(TRANSLATION ONLY)

May 7, 2001
To Those Shareholders with Voting Rights

Kenji Fujiwara
President and Representative Director
Lawson, Inc.
9-1, Toyotsu-cho, Suita, Osaka

NOTICE OF THE 26TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 26th Ordinary General Meeting of Shareholders to be held as follows:

If you are unable to attend the meeting, please read attached Reference Documents for The Exercise of Voting Rights and return the Exercise Voting Rights Form with your selections and registered seal so that it will reach us by May 23, 2001.

1. Date : 10 a.m., Thursday, May 24, 2001
2. Place: Melpark Hall (Yubin-Chokin Hall),
2-1, Miyahara 4-chome, Yodogawa-ku, Osaka

3. Objectives of the Meeting:

Reports:

Balance Sheets as of February 28, 2001, and the Business Report and Statements of Income for the 26th Fiscal Term (from March 1, 2000, to February 28, 2001)

Agenda:
Proposal No.1: Approval of the Proposal of Appropriation of Retained Earnings for the 26th Fiscal Term
Proposal No.2: Partial amendment to the Articles of Incorporation
Proposal No.3: Election of three (3) directors
Proposal No.4: Election of two (2) statutory auditors
Proposal No.5: Presentation of a severance payment to resigning statutory auditor Yoshio Tsutsumi
Proposal No.6: Revision to the remuneration of directors

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS

1. Total number of shares held by shareholders with voting rights: 114,767,800

2. Proposals and References

Proposal No.1: Approval of the Proposal of Appropriation of Retained Earnings for the 26th Fiscal Term

The Proposal of Appropriation of Retained Earnings for the 26th Fiscal Term is shown in attached The 26th Fiscal Year's Report for Shareholders (Page 24).
We propose that an year-end dividend be ¥18 in view of the Company's need to further strengthen its financial capability, future business development and the operating results for the year under review. As a result, the annual dividend, consisting of an interim dividend of ¥17 (¥14 as the ordinary dividend and ¥3 as a commemorative dividend) and the year-end dividend of ¥18 per share, would be ¥35 per share. In addition, we hereby propose that a part of the general reserve be set aside as a reversal to prepare for the cancellation of stock, etc., in the future.

Proposal No.2: Partial amendment to the Articles of Incorporation

We hereby propose to partially amend the current Articles of Incorporation. A summary draft of this proposal item and the reasons for the amendment are as follows:

(Amendments shown by underlines.)

Existing Article	Draft Amendment	Reasons for the amendment
ARTICLE 5: Total Number of Shares to be Issued by the Company The total number of shares in capital stock authorized to be issued by the Company shall be 419,600,000, and all thereof shall be par value shares.	ARTICLE 5: Total Number of Shares to be Issued by the Company The total number of shares in capital stock authorized to be issued by the Company shall be 419,600,000, and all thereof shall be par value shares. <u>Provided, however, that the total number of shares authorized to be issued by the Company shall be reduced by the number corresponding to the cancelled shares in case of stock cancellation</u>.	We would like to add this proviso and thereby amend the related wording to prepare for the decline in the total number of shares to be issued by the Company subsequent to a possible future cancellation.
(New establishment)	<u>ARTICLE 6: Cancellation of the Company's Stock</u> <u>On and after May 25, 2001, the Company may, under a resolution of the Board of Directors, purchase and cancel its stock with net profit within a limit of 9,000,000 shares</u>.	We would like to newly establish "ARTICLE 6: Cancellation of the Company's Stock" to allow management under a resolution of the Board of Directors to flexibly purchase and cancel stock with net income, pursuant to Article 3 of the Law Concerning Exceptions to the Commercial Code on Stock Cancellation Procedure.
ARTICLE <u>6</u> to ARTICLE <u>11</u> (the related provisions omitted)	ARTICLE <u>7</u> to ARTICLE <u>12</u> (the same as the existing one)	As a result of the new establishment of Article 6 above, the respective numbers of the subsequent articles shall be carried down.
ARTICLE 12: Time to Convene General Meetings of Shareholders The ordinary general meeting of shareholders of the Company shall be convened within three (3) months after the day following the last day of each business year. Extraordinary general meetings of shareholders may be called at any time whenever necessary.	ARTICLE 13: Time <u>and Place</u> to Convene General Meetings of Shareholders The ordinary general meeting of shareholders of the Company shall be convened within three (3) months after the day following the last day of each business year. Extraordinary general meetings of shareholders may be called at any	We would like to newly establish Section 2of Article 13 to add the places for holding general meetings of shareholders so that they may be held not only in Suita where that city is the location of the head office or any city adjacent toSuita,, but also in Chiyoda-ku, Minato-ku, Chuo-ku or Shinagawa-ku in Tokyo, to properly respond to the increasingly concentrated head

	time whenever necessary. 2) General meetings of shareholders may be convened not only in Suita or any city adjacent to Suita but also in Chiyoda-ku, Minato-ku, Chuo-ku or Shinagawa-ku in Tokyo, Japan.	office functions in Tokyo and the change in the composition of our shareholders.
ARTICLE 13 to ARTICLE 32 (the related provisions omitted)	ARTICLE 14 to ARTICLE 33 (the same as the existing one)	As a result of the new establishment of Article 6 above, the respective numbers of the subsequent articles shall be carried down.

Proposal No.3: Election of three (3) directors

To cope with the demanding business environment, we intend to improve our management performance through closer ties with Mitsubishi Corporation, our most important strategic partner. To that end, we hereby propose that you additionally elect three (3) directors.

The nominees for the new directors are as follows:
The term of office of these candidates shall be until the remaining term of other directors already in office expires, in accordance with the related provision in the Articles of Incorporation.

No.	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Susumu Hasegawa (May 26, 1947)	April 1970 October 1993 January 1997 April 2001	Joined Mitsubishi Corporation. Team leader, OS System Team, General Affairs Dept. Osaka Branch, Mitsubishi Corporation Temporary transfer to Berlian Sistem Infomasi (BSI). Divisional Manager, Office of Information Systems, Lawson, Inc. Currently holds this position.	0
2	Eiichi Tanabe (September 16, 1953)	April 1978 August 1990 April 1997 April 2001	Joined Mitsubishi Corporation. Team leader, Planning Team, Capital & Money Market Dept., Mitsubishi Corporation Deputy General Manager, Finance Dept. . Divisional Deputy Manager, Office of Corporate Planning & Control, Lawson, Inc. Currently holds this position.	0
3	Yoshimitsu Futai (September 9, 1952)	April 1977 June 1994 October 1999 April 2001	Joined Mitsubishi Corporation. Team leader, Dairy Food Team, Food Material Dept., Mitsubishi Corporation Team leader, Solution Providing Team, Investment Banking & Financial Services Dept., Mitsubishi Corporation Divisional Deputy Manager, Merchandizing Division, Lawson, Inc. Currently holds this position.	0

Proposal No.4: Election of two (2) statutory auditors

The term of office of the current statutory auditor Yoshio Tsutsumi ends at the conclusion of this 26th Ordinary General Meeting of Shareholders, and Keishi Komatsu will resign at that time. Accordingly, we hereby propose that you elect two (2) statutory auditors.

The nominees for the new statutory auditors are as follows:

No.	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Masaaki Kojima (January 12, 1945)	April 1967 November 1996 January 1999 April 1999 April 2001	Joined Mitsubishi Corporation. General Manager, Investment Administration & Credit Dept., Mitsubishi Corporation Senior Assistant to Group C.E.O. Professional Services, Mitsubishi Corporation Deputy Branch General Manager, Kansai Branch, Mitsubishi Corporation Corporate Advisor, Lawson, Inc. Currently holds this position.	0
2	Yoshiyuki Sanada (May 23, 1954)	April 1978 July 1995 January 1995 April 2001 April 2001	Joined Mitsubishi Corporation. Team leader, Investment and Finance C Team, Investment Administration & Credit Dept., Mitsubishi Corporation Chief, Portfolio Management Office, Risk Management Dept., Mitsubishi Corporation. Controller, New Business Initiative Group, Mitsubishi Corporation. Corporate Advisor, Lawson, Inc. Currently holds this position.	0

Notes:

1. The above nominees, Masaaki Kojima and Yoshiyuki Sanada, are the candidates for outside statutory auditors stipulated in Article 18, paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" in Japan.
2. As the election of Yoshiyuki Sanada is requested to fill the vacancy of the retiring statutory auditor Keishi Komatsu, his term of office shall be until the remaining term of his predecessor expires.

Proposal No.5: Presentation of a severance payment to resigning statutory auditor Yoshio Tsutsumi

To Yoshio Tsutsumi, who is retiring from his position as statutory auditor at the conclusion of this Ordinary General Meeting of Shareholders, we propose to present a severance payment within a reasonable range in accordance with the Company's prescribed formula to provide a compensation for services rendered during his tenure.
We propose that the actual amount, timing and method of presentation be left to the termination of of Statutory Auditors.

The brief history of the retiring statutory auditor in the Company is as follows:

Name	Brief personal history	
Yoshio Tsutsumi	May 1998	Working statutory auditor, Lawson, Inc. Stayed at this position up to date.

Proposal No.6: Revision to the remuneration of directors

It was resolved by the 18th Ordinary General Meeting of Shareholders held on May 31, 1993, that the total amount of annual remuneration of directors be limited to within ¥300 million, and this resolution has been applied to the Company. Considering the subsequently increased number of directors and various other circumstances including Japan's economic conditions, however, we hereby propose to revise this annual limit from the previous ¥300 million to ¥400 million.
The remuneration of directors above shall not include the salary with regard to the employee portion for the directors who are concurrently employees, as before.
If Bill 3 is approved as proposed in the draft, the total number of the Company's directors would be increased from the current 17 to 20.

(TRANSLATION ONLY)

(Attached documents with regard to the Notice of the 26th Ordinary General Meeting of Shareholders)

The 26th Fiscal Year's Report for Shareholders

(from March 1, 2000, to February 28, 2001)

Lawson, Inc.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

BUSINESS REPORT

(March 1, 2000 through February 28, 2001)

1. SUMMARY OF OPERATIONS

(1) Process and Results of Operations

During the fiscal year ended February 28, 2001 (the "current fiscal year"), the Japanese economy showed signs of gradual movement toward self-sustaining recovery such as improved corporate profits and increased private capital investment. However, personal consumption remained sluggish because of delayed improvement of employment situation or slump in household income.

In the convenience store industry, despite increased number of stores, difficult situations continued, under which sales by existing stores declined as a whole compared with the prior year, affected by intensified competition with other industries.

In these circumstances, LAWSON, INC. (the "Company") has made a strong effort to step up development of new products, improve product lines and provide services in a friendly manner to satisfy customers in the store. Also as Japan's only national chain in this industry, the Company has endeavored in its store development to achieve dominance in each of Japan's 47 prefectures and to develop e-business to take advantage of the Company's nationwide store and distribution networks.

In terms of products, the Company has made an effort to step up development of new products through activities with the Fresh Foods Supply Cooperative and Partner merchandising activities with cooperative manufacturers. Especially for fast foods, its mainstay category, the Company worked on development of products that are safe, delicious and healthy, reflecting the importance it places on ingredients and recipes. As a result, "Nama Pasta" noodles with restaurant quality and prepared breads made from improved dough with authentic cocktail sauce have proven popular with the customers. For other product categories, the Company is providing unique products such as additive-free basic skin care, which is popular with women.

In terms of services, bill settlement services, utilized by customers as a convenient settlement method, increased the number of companies and institutions for which services are conducted by 21 to 190 and now involves 82 million transactions and a total value of ¥650 billion per year. In addition, the Company expanded services tailored to the customers' lifestyles through Loppi multimedia terminals such as accepting orders for "Hanacupid," the largest flower gift network in Japan and public information service in certain regions. In October 2000, the Company launched debit card service nationwide that performs settlements using cash cards of postal savings, two local banks, and 240 credit associations to increase the level of convenience to customers.

In terms of e-business development, the Company established ECONTEXT, Inc. in May 2000 and has been expanding store settlement and delivery services for products ordered on the Internet. Also, the Company renewed the online store, @Lawson, with expanded contents and opened a site for developing original products reflecting the customers' needs. In addition, in October 2000, the Company established i-Convenience, Inc, which provides services using iMode mobile phones to prepare for the development of new services expected from convenience stores in the 21st century.

In terms of store development, the Company advanced the plans to achieve store dominance in 47 prefectures and sought improvement of profitability through enhanced management and distribution efficiency, relocation or closure of less profitable stores and conversion of Company-operated stores to franchised stores. As a result, during the current fiscal year the goal of operating more than 100 stores was achieved in Fukushima, Shiga, Wakayama, Kagoshima and Okinawa prefectures, 725 stores were newly opened and 420 stores were relocated or closed and at the current fiscal year end the number of stores totals 7,683.

In terms of environmental preservation activities, under the fundamental philosophy, "harmony between business activities and symbiosis between people and nature," the Company, as an ISO 14001 certified company, has been steadily seeking to reduce environmental pollutants and minimize the use of energy and resources through introduction of low emission vehicles for distribution and other purposes and use of containers for prepared lunches (bento-boxes) and side dishes made of environment-conscious material. In addition, the Company actively worked on preservation of forests through "Green Fund" which it established, the amount of which raised by the customers supported nationwide tree-planting activities.

In terms of financing activities, the Company raised ¥69,150 million through a public stock offering and repaid borrowings of ¥48,163 million to reduce interest-bearing liabilities to improve its financial position.

As a result, net sales of Lawson stores including franchised stores were ¥1,275,358 million (up 4.4% from the previous year), ordinary profit was ¥39,465 million (up 3.8% from the previous year) and net income was ¥16,172 million (up 5.3% from the previous year).

Net sales of Lawson stores including franchised stores by product category are as follows:

Product Category	Net Sales	Percentage of Total Sales	Increase/Decrease from Previous Year
	Millions of Yen	%	%
Processed foods	561,832	44.0	106.5
Fast food	362,550	28.4	103.4
Daily delivered foods	90,367	7.1	101.5
Non-food products	261,057	20.5	102.6
Total	1,275,358	100.0	104.4

In the current fiscal year, the Company celebrated its 25th anniversary and on July 26, 2000 listed stock on the First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange.

In February 2001, the Company carried out a corporate reorganization to implement a corporate structure enabling rapid decision making and creation of new value-added products or services to achieve further growth in the 21st century. In addition, the Company and Mitsubishi Corporation, an important strategic partner of the Company, agreed to further strengthen their alliance in existing areas such as distribution or product and store development in addition to the current business alliance which focuses on new business areas.

(2) Our Challenge for Future Success

The operating environment surrounding the Company will be as severe as ever because of many concerns about economic uncertainty such as sluggish exports due to the slowdown in the U.S. economy and worsened employment situation. In the convenience store industry, the competition with other industries will be further intensified. For example, several restaurants and fast food chains are carrying out price wars and supermarkets are extending operating hours and emphasizing prepared lunches or side dishes. To win in this harsh competitive environment while the customers' lifestyles, values and tastes are diversifying, the management of the Company believes its most important task to be the creation of new value in convenience stores beyond the present limit.

In these circumstances, the Company, views the fiscal year ending February 28, 2002 as a year of change, adopted the slogan "Simple, Speedy and Sendo (freshness)" and will encourage the development of new products, basic QSC—quality, service and cleanliness, and store development to improve sales by new stores and promote operation of existing stores under the new corporate structure. In addition, to enhance the value of the Company as the only national chain in this industry, the Company will focus on its store development to achieve dominance nationwide and will strengthen its infrastructure for e-business. Furthermore, the Company will strengthen its structure through the implementation of the comprehensive third-generation information system, establishment of supply chain management, which streamlines procurement of ingredients to production, distribution and sale to improve efficiency, as well as early implementation of ATM (automatic teller machine). The Company is committed to improve the customers' convenient lifestyles and the development of the community by creating new taste, amusement and convenience that can be provided by convenience stores.

The Company values the support and encouragement of its shareholders in the future.

(3) Capital Expenditures

Investment	Amount
	Millions of Yen
New construction of stores	14,469
Refurbishment of existing stores and others	5,919
Deposits and guarantees for rental space	11,683
Improvement of information systems	4,778
Total	36,851

(4) **Financial Activities**

The Company raised ¥69,150 million through a public stock offering by issuing 10,000 thousand new shares (issue price of ¥7,200 per share). As a result, the Company's common stock amount increased from ¥30,876 million to ¥58,506 million and additional paid-in capital increased to ¥41,520.

(5) Financial Summary

Item	Fiscal 1998 23rd Term	Fiscal 1999 24th Term	Fiscal 2000 25th Term	Fiscal 2001 26th Term
Net sales of Lawson stores including franchised stores (¥ million)	1,093,768	1,157,180	1,221,205	1,275,358
Operating revenues (¥ million)	287,950	284,781	280,418	274,839
Ordinary Profit (¥ million)	35,312	32,064	38,037	39,465
Net Income or (Loss) (¥ million)	(87,821)	13,739	15,355	16,172
Net Income or (Loss) per Share (¥)	(51,176.76)	6,548.73	7,319.21	145.87
Total Assets (¥ million)	392,080	404,164	337,955	384,994
Shareholders' Equity (¥ million)	23,651	84,128	97,280	179,601
Shareholders' Equity per Share (¥)	11,273	40,099	46,368	1,563

Notes:

1. Net income per share is computed based on the average number of shares during each year. Net income per share for the year ended February 28, 2001 is computed based on the weighted average number of shares of 110,872,603 shares, which was calculated assuming that the stock split on April 14, 2000 which split the shares with par value of ¥500 to ¥50 was effected as of the beginning of the year and adjusting for the public stock offering of 10,000,000 shares.

2. A net asset per share is computed based on the number of shares outstanding at the end of the year.

3. Net loss and net loss per share for the year ended/as of February 28, 1998 resulted mainly from losses on sales of securities held for investment.

4. The decrease in ordinary profit for the year ended February 28, 1999 resulted mainly from the increase in selling, general and administrative expenses because of an adjustment to enterprise tax due to the initial application of deferred tax accounting.

5. The increase in net assets and net assets per share as of February 28, 1999 resulted mainly from the increase in retained earnings due to the initial application of deferred tax accounting.

6. The decrease in total assets as of February 29, 2000 corresponded to an early repayment of long-term debt in addition to the scheduled repayment.

7. Explanation for the operating results and financial position as of and for the year ended February 28, 2001 is discussed in "(1) Process and Results of Operations" in "1. SUMMARY OF OPERATIONS" above.

2. CURRENT STATUS OF THE COMPANY (As of February 28, 2001)

(1) Principal Business Activities

The Company provides its member shops with a variety of services and advice regarding managerial or technical know-how and research, training and advertising on the operation of convenience stores under a franchise system. It earns royalty fees in consideration of such services. In addition to member shops, the Company has its own stores, which retail such products as food, daily necessities and fast food.

(2) Principal Offices and Stores

1) Head Office (Registered location): 9-1, Toyotsu-cho, Suita-city, Osaka

2) Other Offices

Name	Location
Head office (Actual location)	Minato-ku, Tokyo
Hokkaido Div.	Kita-ku, Sapporo-city
Tohoku Div.	Miyagino-ku, Sendai-city
Kanto No. 1 Div.	Tokorozawa-city, Saitama
Kanto No. 2 Div.	Mitaka-city, Tokyo
Kanto No. 3 Div.	Kanagawa-ku, Yokohama-city
Chubu Div.	Nakamura-ku, Nagoya-city
Kinki No. 1 Div.	Chukyo-ku, Kyoto
Kinki No. 2 Div.	Sakai-city, Osaka
Kinki No. 3 Div.	Chuo-ku, Kobe-city
Chushikoku Div.	Okayama-city, Okayama
Kyushu Div.	Hakata-ku, Fukuoka-city

Note: In addition to the above sites, the Company had a total of 127 offices throughout Japan, including district offices and control centers.

3) Stores

Location	Number of Stores	Location	Number of Stores
Hokkaido	462	Shiga	102
Aomori	89	Kyoto	182
Iwate	88	Osaka	879
Miyagi	176	Hyogo	459
Akita	80	Nara	118
Yamagata	59	Wakayama	101
Fukushima	108	Tottori	49
Ibaraki	94	Shimane	48
Tochigi	98	Okayama	116
Gumma	65	Hiroshima	121
Saitama	258	Yamaguchi	111
Chiba	251	Tokushima	96
Tokyo	709	Kagawa	95
Kanagawa	482	Ehime	112
Niigata	115	Kochi	33
Toyama	87	Fukuoka	270
Ishikawa	65	Saga	52
Fukui	64	Nagasaki	71
Yamanashi	67	Kumamoto	78
Nagano	158	Oita	86
Gifu	83	Miyazaki	75
Shizuoka	180	Kagoshima	102
Aichi	325	Okinawa	103
Mie	61	Total	7,683

(3) Shares

1) Number of Common Shares:

Total Number of Common Shares Authorized 419,600,000 shares

Note: Under the revised articles of incorporation of the Company, approved at an extraordinary meeting of the shareholders held on December 16, 1999, the par value of a share was changed to ¥50 and the total number of shares authorized to be issued by the Company increased by 411,208 thousand shares as of April 14, 2000.

Total Number of Common Shares Issued and Outstanding 114,900,000 shares

Note: As a result of the stock split on April 14, 2000 to split a share with par value of ¥500 into 50 shares with par value of ¥50, 102,802 thousand shares were increased, and as a result of the public stock offering, 10,000 thousand shares were increased.

2) Number of Shareholders: 66,989 persons

3) Major Shareholders:

Name	Number of Shares (Thousand)	(%)	The Company's Investment in the Major Shareholders (Thousand Shares)	(%)
The Daiei, Inc.	24,306	21.2	–	–
Halcon Cayman Limited	22,980	20.0	–	–
Management Securities Trust Depositary Nomura Trust and Banking Co., Ltd.	11,490	10.0	–	–
MC Retail Investment Co., Ltd.	9,109	7.9		
Japan Trustee Services Bank, Ltd. (trust account)	2,673	2.3	–	–
Higashi-Washinomiya-chuo Kaihatsu Co., Ltd.	2,480	2.2	–	–
Mitsubishi Trust and Banking Corporation (trust account)	2,406	2.1	–	–

Notes: 1. The number of shares in the above table is based on the register of shareholders.

2. The number of shares held by The Daiei, Inc. stated in a report filed by The Daiei, Inc. under Article 27-25, paragraph 1 of Securities and Exchange Law, a copy of which is furnished, are 24,296 thousand shares.

3. Shares held Nomura Trust and Banking Co., Ltd., the management securities trust depositary entrust those from Eaglet Cayman Limited.

4. Halcon Cayman Ltd. and Eaglet Cayman Limited are special purpose companies ("SPCs") owned by third parties, which hold the Company's common stock. The number of shares and ratio of shareholding that may be acquired by holders of exchangeable bonds issued by these SPCs, which can be exchanged with the Company's common stock is as follows:

Halcon Cayman Ltd.	
MC Retail Investment Co., Ltd.	22,980 thousand shares (20.0%)
Eaglet Cayman Limited	
Marubeni Foods Investment Co., Ltd.	5,745 thousand shares (5.0%)
Nintendo Co., Ltd.	3,447 thousand shares (3.0%)
The Tokai Bank, Limited	574 thousand shares (0.5%)
The Sanwa Bank, Limited	574 thousand shares (0.5%)
The Sumitomo Bank, Limited	574 thousand shares (0.5%)
The Fuji Bank, Limited	574 thousand shares (0.5%)

5. Shares held by Japan Trustee Services Bank, Ltd. and Mitsubishi Trust and Banking Corporation represent beneficiary ownership for other parties

(4) Employees

Number of Employees (Increase or Decrease from the Preceding Fiscal Year)	Average Age	Average Years of Service
3,933 (dec. 116)	35.7	9.4

Notes: 1. In addition to the above, the number of part-timers (computed by dividing total part-time hours for this fiscal year by 8 hours) was 6,149.

2. The above numbers do not include 62 seconded employees to other company.

(5) Major Creditors

Name	Balance of Borrowings (In Millions of Yen)	Number of Common Shares of the Company Held by Creditors (Thousand Shares)
The Tokai Bank, Limited.	¥ 3,610	See Note 4 to "3) Major Shareholders" in "(3) Shares"
The Sanwa Bank, Limited.	3,610	
The Sumitomo Bank, Limited.	3,610	
The Fuji Bank, Limited.	3,610	

(6) Status of Major Subsidiaries and Affiliated Companies

1) Subsidiaries

Name	Capital Stock	Percentage of Ownership Interest (%)	Business
Lawson Tickets Co., Ltd.	¥1,700 million	88.9	Ticket agency and management of ticket systems
Shanghai Hualian Lawson Co., Ltd.	Rmb¥165,899 thousand	70.0	Franchisor of convenience stores
i-Convenience, Inc	¥2,000 million	51.0	e-business
LAWSON e-Planning, Inc	¥98 million	51.0	Consultation of e-business

2) Affiliated Company

Name	Capital Stock	Percentage of Ownership Interest (%)	Business
ECONTEXT, Inc	¥400 million	46.0	e- business

3) Change in Subsidiaries and Affiliated Companies

1. The Daiei, Inc. is no longer a parent company as a result of issuance of new shares of the Company through public offering in connection with the listing of stock as well as sale of shares held by The Daiei, Inc. and its subsidiaries.

2. OIMACHI SHOJI (formerly named Challenge Owner's Co., Ltd.) was liquidated in May 2000.

3. To develop e-business, LAWSON e Planning, Inc. and ECONTEXT, Inc. were established in May 2000 and i-Convenience, Inc was established in October 2000.

4. In September and October 2000, Shanghai Hualian Lawson Co., Ltd. increased its capital by Rmb¥82,793 thousand by allocating new shares to existing shareholders.

4) Status and Results of Business Combination

The consolidated result is as follows: Consolidated subsidiaries are the above listed four subsidiaries. One company is accounted for under the equity method. Consolidated operating results for the current fiscal year are as follows:

(Rounded to the nearest million or 0.1%)

Operating Revenues (Compared to Previous Year)	Ordinary Profit (Compared to Previous Year)	Net Income (Compared to Previous Year)
¥280,218 million (96.0%)	¥39,536 million (105.1%)	¥16,368 million (109.0%)

5) Important Business Alliance

Mitsubishi Corporation indirectly holds voting rights corresponding to 27.9% of the total number of shares outstanding of the Company. Recognizing Mitsubishi Corporation as an important strategic partner, the Company entered into extensive business tie-up agreements with Mitsubishi Corporation for enhancement of existing businesses and development of new businesses.

(7) The Company's Directors and Statutory Auditors in This Fiscal Year

Position and Assignment in the Company or Principal Occupation	Name
Chairman	Yasuo Matsuoka
President (Divisional Manager—Merchandising Division)	Kenji Fujiwara
Senior Managing Director (Divisional Manager—Office of Business Planning)	Takashi Sekiguchi
Senior Managing Director (Divisional Manager—Store Operation Division & Overseas Project Planning & Development)	Takao Endo
Senior Managing Director (Divisional Manager—Development Division)	Koji Wada
Managing Director (Divisional Manager—Office of Line Support)	Makoto Takayama
Managing Director (Divisional Manager—Office of Corporate Planning & Control)	Yoshinori Harigae
Director (Divisional Manager—Office of Finance & Accounting)	Kenji Yamakawa
Director (Divisional Manager—Logistics Division)	Katsuhiko Yamasaki
Director (Divisional Deputy Manager—New Business Strategy Division)	Shigeru Kiyota
Director (Divisional Deputy Manager—Development Division)	Ichiro Okuda
Director (Division Manager—Internal Audit Division)	Takao Kojima
Director (Divisional Manager—Office of Information Systems)	Shunji Tani
Director (Divisional Deputy Manager—Merchandising Division)	Yoshio Shinozaki
Director (Divisional Manager—New Business Strategy Division)	Teruo Aoki
Director (Director—Shanghai Hualian Lawson Co., Ltd.)	Isamu Ochiai
Director (Professor—Tama University, Faculty of Management Information Systems)	Hiroshi Tasaka
Working Statutory Auditor (full-time)	Sadao Suzuki
Working Statutory Auditor (full-time)	Yoshio Tsutsumi
Statutory Auditor (Director—Divisional Manager of the Property Custodian of MARUKO INC.)	Keishi Komatsu
Statutory Auditor (Professor—Distribution Science University, Faculty of Commercial Science)	Itsuo Jitosho

Notes: 1. Statutory auditors, Yoshio Tsutsumi, Keishi Komatsu and Itsuo Jitosho are outside Statutory auditors stipulated in Article 18, paragraph 1 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)."

2. Changes in directors and Statutory auditors during the current fiscal year are as follows:

(1) Changes as approved at the 25th general shareholders meeting held on May 26, 2000:

Appointed	Director	Koji Wada
	Director	Teruo Aoki
	Director	Hiroshi Tasaka
	Statutory Auditor	Itsuo Jitosho
Retired	Statutory Auditor	Yuzuru Tatsuoka

(2) Director, Koji Wada was appointed as senior managing director by the approval of the board meeting held on May 26, 2000:

Senior Managing Director	Koji Wada

(3) Change as of January 30, 2001:

Retired	Representative Director	Isao Nakauchi

3. As of March 1, 2001, directors' duties changed as follows:

Executive Vice President and Representative Director	Koji Wada
Managing Director	Teruo Aoki

* * * * * *

Figures less than digits stated in this report are truncated for amounts of money and numbers of shareholders (except for 4) status and results of Business Combination of (6) Status of Major Subsidiaries and Affiliated Companies of 2. CURRENT STATUS OF THE COMPANY, and rounded up for ratios if such fractions are more than or equal to a half of the stated smallest unit.

Lawson, Inc.

Non-consolidated Balance Sheet
February 28, 2001

ASSETS	In Millions of Yen
CURRENT ASSETS:	
Cash and bank deposits	¥ 38,602
Accounts receivable—due from franchised stores	6,035
Marketable securities	102,544
Merchandise inventories	2,500
Prepaid expenses	4,584
Short-term loans receivable	2,958
Accounts receivable—other	12,512
Deferred tax assets	1,269
Others	1,079
Allowance for doubtful accounts	(62)
Total current assets	172,025
FIXED ASSETS:	
Property and store equipment at net book value:	
Buildings	36,085
Structures	6,312
Furniture, fixtures and equipment	25,220
Land	20,932
Construction in progress	225
Total property and store equipment—net	88,777
Intangible fixed assets:	
Leasehold rights	5
Trademarks	85
Telephone rights	274
Goodwill	43
Software	3,149
Software development in progress	3,217
Others	3
Total intangible fixed assets	6,778
Investments and other:	
Investments in securities	7,590
Investments in subsidiaries	4,100
Other equity investments	102
Long-term loans receivable	2,927
Long-term prepaid expenses	1,200
Lease deposits	91,066
Deferred tax assets	10,264
Others	533
Allowance for doubtful accounts	(372)
Total investments and other	117,413
Total fixed assets	212,969
TOTAL	¥ 384,994

LIABILITIES AND SHAREHOLDERS' EQUITY	In Millions of Yen
CURRENT LIABILITIES:	
Accounts payable—trade	¥ 60,195
Accounts payable—due to franchised stores	4,617
Current portion of long-term borrowings	20,390
Accounts payable—other	13,479
Income taxes payable	5,810
Accrued expenses	1,819
Deposits received	23,576
Accrued employees' bonuses	2,510
Others	27
Total current liabilities	132,425
LONG-TERM LIABILITIES:	
Long-term borrowings, less current portion	3,140
Allowance for employees' retirement benefits	5,761
Allowance for retirement benefits to directors and statutory auditors	203
Liability for prior pension and severance costs	7,972
Lease deposits from franchisee and lessees	55,889
Total long-term liabilities	72,967
Total liabilities	205,393
SHAREHOLDERS' EQUITY:	
Common stock	58,506
Statutory reserves:	
Additional paid-in capital	41,520
Legal reserve	520
Retained earnings:	
General reserve	60,000
Unappropriated retained earnings (including net income for the current year of ¥16,172 million)	19,053
Total shareholders' equity	179,601
TOTAL	¥ 384,994

Lawson, Inc.

Non-consolidated Statement of Income
Year Ended February 28, 2001

	In Millions of Yen
OPERATING REVENUES:	
Net sales	¥ 130,751
Franchise commissions from franchised stores	135,222
Other	8,864
	274,839
COSTS AND OPERATING EXPENSES:	
Cost of goods sold	96,557
Selling, general and administrative expenses	137,197
	233,754
OPERATING INCOME	41,085
OTHER INCOME (EXPENSES):	
Other income:	
Interest and dividend income	568
Other	977
	1,545
Other expenses:	
Interest expense	1,453
Other	1,711
	3,165
ORDINARY PROFIT	39,465
SPECIAL GAINS AND LOSSES:	
Special gains:	
Reveasal of loss on write-off of investment in securities	35
Reversal of allowance for doubtful accounts	4
	39
Special losses:	
Write-off of the unamortized prior service costs	7,011
Loss from disposal of fixed assets	2,720
	9,731
INCOME BEFORE CORPORATE, INHABITANT AND ENTERPRISE TAXES—(Forward)	¥ 29,773

Lawson, Inc.

Non-consolidated Statement of Income
Year Ended February 28, 2001

	In Millions of Yen
INCOME BEFORE CORPORATE, INHABITANT AND ENTERPRISE TAXES—(Forward)	¥ 29,773
CORPORATE, INHABITANT AND ENTERPRISE TAXES	7,202
DEFERRED INCOME TAXES	6,398
NET INCOME	16,172
UNAPPROPRIATED RETAINED EARNINGS—Carried forward	5,030
INTERIM CASH DIVIDENDS	1,953
TRANSFER OF UNAPPROPRIATED RETAINED EARNINGS TO LEGAL RESERVE WITH RESPECT TO INTERIM DIVIDENDS	195
UNAPPROPRIATED RETAINED EARNINGS—At end of year	¥ 19,053

SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of Securities

Marketable securities

Lower of cost (determined by the moving-average method) or market (reversal method)

Other investment

Moving-average cost method

2. Valuation of Inventories

Merchandise inventories

Retail method applied on an annual average cost basis

3. Depreciation of Property and Store Equipment

Property and store equipment

Declining-balance method in accordance with the Corporation Tax Law of Japan

Intangible fixed assets

Straight-line method in accordance with the Corporation Tax Law of Japan

Software for internal use is amortized by the straight-line method over five years (estimated useful life).

(Additional information)

In accordance with the transition guidance of the "Practical guide of the accounting treatments for research and development cost and software" (Accounting committee of the Japanese Institute of Certified Public Accountants, issued on March 31, 1999), accounting method for software cost is consistently applied from the previous year. However, software accounts are reclassified from long-term prepaid expenses in investments and other to software and software development in progress included in intangible fixed assets.

4. Amortization of Deferred Charges

Cost of issuing new stocks

Charged to income as incurred

5. (1) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on the statutory percentage against the eligible assets in accordance with the Corporation Tax Law of Japan and also provided based on the estimation of collectibility in individual receivables.

(2) Accrued Employees' Bonuses

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

(3) Allowance for Employees' Retirement Benefits

Allowance for employees' retirement benefits is calculated to state the liability at 100% of the amount that would be required if all employees voluntarily terminated their services with the Company at the balance sheet date.

(4) Allowance for Retirement Benefits to Directors and Statutory Auditors

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

This allowance is based on Art. 287-2 of the Commercial Code of Japan.

6. Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

7. Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

(Accounting Change)

With regard to the unfunded retirement benefits plan, the Company provides for allowance for employees' retirement benefits at 100% of the amount which would be required if all employees voluntarily terminated their services at the balance sheet date and also with regards to the funded contributory trusted pension plan, the amounts contributed to the fund were charged to income when paid until the prior fiscal year. Effective this fiscal year, the costs of such retirement benefits obligations are recorded based on the projected benefit obligations by an accepted actuarial method less the fair value of the related plan assets.

The effect of this change was to record "liability for prior pension and severance costs" by ¥7,972 million, increase "selling, general and administrative expenses" by ¥961 million, record "write-off of the unamortized prior service costs" by ¥7,011 million in "special losses," decrease "operating income" and "ordinary profit" by ¥961 million, respectively, and decrease "income before corporate, inhabitant and enterprise taxes" by ¥7,972 million.

BALANCE SHEET ITEMS

1. Due from/to subsidiaries

	In Millions of Yen
Short-term receivables due from subsidiaries	¥ 152
Short-term payables due to subsidiaries	2,767
Long-term payables due to subsidiaries	7

2. Accumulated depreciation of property and store equipment ¥95,755 million

3. In addition to the fixed assets presented in the balance sheet, the Company uses leased store equipment in its business.

4. Assets denominated in foreign currencies

Investment in subsidiaries	Rmb¥ 116,132 thousand (¥1,536 million)

5. Assets pledged as collateral

	In Millions of Yen
Investment in securities	¥ 2,994
Lease deposits	984

6. Income taxes

The schedule of deferred tax assets is as follows:

	In Millions of Yen
Valuation loss on investments in securities	¥ 2,793
Valuation loss on land	1,168
Accrued enterprise taxes	663
Allowance for employees' retirement benefits	1,621
Liability for prior pension and severance costs	3,348
Others	1,938
Total	¥ 11,533

The reconciliation schedule between the normal effective statutory tax rate and the actual effective tax rate is as follows:

Normal effective statutory tax rate	42.0%
(Reconciliation items)	
Permanently nondeductible expenses including expenses for entertainment	2.3
Inhabitant taxes—per capita	1.0
Others	0.4
Actual effective tax rate	45.7%

7. Net income per share ¥145.87

8. Stock option plan

The Company's shareholders approved a stock option plan and the issuing of new shares for such stock options at the general shareholders meeting held on May 26, 2000. The plan provides for granting options to directors and key employees to purchase up to 1,792 thousand shares of the Company's common shares in the period from May 27, 2002 to May 25, 2007 at an exercise price of ¥7,500.

STATEMENT OF INCOME ITEMS

1. Transactions with subsidiaries

	In Millions of Yen
Operating transaction	¥ 1,906
Transactions other than operating transactions	3

2. Transactions with the parent

	In Millions of Yen
Transactions other than operating transactions	¥4

Effective July 26, 2000, the parent company is no longer applicable and the above amount is aggregated from March 1, 2000 to July 25, 2000.

(The above statement amounts are rounded down to the nearest ¥ million.)

Lawson, Inc.

Proposal of Appropriation of Retained Earnings

	In Yen
UNAPPROPRIATED RETAINED EARNINGS—At end of year	¥ 19,053,986,292
TRANSFER FROM GENERAL RESERVE TO UNAPPROPRIATED RETAINED EARNINGS	30,000,000,000
Total	49,053,986,292
TO BE APPROPRIATED AS FOLLOWS:	
Legal reserve	207,000,000
Year-end dividends (¥18 per share)	2,068,200,000
Total	2,275,200,000
RETAINED EARNINGS TO BE CARRIED FORWARD	¥ 46,778,786,292

Notes: 1. On November 15, 2000, the Company made an interim cash dividend of ¥1,953.3 million (¥14 per share of common dividend and ¥3 per share of additional dividend, total ¥17 per share).

2. Transfer from general reserve to unappropriated retained earnings is for the purpose of canceling the stocks by crediting such amounts against unappropriated retained earnings in the future.

INDEPENDENT AUDITORS' REPORT

April 9, 2001

Mr. Kenji Fujiwara
President
Lawson, Inc.

Tohmatsu & Co.

Representative Partner,
Engagement Partner,
Certified Public Accountant:

Satoru Kita

Representative Partner,
Engagement Partner,
Certified Public Accountant:

Yutaka Kawakami

Engagement Partner,
Certified Public Accountant:

Seiji Harada

Pursuant to Article 2 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" of Japan, we have examined the non-consolidated balance sheet, the non-consolidated statement of income, the business report (with respect to accounting matters only), the proposal of appropriation of retained earnings and the supplementary schedules (with respect to accounting matters only) of Lawson, Inc. (the "Company") for the 26th fiscal year from March 1, 2000 to February 28, 2001. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account.

Our examination was made in accordance with auditing standards generally accepted in Japan and, was performed based on such auditing procedures as normally required, which include auditing procedures applied to subsidiaries as considered necessary.

As a result of our examination, in our opinion,

(1) The non-consolidated balance sheet and the non-consolidated statement of income present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.

As described in "significant accounting policies—accounting change," the amounts contributed to the fund were charged to income when paid until the prior fiscal year with regard to the funded contributory trusted pension plan. Effective this fiscal year, the costs of such retirement benefits obligations are recorded based on the projected benefit obligations by an accepted actuarial method less the fair value of the related plan assets. We concur with this accounting change because it was made in order to appropriately charge pension costs and creates a sound financial position for the Company in consideration of the recent poor performance of the pension plan assets and the recent accounting practice change for the pension and severance costs,

(2) The business report (with respect to accounting matters only) presents fairly the Company's affairs in

conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,

(3) The proposal of appropriation of retained earnings is in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation, and

(4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above report represents a translation, for convenience only, of the original report issued in the Japanese language and the "Supplementary Schedules" referred to in this report are not included in the attached financial documents.

STATUTORY AUDITORS' REPORT

The Board of Statutory Auditors of Lawson, Inc. (the "Company") has received reports from all of the statutory auditors of the Company which summarize the methods and results of the audit conducted by them regarding the execution of their duties of the Company's directors for the year ended February 28, 2001 (the 26th fiscal period).

We, the members of the Board of Statutory Auditors, have discussed the reports and hereby report our audit opinion as follows:

1. SUMMARY OF THE METHOD OF AUDIT

Each statutory auditor, in accordance with audit policies and planning established by the Board of Statutory Auditors, has attended the Board of Directors' meetings and other important meetings of the Company, made necessary inquiries of the Company's officers regarding the Company's operations, reviewed important internal documents with appropriate approvals, made reviews of operations and conditions of assets of major business offices, and made necessary inquiries of the officers of the subsidiaries of the Company regarding their operations.

We have received reports from and made necessary inquiries of the independent auditors of the Company and reviewed the financial statements and supplementary schedules of the Company.

In order to determine if there are any transactions by the directors which compete with the business of the Company, any transactions between the Company and the directors against the interests of the Company, any services or benefits provided free of charge, any unusual transactions with subsidiaries or shareholders, and any acquisition or disposal of treasury stock, we have employed other audit procedures, in addition to the above stated audit procedures, including receiving special reports from directors and officers related to the transactions and scrutinizing the details of the relevant transactions.

2. RESULT OF AUDIT

(1) We have found that the methods and results of the audit by the independent auditors are adequate;

(2) We have found that the business report presents fairly, in conformity with the applicable laws and regulations and the Company's Articles of Incorporation, the status of the Company;

(3) We have found that the proposal of appropriation of retained earnings is fairly presented considering the Company's financial position and other circumstances;

(4) We have found that the supplementary schedules present the required information fairly;

(5) With regard to the execution of the duties of the directors, we have found that there have been no misconduct nor material matters that would be in contradiction with any laws or the Company's Articles of Incorporation.

We have also found that there has been no misconduct nor material matters that would be in contradiction with any laws or the Company's Articles of Incorporation regarding any transactions by the directors which compete with the business of the Company, any transactions between the Company and the directors against the interests of the Company, any services or benefits provided free of charge, any unusual transactions with subsidiaries or shareholders, and any acquisition or disposal of treasury stock; and

(6) We have found that there have been no misconduct nor material matters with regard to the execution of the duties of the directors as a result of the examination of the subsidiaries.

April 13, 2001

The Board of Statutory Auditors of
Lawson, Inc.

Working Statutory Auditor
Sadao Suzuki

Working Statutory Auditor
Yoshio Tsutsumi

Statutory Auditor
Keishi Komatsu

Statutory Auditor
Itsuo Jitosho

Notes:
1. Statutory Auditors, Yoshio Tsutsumi, Keishi Komatsu and Itsuo Jitosho, are outside statutory auditors stipulated in Article 18, paragraph 1 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporation (Kabushiki-Kaisha)" in Japan.

2. Statutory Auditor, Itsuo Jitosho was appointed on May 26, 2000, and accordingly has received detailed reports from other Statutory Auditors and reviewed relevant documents during the period from March 1, 2000 to his assumption of duties.