

Flash Report on the Consolidated Result

for the First Half Ended February 29, 2012

October 13, 2011

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

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Scheduled date for submission of quarterly earnings report: October 14, 2011

Scheduled date for payment of dividend: November 10, 2011

Supplementary Documents quarterly results: Yes

Presentation of quarterly results: Yes

1. Consolidated Performance for the First Half of the Current Period (from March 1, 2011, to August 31, 2011)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating profit		Recurring profit	
	¥ Million	%	¥ Million	%	¥ Million	%
Current 1st Half	240,020	8.5	32,569	8.0	32,601	9.8
Previous 1st Half	221,205	(2.4)	30,148	0.0	29,690	(0.3)

	Net profit		Net income per share	Fully diluted income per share
	¥ Million	%	¥	¥
Current 1st Half	8,960	(27.1)	89.72	89.61
Previous 1st Half	12,288	(22.6)	123.44	123.31

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
At August 31, 2011	533,209	207,681	38.2	2,042.06
Last fiscal year	476,036	208,466	42.7	2,037.50

Notes: Equity Capital August, 2011 203,934 million February, 2011 203,479 million

2. Dividends status

	Annual dividends per share				
	1Q	2Q	3Q	Year-end dividend	Total
	¥	¥	¥	¥	¥
2010 fiscal year	—	85.00	—	85.00	170.00
2011 fiscal year		87.00			
2011 fiscal year (Forecast)			—	93.00	180.00

Notes: Revision of forecast for dividends in the First Half: Yes

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 fiscal year	473,000	7.2	61,500	10.7	60,400	10.6	23,500	(7.4)

Reference: Forecast net profit per share for the 2011 fiscal year: 235.31yen

Note: Revision of forecasts for consolidated performance during the First Half: None

4. Other

(1) Change in important subsidiaries during the period (Changes in certain specified subsidiaries resulting in revised scope of consolidation): 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 (Those to be stated as significant accounting policies)

1. Changes associated with revision in accounting standards: Yes

2. 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 the stocks issued in the end of term
August, 2011: 100,300,000 February, 2011: 100,300,000

ii) The number of treasury shares in the end of term
August, 2011: 433,460 February, 2011: 433,040

iii) Average number of shares during the term
August, 2011: 99,866,694 August, 2010: 99,545,827

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. Therefore, actual achievements may differ from these forecasts due to many factors.

1. Review of Operations

(1) Overview of Consolidated Operating Results

During the first six months of fiscal 2011, the period from March 1 to August 31, 2011, the Japanese economy saw a temporary decline in corporate production activities and a drop in consumer spending due to the impact of the Great East Japan Earthquake, which occurred in March. Sales remained strong in the convenience store industry, however, mainly owing to good weather after mid-June in addition to the recovery of the supply chain.

In this business environment, the LAWSON Group (the “Company”) focused on achieving a speedy recovery of stores and the product supply chain in the disaster-affected areas with the aim of realizing the Group’s corporate philosophy of “Happiness and Harmony in Our Community.” With these efforts, we were appreciated by customers as a convenience store chain with a nationwide network as well as social infrastructure that provides essential items at the local level.

The Company also executed measures to improve customer satisfaction in convenience store operations and other businesses. Net sales from existing stores during the first six months of fiscal 2011 increased 6.4% on a consolidated basis from the corresponding period of the previous fiscal year.

As a result, in terms of consolidated financial results for the first six months of fiscal 2011, total operating revenues were ¥240,020 million (up 8.5% year on year) and operating profit was ¥32,569million (up 8.0% year on year). Recurring profit came to ¥32,601 million (up 9.8% year on year).

Net profit decreased ¥3,327 million from the corresponding period of the previous fiscal year to ¥8,960 million (down 27.1% year on year).

(Domestic and Overseas Convenience Store Operations)

On the merchandise front, we developed menus catering to customer’ needs by using high-quality ingredients.

In the rice dishes category, we released new chilled lunch boxes named “Lawson-Tei,” incorporating the preferences of female customers—who have traditionally proven reluctant to purchase convenience store lunch boxes—with respect to color in addition to taste and texture.

In the dessert category, sales remained strong, primarily backed by the outstanding performance of our original Uchi Café SWEETS products, which also benefited from the effect of our media-mix promotional activities, etc.

In addition, we continued to promote our strategies to expand our customer segments by appealing to housewives and elderly customers by operating fresh food LAWSON stores (hybrid stores), which are basically existing LAWSON stores with a stronger assortment of fresh foods and daily delivered foods. The number of fresh food LAWSON stores was 3,086 as of August 31, 2011. These stores sell fresh vegetables produced at “LAWSON Farms,” the entities funded and established by the Company.

Sales by product group throughout all Lawson Group stores

Fiscal period Product group	Previous 1st Half March 1, 2010 to August 31, 2010		Current 1st Half March 1, 2011 to August 31, 2011	
	Sales (Millions of yen)	Percentage of Total (%)	Sales (Millions of yen)	Percentage of Total (%)
Processed foods	446,820	53.3	507,535	55.4
Fast foods	160,234	19.1	172,570	18.8
Daily delivered foods	132,821	15.9	140,708	15.4
Nonfood products	98,012	11.7	95,382	10.4
Total	837,889	100.0	916,197	100.0

In terms of sales promotions, the Company executed campaigns with high investment efficiency, including the Spring Rilakkuma Fair, Hello Kitty Fair and the Second K-ON!! Fair. These promotions were popular with customers.

With regard to services, total membership in the multi-partner loyalty program Ponta that the Company joined in March 2010 reached 34.86 million as of August 31, 2011, including members joining through other participating companies. LAWSON provided appealing point services to Ponta members while expanding the membership.

To improve store operations, we offered guidance to stores on how to improve accuracy in order placement from the customer's perspective by utilizing our backbone IT system, PRiSM. In addition, we used data collected from the Ponta card members to create merchandise assortments that matched the customer needs specific to each store. We will continue to work toward creating stores that fully satisfy customers' desires to purchase "whatever they want, whenever and wherever they need."

[Change in Total Number of Domestic Stores]

(Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100	Total
Total stores as of February 28, 2011	8,686	90	1,077	9,853
Change during fiscal year	173	1	50	224
Total stores as of August 31, 2011	8,859	91	1,127	10,077

(Note) The total number of LAWSON stores as of August 31, 2011 includes 70 stores operated by LAWSON Toyama, the Company's consolidated subsidiary

Number of Domestic stores by prefecture (As of August 31, 2011)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	552	Saitama	404	Gifu	124	Tottori	91	Saga	62
Aomori	169	Chiba	355	Shizuoka	186	Shimane	91	Nagasaki	89
Iwate	154	Tokyo	1,324	Aichi	485	Okayama	124	Kumamoto	96
Miyagi	184	Kanagawa	710	Mie	97	Hiroshima	146	Oita	141
Akita	154	Niigata	103	Shiga	126	Yamaguchi	111	Miyazaki	80
Yamagata	62	Toyama	181	Kyoto	257	Tokushima	102	Kagoshima	106
Fukushima	94	Ishikawa	90	Osaka	979	Kagawa	98	Total	10,077
Ibaraki	112	Fukui	99	Hyogo	562	Ehime	154		
Tochigi	110	Yamanashi	78	Nara	96	Kochi	58		
Gunma	68	Nagano	134	Wakayama	113	Fukuoka	366		

The Company's consolidated subsidiary Ninety-nine Plus Inc., which operates a chain of fresh food convenience stores LAWSON STORE100, continued to promote store openings and franchise expansion. LAWSON Okinawa, the Company's equity-method affiliate, was operating 144 stores in Okinawa Prefecture as of August 31, 2011.

CHONGQING LAWSON CO., LTD., the Company's consolidated subsidiary, was operating 20 stores in Chongqing, China as of August 31, 2011.

In addition, the Company established LAWSON ASIA PACIFIC HOLDINGS PTE. LTD., a consolidated subsidiary, to control the Company's subsidiaries and affiliates that operate convenience stores outside Japan (excluding stores in China) in Singapore on May 16, 2011.

SHANGHAI HUALIAN LAWSON CO., LTD., the Company's Chinese equity-method affiliate, was operating 303 stores in Shanghai, China, as of August 31, 2011.

(Other Businesses)

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

The Company's consolidated subsidiaries LAWSON ENTERMEDIA, INC. and HMV Japan K.K., which operate entertainment/e-commerce-related businesses, have shown a steady recovery at a pace exceeding our original expectations, despite the negative impacts of the Great East Japan Earthquake, such as voluntary cancellation and postponement of some concerts and delaying of new CD/DVD releases, etc. The two companies merged as of September 1, 2011 with the aim of maximizing synergistic effects in the entertainment/e-commerce business in the future.

In addition, we will promote collaboration between Yahoo! JAPAN's network service and LAWSON stores, leveraging the alliance with Yahoo JAPAN Corporation, which began in June 2011. Furthermore,

we will focus on reinforcing the e-commerce business by providing price comparison and product seafuctions of Venture Republic Inc., with which the Company entered into a capital and business alliance in January 2011.

LAWSON ATM Networks, Inc., which operates a financial services-related business, has been working to increase the number of transactions in response to the increased number of ATMs installed nationwide in LAWSON stores. As of August 31, 2011, the number of ATMs installed nationwide reached 8,717.

2. Qualitative Information Regarding Changes in Other Consolidated Financial Indicators

(1) Financial Position at the First Half end

Total Assets, Total Liabilities and Net Assets at First Half-End

At August 31, 2011, total assets stood at ¥533,209 million, an increase of ¥57,172 million from February 28, 2011. This mainly reflected a ¥19,553 million increase in cash and bank deposits because of an increase in bill settlement transactions and other factors.

Total liabilities increased ¥57,957 million from February 28, 2011 to ¥325,527 million at August 31, 2011. This mainly reflected a ¥20,161 million increase in accounts payable trade and other factors.

Net assets stood at ¥207,681 million, down ¥785 million from February 28, 2011. This is primarily due to the decrease of minority interesting by ¥1,240 million, although increase of ¥471 million in retained earnings.

(2) Cash Flows During First Half

Cash and cash equivalents at August 31, 2011 were ¥93,864 million, up ¥26,152 million compared with February 28, 2011.

Operating activities provided net cash of ¥67,891 million, an increase of ¥4,444 million from the corresponding period of the previous first half, mainly due to increase in deposits received.

Investing activities used net cash of ¥28,499 million, an increase of ¥15,833 million from the corresponding period of the previous first half, mainly due to an increase in purchase of stocks of subsidiaries and affiliates.

Financing activities used net cash of ¥13,284 million, a decrease of ¥2,873 million over the corresponding period of the previous first half, mainly due to a decrease in purchase of treasury stock.

3. 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

4. Consolidated Financial Statements etc.

(1) Consolidated Balance Sheets (Unaudited)

As of August 31, 2011 and February 28, 2011

(Millions of yen)

	August 31, 2011	February 28, 2011
Current assets:		
Cash and bank deposits	94,369	74,816
Accounts receivable—due from franchised stores	15,046	16,159
Marketable securities	9,998	2,999
Merchandise inventories	7,605	7,011
Accounts receivable—other	34,456	29,285
Deferred tax assets	4,713	4,943
Other	11,004	9,891
Allowance for doubtful accounts	(102)	(97)
Total	177,091	145,009
Fixed assets:		
Property and store equipment		
Buildings and structures	209,615	192,865
Accumulated depreciation	(106,378)	(96,463)
Buildings and structures-net	103,237	96,401
Vehicles, tools, furniture and fixtures	62,789	61,156
Accumulated depreciation	(49,672)	(47,914)
Vehicles, tools, furniture and fixtures-net	13,116	13,241
Other	69,734	58,311
Accumulated depreciation	(13,370)	(9,120)
Other-net	56,363	49,190
Subtotal	172,717	158,833
Intangible fixed assets;		
Software	27,652	27,901
Goodwill	8,739	7,717
Other	539	477
Subtotal	36,932	36,096
Investments and Other;		
Long-term loans receivable	31,648	31,825
Lease deposits	82,928	81,654
Deferred tax assets	17,917	13,253
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,180	15,372
Other	14,805	10,037
Allowance for doubtful accounts	(16,012)	(16,047)
Subtotal	146,468	136,096
Total	356,117	331,026
Total assets	533,209	476,036

(Millions of yen)

	August 31, 2011	February 28, 2011
Current liabilities:		
Accounts payable — trade	101,560	81,398
Accounts payable— due to franchised stores	1,880	1,179
Income taxes payable	11,336	10,673
Deposits received	78,628	62,340
Accrued employees' bonuses	2,985	3,768
Provision for use of points granted	981	1,287
Other	33,842	31,947
Total	231,214	192,595
Long-term Liabilities;		
Allowance for employees' retirement benefits	8,147	7,529
Allowance for retirement benefits to executive officers and corporate auditors	260	234
Deposits received from franchisees and lessees	36,318	37,139
Asset retirement obligations	14,507	-
Other	35,078	30,070
Total	94,312	74,974
Total Liabilities	325,527	267,570
Owners' equity;		
Common stock	58,506	58,506
Capital surplus	47,696	47,696
Retained earnings	100,080	99,608
Treasury stock	(1,695)	(1,693)
Total Owners' equity	204,587	204,117
Valuation and translation adjustments;		
Net unrealized gain on available-for-sale securities	(21)	(4)
Land revaluation difference	(634)	(634)
Foreign currency translation adjustments	3	1
Valuation and translation adjustments	(653)	(638)
Stock acquisition rights	405	405
Minority interests	3,341	4,581
Total net assets	207,681	208,466
Total Liabilities and net assets	533,209	476,036

(2) Consolidated Statements of Income(Unaudited)

For the second quarter of the fiscal year ending August 31, 2010 and 2011 (March 1, 2011-August 31, 2011)

(Millions of yen)

	August 31, 2010	August 31, 2011
Total operating revenues	221,205	240,020
Net sales	96,973	104,882
Cost of goods sold	72,044	78,722
Gross Profit	24,929	26,159
Franchise commission from franchised stores	98,637	108,217
Other	25,595	26,920
Operating revenues	124,232	135,138
Operating gross profit	149,161	161,298
Selling, general and administrative expenses	119,012	128,728
Operating profit	30,148	32,569
Non – operating income and expenses;		
Non – operating income;	921	1,165
Interest received	337	326
Equity in earnings of affiliates	116	128
Compensation income	172	-
Other	295	710
Non – operating expenses;	1,380	1,133
Interest expense	461	541
Loss on cancellation of store lease	717	211
Other	201	380
Recurring profit	29,690	32,601
Special gains and losses;		
Special gains;	-	237
Gain on sales of noncurrent assets	-	53
Gain on negative goodwill	-	184
Special losses;	7,555	15,688
Loss on retirement of noncurrent assets	1,748	1,295
Loss on sales of noncurrent assets	1,258	-
Loss on impairment of long-lived assets	4,193	2,574
Loss on disaster	-	3,392
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	8,292
Other	355	132
Income before income taxes and minority interests	22,134	17,150

Income taxes;	9,402	7,719
Income taxes - current	6,206	11,075
Deferred income taxes	3,195	(3,355)
Income before minority interests	-	9,431
Minority interests in net income	443	470
Net profit	12,288	8,960

(3) Consolidated Statements of Cash Flows (Unaudited)

For the second quarter of the fiscal year ending August 31, 2010 and 2011 (March 1, 2011-August 31, 2011)

	(Millions of yen)	
	August 31, 2010	August 31, 2011
Operating activities;		
Income before income taxes	22,134	17,150
Depreciation of fixed assets	15,740	17,907
Increase in provision for allowance for retirement benefits to employees	547	617
Interest received	(337)	(326)
Interest expense	461	541
Loss on impairment of long-lived assets	4,193	2,574
Loss on retirement of noncurrent assets	1,125	1,295
Loss on disaster	-	3,392
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	8,292
Other-net	169	(348)
Decrease in accounts receivable due from franchised stores	8,234	1,115
Increase in accounts receivable-other	(4,074)	(3,452)
Increase in accounts payable—trade and due to franchised stores	21,111	19,523
Increase in accounts payable—other	(6,801)	198
Increase in deposits received	8,966	16,280
Decrease in lease deposits from franchisee and lessees	(421)	(976)
Other-net	2,397	(3,139)
Subtotal	73,448	80,648
Interest income received	340	325
Interest expenses paid	(460)	(539)
Income taxes paid	(9,882)	(10,068)
Payments for loss on disaster	-	(2,473)
Net cash flows provided by operating activities	63,446	67,891
Investing activities;		
Payments into time deposits	(8,500)	(10,100)
Proceeds from withdrawal of time deposits	9,500	9,700
Proceeds from redemption of marketable securities	1,500	-
Payment for acquisition of property and store equipment	(10,755)	(12,919)
Payment for acquisition of intangible fixed assets	(4,389)	(3,744)
Purchase of stocks of subsidiaries and affiliates	-	(5,743)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	455	-
Payments for transfer of business	-	(3,415)
Other – net	(475)	(2,276)
Net cash used in investing activities	(12,665)	(28,499)

Financing activities;		
Repayments of lease obligations	(4,675)	(4,762)
Cash dividends paid	(7,933)	(8,488)
Purchase of treasury stock	(3,506)	-
Other	(42)	(32)
Net cash used in financing activities	(16,157)	(13,284)
Effect of exchange rate change on cash and cash equivalents	-	(5)
Net increase in cash and cash equivalents	34,622	26,102
Cash and cash equivalents, beginning of year	54,843	67,712
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	49
Cash and cash equivalents at end of period	89,465	93,864

(4) Notes to Going Concern

Not Applicable.

(5) Segment Information

[Business segment information]

(From March 1, 2010 to August 31, 2010)

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 current second Quarter, therefore information by industry segment is omitted.

[Geographic segment information]

(From March 1, 2010 to August 31, 2010)

Because net sales in Japan account for more than 90% of total net sales, LAWSON has omitted geographical segment information.

[Overseas sales]

(From March 1, 2010 to August 31, 2010)

Overseas sales account for less than 10% of consolidated sales at all segments for current second Quarter, therefore overseas sales information is omitted.

[Segment Information]

i) Outline of reporting segments

The Company's financial information is provided separately by reporting segment and is subject to regular review by the board of directors with regard to the allocation of managerial resources and performance evaluation.

The Group's primary business is the operation of convenience stores, which is undertaken by the incorporation of related businesses.

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

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

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

Consolidated performance for the current second quarter period (from March 1, 2011, to August 31, 2011)(Millions of yen)

	Convenience store business	Others (Note 1)	Total	Adjusted amount	Amount posted on the quarterly consolidated profit and loss statement (Note 2)
Total operating revenues					
Sales to external customers	208,412	31,608	240,020	-	240,020
Internal sales or transfers between segments	1,067	944	2,011	(2,011)	-
Total	209,479	32,553	242,032	(2,011)	240,020
Segment profit	30,244	2,324	32,569	-	32,569

(Note) 1. The "other" category refers to business segments that do not fall under the main reporting segment and includes the entertainment/e-commerce segment and overseas segment.

2. The segment profit is adjusted against the operating profits of the quarterly consolidated profit and loss statement.

iii) Information related to impairment loss or goodwill of fixed assets by reporting segment

Consolidated performance for the current second quarter period (from March 1, 2011, to August 31, 2011)

(Significant impairment losses related to fixed assets)

The Group defines a store as the primary basic unit and the smallest unit that generates cash flow. For asset groups that have continuously generated losses from their sales activities, their book value has been reduced to a recoverable amount and such amount has been posted as impairment loss under extraordinary losses.

The amount posted for the convenience store segment is 2,573 million yen.

(Significant change in the amount of goodwill)

In the convenience store segment, the amount of goodwill for this 2nd quarter consolidated fiscal period increased by 1,589 millions of yen because of taking over business.

(Additional Information)

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

(6) Notes to Significant Changes in Shareholders' Equity

Not Applicable