Flash Report on the Consolidated result for the year ended February 28, 2011

Listed Company Name : LAWSON, INC.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Listing: Tokyo Stock Exchange and Osaka Securities Exchange
Location of Head Office: Metropolis of Tokyo
Company Representative: Takeshi Niinami, Representative Director, President & CEO
Contact: Tomoki Takanishi, Financial & Accounting Office General Manager Tel.: (03) 5435-2773
Scheduled date for the ordinary general meeting of shareholders: May 24, 2011
Scheduled date for payment of dividend: May 25, 2011
Scheduled date for submission of annual report: May 25, 2011
Supplementary Documents fiscal year results: Yes
Presentation of annual results: Yes (for institutional investors and analysts)

1. Consolidated Performance for the 2010 fiscal year (from March 1, 2010, to February 28, 2011)

(1) Consolidated operating results

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

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2010 fiscal year	441,277	(5.5)	55,540	10.5	54,594	10.4
2009 fiscal yea r	467,192	33.7	50,275	2.2	49,440	1.3

	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	%	¥	¥	%	%	%
2010 fiscal year	25,386	102.1	254.61	254.31	12.8	11.8	12.6
2009 fiscal year	12,562	(47.2)	126.67	126.54	6.5	11.2	10.8

Notes: Equity in net income (loss) of affiliates:
2010 fiscal year: ¥311million 2009 fiscal year: ¥61million

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2010 fiscal year	476,036	208,466	42.7	2,037.50
2009 fiscal year	448,131	198,135	42.8	1,935.41

Note: Capital adequacy:
2010 fiscal year: ¥203,479million 2009 fiscal year: ¥191,930million

(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
2010 fiscal year	72,210	(30,522)	(28,798)	67,712
2009 fiscal year	40,695	(42,595)	(27,238)	54,843

2. Dividends status

	Annual dividends per share					Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	1Q	Interim dividend	3Q	Year-end dividend	Total			
	¥	¥	¥	¥	¥	¥ Million	%	%
2009 fiscal year	—	80	—	80	160	15,866	126.3	8.2
2010 fiscal year	—	85	—	85	170	16,977	66.8	8.6
2011 fiscal year (Forecast)	—	87	—	88	175	—	88.3	—

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

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	¥
2011 interim period	230,000	4.0	28,500	(5.5)	27,600	(7.0)	5,300	(56.9)
2011 fiscal year	461,000	4.5	57,500	3.5	55,400	1.5	19,800	(22.0).

Reference: Forecast net profit per share for the 2011 half year: 53.07yen
Forecast net profit per share for the 2011 fiscal year: 198.26yen

4.Other

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

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

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

i) Changes associated with revision in accounting standards: Yes

ii) Other changes: None

(3) Number of issued shares

i) The number of shares issued at the end of term

February, 2011: 100,300,000 February, 2010: 99,600,000

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

February, 2011: 433,040 February, 2010: 432,190

iii) Average number of shares during the term

February, 2011: 99,705,265 February, 2010: 99,167,889

[Reference]

1.Non-consolidated Performance for the 2010 Fiscal Year (from March 1, 2010, to February 28,2011)

(1)Operating results

Notes: ①Amounts below one million yen are truncated

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

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2010 fiscal year	263,209	(3.1)	50,210	11.6	49,312	10.6
2009 fiscal year	271,513	(2.9)	44,997	(4.1)	44,577	(5.8)

	Net profit		Net profit per share	Fully diluted profit per share
	¥ Million	%	¥	¥
2010 fiscal year	24,643	19.2	247.15	246.85
2009 fiscal year	20,665	(6.4)	208.38	208.17

(2) Financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
2010 fiscal year	444,821	211,448	47.4	2,113.24
2009 fiscal year	420,444	200,506	47.6	2,018.39

Note: Capital adequacy:
2010 fiscal year: ¥211,043 million 2009 fiscal year: ¥200,160 million

2.Forecast Non-consolidated Performance for 2011 fiscal Year（from March 1, 2011, to February 29, 2012）

	Total operating revenues		Operating profit		Recurring profit		Net profit		Net profit per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million
2011 interim period	132,000	(1.0)	26,200	(3.6)	25,500	(4.8)	6,500	(48.7)	65.08
2011 fiscal year	262,000	(0.5)	52,100	3.8	50,300	2.0	19,600	(20.5)	196.26

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 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 5th page of appending data about matters, such as precondition of the above-mentioned forecast.

1. Operating Results

1. Review of Operation

(1) Analysis of Consolidated Operating Results

During fiscal 2010, ending on February 28, 2011, some recovery was seen in the overall consumer market, although consumer preferences for lower prices due to the prolonged recession continued to exert an adverse effect to some extent. Signs of recovery also began to emerge in the convenience store (CVS) industry in and after October 2010.

In this operating environment, the LAWSON Group (the "Company") took the following actions with the aim of improving customer satisfaction in CVS operations and other businesses to realize its corporate philosophy of "Happiness and Harmony in Our Community."

[Convenience Store Operations]

The status of merchandise strategy and services, store operations, store development and other aspects of Convenience Store Operations in the fiscal year under review is outlined as follows:

Merchandise Strategy and Services

On the merchandise front, we offered a wide variety of attractive items that pleasantly surprised customers with their value for money. This was made possible by bringing in innovative ideas in the ingredients procurement process, including procuring high-quality food materials in bulk.

In the rice dishes category (rice balls/boxed lunches/sushi), we reduced the prices for some popular items in the series of rice balls made with a branded rice, Niigata-grown Koshihikari, to promote sales, and launched a high-end line of Niigata-grown Koshihikari rice balls, adopting new upscale ingredients. In addition, our Onigiri-ya rice ball brand renewal in November, under which we switched to using Niigata-grown Koshihikari for all our white rice balls, was well received by many customers. Our Gohoubi-no-hitotoki (Enjoy a luxurious time) series of deluxe boxed lunches, which was launched under the concept of satisfying both the stomach and the soul, was also tremendously popular among customers. We also launched a series of chilled lunch boxes in January.

In the dessert category, our Uchi Café SWEETS line including the Premium Roll Cake Series was a great hit, contributing to the category’s enhanced performance.

In sales promotions, the Company focused on campaigns anticipated to bring a high return on investment (ROI) such as the Rilakkuma Fair, Miffy Campaign, Evangelion Campaign, and Keion!! Fair, which are centered on tie-ups with popular characters.

Breakdown of sales at chain stores by merchandise categories

Fiscal period / Product group	Current fiscal year March 1, 2009, to February 28,2010		Current fiscal year March 1, 2010 to February 28,2011		YOY Percentage change
	Sales (Millions of yen)	Ratio to total (%)	Sales (Millions of yen)	Ratio to total (%)	
Processed foods	902,306	54.2	897,426	53.3	99.5
Fast foods	324,197	19.5	321,865	19.1	99.3
Daily delivered foods	239,088	14.3	264,169	15.7	110.5
Nonfood products	200,544	12.5	199,350	11.9	99.4
Total	1,666,136	100.0	1,682,812	100.0	101.0

Some merchandise that was classified under fast food in the first half of the previous fiscal period has been reclassified under daily delivered goods in the presentation for the first half of the current fiscal period. The effect of the change is 8,913 million yen.

On the services front, we established a system for issuing the Ponta multi-partner shopping point card instantly in stores. Companies from diverse business categories participate in the Ponta card program operated by LOYALTY MARKETING, INC. The number of companies participating in the program has increased, expanding card membership to over 30 million. The number of LAWSON customers holding

Ponta cards is ever on the rise, notably those with Ponta cards issued by other companies.

Store Operations

In store operations, we promoted sales spaces and merchandise assortments tailored to the needs of each neighborhood through analysis of purchase data collected from the Ponta card program by utilizing PRiSM, our core IT system that was developed to place orders from the perspective of customers. PRiSM has enhanced franchise owners' awareness of the importance of optimal merchandise assortment by quantifying the sales opportunities we lose as a result of being out of stock of items customers need and visualizing the effect that can be enjoyed by reducing these lost opportunities. The Company has thus strengthened its guidance to franchise owners to enable them to offer the precise merchandise customers need on a timely basis, aiming to further boost customer satisfaction.

Store Development

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

In terms of store format strategy, the Company leveraged the LAWSON, NATURAL LAWSON and LAWSON STORE100 formats to promote new store openings and store renovations that match customer needs in each neighborhood.

The Company also proactively pursued renovation of conventional LAWSON stores into LAWSON stores that focus on fresh foods, especially in residential areas with a high demand for fresh food. The number of these stores now exceeds 1,000.

In an effort to reinforce its capacity to cater to healthcare needs, the Company opened new stores that combine MatsumotoKiyoshi and LAWSON STORE 100. In addition, we now operate 35 stores that market over-the-counter (OTC) drugs by increasing licensed sales personnel based on human resources exchange with MatsumotoKiyoshi Holdings Co., Ltd. Starting from August 2010, the Company also launched Pharmacy LAWSON, an integration of drug-dispensing pharmacies and NATURAL LAWSON stores, in partnership with Qol Co., Ltd., which operates a chain of drug-dispensing pharmacies.

[Change in Total Number of Stores] (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total stores as of February 28 2010	8,540	89	996	9,625
Change during fiscal year	146	1	81	228
Total stores as of February 28, 2011	8,686	90	1,077	9,853

As of February 28, 2011, the number of LAWSON stores operated by equity-method affiliate LAWSON Okinawa, Inc. in Okinawa Prefecture was 141.

In overseas operations, in July 2010 the Company opened its first store in Chongqing in China, expanding its area of operations from Shanghai. CHONGQING LAWSON CO., LTD., in which LAWSON has a 100% equity interest, operates four stores as of February 28, 2011. SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, was operating 315 stores in Shanghai, China, as of February 28, 2011

Number of LAWSON stores by prefecture (As of February 28, 2010; consolidated subsidiaries only)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	532	Saitama	389	Mie	94	Okayama	122	Saga	61
Aomori	169	Chiba	355	Ishikawa	87	Hiroshima	143	Nagasaki	87
Akita	153	Ibaraki	109	Toyama	112	Yamaguchi	112	Oita	139
Iwate	160	Tokyo	1,288	Fukui	99	Tottori	89	Kumamoto	92
Miyagi	193	Kanagawa	697	Kyoto	251	Shimane	90	Miyazaki	79
Yamagata	61	Shizuoka	180	Shiga	127	Kagawa	98	Kagoshima	105
Fukushima	99	Yamanashi	73	Nara	99	Ehime	155		
Niigata	102	Nagano	132	Wakayama	110	Tokushima	103	**Total**	**9,853**
Tochigi	107	Aichi	473	Osaka	969	Kochi	57	Chongqing	4
Gunma	68	Gifu	122	Hyogo	554	Fukuoka	357		

Corporate Social Responsibility (CSR) Activities

In the CSR field, the CSR Promotion Office continued to lead environmental protection and social contribution activities, working together with franchise owners and employees.

In June 2010, we established the LAWSON Group Environmental Policy that expresses our determination to consider the environment in all aspects of our business and to work for the local communities in which we operate, in the hope of passing on the bountiful blessings of the Earth to the next generation.

As part of our efforts to help create a low-carbon society, the Company set targets for reducing the CO_2 generated by power consumption at each store, and actively installed energy-saving devices, including LED lighting for signs and in stores, not only at new stores but also at existing stores.

In a collaborative effort with customers to fight global warming, in April 2008 the Company launched a carbon offset program, which allows customers to contribute to reducing CO_2 by purchasing carbon credits using their accumulated shopping points or cash, or by purchasing products designated for carbon offset. As of February 28, 2011, approximately 15,000 tons of CO_2 had been offset through this program. In addition, the LAWSON Green Fund, active since 1992, in combination with donation drives for regions hit by disasters such as torrential rain, raised a total of approximately ¥316 million in fiscal 2010.

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

Other

In response to the misconduct that took place in fiscal 2009 within our subsidiary LAWSON ENTERMEDIA, INC., we implemented measures to strengthen internal control within the Company. Specifically, LAWSON examined the status of the distribution of authorities and risk management framework at its affiliates and regularly monitored the status of their funds. We also provided stronger guidance to affiliates in order to improve their management by expanding the number of items audited by our internal audit division. In the second half of the fiscal year, LAWSON revised its Affiliate Management Regulation to clarify the division of responsibilities with respect to management of and assistance given to its affiliates and promoted area-specific initiatives in areas such as the centralized management of funds. We intend to continue to promote the measures we are implementing.

Ninety-nine Plus Inc. became a LAWSON wholly-owned subsidiary as a result of a share exchange agreement with LAWSON effective July 1, 2010.

[Other Businesses]
In addition to convenience store operations, the Company is involved in entertainment/e-commerce business, financial services, and other businesses.
LAWSON ENTERMEDIA, INC., which undertakes ticket sales as part of its entertainment/e-commerce business, recorded a strong performance in sales of event and leisure-related tickets. On July 1, 2010, LAWSON concluded a share exchange agreement with LAWSON ENTERMEDIA, making it a wholly-owned subsidiary.
In addition, with the aim of expanding and reinforcing our ticket sales business and building a framework that allows us to offer a wider range of items online as well as offline by fortifying our e-commerce base, LAWSON acquired HMV Japan K.K., a music/video software marketing company, as its wholly-owned subsidiary on December 1, 2010. On January 28, 2011 LAWSON also concluded an agreement on a business alliance and stock purchase with Venture Republic Inc., which operates a price comparison website that drives viewers to e-commerce websites and e-commerce shopping malls.
During fiscal 2009, LAWSON ENTERMEDIA was described as a company mainly engaged in the ticket sales business. When LAWSON acquired HMV Japan K.K. as its consolidated subsidiary, however, LAWSON changed the name of business operations undertaken by LAWSON ENTERMEDIA and HMV Japan from “ticket sales business” to “entertainment/e-commerce business” from fiscal 2010, aiming to expand the Company’s entertainment business.
LAWSON ATM Networks, Inc., which operates a financial services-related business, performed strongly as a result of an increase in the number of ATM machines installed nationwide in LAWSON stores and a rise in the number of transactions. The number of ATM machines installed has grown to 8,526 as of February 28, 2011.
Advertising business operator Cross Ocean Media, Inc. worked to develop and operate new high value-added media such as digital signage, a form of electronic display that shows advertising.

(2) Profit and Loss
In terms of our operating results, total operating revenues decreased by ¥25,914 million, or 5.5%, from the previous fiscal year to ¥441,277 million. This was due to a ¥41,363 million decline in net sales resulting from a fall in the number of Company-operated stores.
Operating income grew by ¥5,264 million, or 10.5%, from the previous fiscal year to ¥55,540 million, mainly due to an increase of ¥4,706 million in gross operating income.
Ordinary income increased by ¥5,153 million, or 10.4%, from the previous fiscal year to ¥54,594 million.
Income before income taxes and minority interests increased by ¥14,536 million, or 48.7%, year on year to ¥44,411 million, mainly as a result of the fact that, in the previous fiscal year, an extraordinary loss of ¥12,616 million was posted in relation to the misappropriation of funds by former directors of the consolidated subsidiary LAWSON ENTERMEDIA, INC.
As a result, net income increased by ¥12,824 million, or 102.1%, to ¥25,386 million, and net income per share stood at ¥254.61.

(3) Outlook for Fiscal 2011
Although early signs of recovery were seen in the consumer market, there are concerns that the Japanese economy will suffer adverse effects from the Great East Japan Earthquake in fiscal 2011.
In this environment, LAWSON is promoting the following management measures with the aim of realizing its corporate philosophy of "Happiness and Harmony in Our Community."
1) Create merchandise assortments that meet customer needs
In an effort to create stores that meet the needs of customers in the neighborhood, the Company will continue to use the Ponta multi-partner shopping points program data to develop customer-centric merchandise assortment. By harnessing our core IT system, PRiSM, to a higher degree, we will strive to improve ordering precision to reduce sales opportunity losses and product disposal losses. We will also step up our efforts to enhance product development capabilities, which are essential in achieving customer-centric merchandise assortments and improving ordering precision.
2) Provide appealing services by leveraging the Ponta multi-partner shopping points program
The number of companies participating in the Ponta program is expected to increase in the days ahead,

which will lead to more convenient services for customers. LAWSON will pursue broader marketing analysis and sales promotion measures in collaboration with the other participating companies to provide customers with more appealing services.

3) Promote the fresh foods convenience store business

We will further expand our fresh foods convenience store business, which is a growth area, by opening new LAWSON STORE 100 and fresh foods convenience stores mainly in residential areas. In particular, we will strive to respond to the increasing needs of customers desiring to prepare their meals at home, while further expanding our customer base by attracting elderly and female customers in addition to male customers in their 20s and 30s, who have constituted the main body of convenience store shoppers.

4) Respond to demand for OTC drugs and healthcare

LAWSON will expand OTC drug sales and help customers achieve the healthy and comfortable lifestyles they seek by stepping up the development and marketing of health-oriented foods harnessing the knowhow acquired through operation of NATURAL LAWSON stores. Based on the idea that "you are what you eat," we will continue to help customers lead healthy and fulfilling lives.

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

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

6) Strengthen internal control within the Company

In response to the misconduct that was uncovered in fiscal 2009 within our subsidiary LAWSON ENTERMEDIA, INC., we will continue to promote the initiatives we implemented in fiscal 2010. We will also embark on the establishment of a structure that facilitates communication between LAWSON and its affiliates with a view to propagating the Company's management policy and increasing the degree of its implementation. By consistently implementing the aforementioned management measures to enhance customer satisfaction and expand our customer base, we are aiming to improve corporate earnings by maintaining or expanding the number of customers, increase the earnings of franchised stores, and eventually to enhance our corporate value.

For fiscal 2011, we project an ordinary income of ¥55.4 billion, up 1.5% year on year, on a consolidated basis, and an ordinary income of ¥50.3 billion up 2.0% year on year, on an unconsolidated basis.

(4) Analysis of Financial Position

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

Total assets increased by ¥27,905 million year on year to ¥476,036 million, mainly due to a ¥10,799 million increase in cash and bank deposits and a ¥13,067 million growth in leased assets.

Total liabilities stood at ¥267,570 million, a year-on-year increase of ¥17,573 million. This mainly reflected a ¥8,209 million increase in accounts payable resulting from a growth in the number of stores, and a ¥12,155 million increase in current and long-term lease obligations combined.

Net assets increased by ¥10,331 million year on year to ¥208,466 million. This was mainly attributable to a ¥6,176 million increase in capital surplus as a result of LAWSON executing share exchanges with both Ninety-nine Plus Inc. and LAWSON ENTERMEDIA, INC. on July 1, 2010.

[Cash flow analysis]

Net cash provided by operating activities amounted to ¥72,210 million, ¥31,514million higher year on year, due to a ¥14,536 million increase in income before income taxes and minority interests.

Investing activities used net cash of ¥30,522 million, ¥12,073 million less than the previous fiscal year, mainly due to a ¥13,720 million increase in payments into time deposits and a ¥21,960 million increase in proceeds from withdrawing time deposits.

Financing activities used net cash of ¥28,798 million, ¥1,559 million more year on year, mainly reflecting a ¥3,509 million increase in payments for purchase of treasury stock.

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

The Company places a high priority on profit distribution to shareholders, and follows a policy of paying appropriate dividends with due regard for sufficient earnings retention required for future business

development, in accordance with the Company's financial position, profitability level and payout ratio.
In compliance with this policy, the Company paid an interim dividend of ¥85 per share for the first-half period, and plans to pay a year-end dividend of ¥85 for a total dividend of ¥170 per share annually.
Retained earnings not distributed to shareholders will be allocated to improving the value of the Company by the reinvestment of such funds in new store openings and the renovation of existing stores, as well as the encouragement of new business development.
Furthermore, based on the high priority it gives to returning profits to shareholders, LAWSON plans to pay an annual dividend per share of ¥175 applicable to the fiscal year ending February 28, 2012 despite expectations of a difficult operating environment.
In addition to paying dividends, the Company reserves the right to respond flexibly to market circumstances by acquiring or retiring treasury stock as a strategy to improve shareholder profit.

(6) Operating Risks

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

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

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

(ii)Risks involving food safety and hygiene

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

(iii)Risks involving the handling of personal information

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

(iv) Legal risk

The Group operates stores in all 47 prefectures of Japan, as well as a number of stores in Shanghai and Chongqing, and most are open 24 hours a day. For this reason, the Company is forced to carefully observe a number of national and local laws and regulations, both in Japan and China, pertaining to store opening locations, store operations, hygiene standards, merchandise procurement transactions, and environmental protection, and is required to obtain various permits and licenses from the competent authorities.
For these reasons, in the event of unforeseeable changes in such laws or regulations, or in law enforcement methods going forward, the Company may incur additional expenses needed to conform to

the new laws, and so forth, and this may have a material effect on its business performance and financial position.

(v) Risks involving franchise operations

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

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

(vi) Risks involving unusual weather or damage due to natural causes

The Group operates a truly national chain of stores with outlets located in all of Japan’s 47 prefectures, and additionally operates stores in Shanghai and Chongqing, China. Therefore, in the event that natural phenomena such as a major earthquake or typhoon cause physical damage to the Group’s stores or other LAWSON facilities, the Group’s business performance and financial position could be adversely affected.

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

(vii) Risks involving damage to IT systems

Operation of the Company’s IT system may be impeded by a computer virus, or obstructed by natural causes such as an earthquake, which could disrupt the information network system, creating delays in the delivery of products to stores and causing the suspension of store services. Such developments could adversely affect the Group’s business performance and financial position.

(viii) Risks involving a surge in raw material prices

When raw material prices rise due to a surge in crude oil prices, abnormal weather, or other unpredictable problems, the Company’s business performance and financial position may be affected.

2. Corporate Group

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

Convenience store business

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

Entertainment/e-commerce business

- A subsidiary, LAWSON ENTERMEDIA, INC. sells tickets for concerts, sporting events, movies, etc. mainly through the Loppi multimedia terminals in LAWSON stores.
- A subsidiary, HMV Japan K.K., imports and markets music/video products such as CDs and DVDs.

Financial service business

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

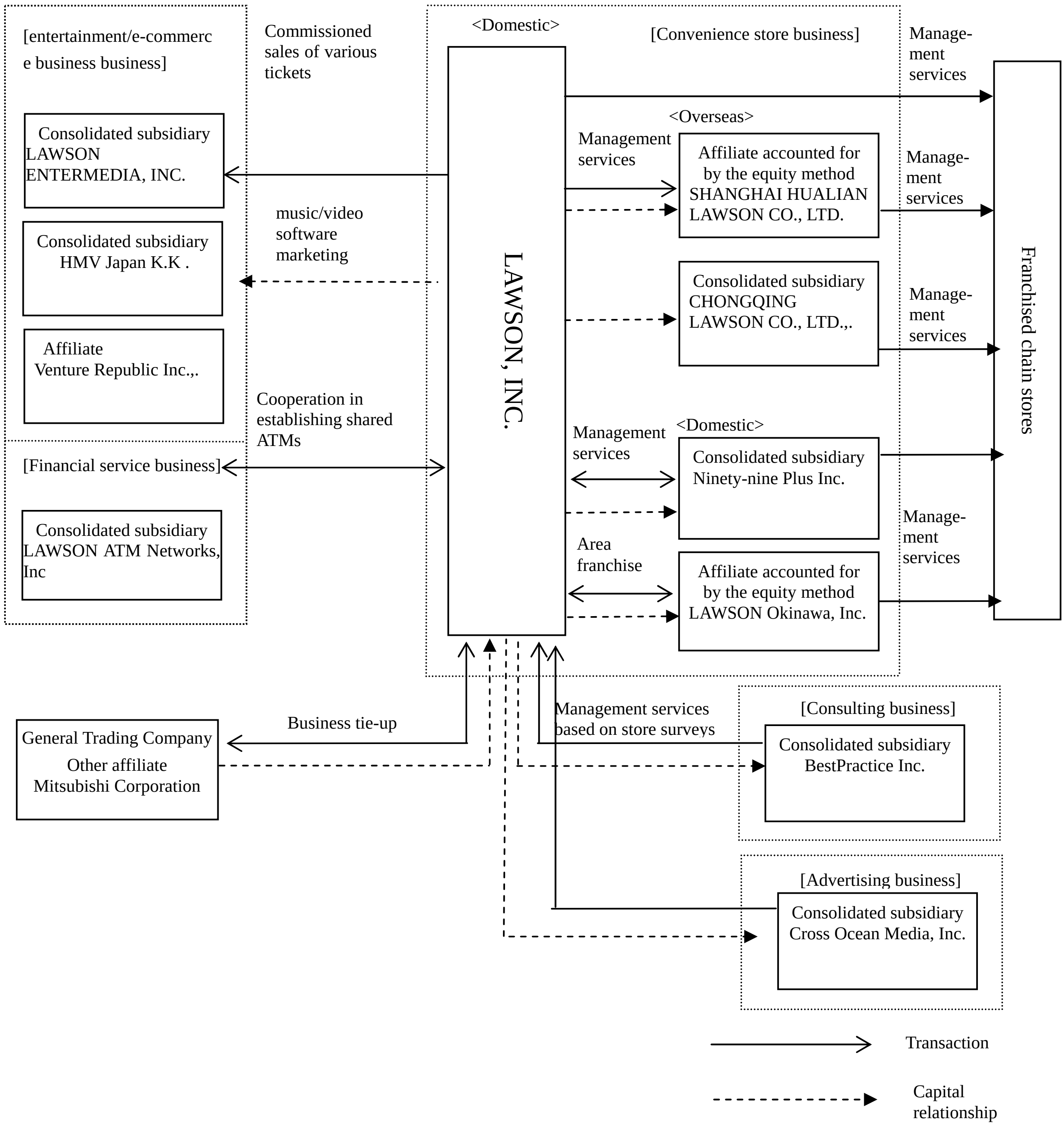
Consulting business

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

Advertising business

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

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



3. Management Policy

(1) Basic Management Policy

(i) Corporate Philosophy and Code of Conduct

The Company's corporate philosophy "Happiness and Harmony in Our Communities" reflects its belief that its social significance derives from relationships with all its stakeholders.

Under this concept, the Company has established a Code of Conduct based on three principles governing its day-to-day corporate activities:

1) Act with utmost consideration for others,

2) Tackle challenges with innovative ideas and actions, and

3) See objectives through to the very end.

(ii) Vision

The Company is taking various steps to realize "Happiness and Harmony in Our Communities." Central to this effort is "Neighborhood Hot Station (Machi No Hotto Station in Japanese)," a nickname for the Company's stores, which communicates the idea of "hot" new merchandise, information and services that take into account local preferences and aims to be a place where customers can relax ("hotto" suru in Japanese).

(2) Performance Indicators （Target）

From the perspective of medium-and-long-term management strategy, the Company believes that investing in businesses with high return on investment (ROI) will maximize the efficiency in the use of shareholders' equity, which will in turn enhance shareholder value. The Company regards return on equity (ROE) as the best measure of optimal utilization of shareholders' equity. Accordingly, the Company is targeting a ROE of 15 to 20% on a consolidated basis over the medium term.

(3) Medium-and-Long-Term Management Strategies

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

(4) Priority Issues of the Company

(i) Growing Need to Broaden Customer Segments

Faced with a declining birthrate and aging society, the Company must expand its customer base and increase customer numbers by targeting not only men in their 20s and 30s, its traditional core customers, but also women, the middle-aged and seniors. It must therefore continue to develop merchandise and services suited to the needs of each customer segment.

(ii) Responding to diversification of consumption patterns and deregulation

Amid growing regional disparity, the Company faces changes in its operating environment defined by deregulation following the amendment of the Pharmaceutical Affairs Act and other legislation, and intensifying competition from other industries and retail segments. In response, the Company must revamp nationwide and standardized store management practices, take a fresh look at its merchandise assortments and continue to improve the level of convenience in an effort to reinvent its stores to better suit the customer.

(iii) Increasing public interest in CSR

The Company recognizes the societal duties the convenience store sector bears and, as a publicly listed corporation, it must not only seek profit, but also remain fully aware of CSR priorities in the course of business operations.

Key to the measures necessary to address the above issues is the Company's mid- to long-term basic strategy of "creating stores to suit the needs of each and every customer in the area." While focused on this strategy, the Company is working to raise the customer satisfaction of each individual in every location. The Company continues to provide total support to franchised store owners (franchisees) so that they can focus on building stores with more emphasis on customers, to improve earnings. To ensure the effectiveness of this support, the Company is focusing on the following concrete initiatives.

Initiatives to Address Priority Issues

(i) Improving New Merchandise Development Capabilities

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

(ii) Improving Store Operation Capabilities

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

(iii) Reinforcing Store-Development Capabilities

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

(iv) Tailoring Store Formats to Suit Local Characteristics

Conscious that market needs are becoming increasingly complex and diversified, the Company provides store formats that offer retail spaces and merchandise assortments to suit the location. As for the Company's store development strategy, regular LAWSON stores will be opened to target customers seeking new merchandise, famous brand goods and convenient services; NATURAL LAWSON stores will be opened to target customers seeking beauty, health and amenity. The LAWSON STORE100 will be opened to target customers seeking perishables packaged in small quantities and low standardized prices.

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

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

(vi) Accelerating Business Reform Through Capital and Business Alliances

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

4. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of February 28, 2010 and February 28, 2011

（Millions of yen）

	February 28, 2010	February 28, 2011
Current assets:		
Cash and bank deposits	64,017	74,816
Accounts receivable—due from franchised stores	20,790	16,159
Marketable securities	2,500	2,999
Merchandise inventories	4,446	7,011
Prepaid expenses	6,980	7,424
Accounts receivable—other	26,445	29,285
Deferred tax assets	4,587	4,943
Other	2,587	2,466
Allowance for doubtful accounts	(155)	(97)
Total current assets	**132,198**	**145,009**
Fixed assets:		
Property and store equipment;		
Buildings and structures	183,841	192,865
Accumulated depreciation	(87,388)	(96,463)
Buildings and structures－net	96,452	96,401
Vehicles, tools, furniture and fixtures	57,241	61,156
Accumulated depreciation	(44,383)	(47,914)
Vehicles, tools, furniture and fixtures－net	12,858	13,241
Land	6,526	6,609
Lease assets	31,435	51,055
Accumulated depreciation	(2,567)	(9,120)
Lease assets－net	28,867	41,934
Construction in progress	603	646
Subtotal	**145,308**	**158,833**
Intangible fixed assets;		
Software	26,259	23,182
Software in progress	3,415	4,719
Goodwill	4,248	7,717
Other	484	477
Subtotal	**34,407**	**36,096**
Investments and Other;		
Investments in Securities	2,053	3,116
Long-term loans receivable	29,724	31,825
Long-term prepaid expenses	5,753	5,736
Lease deposits	83,205	81,654
Deferred tax assets	15,274	13,253
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,631	15,372
Other	1,211	1,184
Allowance for doubtful accounts	(14,636)	(16,047)
Subtotal	**136,216**	**136,096**
Total fixed assets	**315,933**	**331,026**
Total assets	**448,131**	**476,036**

Consolidated Balance Sheets (Unaudited) - Continued

	（Millions of yen）	
	February 28, 2010	February 28, 2011
Current liabilities:		
Accounts payable —trade	11,423	13,014
Accounts payable —trade for franchised stores	61,765	68,384
Accounts payable — due to franchised stores	1,024	1,179
Lease obligations	4,641	7,953
Accounts payable — other	21,838	18,101
Accounts payable — other for franchised stores	295	138
Income taxes payable	9,852	10,673
Consumption taxes payable	288	2,894
Accrued expenses	2,426	2,610
Deposits received	65,858	62,340
Accrued employees’ bonuses	2,789	3,768
Provision for use of points granted	2,097	1,287
Other	194	248
Total Current liabilities	**184,496**	**192,595**
Long-term Liabilities;		
Long-term debt	—	500
Long-term lease obligations	19,410	28,253
Allowance for employees’ retirement benefits	6,206	7,529
Allowance for retirement benefits to executive officers and corporate auditors	217	234
Deposits received from franchisees and lessees	38,710	37,139
Accumulated impairment loss on long-term leased assets	471	667
Other	484	650
Total Long-term Liabilities	**65,499**	**74,974**
Total Liabilities	**249,996**	**267,570**
Owners’ equity;		
Common stock	58,506	58,506
Capital surplus	41,520	47,696
Retained earnings	94,171	99,608
Treasury stock	(1,713)	(1,693)
Total Owners’ equity	**192,485**	**204,117**
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	14	(4)
Land revaluation difference	(634)	(634)
Foreign currency translation adjustments	65	1
Valuation and translation adjustments	**(554)**	**(638)**
Stock acquisition rights	**346**	**405**
Minority interests	**5,858**	**4,581**
Total net assets	**198,135**	**208,466**
Total Liabilities and net assets	**448,131**	**476,036**

(2) Consolidated Statements of Income (Unaudited)

For the fiscal year ended February 28, 2010 and 2011

（Millions of yen）

	February 28, 2010	February 28, 2011
Total operating revenues	**467,192**	**441,277**
Net sales	**233,693**	**192,329**
Cost of goods sold	173,722	143,101
Gross profit on sales	**59,970**	**49,228**
Operating revenues:		
Franchise commission from franchised stores	185,656	197,673
Other	47,842	51,274
Operating gross profit	**293,469**	**298,176**
Selling, general and administrative expenses	243,193	242,635
Operating profit	**50,275**	**55,540**
Non – operating income and expenses:		
Non – operating income;	**1,676**	**1,718**
Interest received	696	661
Compensation income for damage	81	64
Compensation income for removal	342	207
Equity in earnings of affiliates	61	311
Other	493	473
Non – operating expenses;	**2,511**	**2,665**
Interest expense	394	983
Loss on cancellation of store lease	1,578	1,224
Other	539	457
Recurring profit	**49,440**	**54,594**
Extraordinary gains and losses:		
Extraordinary gains;	**2,397**	**1**
Gain on sales of fixed assets	33	—
Gain on change in equity	625	—
Gain on sales of subsidiaries and affiliates’ stock	1,628	—
Gain on sales of investment securities	—	1
Other	110	—
Extraordinary losses;	**21,963**	**10,184**
Loss on disposal of fixed assets	3,898	3,017
Loss on sales of fixed assets	29	1,303
Loss on impairment of long-lived assets	3,903	4,989
Impropriety-related loss	12,616	—
Other	1,514	873
Income before income taxes and minority interests	**29,874**	**44,411**
Income taxes:		
Income taxes - current	**18,392**	**16,551**
Deferred income taxes	**(1,151)**	**1,668**
Minority interests in income	**71**	**803**
Net profit	**12,562**	**25,386**

(3) Consolidated Statements of Changes in Net Assets (Unaudited)
For the fiscal year ended February 28, 2010 and 2011

(Millions of yen)

	February 28, 2010	February 28, 2011
Owners' equity:		
Common stock and preferred stock		
Balance at the end of the previous period	58,506	58,506
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	58,506	58,506
Capital surplus		
Balance at the end of the previous period	41,520	41,520
Changes during the current period		
Increase by share exchanges	—	6,176
Total changes during the current period	—	6,176
Balance at the end of the current period	41,520	47,696
Retained earnings		
Balance at the end of the previous period	97,811	94,171
Changes during the current period		
Cash dividends paid	(15,866)	(16,422)
Net income	12,562	25,386
Disposal of treasury stock	—	(0)
Retirement of treasury stock	—	(3,528)
Reversal of land revaluation differences, net of tax	(334)	—
Total changes during the current period	(3,639)	5,436
Balance at the end of the current period	94,171	99,608
Treasury stock		
Balance at the end of the previous period	(1,712)	(1,713)
Changes during the current period		
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Retirement of treasury stock	—	3,528
Total changes during the current period	(0)	19
Balance at the end of the current period	(1,713)	(1,693)
Total Owners' equity		
Balance at the end of the previous period	196,124	192,485
Changes during the current period		
Increase by share exchanges	—	6,176
Cash dividends paid	(15,866)	(16,422)
Net profit	12,562	25,386
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Reversal of land revaluation differences, net of tax	(334)	—
Total changes during the current period	(3,639)	11,632
Balance at the end of the current period	192,485	204,117

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

(Millions of yen)

	February 28, 2010	February 28, 2011
Valuation and translation adjustments:		
Unrealized holding gains on securities, net of tax		
Balance at the end of the previous period	(40)	14
Changes during the current period		
Net changes of items other than owner's equity	55	(19)
Total changes during the current period	55	(19)
Balance at the end of the current period	14	(4)
Land revaluation difference, net of tax		
Balance at the end of the previous period	(969)	(634)
Changes during the current period		
Net changes of items other than owner's equity	334	—
Total changes during the current period	334	—
Balance at the end of the current period	(634)	(634)
Foreign currency translation adjustments		
Balance at the end of the previous period	59	65
Changes during the current period		
Net changes of items other than owner's equity	6	(64)
Total changes during the current period	6	(64)
Balance at the end of the current period	65	1
Total valuation and translation adjustments		
Balance at the end of the previous period	(950)	(554)
Changes during the current period		
Net changes of items other than owner's equity	395	(83)
Total changes during the current period	395	(83)
Balance at the end of the current period	(554)	(638)
Stock acquisition rights		
Balance at the end of the previous period	274	346
Changes during the current period		
Net changes of items other than owner's equity	71	59
Total changes during the current period	71	59
Balance at the end of the current period	346	405
Minority interests		
Balance at the end of the previous period	5,717	5,858
Changes during the current period		
Net changes of items other than owner's equity	141	(1,276)
Total changes during the current period	141	(1,276)
Balance at the end of the current period	5,858	4,581
Total net assets		
Balance at the end of the previous period	201,166	198,135
Changes during the current period		
Increase by share exchanges	—	6,176
Cash dividends paid	(15,866)	(16,422)
Net profit	12,562	25,386
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Reversal of land revaluation difference, net of tax	(334)	—
Net changes of items other than owner's equity	608	(1,301)
Total changes during the current period	(3,031)	10,331
Balance at the end of the current period	198,135	208,466

(4) Consolidated Statements of Cash Flows (Unaudited) - Continued

For the fiscal year ended February 28, 2010 and 2011

(Millions of yen)

	February 28, 2010	February 28, 2011
Operating activities:		
Income before income taxes	29,874	44,411
Depreciation of property and store equipment	27,468	33,083
Loss from disposal of fixed assets	1,981	1,468
Loss from disposal of intangible fixed assets	278	267
Loss on impairment of long-lived assets	3,903	4,989
Loss (gain) on sales of fixed assets	(3)	1,303
Increase in provision for allowance for retirement benefits to employees	1,155	941
Increase in allowance for doubtful accounts	10,309	1,352
Gain on sales of stocks of subsidiaries and affiliates	(1,628)	—
Equity in earnings (losses) of an affiliates	(61)	(311)
Interest received	(696)	(661)
Interest expense	394	983
Other-net	1,462	1,115
Decrease (increase) in accounts receivable due from franchised stores	390	4,631
Decrease (increase) in merchandise inventories	839	57
Decrease (increase) in accounts receivable－other	260	(1,237)
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	(12,636)	(1,788)
Increase (decrease) in accounts payable—trade and due to franchised stores	(3,922)	5,248
Increase (decrease) in accounts payable—other	(4,230)	(5,126)
Increase (decrease) in deposits received	5,196	(3,560)
Increase (decrease) in lease deposits from franchisee and lessees	(3,315)	(1,571)
Other-net	1,103	2,612
Subtotal	**58,124**	**88,208**
Interest received	689	661
Interest expenses paid	(395)	(982)
Income taxes paid	(17,722)	(15,676)
Net cash provided by operating activities	**40,695**	**72,210**

Consolidated Statements of Cash Flows (Unaudited) - Continued

(Millions of yen)

	February 28, 2010	February 28, 2011
Investing activities:		
Payments into time deposits	(12,584)	(26,304)
Proceeds from withdrawal of time deposits	3,414	25,374
Payment for purchase of marketable securities	(2,799)	—
Proceeds from redemption of marketable securities	4,100	2,500
Increase (decrease) in long-term loans receivable – net	(2,040)	(2,069)
Purchase of stocks of subsidiaries and affiliates	(110)	(650)
Proceeds from sales of stocks of subsidiaries and affiliates	3,223	225
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(809)
Proceeds from purchase of investments in subsidiaries resulting from change of scope of consolidation	—	455
Payment for acquisition of property and store equipment	(26,144)	(22,883)
Payment for acquisition of intangible fixed assets	(9,041)	(7,511)
Increase (decrease) in lease deposit –net	289	2,299
Increase (decrease) in long-term prepaid expenses	(1,386)	(1,045)
Other – net	483	(102)
Net cash used in investing activities	**(42,595)**	**(30,522)**
Financing activities:		
Repayment of long-term loans payable	(1,968)	—
Repayments of lease obligations	(9,149)	(8,785)
Cash dividends paid	(15,866)	(16,422)
Cash dividends paid to minority interests	(61)	—
Purchase of treasury stock	—	(3,510)
Other -net	(192)	(80)
Net cash used in financing activities	**(27,238)**	**(28,798)**
Effect of exchange rate change on cash and cash equivalents	**—**	**(20)**
Net increase (decrease) in cash and cash equivalents	**(29,138)**	**12,868**
Cash and cash equivalents, beginning of year	**83,981**	**54,843**
Cash and cash equivalents at end of period	**54,843**	**67,712**

《Notes Concerning Going Concern Assumption》

None

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries: 7

LAWSON ENTERMEDIA, INC.
LAWSON ATM Networks, Inc
BestPractice Inc.
Ninety-nine Plus Inc.
Cross Ocean Media, Inc
HMV Japan K.K.
CHONGQING LAWSON, Inc

On March 1, 2010, Cross Ocean Media, Inc., which was established as a joint venture between LAWSON, Asatsu DK Inc. and NTT DoCoMo, Inc. became LAWSON's consolidated subsidiary.
HMV Japan K.K. became LAWSON's consolidated subsidiary as a result of the acquisition of all of HMV Japan K.K.'s common shares issued and outstanding held by HMV Japan Holdings Co., Ltd. (5,001 shares) through a transfer of shares on December 1, 2010.
CHONGQING LAWSON Co., Ltd. was established on April 29, 2010 as a 100% subsidiary of LAWSON.
LAWSON Toyama, Inc., categorized as a non-consolidated subsidiary, has been excluded from the application of the equity method because it has a negligible impact on total assets, net sales, net income, retained earnings, etc., and does not interfere with reasonable judgment of the corporate group's financial condition and business results.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 2

LAWSON Okinawa, Inc.
SHANGHAI HUALIAN LAWSON CO., LTD.

The Company does not apply the equity method to one affiliated company (KOBE HOT DELI Co., LTD. and LAWSON Farm Chiba, Inc.) and LAWSON Toyama, Inc., categorized as a non-consolidated subsidiary, because the financial figures such as net income, retained earnings, and others are negligibly insignificant in comparison with the Company's consolidated financial statements.
Among affiliates not accounted for by the equity method, Venture Republic Inc. has been excluded from the application of the equity method because the acquisition is still pending.
Among share method application companies, it is December 31 on the settling day of SHANGHAI HUALIAN LAWSON CO.,LTD..When creating the consolidated balance sheets, the Company used balance sheets created by provisional settlement based on the financial data at the end of the most recently settled fiscal quarter and, as required, made adjustments on a consolidated basis to take into account significant transactions that subsequently occurred in the interval until the end of the consolidated term.

3. Closing day for settlement of accounts of consolidated subsidiaries

The balance sheet date of HMV Japan K.K. is April 30 and the balance sheet date of CHONGQING LAWSON Co., Ltd. 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 the other consolidated subsidiaries correspond with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

Marketable securities and investments in securities:

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

Available-for-sale securities:

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

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

Inventories:

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

(2) Depreciation method of depreciable assets

Property and store equipment (except for lease assets):

Depreciation is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 10 to 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

Intangible fixed assets (except for lease assets):

Amortization of intangible assets is computed by the straight-line method.

Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

Lease assets:

Previously, these leases were accounted for as rental transactions. Furthermore, in terms of the depreciation method for leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

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

Long - term prepaid expense

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

(3) Accounting standard for important reserves

Allowance for Doubtful Accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Accrued Employees’ Bonuses:

Accrued employees’ bonuses are provided for payments of employees’ bonuses based on the estimated amounts.

Provision for use of points granted:

The Company provides mainly MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees’ Retirement Benefits:

Allowance for employees’ retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial differences will be mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is mainly amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

(Changes in accounting treatment)

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

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

Allowance for Retirement Benefits to Directors and Corporate Auditors:

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

(4) Foreign Currency Transactions and Foreign Currency Financial Statements

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

(5) Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

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

6. Amortization of Goodwill

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

7. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within 3 months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

（Accounting Standard for Business Combination）

The Company is applying the Accounting Standard for Business Combinations (ASBJ Statement No.21, December 26, 2008), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, December 26, 2008), and the Implementation Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No.10, December 26, 2008) from this fiscal year.

《Notes to Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

As of February 28, 2010	As of February 28, 2011
1.Investment in affiliated companies Investments in securities (stock) ¥1,541 million Investment amount for jointly-controlled companies ¥100 million Other (other equity investments) ¥500 million	1.Investment in affiliated companies Investments in securities (stock) ¥2,474 million Investment amount for jointly-controlled companies ¥100 million Other (other equity investments) ¥ 468 million
2.Accounts receivable due from franchised stores, accounts payable due to franchised stores-the amounts of credits and debts incurred for the deal with franchised stores.	2.Same as in the left
3.Accounts payable-trade for franchised stores－the amounts payable to vendors for merchandise purchased by franchised stores.	3.Same as in the left
4.Accounts payable-other due for franchised stores －the amounts payable for supplies purchased by franchised stores.	4.Same as in the left
5.Deposits received from franchise and lessees-the amounts received from mainly franchised stores.	5.Same as in the left
6. Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference for land used for business that is scheduled to be sold has been included in net assets as land revaluation difference, net of the related tax, which is included in deferred tax assets for land revaluation. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥232 million	6. Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as land revaluation difference. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥269 million

Notes to Consolidated Statements of Income

(Millions of yen)

From March 1, 2008 to February 28, 2010		From March 1, 2009 to February 28, 2011	
1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.		1.Same as in the left	
2.Main account of selling, general and administrative expenses		2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	10,070	Sales promotion and advertising	10,905
Doubtful debt account	13	Doubtful debt account	182
Salary	47,019	Salary	43,403
Provision for accrued employees' bonuses	2,789	Provision for accrued employees' bonuses	3,770
Retirement benefit costs	1,800	Retirement benefit costs	1,810
Provision for allowance for retirement benefits to directors and corporate auditors	65	Provision for allowance for retirement benefits to directors and corporate auditors	83
Rent account	70,570	Rent account	73,231
Depreciation of fixed assets	21,053	Depreciation of fixed assets	24,529
3.Gain on sales of fixed assets		3.Gain on sales of fixed assets	
Buildings and Structures	9		
Furniture, fixtures and equipment	1		
Land	22		
Telephone subscription right	0		
4.Distribution of loss on disposal of fixed assets		4.Distribution of loss on disposal of fixed assets	
Buildings and structures	3,067	Buildings and structures	2,012
Furniture, fixtures and equipment	638	Furniture, fixtures and equipment	743
Software	145	Software	153
Software development in progress	27	Software development in progress	84
Other	20	Other	24
5.Distribution of loss on sales of fixed assets		5.Distribution of loss on sales of fixed assets	
Buildings and Structures	26	Buildings and Structures	1,228
Furniture, fixtures and equipment	0	Furniture, fixtures and equipment	11
Other	2	Land	61
		Other	1

6. Loss on impairment of long-lived assets

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

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	427
	Osaka	〃	191
	Others	〃	2,784
Others	—	Goodwill	500
Total	—	—	3,903

Category by fixed assets

Buildings and Structure	2,125
Furniture, fixtures and equipment	273
Land	395
Goodwill	500
Leased property	442
Other	166

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

7. Impropriety-related Loss

Impropriety-related Loss was provided for estimated unrecoverable money connected with an alleged misappropriation at consolidated subsidiary LAWSON ENTERMEDIA, INC.

6. Loss on impairment of long-lived assets

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

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

Category by fixed assets

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

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

7. ―――――――――――

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

Previous period (From March 1, 2009 to February 28, 2010)

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

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock Common stock	99,600	—	—	99,600
Treasury stock Common stock(*1)	432	0	—	432

(*1) The 0 thousand shares increase in treasury stock was resulted from purchase of stock less than unit share.

2. Stock acquisition rights and treasury stock acquisition rights

Classification	Terms of stock acquisition rights	Class and number of shares subject to stock acquisition rights					Balance at end of the current period (Millions of yen)
		Class	Number (shares)				
			End of the previous period	Increase during the period	Decrease during the period	End of the period	
Submitting company (Parent company)	Stock acquisition rights (ordinary stock options)	—	—	—	—	—	346
Total		—	—	—	—	—	346

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 26, 2009)	Common stock	7,933	80	As of February, 28, 2009	As of May, 27, 2009
Directors' meeting (October 8, 2009)	Common stock	7,933	80	As of August 31, 2009	As of November, 10, 2009

(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 25, 2010)	Common stock	Retained Earnings	7,933	80	As of February, 28, 2010	As of May, 26, 2010

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

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

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

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

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

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

2. Stock acquisition rights and treasury stock acquisition rights

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

3. Dividend

(1) Dividend payment

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

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

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

Notes to the Consolidated Statements of Cash Flows

1. Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets

(Millions of yen)

	As of February 28, 2011
Cash and bank deposits	74,816
Marketable securities	2,999
Time deposits, etc., for which the deposit period exceeds three months	(10,104)
Cash and cash equivalents	67,712

2. Description of significant non-fund transactions

(1) Assets and liabilities related to finance lease transactions newly recognized for the year ended February 28, 2011 were 19,518 million yen respectively.

(2)Consolidated subsidiaries, Ninety-nine Plus Inc. and LAWSON ENTERMEDIA, INC., became wholly-owned subsidiaries of the Company through a share exchange during the year ended February 28, 2011. Capital surplus increased by 6,176 million yen as a result of this share exchange.

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

Assets and liabilities of HMV Japan K.K. at the time when it was newly consolidated through the acquisition of shares by the Company, as well as the acquisition price of shares in HMV Japan K.K. and payment for acquisition were as follows:

(Millions of yen)

Current assets	5,417
Fixed assets	2,716
Goodwill	608
Current liabilities	(5,475)
Fixed liabilities	(1,369)
Acquisition price of shares in newly consolidated company	1,897
Cash and cash equivalents held by newly consolidated company	1,088
Actual cost of acquisition of shares in newly consolidated company	(809)

Notes to Lease Contracts

1. Finance lease transactions (lessees)

Non-ownership-transferred finance lease transactions

(i) Details of leased assets

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

(ii) Depreciation method for leased assets

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

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

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

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Furniture, fixtures and equipment		
Acquisition cost	53,955	44,128
Accumulated depreciation	29,056	27,880
Accumulated impairment loss	1,148	1,128
Leased property	23,749	15,119

(2) Obligations under finance leases

Furniture, fixtures and equipment		
Due within one year	8,944	6,970
Due after one year	16,909	10,076
Total	25,853	17,047
Allowance for impairment loss on leased property	452	760

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

Lease payments	11,697	9,290
Transfer from allowance for impairment loss on leased property	512	553
Depreciation expense	11,161	8,973
Interest expense	912	631
Impairment loss	439	861

(4) Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of interest expense

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

2. Operating lease contracts

Obligations under operation leases

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Due within one year	782	436
Due after one year	1,606	332
Total	2,388	768

Notes to Market Value Information of Securities

(As of February 28, 2010)

1. Information regarding marketable held-to-maturity debt securities as of February 28, 2010, was as follows:

(Millions of yen)

Description	Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	Government and municipal bonds, etc.	—	—	—
	Corporate Bonds	2,500	2,501	1
	Other	2,500	2,501	1
	Subtotal	—	—	—
Securities with book value per consolidated balance sheets exceeding market value	Government and municipal bonds, etc.	—	—	—
	Corporate Bonds	—	—	—
	Other	—	—	—
	Subtotal	—	—	—
Total		2,500	2,501	1

2. Information regarding marketable available-for-sale securities as of February 28, 2010, was as follows:

(Millions of yen)

Description	Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets Stock	Equity	5	5	0
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	5	5	0
Securities with book value per consolidated balance sheets exceeding cost Stock	Equity	51	37	(13)
	Bond certificate	—	—	—
	Other	—	—	—
	Subtotal	51	37	(13)
Total		56	43	(12)

3. Information regarding available-for-sale securities sold during the year was as follows:

(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
0	—	2

4. Available-for-sale securities whose fair value is not readily determinable as of February 28, 2010, were as follows:

Available-for-sale securities (Millions of yen)

	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	355
Other	112
Total	468

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 28, 2010 by contractual maturity were as follows:

(Millions of yen)

Type	1 year or less	Over 1 year to 5years
Government and municipal bonds, etc.	—	—
Corporate Bonds	—	—
Other bonds	2,500	—
Total	2,500	—

(As of February 28, 2011)

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

(Millions of yen)

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

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

(Millions of yen)

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

3. Information regarding available-for-sale securities sold during the year was as follows：

(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
54	1	13

4. Available-for-sale securities whose fair value is not readily determinable as of February 28, 2011, were as follows:

Available-for-sale securities (Millions of yen)

	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	391
Other	106
Total	498

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 28, 2011 by contractual maturity were as follows:

(Millions of yen)

Type	1 year or less	Over 1 year to 5years
Government and municipal bonds, etc.	2,999	—
Corporate Bonds	—	—
Other bonds	—	—
Total	2,999	—

Note to Derivative Transactions

(As of February 28, 2010) (As of February 28, 2011)

None of disclosure is required because The Lawson group made no derivative transactions.

Note to Retirement Benefits

From March 1, 2009 to February 28, 2010

1. Summary of the retirement benefit plans adopted

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

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

2.	Projected benefit obligations	(Millions of yen)
a	Projected benefit obligations	(12,528)
b	Plan assets	5,576
c	Projected benefit obligation in excess of plan assets (a + b)	(6,952)
d	Unrecognized prior service cost	702
e	Unrecognized actuarial differences	43
f	Reported amount on the consolidated balance sheets, net (c + d + e)	(6,206)

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

3.	Net periodic benefit cost	(Millions of yen)
a	Service cost	972
b	Interest cost	242
c	Amortization of prior service cost	175
d	Amortization of actuarial differences	136
e	Net periodic benefit cost(a+b+c+d)	1,527
f	Contribution to defined contribution plan	271
g	Total (= e + f)	1,799

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

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

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

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

From March 1, 2010 to February 28, 2011

1. Summary of the retirement benefit plans adopted

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

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

2. Projected benefit obligations

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

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

3. Net periodic benefit cost

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

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

4. Basis of calculation of projected benefit obligations

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

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

e	Recognition of actuarial differences	10 years

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

Notes to Accounting for income taxes

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

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Deferred tax assets		
Enterprise taxes payable	906	935
Accrued employees' bonuses	1,135	1,562
Excess of depreciation	5,371	6,832
Excess of amortization of software	919	788
Allowance for employees' retirement benefits	4,797	5,333
Allowance for doubtful accounts	5,807	3,377
Impairment loss	2,396	3,288
Tax loss carryforward	1,523	5,421
Loss on replacement of computer system	412	—
Other	3,668	3,302
Subtotal of deferred tax assets	26,937	30,842
Valuation allowances	(7,076)	(10,304)
Total deferred tax assets	19,861	20,537
Affiliates' stock (paid-in capital decrease)	—	(2,340)
Total deferred tax liabilities	—	(2,340)
Deferred tax assets-net	—	18,197

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

(As of February 28, 2010)

The reconciliation between the statutory tax rate	40.7%
(Adjustments)	20.5%
Increase of Valuation allowances	(5.8%)
Tax loss carryforward	1.3%
Residents' tax	0.6%
Permanent difference in entertainment expenses	0.4%
the effective tax rate for previous and current fiscal year	57.7%

(As of February 28, 2011)

The reconciliation between the statutory tax rate and the effective tax rate for previous and current fiscal year has not been disclosed because the difference is less than 5% of the statutory tax rate.

(Business Combinations-Related)
Previous period (From March 1, 2009 to February 28, 2010)
Details have been omitted due to immateriality.

Current period (From March 1, 2010 to February 28, 2011)
Transactions under common control
1. Ninety-nine Plus Inc. has been consolidated as a wholly-owned subsidiary of LAWSON through a share exchange.
(1) Name and content of the business of the combined company or combined business, date of the business combination, legal form of the business combination, name of the company after combination, and a summary of transactions including the objective of transactions
(i) Name and content of the business of the combined company
Name: Ninety-nine Plus Inc.
Content of business: Single-price Store LAWSON STORE 100, direct management of SHOP99 and roll out of the franchise chain
(ii) Date of the business combination
July 1, 2010
(iii) Legal form of the business combination
Share exchange between LAWSON as the sole parent company and Ninety-nine Plus Inc. as a wholly-owned subsidiary (hereinafter, "this share exchange")
(iv) Name of the company after combination
There has been no change in the name of the combined company.
(v) Summary of transactions including objective of transactions
Amid increasingly fierce competition in the store opening and product development areas in the convenience store industry, it has become inevitable for medium- to long-term growth to open more stores in the optimal format based on the area strategy and provide products to protect life which exceed customers' expectation more promptly than ever in order to sustain and expand the franchise commission from franchised stores. To achieve this, LAWSON conducted this share exchange with the belief that it is the best policy to reinforce the competitiveness of the LAWSON Group as a whole by establishing a system that will enable functional decision-making, the further unification of both companies, sharing know-how, and further enhancing the collaborative structure to improve productivity with effective utilization of the Group's operational capital.
(2) Summary of accounting treatment
This share exchange has been treated as a transaction under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 announced on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures (ASBJ Guidance No. 10 effective on December 26, 2008).

(3) Matters relating to the acquisition of additional shares in the subsidiary
(i) Details of acquisition cost
Equivalent value of the acquisition: 5,069 million yen
Cost directly incurred for the acquisition: 108 million yen

Acquisition cost: 5,177 million yen
(ii) Exchange ratio by type of stock
Thirty three shares in LAWSON's common stock have been allocated per one share of Ninety-nine Plus Inc.'s common stock.
(iii) Method of calculating the share exchange ratio
In order to ensure fairness and validity of the share exchange ratio in this transaction, LAWSON and Ninety-nine Plus Inc. requested Mitsubishi UFJ Securities Co., Ltd. and Ernst & Young Transaction Advisory Services Co., Ltd. separately to calculate the exchange ratio. The above ratio was decided based on the results of the calculation and discussions between both parties.
(iv) Number of allocated shares and valuation amount
Number of allocated shares: 1,314,951 shares
Valuation amount: 5,069 million yen
(4)Amount of goodwill carryforwards, causes of goodwill carryforwards, and amortization method and amortization period
(i) Amount of goodwill carryforwards
2,324 million yen
(ii) Causes of goodwill carryforwards
Difference between the increase in equity of the combined company held by LAWSON and the acquisition

cost
(iii) Amortization method and amortization period
Amortized equally over 20 years

2. LAWSON ENTERMEDIA, INC. has been consolidated as a wholly-owned subsidiary of LAWSON through a share exchange.

(1) Name and content of the business of the combined company or combined business, date of the business combination, legal form of the business combination, name of the company after combination, and a summary of transactions including the objective of transactions

(i) Name and content of business of combined company

Name: LAWSON ENTERMEDIA, INC.

Content of business: Ticket sales, E-Commerce, advertising, Web marketing, and other information distribution and management business, etc.

(ii) Date of the business combination

July 1, 2010

(iii) Legal form of the business combination

Share exchange between LAWSON as the sole parent company and LAWSON ENTERMEDIA, INC. as a wholly-owned subsidiary (hereinafter, “this share exchange”)

(iv) Name of the company after combination

There has been no change in the name of the combined company.

(v) Summary of transactions including objective of transactions

As entertainment is seen as more attractive as content and recognition of the influence of entertainment in attracting customers to the stores increases in the convenience store industry, movement in competitors including business alliances and capital alliances with ticket sales agencies has become marked since last year. This share exchange was conducted as a result of LAWSON’s belief that the acquisition of LAWSON ENTERMEDIA, INC. as a wholly-owned subsidiary of LAWSON will lead to improved operational efficiency through unified organizational management, prompt decision-making and redeployment of management resources while leveraging the strengths of LAWSON ENTERMEDIA, and that this will ultimately contribute to reinforcing the LAWSON Group’s competitiveness and enhancing the corporate value.

(2) Summary of accounting treatment

This share exchange has been treated as a transaction under common control pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 announced on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures (ASBJ Guidance No. 10 effective on December 26, 2008).

(3) Matters relating to the additional acquisition of shares in the subsidiary

(i) Details of acquisition costs

Equivalent value of the acquisition: 1,107 million yen

Costs directly incurred for the acquisition: 142 million yen

Acquisition costs: 1,250 million yen

(ii) Exchange ratio by type of stock

Twenty one shares in LAWSON’s common stock have been allocated per one share of LAWSON ENTERMEDIA’s common stock.

(iii) Method of calculating the share exchange ratio

In order to ensure fairness and validity in the share exchange ratio for this transaction, LAWSON and Ninety-nine Plus Inc. requested Mitsubishi UFJ Securities Co., Ltd. and PricewaterhouseCoopers Co., Ltd. separately to calculate the exchange ratio. The above ratio was decided based on the discussions between both parties and the results of the calculation.

(iv) Number of allocated shares and valuation amount

Number of allocated shares: 287,238 shares

Valuation amount: 1,107 million yen

(4)Amount of goodwill carryforwards, causes of goodwill carryforwards, and amortization method and amortization period

(i) Amount of goodwill carryforwards

1,250 million yen

(ii) Causes of goodwill carryforwards

Revenue surplus to be expected as a result of business expansion and enhanced efficiency of operations

(iii) Amortization method and amortization period

Amortized equally over five years

Segment Information

1. Business segment information

   (From March 1, 2009 to February 28, 2010) (From March 1, 2010 to February 28, 2011)

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

2. Geographic segment information

   (From March 1, 2009 to February 28, 2010)

   The Company has no foreign consolidated subsidiary and branch office for current fiscal year, therefore, geographical segment information is excluded.

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

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

3. Overseas sales

   (From March 1, 2009 to February 28, 2010) (From March 1, 2010 to February 28, 2011)

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

Related Party Transactions

(As of February 28, 2010)

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

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	4,893	Accounts payable-trade	284
								(Purchases for the franchised stores)	(81,065)	Accounts payable-trade for franchised stores	5,525
	Food Service Network Co.,Ltd	Chuo-ku, Tokyo	2,000	Sales of fast foods and daily delivered foods	(Ownership) Direct — Indirect —	—	Vendor	Purchases for the Company-operated stores	13,127	Accounts payable-trade	822
								(Purchases for the franchised stores)	(208,461)	Accounts payable-trade for franchised stores	15,632
	SAN-ESU INC.	Adachiku, Tokyo	2,600	Confectionary wholesale business	(Ownership) Direct — Indirect —	—	Vendor	Purchases for the Company-operated stores	1,786	Accounts payable-trade	132
								(Purchases for the franchised stores)	(29,430)	Accounts payable-trade for franchised stores	2,670

Transaction conditions and the principles on the decision thereof：

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

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

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's' posts held concurrently	Business relationship				
Affiliated companies	RYOSHOKU LIMITED	Ota-ku, Tokyo	10,630	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores	61,444	Accounts payable-trade	4,056
								(Purchases for the franchised stores)	11,125	Accounts payable-trade for franchised stores	496

Transaction conditions and the principles on the decision thereof：

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

(As of February 28, 2011)

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

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

Transaction conditions and the principles on the decision thereof：

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

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

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

Transaction conditions and the principles on the decision thereof：

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

Notes regarding significant subsequent events

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

5. Non-Consolidated Financial Statements etc.

(1) Non-Consolidated Balance Sheets (Unaudited)

As of February 28, 2010 and February 28, 2011

（Millions of yen）

	February 28, 2010	February 28, 2011
Current assets:		
Cash and bank deposits	53,862	68,743
Accounts receivable—due from franchised stores	20,767	15,661
Marketable securities	2,500	2,999
Merchandise inventories	1,063	862
Prepaid expenses	6,339	6,599
Accounts receivable—other	21,484	23,641
Deferred tax assets	3,188	3,344
Other	2,280	1,459
Allowance for doubtful accounts	(74)	(77)
Total current assets	**111,412**	**123,234**
Fixed assets:		
Property and store equipment;		
Buildings	140,995	146,815
Accumulated depreciation	(63,151)	(68,710)
Buildings －net	77,843	78,104
Structures	32,306	33,709
Accumulated depreciation	(20,337)	(22,492)
Structures－net	11,968	11,216
Vehicles, tools, furniture and fixtures	53,653	53,619
Accumulated depreciation	(41,944)	(42,656)
Vehicles, tools, furniture and fixtures－net	11,708	10,962
Land	6,526	6,609
Lease assets	27,057	41,140
Accumulated depreciation	(1,880)	(7,063)
Lease assets－net	25,177	34,076
Construction in progress	603	643
Subtotal	**133,828**	**141,614**
Intangible fixed assets;		
Goodwill	786	1,163
Right of leasehold	83	84
Right of trademark	81	85
Right of telephone	291	288
Software	23,226	21,627
Software in progress	3,336	4,674
Other	2	2
Subtotal	**27,807**	**27,925**
Investments and Other;		
Investments in Securities	294	438
Stocks of subsidiaries and affiliates	18,301	16,656
Investments in affiliated limited	438	924
Long-term loans receivable	29,670	31,756
Long-term loans receivable from subsidiaries and affiliates	—	8,100
Long-term prepaid expenses	5,201	5,252
Lease deposits	79,338	77,164
Deferred tax assets	14,424	11,693
Other	1,705	1,662
Allowance for doubtful accounts	(1,979)	(1,601)
Subtotal	**147,395**	**152,046**
Total fixed assets	**309,031**	**321,586**
Total assets	**420,444**	**444,821**

Non-Consolidated Balance Sheets (Unaudited) - Continued

	(Millions of yen)	
	February 28, 2010	February 28, 2011
Current liabilities:		
Accounts payable —trade	2,505	1,907
Accounts payable —trade for franchised stores	61,765	65,725
Accounts payable — due to franchised stores	905	1,171
Short-term loans payable to subsidiaries and affiliates	—	5,870
Lease obligations	3,751	5,893
Accounts payable — other	17,207	13,396
Accounts payable — other for franchised stores	295	138
Income taxes payable	8,812	9,738
Consumption taxes payable	—	2,635
Accrued expenses	1,778	1,821
Deposits received	55,999	52,548
Accrued employees' bonuses	2,629	3,610
Provision for use of points granted	2,095	925
Other	17	14
Total Current liabilities	**157,764**	**165,398**
Long-term Liabilities;		
Long-term lease obligations	16,298	22,612
Allowance for employees' retirement benefits	6,095	7,036
Allowance for retirement benefits to executive officers and corporate auditors	201	212
Deposits received from franchisees and lessees	38,735	37,240
Accumulated impairment loss on long-term leased assets	452	562
Other	390	310
Total Long-term Liabilities	**62,173**	**67,974**
Total Liabilities	**219,937**	**233,372**
Owners' equity;		
Common stock	58,506	58,506
Capital surplus		
Additional paid-in capital	41,520	47,696
Total capital surplus	41,520	47,696
Retained earnings		
Legal reserve	727	727
Other legal reserve		
General reserve	50,000	50,000
Earned surplus brought forward	51,762	56,455
Total retained earnings	102,490	107,182
Treasury stock	(1,713)	(1,693)
Total Owners' equity	**200,803**	**211,692**
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(8)	(14)
Land revaluation difference	(634)	(634)
Valuation and translation adjustments	**(643)**	**(648)**
Stock acquisition rights	**346**	**405**
Total net assets	**200,506**	**211,448**
Total Liabilities and net assets	**420,444**	**444,821**

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

For the fiscal year ended February 28, 2010 and 2011

（Millions of yen）

	February 28, 2010	February 28, 2011
Total operating revenues	**271,513**	**263,209**
Net sales	**65,834**	**46,641**
Cost of goods sold		
Inventory at beginning of year	1,484	1,063
Purchase amount	46,625	32,852
Total	48,109	33,915
Inventory at end of year	1,063	862
Cost of goods sold	47,046	33,053
Gross profit on sales	**18,788**	**13,587**
Operating revenues:		
Franchise commission from franchised stores	183,566	193,746
Other	22,112	22,821
Operating gross profit	**224,467**	**230,156**
Selling, general and administrative expenses	179,469	179,945
Operating profit	**44,997**	**50,210**
Non – operating income and expenses:		
Non – operating income;	**1,518**	**1,297**
Interest received	621	679
Dividends income	189	0
Compensation income for damage	81	64
Compensation income for removal	294	177
Other	331	376
Non – operating expenses;	**1,939**	**2,195**
Interest expense	264	768
Loss on cancellation of store lease	1,382	1,075
Other	292	351
Recurring profit	**44,577**	**49,312**
Extraordinary gains and losses:		
Extraordinary gains;	**1,769**	**75**
Gain on sales of fixed assets	33	—
Gain on sales of investment securities	—	1
Gain on sales of subsidiaries and affiliates’ stock	1,671	73
Other	64	—
Extraordinary losses;	**7,874**	**7,180**
Loss on disposal of fixed assets	3,863	2,926
Loss on sales of fixed assets	29	1,303
Loss on impairment of long-lived assets	2,867	2,410
Loss on valuation of stocks of subsidiaries and affiliates	174	—
Other	939	540
Income before income taxes and minority interests	**38,471**	**42,206**
Income taxes:		
Income taxes - current	16,903	14,984
Deferred income taxes	902	2,579
Net profit	**20,665**	**24,643**

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

	February 28, 2010	February 28, 2011
	(Millions of yen)	
Owners' equity:		
Common stock and preferred stock		
Balance at the end of the previous period	58,506	58,506
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	58,506	58,506
Capital surplus common stock and preferred stock		
Balance at the end of the previous period	41,520	41,520
Changes during the current period		
Increase by share exchanges	—	6,176
Total changes during the current period	—	6,176
Balance at the end of the current period	41,520	47,696
Total capital surplus		
Balance at the end of the previous period	41,520	41,520
Changes during the current period		
Increase by share exchanges	—	6,176
Total changes during the current period	—	6,176
Balance at the end of the current period	41,520	47,696
Retained earnings		
Legal earnings reserve		
Balance at the end of the previous period	727	727
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	727	727
Other earned surplus		
Special reserve fund		
Balance at the end of the previous period	50,000	50,000
Changes during the current period		
Total changes during the current period	—	—
Balance at the end of the current period	50,000	50,000
Earned surplus carried forward		
Balance at the end of the previous period	47,298	51,762
Changes during the current period		
Cash dividends paid	(15,866)	(16,422)
Net profit	20,665	24,643
Disposal of treasury stock	—	(0)
Retirement of treasury stock	—	(3,528)
Reversal of land revaluation differences, net of tax	(334)	—
Total changes during the current period	4,464	4,692
Balance at the end of the current period	51,762	56,455
Total retained earnings		
Balance at the end of the previous period	98,025	102,490
Changes during the current period		
Cash dividends paid	(15,866)	(16,422)
Net profit	20,665	24,643
Disposal of treasury stock	—	(0)
Retirement of treasury stock	—	(3,528)
Reversal of land revaluation differences, net of tax	(334)	—
Total changes during the current period	4,464	4,692
Balance at the end of the current period	102,490	107,182

Non-Consolidated Statements of Changes in Net Assets - Continued

(Millions of yen)

	February 28, 2010	February 28, 2011
Treasury stock		
Balance at the end of the previous period	(1,712)	(1,713)
Changes during the current period		
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Retirement of treasury stock	—	3,528
Total changes during the current period	(0)	19
Balance at the end of the current period	(1,713)	(1,693)
Total owners' equity		
Balance at the end of the previous period	196,339	200,803
Changes during the current period		
Increase by share exchanges	—	6,176
Cash dividends paid	(15,866)	(16,422)
Net profit	20,665	24,643
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Reversal of land revaluation differences, net of tax	(334)	—
Total changes during the current period	4,463	10,888
Balance at the end of the current period	200,803	211,692
Valuation and translation adjustments:		
Unrealized holding gains on securities, net of tax		
Balance at the end of the previous period	(10)	(8)
Changes during the current period		
Net changes of items other than owners' equity	2	(5)
Total changes during the current period	2	(5)
Balance at the end of the current period	(8)	(14)
Land revaluation difference, net of tax		
Balance at the end of the previous period	(969)	(634)
Changes during the current period		
Net changes of items other than owners' equity	334	—
Total changes during the current period	334	—
Balance at the end of the current period	(634)	(634)
Total valuation and translation adjustments		
Balance at the end of the previous period	(979)	(643)
Changes during the current period		
Net changes of items other than owners' equity	336	(5)
Total changes during the current period	336	(5)
Balance at the end of the current period	(643)	(648)
Stock acquisition rights		
Balance at the end of the previous period	274	346
Changes during the current period		
Net changes of items other than owners' equity	71	59
Total changes during the current period	71	59
Balance at the end of the current period	346	405
Total net assets		
Balance at the end of the previous period	195,634	200,506
Changes during the current period		
Increase by share exchanges	—	6,176
Cash dividends paid	(15,866)	(16,422)
Net profit	20,665	24,643
Purchase of treasury stock	(0)	(3,510)
Disposal of treasury stock	—	1
Reversal of land revaluation difference, net of tax	(334)	—
Net changes of items other than owner's equity	408	53
Total changes during the current period	4,871	10,942
Balance at the end of the current period	200,506	211,448

《Notes Concerning Going Concern Assumption》

None

《Summary of Significant Accounting Policies》

1. Marketable Securities and investments in securities:

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

Investments in subsidiaries and affiliated companies: Stated at cost determined by the moving-average method.

Available-for-sale securities:

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

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

2. Inventories:

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

Merchandise inventories Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment(except lease assets):

Depreciation is computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is from 10 to 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

Intangible fixed assets:(except lease assets):

Amortization of intangible assets is computed by the straight-line method.

Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

Lease assets:

Previously, these leases were accounted for as rental transactions. Furthermore, in terms of the depreciation method for leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

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

Long - term prepaid expense

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

4. Accounting standard for important reserves

Allowance for Doubtful Accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Accrued Employees' Bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Provision for use of points granted:

The Company provides mainly MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.

Allowance for retirement benefits to directors and corporate auditors:

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

5. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

As of February 28, 2010	As of February 28, 2011
1.Accounts receivable due from franchised stores, accounts payable due to franchised stores-the amounts of credits and debts incurred for the deal with franchised stores.	1.Same as in the left
2.Accounts payable-trade for franchised stores－the amounts payable to vendors for merchandise purchased by franchised stores.	2.Same as in the left
3.Accounts payable-other due for franchised stores －the amounts payable for supplies purchased by franchised stores.	3.Same as in the left
4.Deposits received from franchise and lessees-the amounts received from mainly franchised stores.	4.Same as in the left
5.Revaluation of land used for business Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in net assets as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation. Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance. Date of revaluation: February 28, 2002 The difference between book value and market value of the revalued land as of balance sheet date. ¥232 million	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 The difference between book value and market value of the revalued land as of balance sheet date. ¥269 million

Notes to Non-consolidated Statements of Income

(Millions of yen)

From March 1, 2009 to February 28, 2010		From March 1, 2010 to February 28, 2011	
1.Net sales, cost of goods sold, operating gross profit-the amounts from mainly company operated stores.		1.Same as in the left	
2.Main account of selling, general and administrative expenses		2.Main account of selling, general and administrative expenses	
Sales promotion and advertising	9,113	Sales promotion and advertising	8,961
Salary	25,191	Salary	23,125
Provision for accrued employees' bonuses	2,629	Provision for accrued employees' bonuses	3,610
Retirement benefit costs	1,748	Retirement benefit costs	1,738
Provision for allowance for retirement benefits to directors and corporate auditors	54	Provision for allowance for retirement benefits to directors and corporate auditors	51
Rent account	63,897	Rent account	66,621
Depreciation of fixed assets	18,653	Depreciation of fixed assets	21,312
3. Gain on sales of fixed assets		3. ――――――	
Buildings	8		
Structures	1		
Furniture, fixtures and equipment	1		
Land	22		
Telephone subscription right	0		
4.Distribution of loss on disposal of fixed assets		4.Distribution of loss on disposal of fixed assets	
Buildings	2,737	Buildings	1,731
Structures	310	Structures	228
Furniture, fixtures and equipment	625	Furniture, fixtures and equipment	720
Software	143	Software	146
Software development in progress	27	Software development in progress	84
Others	20	Others	15
5.Distribution of loss on sales of fixed assets		5.Distribution of loss on sales of fixed assets	
Buildings	24	Buildings	1,227
structures	2	structures	0
Furniture, fixtures and equipment	0	Furniture, fixtures and equipment	11
Telephone subscription rights	2	Land	61
		Telephone subscription rights	1

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

Category by use	location	Assets	million of yen
Stores	Tokyo	Buildings and structure furniture, fixtures and equipment and others	191
	Osaka	〃	127
	Others	〃	2,549
Total	—	—	2,867

Category by fixed assets

Buildings	1,567
Structure	269
Furniture, fixtures and equipment	203
Land	395
Leased property	418
Other	14

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

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

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

Category by fixed assets

Buildings	1,435
Structure	179
Furniture, fixtures and equipment	211
Leased property	492
Software	66
Other	25

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

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

Previous period (From March 1, 2009 to February 28, 2010)

Number of shares of treasury stock

	Number of shares at the end of previous period (thousand shares)	Increase during the current period (thousand shares)	Decrease during the current period (thousand shares)	Number of shares at the end of the current period (thousand shares)
Common stock	432	0	—	432

Note: The 0 thousand shares increase in treasury stock was resulted from purchase of stock less than unit share.

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

Number of shares of treasury stock

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

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

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

Notes to Lease Contracts

1. Finance lease transactions (lessees)

Non-ownership-transferred finance lease transactions

(i) Details of leased assets

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

(ii) Depreciation method for leased assets

As stated in Summary of Significant Accounting Policies under “Accounting standard for important reserves 3.Depreciation method of depreciable assets.”

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

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

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Furniture, fixtures and equipment		
Acquisition cost	34,491	27,313
Accumulated depreciation	18,287	16,659
Accumulated impairment loss	1,047	964
Leased property	15,156	9,689

(2) Obligations under finance leases

	As of February 28, 2010	As of February 28, 2011
Furniture, fixtures and equipment		
Due within one year	5,422	3,906
Due after one year	11,177	7,108
Total	16,599	11,014
Allowance for impairment loss on leased property	452	562

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

	As of February 28, 2010	As of February 28, 2011
Lease payments	7,290	5,463
Transfer from allowance for impairment loss on leased property	319	382
Depreciation expense	7,140	5,430
Interest expense	518	351
Impairment loss	418	492

(4) Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of interest expense

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

2. Operating lease contracts

Obligations under operation leases

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Due within one year	782	435
Due after one year	1,605	330
Total	2,388	766

Notes to Marketable Securities and Investments in Securities

（February 28,2010）

Investment in subsidiaries and affiliated companies whose fair value is readily determinable as of February 28, 2010 were as follows:

(Millions of yen)

	Book value per non-consolidated balance sheets	Fair value	Difference
Investment in subsidiary	15,335	21,409	6,073

（February 28,2011）

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

(Millions of yen)

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

Notes to Accounting for income taxes

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

(Millions of yen)

	As of February 28, 2010	As of February 28, 2011
Deferred tax assets		
Enterprise taxes payable	764	832
Accrued employees' bonuses	1,069	1,498
Reversal of write-off investments in securities	1,931	1,946
Excess of depreciation	5,296	5,456
Excess of amortization of software	875	747
Allowance for employees' retirement benefits	4,749	5,132
Allowance for doubtful accounts	634	437
Impairment loss	2,169	2,470
Loss on replacement of computer system	412	—
Other	2,333	1,661
Total deferred tax assets	20,237	20,183
Valuation allowances	(2624)	(2,805)
Deferred tax assets-net	17,613	17,378
Available-for-sale securities	—	(2,340)
Total deferred tax liabilities	—	(2,340)
Deferred tax assets-net		15,037

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

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

(As of February 28, 2010)

The reconciliation between the statutory tax rate	40.7%
(Adjustments)	
Increase of Valuation allowances	4.6%
Permanent difference in entertainment expenses	0.4%
Permanent difference in dividends income	(0.2%)
Residents' tax	0.4%
Others	0.3%
the effective tax rate for previous and current fiscal year	46.3%

(As of February 28, 2011)

The reconciliation between the statutory tax rate and the effective tax rate for previous and current fiscal year has not been disclosed because the difference is less than 5% of the statutory tax rate.