(TRANSLATION ONLY)

May 6, 2004

To Those Shareholders with Voting Rights

Takeshi Niinami
Representative Director
President and CEO
Lawson, Inc.
9-1, Toyotsu-cho, Suita, Osaka

NOTICE OF THE 29TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 29th Ordinary General Meeting of Shareholders to be held as follows:

If you are unable to attend the meeting, please read the attached REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS and return the Voting Rights Exercise Form with your vote of approval or disapproval and registered seal so that it will reach us by May 27, 2004.

1. Date: 10 a.m., Friday, May 28, 2004
2. Place: Melpark Hall (OsakaYubin-Chokin Hall),
2-1, Miyahara 4-chome, Yodogawa-ku, Osaka
(Please refer to the attached guide map for the location of the meeting.)

3. Objectives of the Meeting:

Reports:

Balance Sheet as of February 29, 2004, and the Business Report and Statement of Income for the 29th Fiscal Term (from March 1, 2003, to February 29, 2004)

Agenda:

Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 29th Fiscal Term
Proposal No. 2: Partial Amendment to the Articles of Incorporation
Proposal No. 3: Election of Nine (9) Directors
Proposal No. 4: Election of Two (2) Corporate Auditors
Proposal No. 5: Issuance of Stock Options as an Incentive for Directors and Executive Officers
Proposal No. 6: Presentation of Retirement Benefits to Retiring Directors and a Retiring Corporate Auditor

Proposal Nos. 2 and 5 are summarized in the REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS on pages 22–23 and 27–29, respectively.

For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Given the likelihood of congestion at the reception desk, please plan to come early.

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.

(TRANSLATION ONLY)

(Appendix to the Notice of the 29th Ordinary General Meeting of Shareholders)

BUSINESS REPORT

(March 1, 2003, through February 29, 2004)

1. SUMMARY OF OPERATIONS

(1) Process and Results of Operations

During fiscal 2004, the year ended February 29, 2004, despite partial favorable signs of a recovery such as a gradual increase in exports, an increase of private-sector investment and improvement in corporate profits reflecting the tendency of economic recovery worldwide including the U.S., the outlook for the Japanese economy remained uncertain with the appreciated yen in the foreign exchange market and sluggish consumer spending.

The retail store industry saw a difficult business environment owing to intensified competition with new entries from other industries in recent years and the effect of unusually cool summer weather that we had first time in ten years amid the lingering deflationary trends. Accordingly, we had to develop a more flexible corporate attitude and implement speedy management decision making to cope with the fluctuating market changes.

Under these circumstances, the Company endeavored to realize the concept of becoming "the 'hot' station in the neighborhood" by raising its CS (Customer Satisfaction) through improvement of the following three elements. The first was speedy product development using its reinforced product development capability with the catchphrase "safety, security, health and delicacy." The second was to carry out "Lawson's Three Challenge Practices" (store and sales floor that maximize customer satisfaction, cleanliness of the store and quarters, and cordial service to customers) to create innovative storefronts and also to fortify its leadership in store management of chain stores. The last one was to identify convenient site locations for customers, that is, quality-focused store development. In particular, we renewed the Store Management Manual and held group training of supervisors for further permeation and execution of Lawson's Three Challenge Practices. The Company aims to improve the CS level with a continued focus on Lawson's Three Challenge Practices and an upgraded training system.

In terms of products, we consolidated outsourcing contract for the Company's processing of certain items to those with leading suppliers in an effort to improve the product quality of *Bento* lunch-boxes and *Onigiri* rice balls, our mainstay product items. We also set up a system to supply higher-quality products by installing advanced processing machines at suppliers in the Tokyo metropolitan area and the Tokai and Kinki districts, as the first step of installing such machines nationwide. With these measures, we improved the quality and nutrition content of our original products, thereby enabling product development in line with the catchphrase "safety, security, health and delicacy." Although rice prices rose as a result of an unseasonably cold summer, we absorbed the increased cost of rice by reducing the purchase costs of other raw materials. For example, we froze the prices of the *"Onigiriya"* series rice ball products, for which we use the *Koshihikari* brand rice produced in Niigata Prefecture. We differentiated the *"Onigiriya"* brand from competitors' products with the adoption of the *Koshihikari* brand rice and also began using it for other rice ball products. We also received a high evaluation for the *"Totteoki Sengen"* series, including the hit product "Melon Pan" buns. Lawson jointly developed the series through the careful selection of raw materials and a processing method designed to create the delicious taste of original bread.

In terms of services, the number of ATMs, for which substantial installation started in October 2001, increased to 3,127 units in 17 prefectures by newly adding Kyoto, Hiroshima, Yamaguchi and Fukuoka prefectures in an effort to enhance customer convenience. We began sales of a sports promotion lottery ("toto") through the Loppi multimedia terminals. This active support of sports promotion activity is indicative of Lawson's social contribution. The number of "LAWSON PASS" cardholders, for which services started in August 2002, exceeded 1.4 million and the new service of exchanging shopping points to shopping vouchers started during the year. Thus, the "LAWSON PASS" card has steadily become popular with customers. Unfortunately, an incident occurred during the year under review in which non-credit-related personal information on a LAWSON PASS member leaked from a corporation with which Lawson entrusts part of its card services. To prevent the recurrence of such an incident, Lawson immediately established an investigative committee mainly composed of lawyers to investigate the causes and circumstances of this leak. Internally, we formed the Private Information Protection Committee to upgrade our information protection systems. In the future, we will continually seek to perfect information management, as well as the supply of more attractive member privileges and point accumulation programs.

Net sales at all Lawson stores were as follows:

Product group	Sales (Millions of yen)	Composition ratio (%)	Year-over-year change (%)
Processed foods	622,751	48.5	104.0
Fast foods	302,193	23.5	99.8
Daily delivered foods	139,230	10.8	100.8
Non-food products	220,843	17.2	87.7
Total	1,285,018	100.0	99.5

During the year under review, the Company strove to open quality-focused stores especially in the Tokyo, Nagoya and Osaka metropolitan areas and actively pursued a policy of closing or relocating unprofitable stores and those with low daily sales, based on the store-opening standard reviewed during the previous fiscal year. In addition, the Company opened innovative shops in new business fields, for example, stores at subway stations in collaboration with the Teito Rapid Transit Authority (currently Tokyo Metro Co., Ltd.); stores in combination with branches of Hokuriku Bank, Ltd.; and stores in combination with "ENEOS" self-service gas stations with NIPPON OIL CORPORATION, and stores in the premises of KYORIN UNIVERSITY HOSPITAL and TAKATSUKI RED CROSS HOSPITAL ("Hospital Lawson"). Accordingly, during the year 625 new stores were opened and 429 were closed, including those that were relocated, resulting in 7,821 domestic stores, an increase of 196 compared with the end of the previous fiscal year.

We commenced a tie-up on a point-saving program for TSUTAYA Card members with Culture Convenience Club Co. in October 2003. We have solidified our collaboration with JAPAN POST in such new initiatives as the sale of photographic stamps in commemoration of the Hanshin Tigers baseball championship and the handling of "*Furusato Kozutsumi* (Home Parcel)," as well as the opening of "Postal Lawson" stores inside post offices.

In terms of environmental preservation and social contribution activities, under the fundamental philosophy of "symbiosis between people and nature through business operations in harmony with the environment and activities that make a positive contribution to society," the Company supported various activities for the preservation of forests through the Green Fund. As a result, the Lawson Green Fund, which began in 1992, totaled ¥1,547 million as of February 29, 2004. In addition, Lawson entered into an agreement with Wakayama Prefecture on regional joint business alliance programs and participated in the *Bi*("beauty")-*ing* Kobe Citizen Movement (cleanup activity) to improve community services and industrial development. We will further promote our social contribution as a reliable corporate citizen in local communities through these activities. Furthermore, at the request from the Ministry of Land, Infrastructure and Transport, the Company participated in the "Road Safety Station" program that allows its chain stores to cooperate with respective responsible Regional Development Bureaus in quickly communicating road information along national roads in case of abnormal conditions in the Chubu, Chugoku and Shikoku regions. Lawson decided to cooperate with this effort because the goal of this program, which includes local cleaning activities in store neighborhood such as roads and sidewalks, agrees with Lawson's "One Store, One Role" campaign that began in 1997.

As for the priority issue of cost reduction, we reviewed product and distribution costs together with our suppliers of raw materials and packaging materials at all Lawson stores. We also strove to improve the earnings structure with reductions of IT-related expenses and rent. In the Administrative Division System, which became operational in March 2003, we implemented effective cost controls via a performance-linked merit system, clear business targets at each branch and the delegation of decision-making authority. The Administrative Division System has proven effective with favorable results such as the development of community-oriented products.

As a result, while net sales at all Lawson stores decreased 0.5% year over year to ¥1,285,018 million, ordinary profit increased ¥4,419 million (up 13.3% year over year) to ¥37,629 million, principally reflecting an increase of ¥4,798 million in franchise commissions from franchised stores. Net income for the year surged ¥8,755 million (up 85.3% year over year) to ¥19,018 million, largely reflecting a reduction in special loss of ¥15,933 million recorded in the prior year.

(2) Capital Expenditures and Financing

(Millions of yen)

Investment	Amount
New construction of stores	13,158
Refurbishment of existing stores and others	10,431
Deposits and guarantees for rental space	11,476
Improvement of information systems	1,779
Total	36,846

The Company financed all the capital expenditures required for capital investments during the year ended February 29, 2004 through internally generated cash flows.

(3) Our Challenge for Future Success

Industrial competition together with new entrants from other business categories is expected to intensify and deflationary trends are forecast to continue given the continued uncertain economic conditions.

Under these harsh circumstances, to realize the concept of becoming "the 'hot' station in the neighborhood," we aim to enhance the overall CS level by focusing on three elements: 1) "Product Development Capability," 2) "Lawson's Three Challenge Practices" and the leadership in franchised chain stores, and 3) "Convenient Site Location" for customers. To that end, we plan to upgrade successive training programs not only for employees but also for Lawson store staff who is in charge of CS in daily basis. Lawson thus endeavors to improve CS level by intensively investing its management resources to training and shift to a CS-focused retailer from a sales-oriented retail business. We will continue to improve the quality of our original products such as *Bento* lunch-boxes and *Onigiri* rice balls, our mainstay product items, in the pursuit of further customer satisfaction. We intend to extensively install advanced processing machines at plants nationwide in the months ahead as the integration of outsourcing contracts for the processing of certain items was almost completed during the year. We intend to develop more refined products in the future with the catchphrase of "safety, security, health and delicacy" so that Lawson products are appreciated as the most delicious foods. We will extend our range of services through aggressive business alliances to meet not only the needs of existing customers but also potential needs in new business areas and from new customer bases.

In addition to performing these operational measures, we will work to reduce costs by promoting SCM (supply chain management) and radically reviewing material, product and distribution costs.

We look forward to your continued support and guidance.

(4) Financial Summary

Item	Fiscal 2001 26th Term	Fiscal 2002 27th Term	Fiscal 2003 28th Term	Fiscal 2004 29th Term
Net Sales of Lawson Stores including Franchised Stores (¥ million)	1,275,358	1,282,369	1,291,030	1,285,018
Operating Revenue (¥ million)	274,839	249,050	239,315	231,099
Ordinary Profit (¥ million)	39,465	35,898	33,209	37,629
Net Income (¥ million)	16,172	16,714	10,263	19,018
Net Income per Share (¥)	145.87	150.87	95.38	180.01
Total Assets (¥ million)	384,994	338,518	338,221	349,328
Shareholders' Equity (¥ million)	179,601	151,333	154,860	157,843
Shareholders' Equity per Share (¥)	1,563	1,406	1,439	1,513

Notes:
1. Net Income per Share for the 26th fiscal term was computed based on the average total number of shares issued and outstanding during the year. Net Income per Share for the 27th fiscal term and later has been computed based on the average total number of shares issued and outstanding during each year after deducting the number of treasury stock. Net Income per Share for fiscal 2001, the year ended February 28, 2001, was computed based on the weighted average number of shares issued and outstanding of 110,872,603, which was calculated by assuming that the stock split on April 14, 2000, which split one common share with a par value of ¥500 into 50 of those with a par value of ¥50, was effected as of the beginning of the year and adjusting per diem for the public stock offering of 10,000,000 shares for which the subscription payment was due July 25, 2000.
2. Shareholders' Equity per Share for the 26th fiscal term was computed based on the total number of shares issued and outstanding at the end of the year. Shareholders' Equity per Share for the 27th fiscal term and later has been computed based on the total number of shares issued and outstanding at the end of the year after deducting the number of treasury stock.
3. The decrease in Ordinary Profit for fiscal 2002, the year ended February 28, 2002, was mainly related to a year-over-year sales decline at existing stores relative to the previous fiscal year. The decreases in Total Assets and Shareholders' Equity for fiscal 2002 were mainly related to a cancellation of the Company's treasury stock.
4. The decrease in Net Income for fiscal 2003, the year ended February 28, 2003, was mainly related to an increase in the special loss resulting from the disposal of corporate properties.
5. The explanation of operating results and financial position for fiscal 2004, the year ended February 29, 2004, is as stated in "(1) Process and Results of Operations" in "1. SUMMARY OF OPERATIONS" above.

2. CURRENT STATUS OF THE COMPANY (As of February 29, 2004)

(1) Principal Business Activities

The Company provides its member stores 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 chain stores, the Company has its Company-operated stores, which retail such products as food, daily necessities and fast foods.

(2) Principal Offices and Stores

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

2) Major Offices

Name	Location
Tokyo Head Office	Shinagawa-ku, Tokyo
Hokkaido Lawson Branch	Chuo-ku, Sapporo
Tohoku Lawson Branch	Aoba-ku, Sendai
Kanto Lawson Branch	Taito-ku, Tokyo
Chubu Lawson Branch	Naka-ku, Nagoya
Kinki Lawson Branch	Suita, Osaka
Chugoku & Shikoku Lawson Branch	Okayama, Okayama
Kyushu Lawson Branch	Hakata-ku, Fukuoka

Notes:
1. In addition to the above sites, the Company has 106 offices throughout Japan including District Offices.
2. The Tokyo Head Office moved from Minato-ku, Tokyo, to Shinagawa-ku, Tokyo, in February 2004.
3. With the organizational reform implemented in March 2003, the Company introduced the Administrative Division System, which divides the country into seven divisional regions for community-based administration and operation by each branch.

3) Stores

Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	485	Shiga	109
Aomori	117	Kyoto	170
Iwate	100	Osaka	814
Miyagi	158	Hyogo	454
Akita	109	Nara	100
Yamagata	55	Wakayama	109
Fukushima	107	Tottori	59
Ibaraki	107	Shimane	56
Tochigi	94	Okayama	111
Gunma	65	Hiroshima	115
Saitama	288	Yamaguchi	108
Chiba	259	Tokushima	104
Tokyo	752	Kagawa	96

Kanagawa	463	Ehime	130
Niigata	108	Kochi	48
Toyama	89	Fukuoka	278
Ishikawa	63	Saga	56
Fukui	72	Nagasaki	81
Yamanashi	62	Kumamoto	80
Nagano	140	Oita	103
Gifu	78	Miyazaki	80
Shizuoka	160	Kagoshima	107
Aichi	335	Okinawa	115
Mie	72	Total	7,821

(3) Shares

1) Total Number of Shares Authorized to Be Issued: 412,300,000 shares
2) Total Number of Shares Issued and Outstanding: 107,600,000 shares
3) Number of Shareholders: 48,156 persons
4) Major Shareholders:

Name	Investment in the Company Number of Shares (Ratio of Voting Rights)		The Company's Investment in Major Shareholders Number of Shares (Ratio of Voting Rights)	
	(Thousand Shares)	(%)	(Thousand Shares)	(%)
MC Retail Investment Co., Ltd.	32,089	30.8	—	—
Japan Trustee Services Bank, Ltd. (trust account)	9,804	9.4	—	—
Marubeni Foods Investment, Co., Ltd.	5,939	5.7	—	—
The Master Trust Bank of Japan, Ltd. (trust account)	5,326	5.1	—	—
Nomura Securities Co., Ltd.	3,607	3.5	—	—
Nintendo Co., Ltd.	3,447	3.3	—	—
BNP Paribas Securities (Japan) Limited.	1,570	1.5	—	—

Notes: 1. The number of shares in the above table is based on the register of shareholders.
2. The Company, which held 3,283,000 treasury shares as of February 29, 2004, is excluded from the above table.
3. All the shares held by Japan Trustee Services Bank, Ltd. (trust account), and The Master Trust Bank of Japan, Ltd. (trust account), are related to the fiduciary business.

(4) Acquisition, Disposal and Holding of Treasury Stock

1) Shares through Acquisition
 Common shares 3,287,819 shares
 Total acquisition price ¥11,549,050,630
2) Shares Disposed
 Common shares 5,000 shares
 Total disposal price ¥16,847,983
3) Shares Held at the Balance Sheet Date
 Common shares 3,283,384 shares

Note: After the balance sheet date of February 29, 2004, the Company purchased 499,600 common shares for a total acquisition price of ¥1,963,365,000. As a result, the Company held treasury stock of 3,782,984 shares as of March 31, 2004.

(5) Status of Stock Options

1. Stock Options Previously Issued
    1. Preemptive rights under Article 280-19, Paragraph 1, of the former Commercial Code are stated in the Notes to the balance sheet.
    2. Stock options under Articles 280-20 and 280-21 of the Commercial Code
       (For those approved at the Ordinary General Meeting of Shareholders held on May 29, 2002)
       Number of stock options: 2,726 units
       Class and number of the shares subject to stock options: 272,600 common shares of Lawson, Inc.
       Issue price of the stock options: No charge

       (For those approved at the Ordinary General Meeting of Shareholders held on May 27, 2003)
       Number of stock options: 920 units
       Class and number of the shares subject to stock options: 92,000 common shares of Lawson, Inc.
       Issue price of the stock options: No charge

2. Substance of Stock Options Issued in the Year to Those Other than Shareholders under Advantageous Conditions
    1. Number of stock options: 920 units (100 shares per each stock option)
    2. Class and number of the shares subject to stock options: 92,000 common shares of Lawson, Inc.
    3. Issue price of the stock options: No charge
    4. Exercise conditions of the stock options
        1) The qualified persons to whom the stock options are granted shall be limited to those who have positions as directors, corporate auditors, executive officers or employees of the Company at the time of exercising the right, or those who have concluded a corporate adviser agreement with the Company. Provided, however, that this clause does not apply to cases where a qualified person retires from any post of the Company due to the expiry of term of office or when a person retires from the Company because of any reasons that the Board of Directors deems reasonable such as age-limit retirement.
        2) In case of the death of a person entitled to stock options, the succession of this right by his or her heir is not authorized.
        3) A person entitled to the stock options may exercise his or her right to the Company only when the Company's stock price at the Tokyo Stock Exchange exceeds the amount to be paid in per share (¥3,517) in exercising stock options by 20% or more.
        4) No pledging or any other disposal of stock options is authorized.
        5) The exercisable period of the stock options shall be from July 3, 2005, to July 2, 2008. Other applicable conditions shall be as prescribed by the "Stock Option Granting Agreement."
    5. Cancellation of the stock options
        1) In case a consolidation agreement that determines the Company is to cease to exist is approved, or if a proposal on approval of a stock swap agreement or a proposal on stock transfer to the effect that the Company would become a fully owned subsidiary of another corporation is approved by a general meeting of shareholders, then the Company may cancel these stock options without charge.
        2) The Company may cancel the stock options without charge if a qualified person to whom the stock options are granted loses the right because he or she no longer meets the condition set forth in paragraph 4. 1), or due to the reason set forth in paragraph 4. 2) above. Provided that the Company may, in such a case, take the cancellation procedure for relevant stock options collectively after the exercisable period of the stock options has expired.
    6. Content of advantageous conditions for stock options
       The Company issued the stock options without charge to certain directors and executive officers.

7. Name of qualified persons to whom stock options have been granted and the number of stock options:

Directors:

Name	Stock options (units)
Takeshi Niinami	100
Teruo Aoki	50
Eiichi Tanabe	40
Katsuhiko Yamasaki	40
Hiroshi Tasaka	30
Reiko Okutani	30
Muneaki Masuda	30
Yorihiko Kojima	30
Yukio Ueno	30
For 9 persons above	Total: 380 units

Executive Officers:

Name	Stock options (units)
Koji Wada	50
Susumu Hasegawa	40
Taketoshi Kunisaki	30
Kenji Yamakawa	30
Shigeru Kiyota	30
Ichiro Okuda	30
Yoshio Shinozaki	30
Kiyoteru Suzuki	30
Sadayuki Nobayashi	30
Takatoshi Kawamura	30
Manabu Asano	30
Yoshimitsu Futai	30
Minoru Okada	30
Josuke Kishimoto	30
Shigeaki Kawahara	30
Tadanao Watanabe	30
Kounoshin Deguchi	30
For 17 persons above	Total: 540 units

Note: Koji Wada, Kenji Yamakawa, Minoru Okada and Josuke Kishimoto had additional posts as directors (including representative directors) at subsidiaries, etc. when the stock options as an incentive were granted to them.

(6) Employees

Number of Employees (Decrease from the Previous Fiscal Year)	Average Age	Average Years of Service
3,148 (52)	36.0	10.6

Notes: 1. In addition to the above, the number of part-timers (computed by dividing the total hours that part-timers worked for the current fiscal year by 8 hours) was 3,524.

2. The above numbers do not include 68 employees seconded to other companies.

(7) Status of Major Business Combinations

1) Important Subsidiaries

Name	Common Stock	The Company's Ratio of Voting Rights (%)	Major Business
LAWSON e-Planning, Inc.	¥98 million	100.0	Consultation of e-business
Shanghai Hualian Lawson Co., Ltd.	CNY165,899 thousand	70.0	Franchiser of convenience stores
Lawson ATM Networks, Inc.	¥3,000 million	59.0	Financial services–related business
Lawson Tickets Co., Ltd.	¥2,626 million	55.8	Ticket sales
i-Convenience, Inc.	¥2,000 million	51.0	e-business

2) Other Important Business Combinations

Name	Common Stock	The Company's Ratio of Voting Rights (%)	Business
Lawson CS Card, Inc.	¥3,950 million	50.0	Credit card business

3) Changes in Business Combinations

1. The Company's ratio of voting rights in Lawson Tickets Co., Ltd., became 55.8% from 69.5% through the allocation of new shares to third parties in January 2004.
2. In April 2003, Hualian Group Corporation and the Company entered into an equity transfer contract to the effect that the Company shall transfer 21.0% in the Company's current equity ratio of 70.0% in Hualian Lawson Co., Ltd., to Hualian Group Corporation. The transaction is currently under process.

4) Status and Results of Business Combinations

The consolidated subsidiaries are the above-listed five important subsidiaries. One company is accounted for by the equity method. Consolidated operating results for the current fiscal year are as follows:

(Rounded to the nearest million yen or 0.1%)

Operating Revenue (Year over year)	Ordinary Profit (Year over year)	Net Income (Year over year)
¥245,601 million (98.1%)	¥36,563 million (119.3%)	¥18,571 million (209.6%)

5) Important Business Alliance

Mitsubishi Corporation indirectly holds 31.1% of the total voting rights (32,399,000 shares) of the Company. Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into extensive business tie-up agreements with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

(8) Major Creditors

None applicable.

(9) The Company's Directors and Corporate Auditors

Position	Name	Assignment in the Company or Principal Occupation
Representative Director	Takeshi Niinami	President and CEO; General Manager, Merchandising & Logistics Division
Director	Teruo Aoki	Senior Executive Vice President; President and Representative Director, Lawson CS Card, Inc.
Director	Eiichi Tanabe	Executive Vice President and CFO; Director, Corporate Planning Office
Director	Katsuhiko Yamasaki	Executive Vice President and CRO; General Manager, Line Support Office; EVP, FC Group; EVP, Corporate Ethics; EVP, Human Resources
Director	Hiroshi Tasaka	Professor, Tama University and Tama Graduate School
Director	Reiko Okutani	President, The R Co., Ltd.
Director	Muneaki Masuda	President, Culture Convenience Club Co., Ltd.
Director	Yorihiko Kojima	Member of the Board and Representative Director, Senior Executive Vice President, Group CEO, New Business Initiative Group, Mitsubishi Corporation
Director	Yukio Ueno	Member of the Board and Representative Director, Executive Vice President, Corporate Planning, General Manager, Corporate Planning Department, Mitsubishi Corporation
Standing Corporate Auditor	Masaaki Kojima	
Standing Corporate Auditor	Sadao Suzuki	
Corporate Auditor	Yoshiyuki Sanada	Group Controller, New Business Initiative Group, Mitsubishi Corporation
Corporate Auditor	Tetsuo Ozawa	Lawyer

Notes: 1. Directors Hiroshi Tasaka, Reiko Okutani, Muneaki Masuda, Yorihiko Kojima and Yukio Ueno are outside directors stipulated in Article 188, Paragraph 2, Item 7-2, of the Commercial Code.

2. Standing Corporate Auditor Masaaki Kojima and Corporate Auditors Yoshiyuki Sanada and Tetsuo Ozawa are outside corporate 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."

3. Changes in directors and corporate auditors during the current fiscal year are as follows:

(1) Change in director's post as of April 15, 2003

Resigned	Director and Executive Vice President	Sumiya Nakajima

(2) Changes in posts as approved at the 28th Ordinary General Meeting of Shareholders and at the meeting of the Board of Directors, both of which were held on May 27, 2003

Appointed	Director and Executive Vice President	Katsuhiko Yamasaki
	Director	Muneaki Masuda
	Director	Yukio Ueno
	Corporate Auditor	Tetsuo Ozawa
Retired	Corporate Auditor	Itsuo Jitosho

4. Executive officers who are not directors are as follows:

Vice Chairman	Koji Wada	Senior Vice President	Sadayuki Nobayashi
Executive Vice President	Susumu Hasegawa	Senior Vice President	Takatoshi Kawamura
Executive Vice President	Taketoshi Kunisaki	Senior Vice President	Manabu Asano
Senior Vice President	Kenji Yamakawa	Senior Vice President	Yoshimitsu Futai
Senior Vice President	Shigeru Kiyota	Senior Vice President	Josuke Kishimoto
Senior Vice President	Ichiro Okuda	Senior Vice President	Shigeaki Kawahara
Senior Vice President	Isamu Ochiai	Senior Vice President	Tadanao Watanabe
Senior Vice President	Yoshio Shinozaki	Senior Vice President	Kounoshin Deguchi
Senior Vice President	Kiyoteru Suzuki		

(10) Amounts of Financial Interests Paid to Directors and Corporate Auditors Including Remuneration and Other Compensation for Business Duties

(Millions of yen)

Category	Directors		Corporate Auditors		Total	
	No. of qualified persons	Amount paid	No. of qualified persons	Amount paid	No. of qualified persons	Amount paid
Remuneration according to a resolution at a general meeting of shareholders	11	151	5	40	16	192
Retirement benefit according to a resolution at a general meeting of shareholders	2	144	1	5	3	149
Total		296		45		341

Notes: 1. As of February 29, 2004, the number of directors currently in office was nine and that of corporate auditors was four.

2. The number of qualified persons above includes a director who resigned as of February 28, 2003, and a director who resigned as of April 15, 2003.

3. The number of qualified persons above includes a corporate auditor who resigned as of May 27, 2003.

4. The upper limit of the total remuneration to directors is ¥400 million annually (according to a resolution at the Ordinary General Meeting of Shareholders held on May 24, 2001).

5. The upper limit of the total remuneration to corporate auditors is ¥60 million annually (according to a resolution at the Ordinary General Meeting of Shareholders held on May 30, 1998).

3. SIGNIFICANT SUBSEQUENT EVENTS AFTER THE CLOSING OF ACCOUNTS

None applicable.

The above amounts and the number of shares in this Business Report are rounded down to the nearest units (excluding (7) Status of Major Business Combinations, 4) Status and Results of Business Combinations in 2. CURRENT STATUS OF THE COMPANY.), and the ratios are rounded to the nearest whole number.

Non-consolidated Balance Sheet(As of February 29, 2004)

(Millions of yen)

Assets		Liabilities and Shareholders' Equity	
Account item	Amount	Account item	Amount
(Assets)	(349,328)	(Liabilities)	(191,484)
Current assets	125,977	Current liabilities	136,779
Cash and bank deposits	66,280	Accounts payable —trade	63,152
Accounts receivable—due from franchised stores	18,455	Accounts payable— due to franchised stores	1,385
Marketable securities	9,244	Accounts payable—other	18,437
Merchandise inventories	1,376	Income taxes payable	9,922
Prepaid expenses	4,302	Accrued expenses	1,808
Short-term loans receivable	6,250	Deposits received	39,203
Accounts receivable—other	16,856	Accrued employees' bonuses	2,630
Deferred tax assets	2,755	Other	240
Other	580	Long-term liabilities	54,704
Allowance for doubtful accounts	(123)	Liability for employees' retirement benefits	1,114
Fixed assets	223,350	Liability for retirement benefits to directors and corporate auditors	212
Property and store equipment at net book value	82,830	Deposits received from franchisees and lessees	53,378
Buildings	47,963		
Structures	9,311		
Furniture, fixtures and equipment	20,118	(Shareholders' Equity)	(157,843)
Land	4,937	Common stock	58,506
Construction in progress	499	Capital surplus	41,521
Intangible fixed assets	13,886	Additional paid-in capital	41,520
Leasehold rights	5	Other capital surplus	1
Trademarks	73	Gain on disposal of treasury stock	1
Telephone rights	283	Retained earnings	76,363
Goodwill	253	Legal reserve	727
Software	12,768	Voluntary reserve	30,000
Software development in progress	498	General reserve	30,000
Other	3	Unappropriated retained earnings	45,636
Investments and other	126,633	Land revaluation difference	(7,066)
Investments in securities	4,813	Net unrealized gain on available-for-sale securities	53
Investments in subsidiaries	4,036	Treasury stock-at cost	(11,534)
Other equity investments	74		
Long-term loans receivable	13,108		
Long-term prepaid expenses	2,466		
Lease deposits	90,400		
Deferred tax assets	7,391		
Deferred tax assets for land revaluation	4,808		
Other	1,285		
Allowance for doubtful accounts	(1,751)		
Total Assets	349,328	Total Liabilities and Shareholders' Equity	349,328

Non-consolidated Statement of Income
(From March 1, 2003 to February 29, 2004)

(Millions of yen)

Account item	Amount	
(Ordinary Profit and Loss Section)		
Operating income or loss		
Operating revenues		
Net sales	65,694	
Franchise commissions from franchised stores	153,788	
Other	11,616	231,099
Costs and operating expenses		
Cost of goods sold	47,804	
Selling, general and administrative expenses	145,255	193,060
Operating income		38,039
Non-operating income or loss		
Non-operating income		
Interest and dividend income	280	
Other	723	1,003
Non-operating expenses		
Loss on cancellation of store lease contract	1,138	
Other	274	1,412
Ordinary profit		37,629
(Special Profit and Loss Section)		
Special gains		
Special profit on disaffiliation from Group Employees' Pension Fund	811	
Gain on sales of fixed assets	115	
Other	20	947
Special losses		
Loss on disposal of fixed assets	3,835	
Loss on investments in subsidiary	337	
Other	860	5,033
Income before corporate, inhabitant and enterprise taxes		33,543
Corporate, inhabitant and enterprise taxes	12,738	
Deferred income taxes	1,785	14,524
Net income		19,018
Unappropriated retained earnings—carried forward		28,767
Reversal of land revaluation difference		30
Interim cash dividends		2,120
Unappropriated retained earnings—at end of year		45,636

(Significant Accounting Policies)

1.Valuation of Securities

Held-to-maturity debt securities: Carried at amortized cost. (straight-line method)

Available-for-sale securities:

Securities whose market value is readily determinable: Stated at the market value, based on market quotation. Unrealized gains and losses are reported, with net of applicable taxes, in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

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

2. Valuation of Inventories

Merchandise inventories: Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment:

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

Intangible fixed assets:

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

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

4. Accounting policies for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Liability for Employees' Retirement Benefits:

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

Liability for retirement benefits to directors and corporate auditors:

Liability for retirement benefits to directors and corporate auditors (including executive officers) is calculated to state the liability at 100% of the amount that would be required if all directors and corporate auditors terminate their services with the Company at the balance sheet date.

This liability is categorized as reserve stipulated in Article 43 of the Commercial Code Enforcement Regulation.

5. Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted in the same manner as operating leases.

6. Accounting for consumption tax

Consumption tax is excluded from income and expense.

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

(Additional information)

The Company adopted a new "Commercial Code Enforcement Regulation"(Ministerial Ordinance No.68 of the Ministry of Justice of September 22,2003), effective this year.

(Notes to the Non-consolidated Balance Sheets)

1. Due from / to subsidiaries

Short-term receivables due from subsidiaries	¥	295	million
Short-term payables due to subsidiaries	¥	2,838	million
Long-term payables due to subsidiaries	¥	15	million

2. Accumulated depreciation for property and store equipment: ¥78,328 million

3. Major leased fixed assets under lease arrangements

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

4. Income taxes

Deferred tax assets and liabilities were described as follows:

(Millions of yen)

Accrued enterprise taxes	¥	924
Accrued employees' bonuses		982
Valuation loss on investments in securities		543
Loss on investments subsidiary		715
Excess of depreciation		1,866
Excess of amortization of software		1,059
Allowance for employees' retirement benefits		2,197
Other		1,893
Total deferred tax assets	¥	10,182
Net unrealized gain on available-for-sale securities	¥	36
Total deferred tax liabilities		36
Deferred tax assets-net	¥	10,146

In line with the Law for Partial Amendment of the Local Taxes Law (Law No.9, 2003) enacted on and, effective from March 31, 2003 for fiscal years beginning on or after April 1, 2004, the statutory effective tax rate applied on the income taxes on deferred tax assets and liabilities (applicable only for portion taxable or deductible after March 1,2005) decreased from 42.0% to 40.5%. This reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥264 million and corresponding increase in the provision for income taxes of ¥266 million, and a decrease in deferred tax assets for land revaluation and corresponding decrease in land revaluation difference of ¥179 million, respectively

5.Accounting for retirement benefits

Summary of the retirement benefit plans:

The Company participated in a Japanese government welfare pension fund program (the Daiei Employees' Pension Fund) and also has a lump-sum severance indemnitied plan, both of which are defined benefit plan.

The Company voluntarily disaffiliated from the Daiei Employees' Pension Fund as of March 31, 2003 and started defined contribution plans system from May 2003. For a lump-sum severance indemnitied plan, the Company sets up a trust fund.

Funded status of the these plans are as follows;

	(Millions of yen)
a. Projected benefit obligations	(7,217)
b. Plan assets	5,523
c. Projected benefit obligations in excess of plan assets (= a + b)	(1,694)
d. Unrecognized actuarial differences	580
e. Liability for employees' retirement benefits (= c + d)	(1,114)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	¥ 854
b. Interest cost	126
c. Amortization of actuarial differences	70
d. Net periodic benefit cost	¥ 1,051
e. Contribution to defined contribution plan	204
f. Total (= d + e)	1,256

.

When the Company disaffiliated itself from the Daiei Employees' Pension Fund, the Company recorded a special gain of ¥811 million by reversing allowance for employees' retirement benefits, which was determined after reflecting recognition of all remaining actuarial loss and prior service cost, and special contribution to the Fund for the purpose of disaffiliation.

Basis of calculation of projected benefit obligations

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

6. Preemptive rights granted to directors and employees stipulated by Article 280-19, paragraph 1 of the former Commercial Code

Date approved by the shareholders' meeting	May 26, 2000
Class of shares subject to the rights:	Common shares
Total number of subjected shares:	1,116 thousands
Issuance (exercise) price of new shares:	¥7,500 per share
Exercise period:	May 27, 2002, to May 25, 2007

7.Revaluation of land used for business

The Company revalued the land used for its business on the basis prescribed by the Law Concerning Revaluation of Land (Law No.34, March 31,1998).

Revaluation difference has been included in shareholders' equity as land revaluation difference, net of the related tax which is included in assets as deferred tax assets for land revaluation.

Revaluation method:

The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.

Date of revaluation: February 28, 2002

As of February 28, 2003, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,004 million.

8. Increase in net assets stipulated in Article 124, Item 3 of the Commercial Code Enforcement Regulation, which is valued at market price. ¥53 million

(Note to the Non-consolidated Statement of Income)

1.Transactions with subsidiaries

Operating transactions with subsidiaries:	¥ 2,797	million
Transactions other than operating transactions:	¥ 3	million

2. Net income per share 180.01 yen

Proposal of Appropriation of Retained Earnings

(Yen)

Appropriation of retained earnings		
Unappropriated retained earnings—At end of year	¥	45,636,079,007
To be appropriated as follows:		
Year-end dividends (¥21per share)	¥	2,190,648,936
General reserve	¥	20,000,000,000
Retained earnings to be carried forward	¥	23,445,430,071
Appropriation of other capital surplus		
Other capital surplus	¥	1,552,017
To be appropriated as follows:		
Other capital surplus to be carried forward	¥	1,552,017

Note: On November 10, 2003, the Company paid an interim cash dividends of ¥2,120,003,500 (¥20 per share).

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 8, 2004

To the Board of Directors of Lawson,Inc.

Deloitte Touche Tohmatsu
Representative Partner, Engagement Partner,
Certified Public Accountant: Shinichi Yamada
Representative Partner, Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya
Engagement Partner, Certified Public Accountant: Seiji Harada

Pursuant to Article 2, Item 1 of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" of Japan, we have audited the non-consolidated balance sheet, the non-consolidated statement of income, the business report (with respect to accounting matters only), the proposed appropriations of retained earnings and the supplementary schedules (with respect to accounting matters only) of Lawson, Inc. (the "Company"), for the 29th fiscal year from March 1, 2003 to February 29, 2004. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.
We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements . An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. Our audit includes 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 Company's Articles of Incorporation.

(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 Company's Articles of Incorporation,

(3) The proposed appropriations of retained earnings are in conformity with the applicable laws and regulations of Japan and the Company's 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 financial 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.

(TRANSLATION)

CORPORATE AUDITORS' REPORT

The Board of Corporate Auditors of Lawson, Inc. (the “Company”), has received reports from all of the corporate auditors of the Company that summarize the methods and results of the audit conducted by them regarding the performance of duties by the directors for the year ended February 29, 2004 (the 29th fiscal term).

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

1. SUMMARY OF THE METHOD OF AUDIT

Each corporate auditor, in accordance with audit policies, division of work and other guidelines established by the Board of Corporate Auditors, has attended the Board of Directors’ meetings, the Management meetings and other important meetings of the Company, made necessary inquiries of the Company’s officers regarding the Company’s operations, reviewed important approval documents, made reviews of operations and conditions of assets of major business offices and stores 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, observed their audit procedures and reviewed the financial statements and supplementary schedules of the Company.

To determine if there are any transactions by the directors that 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. We have also examined the circumstances of compliance, risk management and other internal control systems.

2. RESULT OF AUDIT

(1) We have found that the methods and results of the audit by the independent auditors (Deloitte Touche Tohmatsu) 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 performance of duties by the directors, we have found that there have been no misconduct or material matters that would be in contradiction with any laws or the Company’s Articles of Incorporation.

We have also found that there have been no misconduct or material matters that would be in contradiction with any laws or the Company’s Articles of Incorporation regarding any transactions by the directors that 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) As a result of the examination of the subsidiaries, we have found that there have been no misconduct or material matters with regard to the performance of duties by the directors.

April 13, 2004

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor	Masaaki Kojima
Standing Corporate Auditor	Sadao Suzuki
Corporate Auditor	Yoshiyuki Sanada
Corporate Auditor	Tetsuo Ozawa

Notes:
1. Standing Corporate Auditor Masaaki Kojima and Corporate Auditors Yoshiyuki Sanada and Tetsuo Ozawa are outside corporate auditors as 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. As Corporate Auditor Tetsuo Ozawa assumed the post on May 27, 2003, his audit regarding the performance of duties of by the directors for a period from March 1, 2003, to his assumption of office was conducted by hearing in detail from other corporate auditors and reviewing important documents.

REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS

1. Total number of voting rights held by all shareholders: 1,042,897

2. Proposals and references

Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 29th Fiscal Term

The Proposal of Appropriation of Retained Earnings for the 29th Fiscal Term is shown in the attached The 29th Fiscal Year’s Report for Shareholders (Page 19).

The Company maintains a basic policy of paying dividends from a comprehensive standpoint with due regard for the financial position, profit level and the payout ratio based on previous operating results while ensuring adequate earnings retention in view of the requirements of future business development. We therefore propose that the year-end dividend be ¥21 per share. As a result, the annual dividend, consisting of an interim dividend of ¥20 and a year-end dividend of ¥21 per share, would be ¥41 per share, unchanged from that for the previous fiscal term.

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

We propose to partially amend the existing Articles of Incorporation as described below.

1. Reasons for the amendments

1) To clarify the extended services of the franchise business and business objectives, we would like to add the respective expressions of “to sell recording media such as DVDs,” “to operate real estate brokerage” and “to operate securities brokerage” to ARTICLE 2: Purposes of Incorporation in the current Articles of Incorporation.
2) Pursuant to the “Law Regarding Partial Revision of the Commercial Code and the Law concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki Kaisha) in Japan” (2003 Law No. 132, effective September 25, 2003), Japanese corporations are now allowed to purchase their treasury stock with a resolution adopted by the Board of Directors, on the condition that a regulation to that effect is stipulated in the Articles of Incorporation. Accordingly, we would like to newly establish ARTICLE 6: Acquisition of Treasury Stock, which would enable the Company to take swift and flexible responses in its financing policy.
3) In line with the above amendments, the numbers of relevant articles and others shall be appropriately adjusted.

2. Summary draft of this proposal

Proposed amendments are as described below:

(Amendments shown by underlines.)

Existing Articles	Proposed Amendments
ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses:	ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses:
1. to (The related provisions omitted) 4.	1. to (The same as the existing ones) 4.
5. To sell music instruments, records, video tapes, compact discs and laser discs;	5. To sell music instruments and recording media such as, records, video tapes, compact discs, laser discs and DVDs;
6. to (The related provisions omitted) 20.	6. to (The same as the existing ones) 20.
(New establishment)	21. To operate real estate brokerage;
21. and (The related provisions omitted) 22.	22. and (The same as the existing ones) 23.
(New establishment)	24. To operate securities brokerage;
23. to (The related provisions omitted) 29.	25. to (The same as the existing ones) 31.
ARTICLE 3	ARTICLE 3

to (The related provisions omitted) ARTICLE 5	to (The same as the existing ones) ARTICLE 5
(New establishment)	ARTICLE 6: Acquisition of Treasury Stock The Company may, under Article 211-3, Paragraph 1, Item 2, of the Commercial Code, purchase its treasury stock with a resolution adopted by the Board of Directors.
ARTICLE 6 to (The related provisions omitted) ARTICLE 31	ARTICLE 7 to (The same as the existing ones) ARTICLE 32

Proposal No. 3: Election of Nine (9) Directors

The term of office of all the current directors expires at the conclusion of this 29th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect nine (9) directors.

The nominees for the new directors 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	Takeshi Niinami (January 30, 1959)	April 1981	Joined Mitsubishi Corporation.	900
		June 1995	President, Sodex Corporation	
		July 1999	General Manager, Restaurant Business Team, Life & Industrial Logistics Planning Division, Mitsubishi Corporation	
		April 2000	General Manager, Lawson Project Administration Office; General Manager, Restaurant Business Office, Mitsubishi Corporation	
		April 2001	Manager, Lawson Business Unit and Manager, Restaurant Business Unit, Consumer Business Division, Mitsubishi Corporation	
		March 2002	Adviser, Lawson, Inc.	
		May 2002	President and CEO, Lawson, Inc.	
		April 2003	President and CEO; General Manager, Marketing Division, Lawson, Inc.	
		June 2003	President and CEO, Lawson, Inc.	
		September 2003	President and CEO; General Manager, Merchandising & Logistics Division, Lawson, Inc.	
		March 2004	President and CEO; General Manager, Merchandising & Logistics Division; General Manager, Quality Control Division, Lawson, Inc.	
		April 2004	President and CEO; General Manager, Quality Control Division, Lawson, Inc.	
		May 2004	President and CEO, Lawson, Inc. (Current position)	
2	Eiichi Tanabe (September 16, 1953)	April 1978	Joined Mitsubishi Corporation.	900
		August 1990	General Manager, Planning Team, Capital Market Division, Mitsubishi Corporation	
		April 1997	Deputy General Manager, Finance Division, Mitsubishi Corporation	
		April 2001	Deputy General Manager, Corporate Planning Office, Lawson, Inc.	
		May 2001	Director; Deputy General Manager, Corporate Planning Office, Lawson, Inc.	
		January 2002	Director; Executive Vice President and CFO; Deputy EVP, Corporate Planning, Finance and Accounting Affairs; General Manager, Finance Planning Department, Lawson, Inc.	
		March 2002	Director; Executive Vice President and CFO; EVP, Corporate Planning, Finance and Accounting Affairs; General Manager, Finance Planning Department, Lawson, Inc.	
		June 2002	Director; Executive Vice President and CFO; Director, Corporate Planning Office, Lawson, Inc.	
		May 2003	Director; Executive Vice President and CFO; Director, Corporate Planning Office; Director, Finance and Accounting Office; EVP, Management Services, Lawson, Inc.	
		July 2003	Director; Executive Vice President and CFO; Director, Corporate Planning Office, Lawson, Inc.	

		March 2004	Director; Executive Vice President and CFO; EVP, Corporate Affairs (Current position)	
3	Katsuhiko Yamasaki (November 18, 1943)	April 1968 May 1995 March 1996 March 1999 December 2000 January 2002 June 2002 March 2003 April 2003 May 2003 March 2004	Joined Shufu-no-Mise Daiei Co., Ltd. Director; General Manager, Internal Audit Office, Lawson, Inc. Director; General Manager, Education and Personnel Planning Office, Lawson, Inc. Director; General Manager, Store Operation Division, Lawson, Inc. Director; General Manager, Logistics Division, Lawson, Inc. Executive Vice President; EVP, General Affairs/FC Communication; General Manager, General Affairs & Planning Office; EVP, Corporate Ethics, Lawson, Inc. Executive Vice President; Director, Line Support Office, Lawson, Inc. Executive Vice President; General Manager, Line Support Office, Lawson, Inc. Executive Vice President and CRO; General Manager, Line Support Office; EVP, Corporate Ethics; EVP, Human Resources, Lawson, Inc. Director; Executive Vice President and CRO; General Manager, Line Support Office; EVP, Corporate Ethics; EVP, Human Resources, Lawson, Inc. Director; Executive Vice President and CRO; General Manager, Line Support Office; EVP, FC Group; EVP, Corporate Ethics; EVP, Human Resources, Lawson, Inc. (Current position)	2,600
4	Teruo Aoki (February 8, 1944)	April 1966 April 1999 April 2000 May 2000 February 2001 March 2001 January 2002 June 2002 March 2003 April 2003 March 2004	Joined Mitsubishi Corporation. Executive Assistant to CEO, Life & Industry Group; General Manager, Life & Industrial Logistics Planning Division, Mitsubishi Corporation Adviser, Lawson, Inc. Director; Deputy General Manager, New Business Division, Lawson, Inc. Director; Deputy General Manager to CIO; General Manager, New Business Division, Lawson, Inc. Executive Director and CIO; General Manager, New Business Division, Lawson, Inc. Director; Senior Executive Vice President; CIO; General Manager, System & Business Development Division, Lawson, Inc. Director; Senior Executive Vice President; CIO; General Manager, Business Development Division, Lawson, Inc. Director; Senior Executive Vice President; CIO; General Manager, Marketing Division, Lawson, Inc. Director; Senior Executive Vice President; Lawson, Inc. Director, Lawson, Inc. (Current position) (Representative positions in other companies) President, Lawson CS Card, Inc.	1,200
5	Hiroshi Tasaka (April 17, 1951)	March 1990 June 1996 March 2000 April 2000 April 2000 May 2000 June 2000 March 2001 April 2001 June 2001	Joined The Japan Research Institute, Limited. Director, The Japan Research Institute, Limited. Director, SOFTBANK INVESTMENT CORPORATION Fellow, The Japan Research Institute, Limited (Current position) Professor, Tama University Director, Lawson, Inc. Director, SOFTBANK FINANCE CORPORATION (Current position) Director, Gomez Japan K.K. (Current position) Professor, Postgraduate Dept., Tama University (Current position) Corporate Auditor, EnBio Tec Laboratories Co., Ltd. (Current position) (Representative positions in other companies) President, SophiaBank	0

6	Reiko Okutani (April 3, 1950)	April 1974 March 1982 July 1986 May 2002 August 2003	Joined Japan Airlines International C., Ltd. President, The R Co., Ltd. (Current position) President, Will Co., Ltd. Director, Lawson, Inc. (Current position) Director, Nihon Enterprise, Co., Ltd. (Current position) (Representative positions in other companies) President, R&R Co., Ltd.	0
7	Muneaki Masuda (January 20, 1951)	September 1985 October 1996 April 1999 December 2000 May 2002 March 2003 May 2003	Founder and President, Culture Convenience Club Co., Ltd. Chairman and Representative Director, Culture Convenience Club Co., Ltd. President and Representative Director, Culture Convenience Club Co., Ltd. (Current position) Director, BOOKOFF CORPORATION (Current position) Director, 55 Station, Inc. (Current position) Director, Rakuten, Inc. (Current position) Director, Lawson, Inc. (Current position) (Representative positions in other companies) President, Masuda & Partners Co., Ltd.	2,800
8	Koji Furukawa* (April 26, 1938)	April 1962 June 1992 March 1993 June 1995 April 1999 April 2000 June 2001 October 2001 April 2003 April 2004	Joined Mitsubishi Corporation. Director; Deputy General Manager; General Manager, Corporate Communications Office, Mitsubishi Corporation Director; General Manager, Personnel Division, Mitsubishi Corporation Representative Director; Executive Director; Director, Nagoya Headquarters, Mitsubishi Corporation Representative Director; Executive Vice President; EVP, Management, Finance & Accounting Services, Mitsubishi Corporation Representative Director; Executive Vice President; CEO, Functional Group, Mitsubishi Corporation Representative Director; Executive Vice President; CEO, Functional Group, Mitsubishi Corporation Representative Director; Executive Vice President; EVP, Corporate Affairs (CFO, Chief Compliance Officer), Mitsubishi Corporation Representative Director; Executive Vice President; EVP, Deputy General Manager to President, Chief Compliance Officer, Mitsubishi Corporation Representative Director; Executive Vice President; EVP, Mitsubishi Corporation (Current position)	0
9	Hiroshi Mino* (May 22, 1947)	April 1971 April 1998 September 1998 April 1999 December 2001 April 2002	Joined Mitsubishi Corporation. General Manager, Apparel Division, Mitsubishi Corporation Deputy General Manager, Life & Industry Division, Mitsubishi Corporation Executive Assistant to CEO, Life & Industry Group, Mitsubishi Corporation General Manager, Consumer Business Division, Mitsubishi Corporation Executive Vice President; General Manager, Consumer Business Division; Lawson Business Unit; Mitsubishi Corporation (Current position) (Representative positions in other companies) President, MC Retail Investment Co., Ltd.	0

Notes:

1. Of these nominees, five candidates, Hiroshi Tasaka, Reiko Okutani, Muneaki Masuda, Koji Furukawa and Hiroshi Mino, satisfy the requirements of outside directors as stipulated in Article 188, Paragraph 2, Item 7-2, of the Commercial Code.
2. The nominees marked with an asterisk (*) are candidates as newly-appointed directors.
3. Lawson CS Card, Inc., in which the candidate Teruo Aoki assumes the post of President, and the Company have outsourcing-outsourced business relationship with regard to the issuance of the “LASON PASSCARD” and the acquisition of card members. The Company offers a loan to Lawson CS Card, Inc., and provides guarantee for loans of Lawson CS Card, Inc. from banks.
4. The R Co., Ltd., in which the candidate Reiko Okutani assumes the post of President, and the Company have

outsourcing-outsourced business relationship with regard to Lawson's training programs and so on.
5. Culture Convenience Club Co., Ltd., in which the candidate Muneaki Masuda assumes the post of President, and the Company have a tie-up in a point-saving program for TSUTAYA Card members and outsourcing-outsourced business relationship with regard to the return of rental products. Culture Convenience Club Co., Ltd., handles several product items that belong to the same categories as those handled by the Company.
6. The Consumer Business Division, Mitsubishi Corporation, in which the candidate Hiroshi Mino assumes the position of General Manager, and the Company cooperate with each other with respect to personnel.
7. Other candidates do not have any special interest in the Company.

Proposal No. 4: Election of Two (2) Corporate Auditors

The term of office of the current corporate auditor, Masaaki Kojima, expires and Sadao Suzuki resigns at the conclusion of this 29th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) corporate auditors.

The nominees for the new corporate 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 1995 April 1999 April 2001 May 2001	Joined Mitsubishi Corporation General Manager, Investment & Financing Audit Division, Mitsubishi Corporation Deputy Director, Kansai Headquarters, Mitsubishi Corporation Adviser, Lawson, Inc. Standing Corporate Auditor, Lawson, Inc. (Current position)	800
2	Kenji Yamakawa* (September 2, 1947)	April 1970 April 1992 May 1992 March 1994 May 1995 February 1996 January 2002 June 2002 April 2003 March 2004	Joined The Daiei, Inc. General Manager, Accounting Division, The Daiei, Inc. Corporate Auditor, Lawson, Inc. General Manager, Corporate Planning Office, The Daiei, Inc. General Manager, Accounting Division, The Daiei, Inc. Director; General Manager, Finance & Accounting Office, Lawson, Inc. Senior Vice President; General Manager, Internal Audit Office, Lawson, Inc. Senior Vice President; Director, Internal Audit Office, Lawson, Inc. Senior Vice President; Director, General Affairs Office, Lawson, Inc. Senior Vice President; SVP, General Affairs Office, Lawson, Inc. (Current position)	3,000

Notes:
1. The nominee Masaaki Kojima is a candidate for outside corporate auditors as 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. The nominee marked with an asterisk (*) is a candidate as newly-appointed corporate auditor.
3. The Board of Corporate Auditors has given its accord to this proposal No. 4.
4. The above candidates do not have any special interest in the Company.
5. As the candidate Kenji Yamakawa is nominated to fill the vacancy of Sadao Suzuki, his term of office shall be the remaining tenure of his predecessor.

Proposal No. 5: Issuance of Stock Options as an Incentive for Directors and Executive Officers

Pursuant to the provisions of Article 280-20 and Article 280-21 of the Commercial Code of Japan, we request that you approve our issuance of stock options as an incentive for directors and executive officers in the following manner.

1. Reason for issuing stock options at advantageous conditions

The Company intends to issue the stock options at no charge to directors and executive officers in the manner described in Item 3. below for the purpose of enhancing the motivation and morale of employees toward improved performance of the Company and to encourage further business deployment focusing on shareholders' interests.

2. Persons qualified for the allocation of stock options as an incentive
The Company's directors and executive officers.

3. Procedure of issuing the stock options
(1) Class and number of the shares subject to stock options
Within the upper limit of 120,000 common shares of Lawson, Inc.

In case of a stock split or a reverse stock split by the Company, the number of shares subject to stock options shall be adjusted according to the following formula. Provided that such adjustment shall be done only for the number of shares being subject to the stock options that have not been exercised as of the day of the stock split/reverse stock split, of all the stock options. The resulting fraction of shares below one (1) share shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Stock split/reverse stock split ratio

If the stock options are succeeded as a result of a merger or a consolidation of another corporation by the Company, or if a part of the Company is succeeded by a new corporation or an existing corporation due to a spin-off, the Company shall adjust the number of shares as deemed as necessary accordingly.
(2) Total number of stock options
Up to 1,200 units (100 shares per each stock option. However, similar adjustment shall be made if the adjustment set forth in Item (1) above has been made.)
(3) Issue price of the stock options
To be issued at no charge.
(4) Amount to be paid in in exercising stock options
The amount to be paid in by a qualified person to whom stock options are granted in exercising stock options shall be determined as a product of the amount to be paid in per share, which is determined in the following manner (hereinafter referred to as the "exercise price"), multiplied by the number of shares subject to each stock option set forth in Item (2) above.
The exercise price shall be the average (with fractions below one (1) yen to be rounded up) of the closing stock prices for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange for all the trading days (excluding those on which no transactions were established) in the month preceding the month to which the issue date of the stock options belongs.
However, such amount to be paid in shall be the closing price of the Company's common stock at the Tokyo Stock Exchange on the day preceding the issue date (or the closing price of the nearest day with transactions if such closing price was not established on the preceding day) of the stock options if such exercise price is below the closing price.
When the Company conducts a stock split/reverse stock split, the exercise price shall be adjusted by applying the following formula, and the resulting fractions below one (1) yen due to the adjustment shall be rounded up.

Exercise price after adjustment = Exercise price before adjustment × 1/Stock split or reverse stock split ratio

When the Company issues new shares or disposes of its treasury stock (excluding the stock issuance through the exercise of stock options as an incentive or of preemptive rights under Article 280-19, Paragraph 1, of the former Commercial Code) at a price lower than the market price, the exercise price shall be adjusted by applying the following formula, and the resulting fractions below one (1) yen due to the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid in per share}}{\text{Stock price before new stock issuance}}}{\text{Number of shares outstanding} + \text{Number of shares increased due to new stock issuance}}$$

In the above formula, "Number of shares outstanding" shall exclude the number of treasury stock held by the Company from the Company's total common shares issued and outstanding. In case of the disposal of the Company's treasury stock, "new stock issuance" shall be read as "disposal of treasury stock" and "amount to be paid in per share” as “disposal value per share.”

Moreover, if any of the stock options are succeeded as a result of a merger or a consolidation of another corporation by the Company, or if a part of the Company is succeeded by a new corporation or an existing corporation due to a spin-off, the Company shall adjust the exercise price as deemed necessary accordingly.

(5) Exercisable period of the stock options

From May 28, 2006, to December 31, 2009

(6) Exercise conditions of the stock options

1) The qualified persons to whom the stock options are granted shall be limited to those who have positions as directors, corporate auditors, executive officers or employees of the Company at the time of exercising the right, or those who have concluded a corporate adviser agreement with the Company. Provided, however, that this clause does not apply to cases where a qualified person retires from any post of the Company due to the expiry of term of office or when a person retires from the Company because of any reasons such as age-limit retirement that the Board of Directors deems reasonable.
2) In case of the death of a person entitled to stock options, the succession of his or her right by his or her heir is not authorized.
3) A person entitled to stock options may apply for exercising his or her right to the Company only when the Company’s common stock price at the Tokyo Stock Exchange exceeds the amount to be paid in per share set forth in Item (4) above by 20% or more.
4) Other applicable conditions shall be as prescribed by the “Stock Option Subscription Certificate” and “Stock Option Granting Agreement,” which shall be entered into by and between the qualified directors and executive officers and the Company, based on a resolution at this 29th Ordinary General Meeting of Shareholders and a resolution at the Board of Directors.

   In granting the stock options, the Company may enter into the “Stock Option Granting Agreement,” in which the relevant provisions of the above conditions 1) to 3) are upgraded.

(7) Cancellation of the stock options

1) In case a consolidation agreement that determines the Company is to cease to exist is approved, or if a proposal on approval of a stock swap agreement, or a proposal on stock transfer to the effect that the Company would become a fully owned subsidiary of another corporation is approved by a general meeting of shareholders, then the Company may cancel these stock options without charge.
2) The Company may cancel the stock options without charge if a qualified person to whom the stock options are granted loses this right because he or she no longer meets the condition set forth in paragraph (6) 1), or due to the reason set forth in paragraph (6) 2) above. Provided that the Company may, in such a case, take the cancellation procedure for relevant stock options collectively after the exercisable period of the stock options has expired.

(8) Restriction on transfer of stock options

The transfer of stock options shall require the approval of the Board of Directors.

Proposal No. 6: Presentation of Retirement Benefits to Retiring Directors and a Retiring Corporate Auditor

To Yorihiko Kojima and Yukio Ueno, who are retiring from their positions as directors, and Sadao Suzuki, who is resigning from his position as corporate auditor, at the conclusion of this 29th Ordinary General Meeting of Shareholders, we propose to present retirement benefits within the upper limit of ¥4 million each for the two retiring directors and of ¥16 million for the retiring corporate auditor, respectively, to provide compensation for services rendered during their tenure.

We propose that the actual amount, timing and method of presentation to each be left to the determination of the Board of Directors for the retiring directors and to the determination of the Board of Corporate Auditors for the retiring corporate auditor.

The brief history of the retiring directors and the corporate auditor in the Company is as follows:

Name	Brief personal history	
Yorihiko Kojima	May 2002	Director (Current position)
Yukio Ueno	May 2003	Director (Current position)
Sadao Suzuki	May 1999	Standing Corporate Auditor (Current position)