixed assets

(Millions of yen)

	From March 1, 2011 to February 29, 2012	From March 1, 2012 to February 28, 2013
Buildings and structures	1,422	1,156
Furniture, fixtures and equipment	541	239
Leased property	100	162
Software	2	82
Other	1	0

*3 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.

From March 1, 2011 to February 29, 2012

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings and structures; furniture, fixtures and equipment; and others	546
	Osaka	Buildings and structures; furniture, fixtures and equipment; and others	557
	Others	Buildings and structures; furniture, fixtures and equipment; and others	2,213
Total	—	—	3,318

Category by fixed assets	(Millions of yen)
Buildings and structures	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.

From March 1, 2012 to February 28, 2013

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings and structures; furniture, fixtures and equipment; and others	420
	Osaka	Buildings and structures; furniture, fixtures and equipment; and others	472
	Others	Buildings and structures; furniture, fixtures and equipment; and others	2,009
Others	—	Software	25
	—	Others	1
Total	—	—	2,929

Category by fixed assets

Buildings and structures	1,923mil
Furniture, fixtures and equipment	204mil
Leased property	758mil
Software	25mil
Other	17mil

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 4.0% discount rate was mainly applied.

*4 Loss on disaster

Loss on disaster is attributable to the Great East Japan Earthquake. The breakdown is as follows:

From March 1, 2011 to February 29, 2012

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

(Notes to the Consolidated Statements of Comprehensive Income)

For the fiscal year ended February 28, 2013

* Reclassification adjustments to gain or loss and income tax relating to other comprehensive income

(Millions of yen)

Valuation difference on available-for-sale securities	
Gain or loss arising during the period	143
Reclassification adjustments to profit or loss	(1)
Amount before income tax effect	142
Income tax effect	(52)
Valuation difference on available-for-sale securities	89
Foreign currency translation adjustment:	
Gain or loss arising during the period	1,926
Share of other comprehensive income of associates accounted for using equity method:	
Gain or loss arising during the period	(639)
Total other comprehensive income	1,377

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

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

1. Number of shares of outstanding stock and treasury stock

	Number of shares at the beginning of the 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)				
			Beginning of the 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 24, 2011)	Common stock	8,488	85	As of February 28, 2011	As of May 25, 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 29, 2012)	Common stock	Retained earnings	9,289	93	As of February 29, 2012	As of May 30, 2012

Current period (From March 1, 2012 to February 28, 2013)

1. Number of shares of outstanding stock and treasury stock

	Number of shares at the beginning of the 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 (*)	416	1	10	406

(*) The 1 thousand shares increase in treasury stock resulted from the purchase of stock less than one share unit.
The 10,000 share decrease in treasury stock resulted from the 10,000 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)				
			Beginning of the period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	427
Total		—	—	—	—	—	427

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 29, 2012)	Common stock	9,289	93	As of February 29, 2012	As of May 30, 2012
Directors' meeting (October 3, 2012)	Common stock	9,988	100	As of August 31, 2012	As of November 9, 2012

2) Dividends for which effective date is after balance sheet date of year-ended, among dividends attributed in the current period

The Company plans to propose the resolution as follows.

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 21, 2013)	Common stock	Retained earnings	9,989	100	As of February 28, 2013	As of May 22, 2013

(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)

	From March 1, 2011 to February 29, 2012	From March 1, 2012 to February 28, 2013
Cash and bank deposits	79,074	84,770
Marketable securities	4,999	—
Time deposits, etc., for which the deposit period exceeds three months	(10,404)	(12,004)
Cash and cash equivalents	73,670	72,766

*2 Description of significant non-fund transactions

Assets and liabilities related to finance lease transactions

(Millions of yen)

	From March 1, 2011 to February 29, 2012	From March 1, 2012 to February 28, 2013
Assets and liabilities related to finance lease transactions	21,969	24,945

(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 29, 2012			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	30,181	21,057	754	8,368
Total	30,181	21,057	754	8,368

(Millions of yen)

	As of February 28, 2013			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	21,035	16,006	662	4,366
Total	21,035	16,006	662	4,366

2) Obligations under finance leases

(Millions of yen)

	As of February 29, 2012	As of February 28, 2013
Obligations under finance leases		
Due within one year	4,324	2,950
Due after one year	5,411	2,474
Total	9,735	5,425
Allowance for impairment loss on leased property	667	533

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

(Millions of yen)

	From March 1, 2011 to February 29, 2012	From March 1, 2012 to February 28, 2013
Lease payments	6,940	4,374
Transfer from allowance for impairment loss on leased property	444	187
Depreciation expense	6,627	4,077
Interest expense	389	215
Impairment loss	388	69

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 non-cancellable operating leases

(Millions of yen)

	As of February 29, 2012	As of February 28, 2013
Due within one year	910	976
Due after one year	1,526	1,688
Total	2,437	2,664

(Segment Information)

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, Inc., Ninety-nine Plus, Inc. 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. SCI, Inc. performs the increase in efficiency and optimization of the whole process as a subsidiary which manages the process from supply to sale synthetically.

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

from March 1, 2012, to February 28, 2013

(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	416,935	70,509	487,445	—	487,445
Internal sales or transfers between segments	2,159	2,493	4,652	(4,652)	—
Total	419,094	73,003	492,098	(4,652)	487,445
Segment profit	61,335	4,872	66,208	38	66,246
Segment asset	562,237	69,759	631,996	(52,186)	579,809
Other					
depriciation	40,050	2,779	42,830	—	42,830
Goodwill depreciation	670	419	1,090	(34)	1,056
Invest for affiliates	2,181	4,227	6,409	—	6,409
Increase of fixed assets	40,194	2,727	42,922	—	42,922

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

(Related information)

Previous consolidated fiscal year (March 1, 2011 to February 29, 2012)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income, This information is omitted.

(2) Property, plant and equipment

Since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet, this information is omitted.

(3) Information by Major Customer

Information about major customers for the year ended February 29, 2012, has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.

Consolidated fiscal year under review (March 1, 2012 to February 28, 2013)

1. Information by Product and Service

Since similar information is described in the segment information, this information is omitted.

2. Information by Area

(1) Net sales

Since sales to external customers in Japan exceed 90% of net sales on the consolidated statements of income, This information is omitted.

(2) Property, plant and equipment

Since property, plant and equipment in Japan exceed 90% of property, plant and equipment on the consolidated balance sheet, this information is omitted.

(3) Information by Major Customer

Information about major customers for the year ended February 28, 2013, has been omitted since there are no external customers who constituted more than 10% of net sales on the consolidated statement of income.

(Information on impairment loss in noncurrent assets by reported segment)

Previous consolidated fiscal year (March 1, 2011 to February 29, 2012)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Impairment loss	3,276	42	3,318	―	3,318

Consolidated fiscal year under review (March 1, 2012 to February 28, 2013)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Impairment loss	2,779	149	2,929	―	2,929

(Information on amortization of goodwill and amortized balance by reported segment)

Previous consolidated fiscal year (March 1, 2011 to February 29, 2012)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Balance at end of fiscal year under review	7,666	3,842	11,491	(619)	10,871

Consolidated fiscal year under review (March 1, 2012 to February 28, 2013)

(Millions of yen)

	Convenience Store business	Others	Total	Adjusted amount	Total
Balance at end of fiscal year under review	6,995	3,272	10,268	(584)	9,683

(Information on gain on negative goodwill by reported segment)

Previous consolidated fiscal year (March 1, 2011 to February 29, 2012)

Not applicable.

Consolidated fiscal year under review (March 1, 2012 to February 28, 2013)

Not applicable.

(Per Share Information)

Previous fiscal year (March 1, 2011 to February 29, 2012)		Fiscal year under review (March 1, 2012 to February 28, 2013)	
Net assets per share	2,114.00 yen	Net assets per share	2,267.17 yen
Net income per share	249.17 yen	Net income per share	332.20 yen
Net income per share after full dilution	248.80 yen	Net income per share after full dilution	331.69 yen

(Note) The basis for the calculation of net income per share and net income per share after full dilution is as follows:

Item	Previous fiscal year (March 1, 2011 to February 29, 2012)	Fiscal year under review (March 1, 2012 to February 28, 2013)
Net income per share		
Net income (million yen)	24,885	33,182
Amount not attributable to common stockholders (million yen)	—	—
Net income attributable to common stock (million yen)	24,885	33,182
Average number of common stock during the fiscal year (thousand shares)	99,871	99,887
Net income per share after full dilution		
Net income adjustment value (million yen)	—	—
Increase in number of outstanding common shares (thousand shares)	149	152
(Stock acquisition rights) (thousand shares)	(149)	(152)
Summary of issuable shares not included in the computation of net income per share after full dilution, since these securities are not dilutive.	(Stock acquisition rights) Date of resolution by the Board of Directors: January 16, 2009 (Stock acquisition rights: 360)	―

(Significant Subsequent Events)

Not applicable