Flash Report on Consolidated Results

for the First Half of the Fiscal Year Ending February 28, 2011

October 12, 2010

Listed Company Name: LAWSON, INC.
Code No.: 2651
(URL http://www.lawson.co.jp/company/ir/index.html)
Company Representative: Takeshi Niinami, Representative Director, President & CEO
Contact:Tomoki Takanishi , General Manager , Financial & Accounting Office Tel.: (03) 5435-2773
Scheduled date for submission of quarterly earnings report: October 15, 2010
Scheduled date for payment of dividend: November 10, 2010
Supplementary Documents quarterly results: Yes
Presentation of quarterly results: Yes (for institutional investors and analysts)

1. Consolidated Performance for the First Half of the Current Period (from March 1, 2010, to August 31, 2010)
(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ million	% change	¥ million	% change	¥ million	% change
Current First Half	221,205	(2.4)	30,148	0.0	29,690	(0.3)
Previous First Half	226,596	-	30,136	-	29,770	-

	Net profit		Net profit per share	Fully diluted profit per share
	¥ million	% change	¥	¥
Current First Half	12,288	(22.6)	123.44	123.31
Previous First Half	15,883	-	160.17	160.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
At August 31, 2010	481,872	203,495	41.3	1,991.85
At February 28, 2010	448,131	198,135	42.8	1,935.41

Notes: Equity August, 2010 ¥198,922 million February, 2010 ¥191,930 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2009 fiscal year	—	80.00	—	80.00	160.00
2010 fiscal year	—	85.00			
2010 fiscal year (Forecast)			—	85.00	170.00

Note: Revision of forecast for dividends in the second quarter: None

3. Forecast Consolidated Performance for 2010 Fiscal Year（From March 1, 2010, to February 28, 2011）

	Total operating revenues		Operating profit		Recurring profit		Net profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2010 fiscal year	430,000	(8.0)	50,500	0.4	49,100	(0.7)	22,000	75.1

Reference: Forecast net profit per share for the 2010 fiscal year: 220.29yen
Note: Revision of forecasts for consolidated performance during the second quarter: Yes

4. Other (Note) Please refer to Other on page 6 of the attachment for further details.
(1) Change in important subsidiaries during the period: None
(Note) This indicates any changes in specified subsidiaries during the second quarter resulting from a revision of the scope of consolidation.

(2) Adoptions of simplified accounting methods or special accounting methods in presentation of quarterly financial statements: Yes
(Note) This indicates whether any simplified accounting methods or special accounting methods were adopted in preparation of the quarterly financial statements.

(3) 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
(Note) This indicates whether there were any changes in the accounting principles, procedures, presentation methods, etc. pertaining to the preparation of the consolidated financial statements as stated under Changes in Significant Accounting Policies for the Presentation of the Quarterly Financial Statements.

(4) Number of issued shares
i) The number of shares issued at the end of term
August, 2010: 100,300,000 February, 2010: 99,600,000
ii) The number of treasury shares in the end of term
August, 2010: 432,458 February, 2010: 432,190
iii) Average number of shares during the term
August, 2010: 99,545,827 August, 2009: 99,167,923

Note: Disclosure of progress of quarterly review procedures
At the time of disclosure of this quarterly flash report, review procedures for quarterly earnings reports based on the Financial Instruments and Exchange Act 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. Actual achievements may differ from these forecasts due to many factors.

1. Review of Operations

(1) Review of Consolidated Operating Results

During the first half of fiscal 2010, the six-month period from March 1 to August 31, 2010, the Japanese economy saw a delayed recovery in personal consumption. On the other hand, the convenience store (CVS) industry saw higher sales of beverages and ice cream due to a record spell of extremely hot weather after the end of the rainy season.
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."
In terms of business results for the interim period, total operating revenues was 221,205 million yen, down 5,390 million yen, or 2.4%, from the corresponding period of the previous fiscal year. Recurring profit was 29,690 million yen, down 80 million yen, or 0.3%. Net profit was 12,288 million yen, down 3,595 million yen, or 22.6% due to extraordinary losses in the form of disposal loss of a training facility and impairment losses for old IT systems at the subsidiary company, Ninety-nine Plus Inc.

(Convenience Store Operations)

On the merchandise front, we continued to roll out products offering a positive "surprise" to customers with their high added value relative to price by using high-quality ingredients procured through integrated purchasing. In the interim period under review, we reduced the pricing of the *Niigata Koshihikari rice ball series* to meet customer demand, and also launched the *Luxury Niigata Koshihikari rice ball series*, our most extravagant series of rice balls ever. This new series won strong support from customers.

In sales promotions, we ran a number of campaigns that were highly successful in boosting sales such as the *LAWSON 35th Anniversary Campaign* and *Miffy Bowl Present Campaign*, which proved popular with customers.

As for services, we provided customers with greater appeal and convenience. In addition to developing the Ponta multi-partner shopping points campaign, we pursued sales promotion measures such as distributing product vouchers in collaboration with other participating companies.

In store operations, we utilized our next-generation IT system, PRiSM that enabled franchise owners to place orders from the customer's perspective. In addition, we instructed franchise owners to create sales areas based on analysis of purchase data from the multi-partner shopping points program.
In new store openings the Company worked to develop stores with an emphasis on profitability, by rigorously adhering to proprietary group standards for opening stores.

[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	82	2	12	96
Total stores as of August 31, 2010	8,622	91	1,008	9,721

LAWSON conducted a share exchange on July 1, 2010 that made it the sole parent company of Ninety-nine Plus Inc., which operates the LAWSON STORE100 and SHOP99 formats. Ninety-nine Plus Inc. continued to introduce LAWSON Group private brand (PB) *Value Line* products at stores it operates and boxed lunches that are kept in chilled units. Ninety-nine Plus Inc. is also making ongoing efforts to expand its service area, including opening stores in Kyushu in July 2010. Two stores were also opened on July 30, 2010 in Fukuoka Prefecture. The number of stores managed by Ninety-nine Plus Inc. was 1,008 as of August 31, 2010.
As of August 31, 2010, the number of LAWSON stores operated by equity-method affiliate LAWSON Okinawa, Inc. in Okinawa Prefecture was 139.
SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, in Shanghai, China, was offering guidance to 318 stores as of August 31, 2010. Furthermore, in July 2010, CHONGQING LAWSON CO.,LTD. in which LAWSON has a 100% equity interest, opened its first LAWSON store in Chongqing. As of August 31, 2010, this company was operating two stores.

(Other Businesses)

In addition to convenience store operations, the Company is also involved in ticket sales, and financial-related services.
LAWSON conducted a share exchange on July 1, 2010 that made it the sole parent company of LAWSON ENTERMEDIA, INC., which operates the ticket sales business. In the period under review, ticket volumes for concerts, a mainstay of this business, as well as leisure-related activities and movies were stronger than the corresponding period of the previous fiscal year.
Following the misappropriation of funds that caused concern for shareholders and other stakeholders, LAWSON ENTERMEDIA established a working group in the in-house Risk Management & Compliance Committee. This working group is working assiduously to implement measures to prevent a reoccurrence of this sort of incident, including by addressing issues pointed out by the third party investigating committee.
LAWSON ATM Networks, Inc., which operates a financial services-related business, recorded higher operating revenues and operating profit as a result of increases in the number of ATM machines installed

nationwide in LAWSON stores and in the number of transactions. As of August 31, 2010, the number of ATMs installed nationwide reached 7,751.

Furthermore, advertising business operator Cross Ocean Media, Inc. worked to develop and operate new high-value-added media such as digital signage.

Sales by product group throughout all Lawson Group stores

Fiscal period / Product group	Previous 1st Half March 1, 2009 to August 31, 2009		Current 1st Half March 1, 2010 to August 31, 2010	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	459,839	54.7	446,820	53.3
Fast foods	164,685	19.6	160,234	19.1
Daily delivered foods	116,922	13.9	132,821	15.9
Nonfood products	99,293	11.8	98,012	11.7
Total	840,741	100.0	837,889	100.0

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 4,336 million yen.

Number of stores by prefecture (As of August 31, 2010)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	536	Saitama	374	Gifu	121	Tottori	88	Saga	60
Aomori	166	Chiba	350	Shizuoka	178	Shimane	89	Nagasaki	85
Iwate	161	Tokyo	1,265	Aichi	462	Okayama	122	Kumamoto	91
Miyagi	192	Kanagawa	672	Mie	94	Hiroshima	140	Oita	137
Akita	152	Niigata	105	Shiga	123	Yamaguchi	112	Miyazaki	81
Yamagata	59	Toyama	112	Kyoto	249	Tokushima	104	Kagoshima	107
Fukushima	99	Ishikawa	88	Osaka	956	Kagawa	98	Total	9,721
Ibaraki	105	Fukui	99	Hyogo	548	Ehime	154		
Tochigi	108	Yamanashi	69	Nara	100	Kochi	57		
Gunma	66	Nagano	131	Wakayama	109	Fukuoka	347		

(2)Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

1) Total Assets, Total Liabilities and Total Net Assets

As of August 31, 2010, total assets stood at ¥481,872 million, an increase of ¥33,741 million from February 28, 2010. This mainly reflected a ¥33,622 million increase in cash and bank deposits.

Total liabilities increased ¥28,381 million from February 28, 2010 to ¥278,377 million. This mainly reflected a ¥20,039 million increase in accounts payable-trade.

Net assets stood at ¥203,495 million, up ¥5,359 million from February 28, 2010. This primarily reflected a ¥6,176 million increase in capital surplus, the result of executing share exchanges to make consolidated subsidiaries Ninety-nine Plus Inc. and LAWSON ENTERMEDIA, INC. wholly owned subsidiaries of LAWSON.

2) Cash Flows during the First Half

Cash and cash equivalents at August 31, 2010 stood at ¥89,465 million, up ¥34,622 million from February 28, 2010.

Operating activities provided net cash of ¥63,446 million, an increase of ¥13,882 million from the corresponding period of the previous fiscal year, mainly due to increases in accounts payable-trade and due to franchised stores.

Investing activities used net cash of ¥12,665 million, a decrease of ¥3,231 million from the corresponding period of the previous fiscal year, mainly due to a decrease in payment for acquisition of property and store equipment.

Financing activities used net cash of ¥16,157 million, ¥4,931 million more year on year. This mainly reflected an increase in payments for purchase of treasury stock.

2. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): None

(2) Adoptions of simplified accounting methods and accounting methods particular to presentation of quarterly financial statements:

① Adoption of simplified accounting methods: Yes

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

② Accounting methods particular to presentation of quarterly financial statements: None

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

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.

3. Consolidated Financial Statements etc.

(1)Consolidated Balance Sheets

As of August 31, 2010 and February 28, 2010 （Millions of yen）

	August 31, 2010	February 28, 2010
Current assets:		
Cash and bank deposits	97,639	64,017
Accounts receivable—due from franchised stores	12,555	20,790
Marketable securities	1,000	2,500
Merchandise inventories	4,280	4,446
Accounts receivable—other	30,517	26,445
Deferred tax assets	3,392	4,587
Other	9,327	9,567
Allowance for doubtful accounts	(128)	(155)
Total	**158,584**	**132,198**
Fixed assets:		
Property and store equipment		
Buildings and structures	186,235	183,841
Accumulated depreciation	(91,267)	(87,388)
Buildings and structures－net	94,968	96,452
Vehicles, tools, furniture and fixtures	57,551	57,241
Accumulated depreciation	(44,997)	(44,383)
Vehicles, tools, furniture and fixtures－net	12,553	12,858
Other	49,958	38,565
Accumulated depreciation	(5,428)	(2,567)
Other－net	44,529	35,997
Subtotal	**152,052**	**145,308**
Intangible assets;		
Software	28,319	29,674
Goodwill	7,521	4,248
Other	486	484
Subtotal	**36,327**	**34,407**
Investments and Other;		
Long-term loans receivable	31,512	29,724
Lease deposits	81,806	83,205
Deferred tax assets	13,275	15,274
Claims provable in bankruptcy, claims provable in rehabilitation and other	14,777	13,631
Other	9,109	9,018
Allowance for doubtful accounts	(15,573)	(14,636)
Subtotal	**134,909**	**136,216**
Total	**323,288**	**315,933**
Total assets	**481,872**	**448,131**

	August 31, 2010	February 28, 2010
	(Millions of yen)	
Current liabilities:		
Accounts payable —trade	93,228	73,189
Accounts payable— due to franchised stores	1,977	1,024
Income taxes payable	6,495	9,852
Deposits received	74,944	65,858
Accrued employees' bonuses	2,361	2,789
Provision for use of points granted	1,271	2,097
Other	26,070	29,684
Total	**206,350**	**184,496**
Long-term Liabilities;		
Allowance for employees' retirement benefits	6,754	6,206
Allowance for retirement benefits to executive officers and corporate auditors	197	217
Deposits received from franchisees and lessees	38,289	38,710
Other	26,786	20,365
Total	**72,027**	**65,499**
Total Liabilities	**278,377**	**249,996**
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	47,696	41,520
Retained earnings	94,998	94,171
Treasury stock	(1,691)	(1,713)
Total Owners' equity	199,510	192,485
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	3	14
Land revaluation difference	(634)	(634)
Foreign currency translation adjustments	42	65
Valuation and translation adjustments	(588)	(554)
Stock acquisition rights	351	346
Minority interests	4,221	5,858
Total net assets	203,495	198,135
Total Liabilities and total net assets	481,872	448,131

(2) Consolidated Statements of Income

For the first half of the fiscal year ending August 31, 2009 and 2010 (March 1, 2010－August 31, 2010)

（Millions of yen）

	August 31, 2009	August 31, 2010
Operating revenues	**120,069**	**124,232**
Franchise commission from franchised stores	95,758	98,637
Other	24,311	25,595
Net sales	**106,526**	**96,973**
Total operating revenues	**226,596**	**221,205**
Cost of goods sold	79,188	72,044
Operating gross profit	**147,407**	**149,161**
Selling, general and administrative expenses	117,271	119,012
Operating profit	**30,136**	**30,148**
Non – operating income and expenses;		
Non – operating income;	**806**	**921**
Interest received	347	337
Equity in earnings of affiliates	－	116
Compensation income	213	172
Other	246	295
Non – operating expenses;	**1,172**	**1,380**
Interest expense	128	461
Loss on cancellation of store lease	794	717
Other	249	201
Recurring profit	**29,770**	**29,690**
Extraordinary income and loss;		
Extraordinary income;	**651**	**－**
Gain on sales of noncurrent assets	24	－
Gain on change in equity	625	－
Other	2	－
Extraordinary loss;	**4,530**	**7,555**
Loss on retirement of noncurrent assets	1,800	1,748
Loss on sales of noncurrent assets	－	1,258
Loss on impairment of long-lived assets	2,051	4,193
Other	679	355
Income before income taxes and minority interests	**25,891**	**22,134**
Income taxes;	**9,110**	**9,402**
Income taxes - current	11,330	6,206
Deferred income taxes	(2,220)	3,195
Minority interests in net profit	**897**	**443**
Net profit	**15,883**	**12,288**

(3)Consolidated Statements of Cash Flows

For the first half of the fiscal year ending August 31, 2009 and 2010 (March 1, 2010－August 31, 2010)

(Millions of yen)

	August 31, 2009	August 31, 2010
Operating activities;		
Income before income taxes	25,891	22,134
Depreciation and amortization	12,018	15,740
Increase (decrease) in provision for allowance for retirement benefits to employees	600	547
Interest received	(347)	(337)
Interest expense	128	461
Loss on impairment of long-lived assets	2,051	4,193
Loss on retirement of noncurrent assets	895	1,125
Other-net	201	169
Decrease (increase) in accounts receivable due from franchised stores	10,328	8,234
Decrease (increase) in accounts receivable－other	(274)	(4,074)
Increase (decrease) in accounts payable—trade and due to franchised stores	14,140	21,111
Increase (decrease) in accounts payable—other	(9,033)	(6,801)
Increase (decrease) in deposits received	3,500	8,966
Increase (decrease) in guarantee deposits received from franchisee and lessees	(2,363)	(421)
Other-net	1,069	2,397
Subtotal	**58,805**	**73,448**
Interest income received	346	340
Interest expenses paid	(128)	(460)
Income taxes paid	(9,459)	(9,882)
Net cash flows provided by operating activities	**49,563**	**63,446**
Investing activities;		
Payments into time deposits	(1,580)	(8,500)
Proceeds from withdrawal of time deposits	1,500	9,500
Payment for purchase of marketable securities	(1,799)	—
Proceeds from redemption of marketable securities	4,100	1,500
Payment for acquisition of property and store equipment	(13,087)	(10,755)
Payment for acquisition of intangible fixed assets	(4,278)	(4,389)
Purchase of stocks of subsidiaries and affiliates	(100)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	455
Other – net	(651)	(475)
Net cash used in investing activities	**(15,897)**	**(12,665)**

Financing activities;		
Repayment of long-term loans payable	(608)	—
Repayments of lease obligations	(2,610)	(4,675)
Cash dividends paid	(7,933)	(7,933)
Purchase of treasury stock	—	(3,506)
Other	(75)	(42)
Net cash used in financing activities	**(11,226)**	**(16,157)**
Net increase in cash and cash equivalents	**22,439**	**34,622**
Cash and cash equivalents, beginning of period	**83,981**	**54,843**
Cash and cash equivalents at end of period	**106,421**	**89,465**

(4) Notes to Going Concern

Not Applicable

(5) Segment Information

1. Business segment information

The Company operates mainly the franchised store business and total operating revenue, operating income of the franchised store business account for more than 90% of the respective consolidated totals at all segments for the six-month period ended August 31, 2010, therefore business segment information is excluded.

2. Geographic segment information

Net sales in Japan account for more than 90% of total net sales at all segments for the six-month period ended August 31, 2010, therefore geographical segment information is excluded.

3. Overseas sales

Overseas sales account for less than 10% of consolidated sales at all segments for the six-month period ended August 31, 2010, therefore overseas sales information is excluded.

(6) Notes to Significant Changes in Shareholders' Equity

As a result of the share exchange between LAWSON and Ninety-nine Plus Inc. effected on July 1, 2010, legal capital surplus increased 5,069 million yen. Furthermore, legal capital surplus reserve increased 1,107 million yen as a result of a share exchange between LAWSON and LAWSON ENTERMEDIA, INC. on the same date.

LAWSON repurchased 902,300 shares of common stock of the Company for 3,505 million yen in accordance with a resolution passed at the Board of Directors' meeting held on July 5, 2010. Moreover, based on a resolution passed at the Board of Directors' meeting held on August 3, 2010, the Company on August 11 cancelled 902,189 shares of treasury stock costing 3,528 million yen.