

Flash Report on the Consolidated Result

for the 3rd Quarter Ended February 28, 2014

January 9, 2014

Listed Company Name: Lawson, Inc.

Code No.: 2651

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

Company Representative: Takeshi Niinami, Representative Director, CEO

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Scheduled date for submission of quarterly earnings report: January 14, 2014

Scheduled date for payment of dividend: -

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: No

1. Consolidated Performance for the current 3rd quarter of the current period (from March 1, 2013, to November 30, 2013)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Gross operating revenue		Operating income		Ordinary income	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 3rd Quarter	370,035	(0.6)	54,773	2.4	55,062	3.6
Previous 3rd Quarter	372,266	3.2	53,495	7.5	53,163	6.8

	Net income		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 3rd Quarter	30,468	6.7	305.00	304.44
Previous 3rd Quarter	28,546	38.5	285.79	285.35

Notes: Comprehensive income November, 2013 31,526 million(12.1 %) November, 2012 28,123 million(34.3 %)

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ Million	¥ Million	%
At November 30,2013	618,888	242,219	38.3
Last fiscal year	579,809	230,181	39.1

Notes: Shareholders' equity November, 2013 236,943 million February, 2013 226,475 million

2. Dividends status

	Annual dividends per share				
	1Q	1H	3Q	Year-end	Total
	¥	¥	¥	¥	¥
2012 fiscal year	—	100.00	—	100.00	200.00
2013 fiscal year	—	110.00			
2013 fiscal year (Forecast)			—	110.00	220.00

Notes: Revision of forecast for dividends in the first quarter: No

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

	Gross operating revenue		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2013 fiscal year	503,000	3.2	70,000	5.7	68,400	3.8	35,900	8.2

Reference: Forecast net profit per share for the 2013 fiscal year: 359.36yen

Note: Revision of forecasts for consolidated performance during the first half: No

4. Notes

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): No

(2) Adoptions of special accounting methods in presentation of quarterly financial statements: No

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

1. Changes of accounting policies associated with revision in accounting standards: Yes

2. Other changes: No

3. Changes in accounting estimation: Yes

4. Retrospective restatement: No

(4) Number of issued shares:

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

November, 2013: 100,300,000 February, 2013: 100,300,000

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

November, 2013: 400,978 February, 2013: 406,853

iii) Average number of shares during the term

November, 2013: 99,896,486 November, 2012: 99,886,354

Note: Disclosure of progress of quarterly review procedures

At the time of disclosure of this quarterly flash report, review procedures for quarterly earnings reports based on the Financial Instruments and Exchange Act were being performed.

Note: Terms of use for financial forecasts, and other special notes

Forward-looking statements presented in this material such as financial forecasts are based on currently available information and certain presumptions deemed to be reasonable as of the date of announcement. They are not intended to guarantee the Company's achievement. Actual results may differ significantly from these forecasts due to many factors. For preconditions of these financial forecasts and notes concerning their use, please refer to "1. Review of Operations, (3) Qualitative Information Regarding Consolidated Financial Forecasts" on page 8.

1. Review of Operations

(1) Review of Operating Results

During the first nine months of fiscal 2013, the period from March 1 to November 30, 2013, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce its social infrastructure function 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) and supply chain management (SCM) in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

As a result, for the first nine months of fiscal 2013 on a consolidated basis, gross operating revenue decreased by 0.6% from the corresponding period of the previous fiscal year to ¥370,035 million owing to a decline of ¥18,926 million in net sales, which offset an increase of ¥16,695 million in operating revenue resulting from an increase in the number of franchised stores and a decrease in the number of company-operated stores. Although cost of sales fell ¥14,071 million owing to the decrease in the number of company-operated stores, selling, general and administrative expenses grew ¥10,563 million, up 5.1% year on year, to ¥217,266 million, driven by a rise in rents and depreciation.

As a result, operating income rose ¥1,277 million, up 2.4% year on year, to ¥54,773 million. Ordinary income rose ¥1,898 million, up 3.6% year on year, to ¥55,062 million. Net income rose ¥1,921 million, up 6.7% year on year, to ¥30,468 million.

Operating results by business segment are as follows.

(Convenience Store Operations)

The status of merchandise and services, store operations, store development and other aspects of Convenience Store Operations for the first nine months fiscal 2013 is outlined as follows.

[Merchandise and Service Strategies]

On the merchandising front, we continued to strengthen our evening and nighttime merchandise assortment by expanding our lineup of ready-made meals, including carbohydrate-based foods and fast foods, in order to enhance satisfaction of customers visiting our stores in and after evening hours.

In an effort to improve store profitability, we continued to fortify our lineup of fast foods. With the launch of top-selling products such as “Ohgon-Chicken” (tender and juicy fried chicken with a golden, crispy crust) fast foods recorded robust sales. The number of stores equipped with MACHI café offering freshly brewed coffee reached 6,380 as of November 30, 2013. The number of stores with MACHI café, which was first launched in fiscal 2011, will be expanded to about 8,000 by the end of this fiscal year. At the same time, starting with regions where MACHI café has been installed, publicity will be strengthened in phases through TV commercials and other means to further enhance customer recognition. In addition, we

have steadily installed a kitchen facility named Machikado Chubo in more stores, aiming to offer freshly prepared dishes. The number of stores with the in-store kitchen facility has reached 1,846 as of November 30, 2013, and they are becoming increasingly popular among customers.

In order to achieve sustainable growth leveraged by our differentiation strategy, we have set a mid-term vision to focus on the “health” of customers in our communities. We have begun taking actions for this initiative to help customers lead healthier lifestyles. We are reinforcing product development of health-related foods, including stepping up marketing efforts for low carbohydrate-containing products such as bran^{*1} bread and expanding our merchandise assortment of pre-cut vegetables and other perishable foods. We will further promote development of high quality perishable products by taking advantage of our unique strengths such as the Nakashima Farming Method^{*2}, one of the most prominent mineral farming methods in Japan, as well as Lawson Farms. Furthermore, we have been implementing rigorous initiatives to manage the health condition of our employees since last year as part of our corporate drive to promote good health. Our focus on health will be further strengthened as an approach adopted throughout the entire Lawson chain including franchised stores.

To expand our customer base, we continued to reinforce our merchandise assortment of foods delivered on a daily basis and processed foods that are purchased in combination with fresh foods, especially at stores focusing on perishable products. Also, as part of its measures to boost its perishable-foods-related business, the Company is planning to acquire the Group’s store-related assets including franchise agreements for LAWSON STORE 100 fresh foods convenience stores as of February 1, 2014. By thus centralizing the chain-store-related back-office tasks within the Group, including management of store assets and promotion of franchising, we will strive to launch more stores tailored to the customer needs of each neighborhood and implement efficient area strategies.

^{*1} Bran: The external layer of wheat. Contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrate.

^{*2} Nakashima Farming Method: A cultivation method that supplies appropriate nutrients in accordance with the growth status of crops and the nutritional balance of the soil (mineral balance). Uses techniques for developing healthy soil based on diagnosis of soil conditions in conjunction with techniques to control the growth process of crops to maintain healthy growth.

[Breakdown of sales at chain stores by merchandise category]

Fiscal period Product group	Previous 3rd Quarter March 1, 2012 to November 30, 2012		Current 3rd Quarter March 1, 2013 to November 30, 2013	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	812,201	56.0	814,329	55.0
Fast foods	283,696	19.6	311,060	21.0
Daily delivered foods	207,982	14.3	209,531	14.2
Nonfood products	146,699	10.1	144,642	9.8
Total	1,450,579	100.0	1,479,564	100.0

Note: The above figures represent sales of convenience stores managed by the Group.

In sales promotions, we implemented a point-reward campaign targeting Ponta members to encourage purchasing with the aim of increasing the rate of repeat visits.

Total Ponta members reached 59 million as of November 30, 2013, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 49%.

[Store Operations]

In store operations, by using the store-by-store analysis reports formulated based on Ponta members' data, which we started distributing to franchised stores in March, we encouraged sharing of initiatives and knowledge among all stores and continued striving to achieve merchandise assortment and store features tailored to each store.

Furthermore, we have also continued implementing measures to streamline our order placement procedures and reduce lost opportunities. Going forward, we will further push forward with our efforts to achieve merchandise assortment that suits customers visiting each store by leveraging Ponta members' data and implementing shelf allocation tailored to the locational characteristics of each store.

[Store Development and Store Format Strategy]

In opening new stores, the Group has set itself apart from the excessive store-opening of the competition that is prevalent in the convenience store industry by strictly adhering to its proprietary standards for opening stores that focus on maximized return on investment (ROI) and prioritizing profitability.

[Change in the Total Number of Stores]

	Total stores as of February 28, 2013	Change during fiscal year	Total stores as of November 30, 2013
LAWSON	9,642	309	9,951
NATURAL LAWSON	110	(3)	107
LAWSON STORE100	1,224	(12)	1,212
Total	10,976	294	11,270

[Distribution of Stores in Japan by Region (As of November 30, 2013)]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	596	Saitama	476	Mie	107	Okayama	139	Saga	63
Aomori	197	Chiba	450	Ishikawa	99	Hiroshima	166	Nagasaki	99
Akita	178	Ibaraki	133	Toyama	183	Yamaguchi	116	Oita	157
Iwate	158	Tokyo	1,556	Fukui	104	Tottori	105	Kumamoto	107
Miyagi	213	Kanagawa	827	Kyoto	266	Shimane	107	Miyazaki	94
Yamagata	69	Shizuoka	209	Shiga	139	Kagawa	110	Kagoshima	119
Fukushima	92	Yamanashi	99	Nara	100	Ehime	175	Total	11,270
Niigata	119	Nagano	151	Wakayama	114	Tokushima	115		
Tochigi	132	Aichi	529	Osaka	1,000	Kochi	66		
Gunma	86	Gifu	139	Hyogo	605	Fukuoka	406		

The number of LAWSON STORE 100 fresh foods convenience stores reached 1,212 as of November 30, 2013. Conversion of company-operated stores into franchised stores is steadily progressing. In addition, the number of fresh food-type LAWSON stores, which are enhanced conventional LAWSON stores with a stronger assortment of perishable foods and daily delivered foods, totaled 6,191 as of November 30, 2013. With the aim of steadily supplying high-quality products, we are operating 10 Lawson Farms as of November 30, 2013 in Japan, which are partially funded by the Group, and are selling fresh vegetables produced at these farms primarily at fresh food-type convenience stores.

The number of LAWSON chain stores operated in Kagoshima Prefecture by Lawson Minamikyushu, Inc. reached 82 as of November 30, 2013. The number of LAWSON chain stores operated in Kumamoto Prefecture by Lawson Kumamoto, Inc. stood at 24 as of November 30, 2013. And the number of LAWSON chain stores operated in Okinawa Prefecture by Lawson Okinawa, Inc., our equity-method affiliate, totaled 160 as of November 30, 2013.

(Overseas Operations)

In the People's Republic of China, the Group's operating companies shown on the following table have opened stores in Shanghai, Chongqing, Dalian, and Beijing. In May 2013, we established Beijing Lawson, Inc. which opened two stores in August. In Indonesia, PT MIDI UTAMA INDONESIA Tbk, in which Lawson Asia Pacific Holdings Ptd. Ltd. (hereinafter, "LAP"), our Asian umbrella subsidiary in Singapore, holds a 30% stake, operates Lawson stores. In Thailand, Saha Lawson Co., Ltd. (hereinafter, "Saha Lawson"), a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON108. Starting the second quarter, Saha Lawson's financial performance has been posted on the Group's consolidated profit and loss statement. The number of LAWSON stores operated by Lawson USA Hawaii, Inc. in Hawaii, U.S.A. reached 4 as of November 30, 2013.

[Distribution of LAWSON Brand Stores Overseas by Region (As of November 30, 2013)]

Company	Country/region	Number of stores (As of February 28, 2013)	Change during fiscal year	Number of stores (As of November 30, 2013)
Shanghai Hualian Lawson, Inc.	Shanghai, China	305	(9)	296
Chongqing Lawson, Inc.	Chongqing, China	49	26	75
Dalian Lawson, Inc.	Dalian, China	8	7	15
Beijing Lawson, Inc.	Beijing, China	-	5	5
Saha Lawson Co., Ltd.	Bangkok, Thailand	-	24	24
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	83	(20)	63
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	2	2	4
Total		447	35	482

*Saha Lawson Co., Ltd. possesses 242 stores under the "108 Shop" brand in addition to the LAWSON 108 stores above.

(Other Businesses)

In addition to Convenience business and Overseas business, the Group is involved in the Entertainment & Home Convenience business, and other businesses.

Lawson HMV Entertainment, Inc., our consolidated subsidiary that operates Entertainment & Home Convenience business posted a solid performance led by an increase in ticket sales of concerts, events and leisure activities.

Lawson ATM Networks, Inc., which operates a financial services-related business, started providing financial services for Shinsei Bank and the Chukyo Bank in October 2013 and for JA Bank and JF Marine Bank in November 2013. A solid financial performance was displayed by Lawson ATM Networks, with

the total number of its financial institution partners reaching 66 nationwide including online banks and the number of ATMs installed nationwide totaling 10,032 as of November 30, 2013.

(2) Qualitative Information Regarding Changes in Consolidated Financial Indicators

As of November 30, 2013, total current assets stood at ¥204,408 million yen, climbing ¥24,112 million from February 28, 2013, the end of the previous fiscal year. This reflected an increase of ¥9,203 million in accounts receivable-due from franchised stores, primarily owing to procurement of year-end holiday season merchandise by these stores. Noncurrent assets grew ¥14,967 million from February 28, 2013 to ¥414,480 million, mainly owing to an increase of ¥16,758 million in property and store equipment resulting from opening of new stores. Consequently, total assets climbed ¥39,079 million from the end of the previous fiscal year to ¥618,888 million.

As of November 30, 2013, total current liabilities increased ¥18,544 million from the end of the previous fiscal year to ¥258,338 million, mainly reflecting an increase of ¥15,447 million in accounts payable-trade owing to a rise in the number of stores and total procurement value across the entire chain. Noncurrent liabilities stood at ¥118,331 million, growing ¥8,497 million from February 28, 2013, mainly owing to lease obligations growing ¥8,749 million due to opening of new stores. Consequently, total liabilities increased ¥27,042 million from the end of the previous fiscal year to ¥376,669 million.

As of November 30, total net assets stood at ¥242,219 million, climbing ¥12,037 million from February 28, 2013. This was mainly due to an increase resulting from a first nine months' net income of ¥30,468 million, a decrease resulting from payment of ¥20,978 million in dividends, foreign currency translation adjustments of ¥1,149 million, and a growth of ¥1,425 million in minority interests. Consequently, shareholders' equity ratio amounted to 38.3%, down from 39.1% as of the end of the previous fiscal year.

(3) Qualitative Information Regarding Consolidated Financial Forecasts

The financial forecasts announced on October 8, 2013 remain unchanged.

2. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): No

(2) Adoptions of accounting methods particular to presentation of quarterly financial statements: No

(3) Changes in accounting policies, changes in accounting estimation, retrospective restatement: Yes

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimation)

Pursuant to an amendment in the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have changed their depreciation method with respect to properties and store equipment acquired on and after March 1, 2013, starting from the first quarter of the consolidated fiscal 2013 under review. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for the consolidated the first nine months fiscal 2013 is minimal.

3. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of November 30, 2013 and February 28, 2013

(Millions of yen)

	February 28, 2013	November 30, 2013
Current assets:		
Cash and deposits	84,770	82,596
Accounts receivable-due from franchised stores	25,374	34,577
Merchandise	8,963	10,158
Accounts receivable-other	46,008	53,433
Deferred tax assets	4,656	3,445
Other	11,804	22,033
Allowance for doubtful accounts	(1,281)	(1,836)
Total	180,296	204,408
Noncurrent assets:		
Property and store equipment:		
Buildings and structures	242,934	260,065
Accumulated depreciation	(124,562)	(133,807)
Buildings and structures, net	118,372	126,257
Vehicles, tools, furniture and fixtures	67,399	66,868
Accumulated depreciation	(52,637)	(54,031)
Vehicles, tools, furniture and fixtures, net	14,761	12,837
Lease assets	96,251	117,280
Accumulated depreciation	(30,452)	(41,712)
Lease assets, net	65,799	75,567
Other	10,205	11,234
Subtotal	209,138	225,897
Intangible assets:		
Software	23,914	20,350
Goodwill	9,683	9,835
Other	491	498
Subtotal	34,089	30,684
Investments and other assets:		
Long-term loans receivable	34,580	33,449
Guarantee deposits	86,109	86,008
Deferred tax assets	16,215	16,973
Other	20,596	22,535
Allowance for doubtful accounts	(1,217)	(1,067)
Subtotal	156,285	157,898
Total	399,513	414,480
Total assets	579,809	618,888

(Millions of yen)

	February 28, 2013	November 30, 2013
Current liabilities:		
Accounts payable-trade	87,187	102,635
Accounts payable-due to franchised stores	1,403	1,222
Short-term loans payable	1,431	680
Lease obligations	14,489	16,120
Accounts payable-other	26,105	31,170
Income taxes payable	14,474	7,233
Deposits received	87,529	91,466
Provision for bonuses	2,544	1,289
Provision for point card certificates	215	146
Other	4,412	6,374
Total	239,794	258,338
Noncurrent liabilities:		
Lease obligations	47,207	55,956
Provision for retirement benefits	9,898	10,827
Provision for retirement benefits to executive officers	332	393
Long-term guarantee deposited	34,804	32,806
Asset retirement obligations	16,682	17,565
Other	907	781
Total	109,833	118,331
Total liabilities	349,627	376,669
Shareholders' equity:		
Capital stock	58,506	58,506
Capital surplus	47,718	47,731
Retained earnings	121,154	130,644
Treasury stock	(1,593)	(1,575)
Total shareholders' equity	225,785	235,307
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	78	(125)
Revaluation reserve for land	(567)	(567)
Foreign currency translation adjustment	1,179	2,329
Total accumulated other comprehensive income	690	1,635
Subscription rights to shares	427	571
Minority interests	3,279	4,704
Total net assets	230,181	242,219
Total liabilities and net assets	579,809	618,888

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

Consolidated Statements of Income (Unaudited)

For the 3rd Quarter of the fiscal year (From March 1, 2012 to November 30, 2012) (From March 1, 2013 to November 30, 2013)

(Millions of yen)

	November 30, 2012	November 30, 2013
Gross operating revenue	372,266	370,035
Net sales	149,103	130,177
Cost of sales	112,067	97,996
Gross profit	37,035	32,180
Income from franchised stores	175,951	184,707
Other	47,211	55,151
Operating revenue	223,162	239,858
Operating gross profit	260,198	272,039
Selling, general and administrative expenses	206,702	217,266
Operating income	53,495	54,773
Non-operating income and expenses:		
Non-operating income:	1,453	2,118
Interest income	553	622
Compensation income	151	455
Other	748	1,041
Non-operating expenses:	1,785	1,829
Interest expenses	914	968
Loss on cancel of lease contracts	329	461
Other	541	399
Ordinary income	53,163	55,062
Extraordinary income and loss:		
Extraordinary income:	324	403
Gain on sales of investment securities	145	403
Gain on bargain purchase	153	-
Other	25	-
Extraordinary loss:	3,859	4,322
Loss on retirement of noncurrent assets	890	1,832
Impairment loss	2,744	2,075
Other	225	415
Income before income taxes and minority interests	49,628	51,143
Income taxes:	20,836	20,480
Income taxes-current	18,916	19,906
Income taxes-deferred	1,919	573
Income before minority interests	28,792	30,663
Minority interests in income	245	194
Net income	28,546	30,468

Consolidated Statements of Comprehensive Income (Unaudited)

For the 3rd Quarter of the fiscal year (From March 1, 2012 to November 30, 2012) (From March 1, 2013 to November 30, 2013)

	(Millions of yen)	
	November 30, 2012	November 30, 2013
Income before minority interests	28,792	30,663
Other comprehensive income		
Valuation difference on available-for-sale securities	(52)	(203)
Foreign currency translation adjustment	(66)	1,743
Share of other comprehensive income of associates accounted for using equity method	(550)	(676)
Total other comprehensive income	(669)	863
Comprehensive income	28,123	31,526
Comprehensive income attributable to		
Owners of the parent	27,872	31,414
Minority interests	250	112

(3) Notes on Premise of Going Concern

Not Applicable.

(4) Notes on Significant Changes in the Amount of Shareholders' Equity

Not Applicable.