(TRANSLATION ONLY)

May 10, 2005

To Those Shareholders with Voting Rights

Takeshi Niinami
Representative Director
LAWSON, INC..
9-1, Toyotsu-cho, Suita, Osaka

NOTICE OF THE 30TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to a ateend the 30th 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 26, 2005.

1. Date: 10 a.m., Friday, May 27, 2005
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 Ordinary General Meeting of Shareholders.)
3. Objectives of the Meeting:
Reports:

1. **The Business Report, the Consolidated Balance Sheet and the Consolidated Statement of Income for the 30th Fiscal Term (from March 1, 2004 to February 28, 2005), as well as the Audit Reports**
2. **The Non-Consolidated Balance Sheet and the Non-Consolidated Statement of Income for the 30th Fiscal Term (from March 1, 2004 to February 28, 2005), as well as the Purchase of Treasury Stock Pursuant to a Resolution of the Board of Directors Authorized under the Articles of Incorporation**

Agenda:
Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 30th Fiscal Term
Proposal No. 2: Partial Amendment to the Articles of Incorporation
Proposal No. 3: Election of Two (2) 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: Issuance of Stock-Compensation-Type Stock Options for Directors
Proposal No. 7: Presentation of Retirement Benefits to Retiring Directors and a Retiring Corporate Auditor, as well as the Payment of Final Retirement Benefits to Directors associated with Abolition of the Retirement Benefit System for Directors

Proposal Nos. 2, 5 and 6 are summarized in the REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS on pages 31–32, 35–36 and 37–38 (in the Japanese version), respectively.

For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. If you wish to attend the meeting by proxy, your attorney-in-fact is requested to present his or her power of attorney together with the Voting Rights Exercise Form at the reception desk. (The qualified attorney-in-fact is limited only to shareholders having voting rights as per relevant provisions in the Articles of Incorporation.)

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 30th Ordinary General Meeting of Shareholders)

BUSINESS REPORT
(March 1, 2004, through February 28, 2005)

1. SUMMARY OF OPERATIONS

(1) Process and Results of Operations of the Corporate Group

During fiscal 2005, the year ended February 28, 2005, despite partial favorable signs of a recovery such as a gradual increase of private-sector investment and improvement in corporate profits, the outlook for the Japanese economy remained uncertain, principally affected by a rise in crude oil prices and consumer spending falling short of a significant recovery.

The retail store industry saw a difficult business environment owing to lingering deflationary trends and intensified competition with new entries from other industries in recent years. Accordingly, we had to implement more flexible and speedy management decision making to cope with the fluctuating market changes.

In these circumstances, the Lawson Group focused its groupwide efforts on enhanced marketing activities to realize the management vision of becoming "the 'hot' station in the neighborhood." At the same time, the Group endeavored to raise its CS (Customer Satisfaction) at every Lawson store through the synergy of values created by respective group companies in the "ticket sales, e-commerce, financial services-related and consulting businesses" and the mainstay convenience store business. Furthermore, the Group strove to streamline internal organizational systems and conduct educational training for employees so that employees can properly adapt themselves to the "Law Concerning the Protection of Personal Information" that has been fully implemented in April 2005.

On a consolidated basis, operating revenue for the year increased 3.6% year over year to ¥254,395 million, and ordinary profit rose ¥5,759 million, or 15.8%, year over year to ¥42,322 million mainly due to an increase of ¥9,053 million in franchise commissions from franchised stores reflecting the increased number of franchised stores. As a consequence, consolidated net income increased ¥1,864 million, or 10.0%, year over year to ¥20,435 million.

Operating results by business segment were as follows:

(Convenience store business)

In this business segment, the Group has endeavored to raise its CS (Customer Satisfaction) level through improvement of three elements.

The first is to reinforce product development capability for the speedy development of high-quality products with the catchphrase "safety, security, health and delicacy." The second is to carry out "Lawson's Three Challenge Practices" (stores and sales floors that maximize customer satisfaction, cleanliness of the store and quarters, and cordial service to customers) to create innovative storefronts and fortify the Company's leadership in store management of chain stores. The last is to identify convenient site locations for customers, that is, store development focused on being attractive to customers and profitability.

To reinforce our product development capability, the installation of advanced processing machines at outsourced suppliers of rice and side dishes in the Tokyo metropolitan area, the Tokai and Kinki districts and other regions has enabled us to supply ever-more delicious product items. Moreover, as a commitment to advanced SCM (supply chain management), we implemented the "Production & Processing Control System" to share sales- and stock-related information with business partners by building a standard system covering purchases of raw materials and their manufacture and processing. In addition, to ensure "food safety and security," preservatives and colorants have been eliminated from our original products. For *Bento* lunch-boxes and *Onigiri* rice balls, our mainstay product items, we set up the *"Gohan-tei"* brand, a new *Bento* lunch-box series with a product concept of "Surprise and innovative ideas in eating" subsequent to the *"Onigiriya"* series rice ball products. The total sales volume of the first series—"*Happosai* x *Tamago-Gohan*," "*Maitake*-no-Chicken Cutlets x *Aona-Gohan*" and "*Hayashi* Hamburger x *Yofu-Gohan* (Turmeric rice)"—exceeded two million units in only about two weeks after its launch, gaining high praise from customers.

As for "Lawson's Three Challenge Practices" and fortifying leadership at our chain stores, we newly introduced the "Mystery Shopper" (undercover examination of stores) system and expanded the training of supervisors. The "Mystery Shopper" measure involves an objective and quantitative investigation of each store by examiners from the viewpoint of customers to help each franchise storeowner recognize areas that need improvement. Concurrently, we held concentrated training sessions for the store staff (Leader Crew) likely to become the future leaders in Lawson store management at seven training centers newly established throughout the country. With these measures, we are systematizing our overall internal mechanism for performance appraisal and improvement, thereby upgrading the service level of store management.

In the pursuit of convenient site locations for customers, we strove to open quality-focused stores especially in the Tokyo, Nagoya and Osaka metropolitan areas, and succeeded in opening innovative stores in untapped trading areas including the first opening on the campus of a national university ("Lawson Kyoto University Store") and a joint store with JA Saga ("Lawson Saga Kinryu Store"). Meanwhile, in October 2004, we assumed 67 stores during the year under review pursuant to a contract on the partial transfer of operations with Tohokuspar Co., Ltd., for its convenience store business (with 89 stores in Aomori, Iwate and Akita prefectures). On the other hand, we actively pursued a policy of closing or relocating unprofitable stores and those with low daily sales. As a consequence, during the year 711 new stores were opened and 455 were closed, including those that were relocated, resulting in 8,077 domestic stores, an increase of 256 compared with the end of the previous fiscal year.

In terms of services, we handled more than 118 million public utility payments, expanding the billing amount to ¥1,035,935 million. The number of ATMs increased to 3,457 units in 26 prefectures by newly adding nine prefectures. The number of "LAWSON PASS" cardholders, for which services started in August 2002, exceeded 1.8 million, steadily extending popularity among customers.

We continued to aggressively pursue business tie-ups for greater customer convenience. Such efforts include the handling of "Yu-Pack" parcels, which started in November 2004, in addition to the "Postal Lawson" stores inside post offices. Another initiative is the "Peekaboo" securities intermediary service available via the Loppi multimedia terminals in Lawson stores. This new service was realized via an alliance with Nikko Cordial Securities Inc. and began in September 2004 nationwide.

In environmental preservation and social contribution activities, various activities for the preservation of forests were coordinated by the Lawson Green Fund. This fund has been operational since 1992 and received the "Minister of Environment" Award in November 2004 for its long-term contribution to the prevention of global warming. Moreover, we participated in emergency restoration activities such as the collection of relief and condolence money and dispatching food and sundries to areas devastated by earthquakes and typhoons. In conjunction with these activities, Lawson has entered into several agreements relative to support activities for possible natural disasters with the Tokyo Fire Department and several municipalities.

[Operating revenues in the Convenience Store Business]

Operating revenues (¥Millions)	Year-over-year Change (%)
239,534	102.8%

[Net Sales at All Lawson Stores in the Convenience Store Business]

Product Group	Sales (¥Millions)	Composition Ratio (%)	Year-over-year Change (%)
Processed foods	665,687	50.1	106.5
Fast foods	297,369	22.4	98.3
Daily delivered foods	148,134	11.1	106.2
Non-food products	217,887	16.4	98.5
Total	1,329,077	100.0	103.2

Note: The amounts for the previous fiscal year used in the "Year-over-year Change" include net sales of SHANGHAI HUALIAN LAWSON CO., LTD., which became a consolidated subsidiary.

(Other business)
The Group companies engage in ticket sales, e-commerce, financial services–related and consulting businesses, in addition to the mainstay convenience store business.
LAWSON TICKET, INC., which handles ticket sales, began selling tickets jointly with Rakuten Enterprise Co., Ltd., in February 2005. This new service should significantly expand the sales channel from the previous storefront of approximately 8,000 Lawson stores to eight million Rakuten members through a leading Internet shopping mall called

Rakuten Market. We intend to further increase customers with attractive, high-quality information and services. LAWSON ATM Networks, Inc., which engages in financial services–related business, achieved a surplus for the year owing principally to considerable increases in the number of ATMs installed inside Lawson stores and the handling of financial transactions.

[Operating revenues in the Other Business]

Operating revenues (¥Millions)	Year-over-year Change (%)
17,149	115.3

(2) Capital Expenditures and Financing of the Corporate Group

① Capital expenditures

Capital expenditures of the Group during the year totaled ¥30,596 million, of which ¥26,740 million was primarily for store facility investment in land and buildings and ¥2,716 million was for the extension or reinforcement of information systems.

② Financing

A subsidiary, LAWSON TICKET, INC., went public in the JASDAQ market in October 2004. It raised ¥681 million through a public offering of 5,000 common shares.

(3) Challenge for the Future Success of the Corporate Group

Industrial competition is expected to intensify given lingering deflation and continued uncertain economic conditions. In these harsh circumstances, to realize the concept of becoming "the 'hot' station in the neighborhood," we aim to continuously enhance the overall CS level by focusing on the three elements: 1) "Reinforcement of product development capability," 2) "Lawson's Three Challenge Practices" and fortifying our leadership in chain stores, and 3) "Convenient site location" for customers. To reinforce our product development capability, we will continue to improve the quality of our mainstay rice-based product items and develop customer-oriented products adhering to the catchphrase of "safety, security, health and delicacy." With regard to "Lawson's Three Challenge Practices" and its leadership in chain stores, we plan to encourage frank communications between supervisors and stores to strengthen the execution of the "Individual store" principle (for creating innovative storefronts that satisfy customers). Furthermore, we will focus on collecting real estate information on outstanding lots and recruiting excellent franchise owners to develop more profitable stores with attractive store features. Meanwhile, we intend to proactively open new "Natural Lawson" stores that are operated around the contemporary keyword of "health." 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. The Company newly established CSR Promotion Office via an organizational reform in March 2005 to carry out corporate responsibility and enhance the Lawson brand companywide. We look forward to the continued support and encouragement of our shareholders.

(4) Changes in Operating Results and Financial Position of the Corporate Group and the Company

① Changes in Operating Results and Financial Position of the Corporate Group

Fiscal term / Category	Fiscal 2002 27th Term	Fiscal 2003 28th Term	Fiscal 2004 29th Term	Fiscal 2005 30th Term
Operating revenues (¥Millions)	256,116	250,334	245,601	254,395
Ordinary profit (¥Millions)	35,207	30,656	36,563	42,322
Net income (¥Millions)	16,123	8,861	18,571	20,435
Net income per Share (¥)	145.54	82.35	175.78	198.47
Total Assets (¥Millions)	342,934	342,599	354,831	356,309
Shareholders' Equity (¥Millions)	149,827	151,864	154,317	160,282
Shareholders' Equity per Share (¥)	1,392	1,411	1,479	1,568

② Changes in Operating Results and Financial Position of the Company

Category \ Fiscal term	Fiscal 2002 27th Term	Fiscal 2003 28th Term	Fiscal 2004 29th Term	Fiscal 2005 30th Term
Net sales of Lawson Stores including Franchised Stores (¥Millions)	1,282,369	1,291,030	1,285,018	1,329,077
Operating revenues (¥Millions)	249,050	239,315	231,099	239,534
Ordinary profit (¥Millions)	35,898	33,209	37,629	42,237
Net income (¥Millions)	16,714	10,263	19,018	20,585
Net income per Share (¥)	150.87	95.38	180.01	199.93
Total Assets (¥Millions)	338,518	338,221	349,328	350,180
Shareholders' Equity (¥Millions)	151,333	154,860	157,843	163,991
Shareholders' Equity per Share (¥)	1,406	1,439	1,513	1,604

Notes:

1. Effective from fiscal 2005, the year ended February 28, 2005, "Changes in Operating Results and Financial Position of the Corporate Group" have been expressed with figures truncated below the unit compared with the previous method of rounding off.
2. The decreases in Net Income of the corporate group and the Company for fiscal 2003, the year ended February 28, 2003, were mainly related to an increase in the special loss resulting from the disposal of corporate properties.
3. The increases in Net Income of the corporate group and the Company for fiscal 2004, the year ended February 29, 2004, were mainly related to a decrease in the loss on retirement of fixed assets related to the closing of stores.

2. CURRENT STATUS OF THE CORPORATE GROUP AND THE COMPANY (As of February 28, 2005)

(1) Major Business Operations and Principal Offices of the Corporate Group

(Convenience store business)

① LAWSON, INC.

Major Business:	LAWSON, INC., operates Lawson-brand franchise system and Company-operated stores as the headquarters of Lawson convenience chain stores
Head Office:	9-1, Toyotsu-cho, Suita, Osaka
Principal Offices:	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) and Kyushu Lawson Branch (Hakata-ku, Fukuoka) Note: In addition to the above sites, the Company has 104 offices throughout Japan including District Offices.

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	494	Tokyo	789	Shiga	114	Kagawa	95
Aomori	123	Kanagawa	475	Kyoto	178	Ehime	138
Iwate	159	Niigata	108	Osaka	818	Kochi	52
Miyagi	159	Toyama	95	Hyogo	458	Fukuoka	292
Akita	127	Ishikawa	68	Nara	95	Saga	57
Yamagata	54	Fukui	73	Wakayama	111	Nagasaki	83
Fukushima	99	Yamanashi	62	Tottori	65	Kumamoto	86
Ibaraki	107	Nagano	138	Shimane	60	Oita	106
Tochigi	99	Gifu	84	Okayama	114	Miyazaki	81
Gunma	65	Shizuoka	155	Hiroshima	115	Kagoshima	108
Saitama	303	Aichi	336	Yamaguchi	109	Okinawa	120
Chiba	276	Mie	72	Tokushima	102	Total	8,077

② NATURAL LAWSON, INC.

Major Business: NATURAL LAWSON, INC. engages in the operations entrusted by the Company with regard to Natural Lawson stores. The number of Natural Lawson stores is included in the table above.

Head Office: Shinagawa-ku, Tokyo

(Other business)

Company Name	Head Office	Major Business	
LAWSON TICKET, INC.	Shibuya-ku, Tokyo	Ticket sales business	Sells tickets for various events inside Lawson stores
i-Convenience, Inc.	Shinagawa-ku, Tokyo	e-commerce business	Provides settlement service and delivery service at Lawson stores on receiving goods or service orders through i-mode terminals
LAWSON ATM Networks, Inc.	Shinagawa-ku, Tokyo	Financial services-related business	Establishes shared ATMs in Lawson stores
BestPractice Inc.	Shinagawa-ku, Tokyo	Consulting business	Engages in actual-condition surveys concerning convenience stores to give advice and specific proposals for the improvement of Lawson stores

(2) Shares

① Total Number of Shares Authorized to Be Issued: 409,300,000 shares

② Total Number of Shares Issued and Outstanding: 104,600,000 shares

Note: The “Total Number of Shares Authorized to Be Issued” and “Total Number of Shares Issued and Outstanding” decreased by 3,000,000 shares, respectively, due to the cancellation of treasury stock in June 2004.

③ Number of Shareholders: 43,636

④ Major Shareholders:

Shareholder’s Name	Investment in the Company		The Company’s Investment in Major Shareholders	
	Number of shares held (Thousands)	Ratio of voting rights (%)	Number of shares held (Thousands)	Ratio of voting rights (%)
Mitsubishi Corporation	32,089	31.4	—	—
Japan Trustee Services Bank, Ltd. (trust account)	6,550	6.4	—	—
Marubeni Foods Investment, Co., Ltd.	5,939	5.8	—	—
State Street Bank & Trust Co. 505103	4,066	4.0	—	—
The Master Trust Bank of Japan, Ltd. (trust account)	3,470	3.4	—	—
Nintendo Co., Ltd.	3,447	3.4	—	—
Nomura Securities Co., Ltd.	1,998	2.0	—	—

Notes:

1. The number of shares in the above table is based on the register of shareholders.
2. Mitsubishi Corporation has been the largest shareholder since December 2004.
3. The Company, which held 2,422 thousand treasury shares as of February 28, 2005, is excluded from the above table.

(3) Acquisition, Disposal and Holding of Treasury Stock

① Shares Acquired

Common shares: 2,154,425 shares
Total acquisition price: ¥8,798,101,270

Note: Of the above shares acquired, treasury stock purchased based on the resolution of the Board of Directors authorized under the Articles of Incorporation after the 29th Ordinary General Meeting of Shareholders.:
(Reason for the purchase)
The Company purchased the treasury stock below to ensure more flexible and speedy capital policies and pursue higher capital efficiency.

Common shares: 1,654,500 shares
Total acquisition price: ¥6,833,432,000

② Shares Disposed

Common shares: 15,000 shares
Total disposal price: ¥53,519,743

③ Shares Invalidated

Common shares: 3,000,000 shares

④ Shares Held at the Balance Sheet Date

Common shares: 2,422,809 shares

(4) 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

Date of Special Resolution Adopted by the General Meeting of Shareholders	May 29, 2002	May 27, 2003	May 28, 2004
Total number of stock options issued (units)	3,130	920	990
Number of stock options after deducting those of which the right having been exercised (units)	2,930	920	990
Number of stock options after deducting those of which the right having been exercised and right having been forfeited (units)	1,929	920	990
Class of the shares subject to stock options	Common shares of LAWSON, INC.	Common shares of LAWSON, INC.	Common shares of LAWSON, INC.
Total number of shares subject to stock options (Shares)	313,000	92,000	99,000
Number of shares subject to stock options after deducting those for which the right has been exercised (Shares)	293,000	92,000	99,000
Number of shares subject to stock options after deducting those for which the right has been exercised and the right has been forfeited (Shares)	192,900	92,000	99,000
Issue price of stock options	No charge	No charge	No charge

2. Substance of Stock Options Issued in the Year to Those Other than Shareholders under Advantageous Conditions

① Number of stock options: 990 units (100 shares per each stock option)

② Class and number of the shares subject to stock options: 99,000 common shares of LAWSON, INC.

③ Issue price of the stock options: No charge

④ Exercise conditions of the stock options

i) The qualified persons to whom 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 shall not apply to cases where a qualified person retires from any post of the Company due to the expiry of term of office or retires from the Company because of any reasons that the Board of Directors deems reasonable such as age-limit retirement.

ii) In case of the death of a person who has stock options, the succession of such stock options by his or her heir is not authorized.

iii) A person entitled to stock options may apply to exercise his or her right to the stock options only when the stock price of the Company's common shares at the Tokyo Stock Exchange exceeds the amount to be subscribed per share (¥4,320) in exercising the stock options by 20% or more.

iv) No pledging or any other disposal of stock options is authorized.

v) The exercisable period of the stock options shall be as from June 10, 2006 to June 9, 2009.

Other applicable conditions shall be as prescribed by the "Stock Option Granting Agreement."

⑤ Cause and conditions of the cancellation of stock options

i) 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.

ii) The Company may cancel the stock options without charge if a qualified person to whom the stock options are granted is forfeited because he or she no longer meets the condition set forth in paragraph ④ i), or due to the reason set forth in paragraph ④ ii) 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 granted

Directors:

Name	Number of Stock Options (Units)
Takeshi Niinami	100
Eiichi Tanabe	50
Katsuhiko Yamasaki	40
Teruo Aoki	30
Hiroshi Tasaka	30
Reiko Okutani	30
Muneaki Masuda	30
Koji Furukawa	30
Hiroshi Mino	30
For the 9 persons above	Total: 370 units

Executive Officers:

Name	Number of Stock Options (Units)
Susumu Hasegawa	40
Taketoshi Kunisaki	40
Hiromichi Ogawa	30
Ichiro Okuda	30
Kiyoteru Suzuki	30
Sadayuki Nobayashi	30
Takatoshi Kawamura	30
Manabu Asano	30
Josuke Kishimoto	30
Katsuyuki Imada	30
Kenji Morimoto	30
Itsuo Iga	30
Shigeru Kiyota	30
Yoshio Shinozaki	30
Shigeaki Kawahara	30
Tadanao Watanabe	30
Kounoshin Deguchi	30
Satoru Matsubara	30
Yukimasa Shimohata	30
Tappei Shimizu	30
For 20 persons above	Total: 620 units

Note: Taketoshi Kunisaki, Takatoshi Kawamura, Josuke Kishimoto, Shigeaki Kawahara and Yukimasa Shimohata had the additional position of director (including the post of representative director) at subsidiaries when the stock options were granted to them.

(5) Employees of the Corporate Group

① Employees of the Corporate Group

Designation of Business Segment	Number of Employees (Increase/Decrease from the Previous Fiscal Year)
Convenience store business	3,128 (-162)
Ticket sales business	157 (73)
e-commerce business	18 (3)
Financial services–related business	12 (-1)
Consulting business	76 (76)
Total	3,391 (-11)

② Employees of the Company

Number of Employees	(Decrease from the Previous Fiscal Year)	Average Age	Average Years of Service
3,095	(-53)	36.4	10.3

(6) Status of Major Business Combinations

① Important Subsidiaries

Company Name	Common Stock (¥Millions)	The Company's Ratio of Voting Rights (%)	Major Business
NATURAL LAWSON, INC.	98	100.0	Convenience store business
LAWSON TICKET, INC.	2,892	51.1	Ticket sales business
i-Convenience, Inc.	2,000	51.0	e-commerce business
LAWSON ATM Networks, Inc.	3,000	54.0	Financial services–related business
BestPractice Inc.	10	100.0	Consulting business

② Important Affiliated Companies

Company Name	Common Stock	The Company's Ratio of Voting Rights (%)	Major Business
SHANGHAI HUALIAN LAWSON CO., LTD.	CNY165,898 thousand	49.0	Convenience store business
LAWSON CS Card, Inc.	¥4,200 million	50.0	Financial services–related business

③ Changes in Business Combinations

1. The subsidiary LAWSON e-Planning, Inc. was renamed NATURAL LAWSON, INC. in April 2004.
2. The Company's ratio of voting rights in LAWSON TICKET, INC., declined to 51.1% from 55.8% following a capital increase at the subsidiary via a public offering in October 2004.
3. BestPractice Inc. was established in March 2004.
4. In May 2004, the Company transferred 21.0% in the Company's then equity ratio of 70.0% in SHANGHAI HUALIAN LAWSON CO., LTD., to HUALIAN GROUP CORPORATION pursuant to the equity transfer contract entered into with HUALIAN GROUP CORPORATION in April 2003.

④ Results of Business Combinations

The consolidated subsidiaries and others of the Lawson Group are the above five important subsidiaries and others. Two companies are accounted for by the equity method. Consolidated operating results for the current fiscal year are as follows:

Operating revenues (Year over year)	Ordinary profit (Year over year)	Net income (Year over year)
¥254,395 million (103.6%)	¥42,322 million (115.8%)	¥20,435 million (110.0%)

⑤ Important Business Alliance

Mitsubishi Corporation holds 31.7% of the total voting rights (32,399 thousand shares) of the Company (including indirect holdings). 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.

(7) Major Creditors

None applicable

(8) The Company's Directors and Corporate Auditors

Position	Name	Assignment in the Company or Principal Occupation
Representative Director	Takeshi Niinami	President and CEO
Representative Director	Eiichi Tanabe	Senior Executive Vice President and CFO, in charge of Corporate Planning Office
Director	Katsuhiko Yamasaki	Executive Vice President and CRO, in charge of FC Support Group, Corporate Ethics and Human Resources; General Manager, FC Support Office
Director	Teruo Aoki	President and Representative Director, LAWSON CS Card, Inc.
Director	Hiroshi Tasaka	Professor, Graduate School of Tama University
Director	Reiko Okutani	President, The R Co., Ltd.
Director	Muneaki Masuda	President and Representative Director, Culture Convenience Club Co., Ltd.
Director	Koji Furukawa	Corporate Advisor, Mitsubishi Corporation
Director	Hiroshi Mino	Executive Vice President, Consumer Business Division, Mitsubishi Corporation
Standing Corporate Auditor	Masaaki Kojima	
Standing Corporate Auditor	Kenji Yamakawa	
Corporate Auditor	Yoshiyuki Sanada	CFO, Group Controller, New Business Initiative Group, Mitsubishi Corporation
Corporate Auditor	Tetsuo Ozawa	Lawyer

Notes:

1. Directors Hiroshi Tasaka, Reiko Okutani, Muneaki Masuda, Koji Furukawa and Hiroshi Mino 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. Transfers of directors and corporate auditors during the fiscal year are as follows:
   Changes in positions as approved by the 29th Ordinary General Meeting of Shareholders, by the Board of Directors and via mutual votes at the Board of Corporate Auditors, all of which were held on May 28, 2004

Appointment	Director	Koji Furukawa
	Director	Hiroshi Mino
	Standing Corporate Auditor	Kenji Yamakawa
Retirement from office	Director	Yorihiko Kojima
	Director	Yukio Ueno
	Corporate Auditor	Sadao Suzuki
Change in position	Representative Director	Eiichi Tanabe (Position before the change: Director)

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

Executive Vice President	Susumu Hasegawa	Senior Vice President	Kenji Morimoto
Executive Vice President	Taketoshi Kunisaki	Senior Vice President	Itsuo Iga
Executive Vice President	Hiromichi Ogawa	Senior Vice President	Shigeru Kiyota
Senior Vice President	Ichiro Okuda	Senior Vice President	Yoshio Shinozaki
Senior Vice President	Isamu Ochiai	Senior Vice President	Shigeaki Kawahara
Senior Vice President	Kiyoteru Suzuki	Senior Vice President	Tadanao Watanabe
Senior Vice President	Sadayuki Nobayashi	Senior Vice President	Kounoshin Deguchi
Senior Vice President	Takatoshi Kawamura	Senior Vice President	Satoru Matsubara
Senior Vice President	Manabu Asano	Senior Vice President	Yukimasa Shimohata
Senior Vice President	Josuke Kishimoto	Senior Vice President	Tappei Shimizu
Senior Vice President	Katsuyuki Imada		

(9) Amounts of Remuneration, etc., Paid to Directors and Corporate Auditors

Category	Directors		Corporate Auditors		Total	
	No. of qualified persons	Amount Paid (¥Million)	No. of qualified persons	Amount Paid (¥Million)	No. of qualified persons	Amount Paid (¥Million)
Remuneration according to a resolution at a general meeting of shareholders	11	171	5	46	16	217
Retirement benefit according to a resolution at a general meeting of shareholders	2	3	1	15	3	18
Total		174		61		235

Notes:

1. As of February 28, 2005, the number of directors in office was nine and that of corporate auditors was four.
2. The number of qualified persons above includes two directors who retired from office as of May 28, 2004.
3. The number of qualified persons above includes a corporate auditor who resigned as of May 28, 2004.
4. The upper limit of the total remuneration to directors is ¥400 million annually (according to a resolution adopted by the Ordinary General Meeting of Shareholders on May 24, 2001).
5. The upper limit of the total remuneration to corporate auditors is ¥60 million annually (according to a resolution adopted by the Ordinary General Meeting of Shareholders on May 30, 1998).

(10) Remunerations, etc., to Be Paid to the Independent Auditors

(Millions of yen)

	Amount to Be Paid
(1) Total of remuneration, etc., to be paid by the Company and its subsidiaries to the independent auditors	99
(2) Of the total (1) above, a sum of remuneration to be paid by the Company and its subsidiaries to the independent auditors in compensation for the business duty (certification of audit) as set forth in Article 2, Paragraph 1, of the Certified Accountant Law	55
(3) Of the sum (2) above, the amount of remuneration, etc., to be paid by the Company to the independent auditors	42

Note: The audit agreement entered into by the independent auditors and the Company does not clearly distinguish the amount being derived from the audit under the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc., of Corporations (*Kabushiki-Kaisha*) in Japan" and that being derived from the audit under the Securities and Exchange Law, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in (3) above includes these two kinds of amounts.

3. SIGNIFICANT SUBSEQUENT EVENTS OF THE CORPORATE GROUP AFTER THE CLOSING OF ACCOUNTS

None applicable

The above amounts and the number of shares in this Business Report are truncated below the unit and the ratios are rounded to the nearest whole number.

Consolidated Balance Sheet

(As of February 28, 2005)

(Millions of yen)

Assets		Liabilities and Shareholders' Equity	
Account item	Amount	Account item	Amount
(Assets)	(356,309)	(Liabilities)	(192,537)
Current assets	128,592	Current liabilities	137,931
Cash and bank deposits	71,585	Accounts payable —trade	62,554
Accounts receivable—due from franchised stores	10,332	Accounts payable— due to franchised stores	3,982
Marketable securities	13,021	Accounts payable—other	13,021
Merchandise inventories	1,376	Income taxes payable	11,717
Prepaid expenses	4,620	Deposits received	40,269
Short-term loans receivable	5,000	Accrued employees' bonuses	2,788
Accounts receivable—other	18,725	Provision for use of LAWSON PASS point	409
Deferred tax assets	3,240	Other	3,187
Other	772	Long-term liabilities	54,606
Allowance for doubtful accounts	(81)	Liability for employees' retirement benefits	1,807
Fixed assets	227,716	Liability for retirement benefits to directors and corporate auditors	304
Property and store equipment at net book value	92,165	Deposits received from franchisees and lessees	52,334
Buildings and structures	67,042	Other	159
Furniture, fixtures and equipment	18,810	(Minority Interest)	(3,490)
Land	5,643	Minority Interest	3,490
Construction in progress	668	(Shareholders' Equity)	(160,282)
Intangible fixed assets	14,010	Common stock	58,506
Software	10,969	Capital surplus	41,523
Software development in Progress	1,336	Retained earnings	76,721
Goodwill	1,026	Land revaluation difference	(7,037)
Other	676	Net unrealized gain on available-for-sale securities	110
Investments and other	121,541	Foreign currency translation adjustments	33
Investments in securities	1,464	Treasury stock-at cost	(9,574)
Long-term loans receivable	16,809		
Long-term prepaid expenses	2,646		
Lease deposits	89,964		
Deferred tax assets	8,291		
Deferred tax assets for land revaluation	4,828		
Other	1,673		
Allowance for doubtful accounts	(4,137)		
Total Assets	356,309	Total Liabilities and Shareholders' Equity	356,309

Consolidated Statement of Income
(From March 1, 2004 to February 28, 2005)

(Millions of yen)

Account item	Amount	
(Ordinary Profit and Loss Section)		
Operating income or loss		
Operating revenues		
Net sales	64,522	
Franchise commissions from franchised stores	162,963	
Other	26,910	254,395
Costs and operating expenses		
Cost of goods sold	46,818	
Selling, general and administrative expenses	164,635	211,454
Operating income		42,941
Non-operating income or loss		
Non-operating income		
Interest and dividend income	355	
Other	1,021	1,377
Non-operating expenses		
Loss on cancellation of store lease contract	1,062	
Equity in losses of affiliated companies	609	
Other	325	1,996
Ordinary profit		42,322
(Special Profit and Loss Section)		
Special gains		
Gain on increase in a subsidiary's net equity resulted from it's allocation of new shares	134	
Other	111	245
Special losses		
Loss on disposal of fixed assets	3,690	
Provision for allowance for doubtful accounts	2,182	
Other	655	6,528
Income before income taxes		36,040
Corporate, inhabitant and enterprise taxes	17,313	
Deferred income taxes	(1,945)	15,367
Minority interest in net income		237
Net income		20,435

(Significant Accounting Policies)

1. Scope of consolidation

   Consolidated subsidiaries: 5 (Domestic)

   LAWSON TICKET, INC.
   i-Convenience, Inc.
   LAWSON ATM Networks, Inc.
   BestPractice Inc.
   NATURAL LAWSON, INC.

   BestPractice Inc. was incorporated in this fiscal year. NATURAL LAWSON, INC changed its name from LAWSON e-Planning, Inc. SHANGHAI HULIAN LAWSON CO., LTD changed to affiliated company from consolidated subsidiary in line with reduction of the Company's share in this fiscal year.

2. Application of the equity method

   Affiliated companies to which the equity method is applied: 2

   (Domestic) LAWSON CS Card, Inc.

   (Foreign) SHANGHAI HUALIAN LAWSON CO., LTD.

3. Closing day for settlement of accounts of consolidated subsidiaries

   The closing date of all consolidated subsidiaries is the same as the parent's closing date.

4. Summary of Significant Accounting Policies

   (1) Valuation basis and method for important assets

   Marketable securities and investments in securities:

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

   Available-for-sale securities:

   Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of 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.

   Inventories:

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

   (2) 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.
   Software costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

   Long-term prepaid expenses:

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

   (3) Accounting standard for important reserves

   Allowance for Doubtful Accounts:

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

   Accrued Employees' Bonuses:

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

Provision for use of LAWSON PASS points:

The Company provides LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Effective March 1,2004,the company established a provision for the future use of such points by the entitled pass holders. Prior to March 1,2004,points were accounted for as an expense when a pass holder used such points. As the amount for future use can now be reasonably estimated using the experience history of percentage of points used compared with those entitled, a provision has been established. The effect of this change was to decrease operating income, ordinary profit, and income before corporate, inhabitant, and enterprise taxes by ¥409million, respectively.

Allowance for Employees' Retirement Benefits:

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

Allowance for Retirement Benefits to Directors and Corporate Auditors:

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

(4) Foreign Currency Transactions and Foreign Currency Financial Statements

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

(5) Lease

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

(6) Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

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

6. Amortization of consolidated adjustment account

The amount of consolidated adjustment account is amortized over 5 years on a straight-line basis.

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

(Notes to the Non-consolidated Balance Sheets)

1. Accumulated depreciation for property and store equipment: ¥ 86,867 million

2. 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.

3. Guarantees of bank loans ¥ 6,050 million

4. Income taxes

Deferred tax assets and liabilities were described as follows:

(Millions of yen)

Enterprise taxes payable	¥	1,116
Accrued employees' bonuses		1,248
Valuation loss on investments in securities		309
Excess of depreciation		2,297
Excess of amortization of software		975
Allowance for employees' retirement benefits		2,708
Allowance for doubtful accounts		1,653
Other		2,294
Subtotal of deferred tax assets	¥	12,605
Valuation allowances		(997)
Total deferred tax assets		11,607
Net unrealized gain on available-for-sale securities	¥	(75)
Total deferred tax liabilities		(75)
Deferred tax assets-net	¥	11,532

5.Accounting for retirement benefits

Summary of the retirement benefit plans:

The Companies have lump-sum severance indemnity plans. In addition, the Company has a defined contribution plan for severance payment. The Company established a trust fund for lump-sum severance indemnity plan.

Funded status of the these plans are as follows;

	(Millions of yen)
a. Projected benefit obligations	(9,898)
b. Plan assets	5,536
c. Projected benefit obligations in excess of plan assets (= a + b)	(4,362)
d. Unrecognized prior service cost	1,581
e. Unrecognized actuarial differences	973
f. Liability for employees' retirement benefits (=c + d + e)	(1,807)

Notes: 1.Consolidated subsidiaries adopted the simplified method to calculate the projected benefit obligation.

Net periodic benefit cost

		(Millions of yen)
a. Service cost	¥	659
b. Interest cost		174
c. Amortization of prior service cost		175
d. Amortization of actuarial differences		72
e. Net periodic benefit cost	¥	1,082
f. Contribution to defined contribution plan		245
g. Total (= e + f)		1,327

Notes: 1. Net periodic benefit cost for consolidated subsidiaries, which adopted the simplified method, are included in “a. Service cost.”

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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.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, 2005, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,481 million.

(Note to the Consolidated Statement of Income)

1. Net income per share 198.47 yen

Non-consolidated Balance Sheet

(As of February 28, 2005)

(Millions of yen)

Assets		Liabilities and Shareholders' Equity	
Account item	Amount	Account item	Amount
(Assets)	(350,180)	(Liabilities)	(186,188)
Current assets	115,875	Current liabilities	131,810
Cash and bank deposits	60,574	Accounts payable —trade	62,554
Accounts receivable—due from franchised stores	10,332	Accounts payable— due to franchised stores	3,982
Marketable securities	13,021	Short-term borrowing	200
Merchandise inventories	1,371	Accounts payable—other	12,116
Prepaid expenses	4,604	Income taxes payable	11,462
Short-term loans receivable	5,000	Accrued expenses	1,911
Accounts receivable—other	17,307	Deposits received	35,514
Deferred tax assets	2,997	Accrued employees' bonuses	2,636
Other	746	Provision for use of LAWSON PASS point	407
Allowance for doubtful accounts	(80)	Other	1,025
Fixed assets	234,304	Long-term liabilities	54,377
Property and store equipment at net book value	92,022	Liability for employees' retirement benefits	1,772
Buildings	56,408	Liability for retirement benefits to directors and corporate auditors	285
Structures	10,618	Deposits received from franchisees and lessees	52,318
Furniture, fixtures and equipment	18,683		
Land	5,643		
Construction in progress	668	(Shareholders' Equity)	(163,991)
Intangible fixed assets	13,270	Common stock	58,506
Software	10,256	Capital surplus	41,523
Software development in progress	1,336	Additional paid-in capital	41,520
Goodwill	1,026	Other capital surplus	3
Other	651	Gain on disposal of treasury stock	3
Investments and other	129,011	Retained earnings	80,463
Investments in securities	5,172	Legal reserve	727
Investments in subsidiaries	3,270	Voluntary reserve	50,000
Long-term loans receivable	16,809	General reserve	50,000
Long-term prepaid expenses	2,633	Unappropriated retained earnings	29,736
Lease deposits	89,907	Land revaluation difference	(7,037)
Deferred tax assets	8,851	Net unrealized gain on available-for-sale securities	110
Deferred tax assets for land revaluation	4,828	Treasury stock-at cost	(9,574)
Other	1,675		
Allowance for doubtful accounts	(4,137)		
Total Assets	350,180	Total Liabilities and Shareholders' Equity	350,180

Non-consolidated Statement of Income
(From March 1, 2004 to February 28, 2005)

(Millions of yen)

Account item	Amount	
(Ordinary Profit and Loss Section)		
Operating income or loss		
Operating revenues		
Net sales	63,801	
Franchise commissions from franchised stores	162,963	
Other	12,769	239,534
Costs and operating expenses		
Cost of goods sold	46,167	
Selling, general and administrative expenses	151,145	197,313
Operating income		42,220
Non-operating income or loss		
Non-operating income		
Interest and dividend income	355	
Other	1,009	1,365
Non-operating expenses		
Loss on cancellation of store lease contract	1,060	
Other	288	1,348
Ordinary profit		42,237
(Special Profit and Loss Section)		
Special gains		
Gain on sales of fixed assets	18	
Other	17	36
Special losses		
Loss on disposal of fixed assets	3,662	
Provision for allowance for doubtful accounts	2,182	
Other	645	6,490
Income before corporate, inhabitant and enterprise taxes		35,783
Corporate, inhabitant and enterprise taxes	16,936	
Deferred income taxes	(1,739)	15,197
Net income		20,585
Unappropriated retained earnings—carried forward		23,445
Reversal of land revaluation difference		5
Interim cash dividends		3,585
Retirement of Treasury stock		10,703
Unappropriated retained earnings—at end of year		29,736

(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.

Long-term prepaid expenses:

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

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

Provision for use of LAWSON PASS points:

The Company provides LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Effective March 1,2004,the company established a provision for the future use of such points by the entitled pass holders. Prior to March 1,2004,points were accounted for as an expense when a pass holder used such points. As the amount for future use can now be reasonably estimated using the experience history of percentage of points used compared with those entitled, a provision has been established. The effect of this change was to decrease operating income, ordinary profit, and income before corporate, inhabitant, and enterprise taxes by ¥407 million, respectively.

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.

(Notes to the Non-consolidated Balance Sheets)

1. Due from / to subsidiaries

Short-term receivables due from subsidiaries	¥ 319	million
Short-term payables due to subsidiaries	¥ 1,549	million
Long-term payables due to subsidiaries	¥ 28	million

2. Accumulated depreciation for property and store equipment: ¥ 86,698 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. Guarantees of bank loans ¥ 6,050 million

5. Income taxes

Deferred tax assets and liabilities were described as follows:

(Millions of yen)

Accrued enterprise taxes	¥	1,087
Accrued employees' bonuses		1,186
Valuation loss on investments in securities		309
Loss on investments subsidiary		348
Excess of depreciation		2,282
Excess of amortization of software		967
Allowance for employees' retirement benefits		2,695
Allowance for doubtful accounts		1,653
Other		1,393
Total deferred tax assets	¥	11,925
Net unrealized gain on available-for-sale securities	¥	(75)
Total deferred tax liabilities		(75)
Deferred tax assets-net	¥	11,849

6.Accounting for retirement benefits

Summary of the retirement benefit plans:

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

Funded status of the these plans are as follows;

	(Millions of yen)
a. Projected benefit obligations	(9,863)
b. Plan assets	5,536
c. Projected benefit obligations in excess of plan assets (= a + b)	(4,327)
d. Unrecognized prior service cost	1,581
e. Unrecognized actuarial differences	973
f. Liability for employees' retirement benefits (= c + d + e)	(1,772)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	¥ 651
b. Interest cost	174
c. Amortization of prior service cost	175
d. Amortization of actuarial differences	72
e. Net periodic benefit cost (= a + b + c + d)	¥ 1,074
f. Contribution to defined contribution plan	245
g. Total (= e + f)	1,319

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)

7. 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:	1,089 thousands
Issuance (exercise) price of new shares:	¥7,500 per share
Exercise period:	May 27, 2002, to May 25, 2007

8.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, 2005, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥1,481 million.

9. Increase in net assets stipulated in Article 124, Item 3 of the Commercial Code Enforcement Regulation, which is valued at market price. ¥ 110 million

(Note to the Non-consolidated Statement of Income)

1.Transactions with subsidiaries

Operating transactions with subsidiaries:	¥	2,786	million
Transactions other than operating transactions:	¥	3	million

2. Net income per share 199.93 yen

Proposal of Appropriation of Retained Earnings

(Yen)

Appropriation of retained earnings		
Unappropriated retained earnings—At end of year	¥	29,736,439,129
To be appropriated as follows:		
Year-end dividends (¥35per share)	¥	3,576,201,685
Retained earnings to be carried forward	¥	26,160,237,444
Appropriation of other capital surplus		
Other capital surplus	¥	3,232,274
To be appropriated as follows:		
Other capital surplus to be carried forward	¥	3,232,274

Note: On November 10, 2004, the Company paid an interim cash dividends of ¥3,585,114,610 (¥35 per share).

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 7, 2005

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 third clause of Article 19-2 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 consolidated balance sheet and the consolidated statement of income of LAWSON, INC. and subsidiaries , for the 30th fiscal year from March 1, 2004 to February 28, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audit, in our opinion, the consolidated financial statements referred to above present fairly the financial position and the results of operations of LAWSON, INC. and subsidiaries in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.

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 represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 7, 2005

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 first clause of 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 audited the balance sheet, the 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 30th fiscal year from March 1, 2004 to February 28, 2005. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 balance sheet and the 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,

(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 proposed appropriations of retained earnings are 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 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 ONLY)

<Copy of the Audit Report of the Board of Corporate Auditors (consolidated)>

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have received reports from all of the corporate auditors concerning the methods and the results of their audit, regarding the consolidated financial statements (the consolidated balance sheet and the consolidated statement of income) for the 30th fiscal year from March 1, 2004 to February 28, 2005, and, through due deliberation, have prepared this Audit Report, and hereby present our audit opinion as follows:

1. Summary of the Method of Audit by Corporate Auditors

Each corporate auditor, in accordance with the auditing programs and other guidelines established by the Board of Corporate Auditors, has received reports and explanations from directors, other relevant personnel and the independent auditors regarding the consolidated financial statements, and conducted audit.

2. Result of Audit

We have found that the methods and the result of the audit by the independent auditors, Deloite Touche Tohmatsu, are adequate.

April 12, 2005

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor Masaaki Kojima
Standing Corporate Auditor Kenji Yamakawa
Corporate Auditor Yoshiyuki Sanada
Corporate Auditor Tetsuo Ozawa

Note: Standing Corporate Auditor Masaaki Kojima and Corporate Auditors Yoshiyuki Sanada and Tetsuo Ozawa are outside corporate auditors as stipulated in Paragraph 1, Article 18 of the “Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc., of Corporations (*Kabushiki-Kaisha*) in Japan.”

(TRANSLATION ONLY)

<Copy of the Audit Report of the Board of Corporate Auditors>

AUDIT REPORT

We have received reports from all of the corporate auditors concerning the methods and the results of their audit, regarding the performance of duties by the directors for the 30th fiscal year from March 1, 2004 to February 28, 2005, and, through due deliberation, have prepared this Audit Report, and hereby present our audit opinion as follows:

1. Summary of the Method of Audit by Corporate Auditors

Each corporate auditor, in accordance with the auditing programs and other guidelines established by the Board of Corporate Auditors, has attended the meetings of the Board of Directors, the management meetings and other important meetings, made inquiries of directors, officers, internal audit department and other relevant personnel regarding the performance of their duties, reviewed important approval documents and associated information, studied the status of operations and financial positions at the head office, branches and other principal offices and stores, and, when necessary, requested the subsidiaries to report regarding their business and studied their status of operations and financial positions. Each has also received reports and explanations from the independent auditors, monitored their independence, observed their audit procedures, and examined the financial documents and the supplementary schedules.

Regarding transactions by any of the directors that compete with the business of the Company, transactions causing a conflict of interests of any of the directors and the Company, benefits provided by the Company free of charge, transactions contrary to general practices with any subsidiary or shareholder, and any acquisition or disposal of the treasury stock, each requested reports, in addition to the aforementioned methods of audit, when necessary, from the directors and other relevant personnel, and studied in detail. Each has also examined, with an emphasis on, the status of compliance, risk management and other internal control systems.

2. Result of Audit

(1) We have found that the methods and the result of the audit by the independent auditors, Deloite Touche Tohmatsu, are adequate;

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

(3) We have found no matters on which to give remarks with regard to the proposal of appropriation of retained earnings considering the Company’s financial position and other circumstances;

(4) We have found that the supplementary schedules present fairly the required information and have found no matters on which to give remarks;

(5) Regarding the performance of duties by the directors, we have found no misconduct nor material

matters that violate applicable laws and regulations or the Articles of Incorporation;

Also, we have found no breach of duty by the directors regarding transactions by any of the directors that compete with the business of the Company, transactions causing a conflict of interests of any of the directors and the Company, benefits provided by the Company free of charge, transactions contrary to general practices with any subsidiary or any shareholder, and any acquisition or disposal of the treasury stock;

(6) We have found no matters on which to give remarks regarding the performance of duties by the directors concerning internal control system; and

(7) As a result of the examination of the subsidiaries, we have found no matters on which to give remarks regarding the performance of duties by the directors.

April 12, 2005

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 Paragraph 1, Article 18 of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc., of Corporations (*Kabushiki-Kaisha*) in Japan."

2. As Standing Corporate Auditor Kenji Yamakawa assumed the post on May 28, 2004, his audit regarding the performance of duties by the directors for the period from March 1, 2004, to his assumption of office during the 30th fiscal year 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: 1,021,686

2. Proposals and references
Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 30th Fiscal Term
The Proposal of Appropriation of Retained Earnings for the 30th Fiscal Term is shown in the attached The 30th Fiscal Year's Report for Shareholders (Page 26).
The Company maintains a basic policy of paying dividends from a comprehensive standpoint with due regard for the financial position, profit level, the payout ratio and other factors 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 ¥35 per share. As a result, the annual dividend, consisting of an interim dividend of ¥35 and a year-end dividend of ¥35 per share, would be ¥70 per share, an increase of ¥29 from that for the previous fiscal term.
We will endeavor to raise corporate value of Lawson by appropriating the internal reserve to active store opening, renovation of existing stores and the development of new businesses.

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 promote expansion of services of the franchise business, we would like to add the expressions of "and restaurants" and "To operate worker dispatch and pay placement agency businesses" to ARTICLE 2: Purposes of Incorporation in the current Articles of Incorporation. In conjunction with this amendment, the numbers of relevant articles and others shall be appropriately adjusted.
2) The Company purchased and canceled its treasury stock of 3,000,000 shares pursuant to the resolution adopted by the Board of Directors as of June 18, 2004, under Article 212 of the Commercial Code. Accordingly, the "Total number of shares authorized to be issued" set forth in ARTICLE 5: Total Number of Shares Authorized to Be Issued in the current Articles of Incorporation shall be decreased by the same number.
3) To clarify the positioning of a transfer agent, we would like to modify and add some words to ARTICLE 8: Transfer Agent in the current Articles of Incorporation.

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) 15.	1. to (The same as the existing ones) 15.
16. To operate pharmacies	16. To operate pharmacies <u>and restaurants</u>
17. to (The related provisions omitted) 29.	17. to (The same as the existing ones) 29.
(New establishment)	<u>30.</u> To operate worker dispatch and pay placement agency businesses
<u>30.</u> and (The related provisions omitted) <u>31.</u>	<u>31.</u> and (The same as the existing ones) <u>32.</u>
ARTICLE 3 and (The related provisions omitted) ARTICLE 4	ARTICLE 3 and (The same as the existing ones) ARTICLE 4
ARTICLE 5: Total Number of Shares Authorized to Be Issued The total number of shares authorized to be issued by the	ARTICLE 5: Total Number of Shares Authorized to Be Issued The total number of shares authorized to be issued by the

Company shall be 412,300,000 shares. Provided that a corresponding number shall be decreased from this total number in case of cancellation of the Company’s shares.	Company shall be 409,300,000 shares. Provided that a corresponding number shall be decreased from this total number in case of cancellation of the Company’s shares.
ARTICLE 6 and (The related provisions omitted) ARTICLE 7	ARTICLE 6 and (The same as the existing ones) ARTICLE 7
ARTICLE 8: Transfer Agent The Company shall have a transfer agent with respect to the shares and stock options of the Company.	ARTICLE 8: Transfer Agent The Company may have a transfer agent with respect to the shares and stock options of the Company.
2) (The related provision omitted)	2) (The same as the existing one)
3) The register of shareholders (including the register of beneficial shareholders, hereinafter the same), the register of forfeited stock certificates and the ledger of stock options of the Company shall be kept at the transfer agent’s place of business, and the Company shall cause the transfer agent to handle the transfer of shares and stock options, registration of pledges, indication of trust properties, reception of notifications, requests for purchase of less-than-unit *(tangen)* shares and registration procedures of forfeited share certificates and other matters relating to the shares and stock options of the Company, and such shall not be handled by the Company.	3) In case the Company has a transfer agent, the register of shareholders (including the register of beneficial shareholders, hereinafter the same), the register of forfeited stock certificates and the ledger of stock options of the Company shall be kept at the transfer agent’s place of business, and the Company shall cause the transfer agent to handle the transfer of shares and stock options, registration of pledges, indication of trust properties, reception of notifications, requests for purchase of less-than-unit *(tangen)* shares and registration procedures of forfeited share certificates and other matters relating to the shares and stock options of the Company, and such shall not be handled by the Company.
ARTICLE 9 and (The related provisions omitted) ARTICLE 32	ARTICLE 9 and (The same as the existing ones) ARTICLE 32

Proposal No. 3: Election of Two (2) Directors

Two current directors are retiring at the conclusion of this 30th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) 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	Koichi Narita (June 30, 1954)	April 1977 September 2003 October 2004	Joined Mitsubishi Corporation. General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation General Manager, Group CEO Office and Lawson Project Management Unit, Living Essentials Group, Mitsubishi Corporation (Current position)	0
2	Takehiko Kakiuchi (July 31, 1955)	April 1979 April 2001 April 2004	Joined Mitsubishi Corporation. White Meat Unit Manager, Concurrently Red Meat Unit Manager, Foods(Commodity) Division, Mitsubishi Corporation General Manager, Planning & Coordination, Investment Administration & Credit, Living Essentials Group CEO Office, Mitsubishi Corporation (Current position)	0

Notes:

1. These two candidates, Koichi Narita and Takehiko Kakiuchi, satisfy the requirements of outside directors as stipulated in Article 188, Paragraph 2, Item 7-2, of the Commercial Code.
2. The Lawson Business Unit, Mitsubishi Corporation, in which the candidate Koichi Narita assumes the position of Unit Manager, and the Company cooperate with each other with respect to personnel.
3. As the two candidates, Koichi Narita and Takehiko Kakiuchi, are nominated to fill the vacancy of the current directors, Teruo Aoki and Hiroshi Mino, the term of office of the elected directors shall be the remaining tenure of their predecessors, under the relevant provision in the Articles of Incorporation of the Company.

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

The term of office of the current corporate auditor, Kenji Yamakawa, expires and Yoshiyuki Sanada resigns at the conclusion of this 30th 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	Kenji Yamakawa (September 2, 1947)	April 1970	Joined The Daiei, Inc.	3,200
		April 1992	General Manager, Accounting Division, The Daiei, Inc.	
		May 1992	Corporate Auditor, LAWSON, INC.	
		March 1994	General Manager, Corporate Planning Office, The Daiei, Inc.	
		May 1995	General Manager, Accounting Division, The Daiei, Inc.	
		February 1996	Director; General Manager, Finance & Accounting Office, LAWSON, INC.	
		January 2002	Senior Vice President; General Manager, Internal Audit Office, LAWSON, INC.	
		June 2002	Senior Vice President; Director, Internal Audit Office, LAWSON, INC.	
		April 2003	Senior Vice President; Director, General Affairs Office, LAWSON, INC.	
		March 2004	Senior Vice President; SVP, General Affairs Office, LAWSON, INC.	
		May 2004	Standing Corporate Auditor, LAWSON, INC. (Current position)	
2	Hiroshi Kuwata* (December 3, 1956)	April 1980	Joined Mitsubishi Corporation.	0
		May 2001	In charge of Risk Management & Restructuring, Corporate Planning Division, Mitsubishi Corporation	
		April 2004	Leader, Investment and Finance Management Team, Controller Office, Mitsubishi Corporation (Current position)	

Notes:

1. The nominee Hiroshi Kuwata is a candidate for outside corporate auditor 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 newly appointed candidate as corporate auditor.
3. The Board of Corporate Auditors has given its prior accord to proposal No. 4.
4. The above candidates do not have any special interest in the Company.
5. As the candidate Hiroshi Kuwata is nominated to fill the vacancy of Yoshiyuki Sanada, his term of office shall be the remaining tenure of his predecessor, under the relevant provision in the Articles of Incorporation of the Company.

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, 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 specifically advantageous conditions

The Company intends to issue stock options at no charge to directors and executive officers in the manner described in Item "3. Procedure of issuing the stock options" 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 the stock options

Directors and executive officers of LAWSON, INC.

3. Procedure for issuing the stock options

(1) Class and number of 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 or reverse stock split, of all the stock options. The resulting fraction of shares below one (1) share shall be rounded down.

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

Also, 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 necessary.

(2) Total number of the stock options
Within the upper limit of 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 subscribed in exercising the right of stock options
The amount to be subscribed 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 subscribed 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 subscribed shall be the closing price of the Company’s common stock at the Tokyo Stock Exchange on the day preceding the issue date of the stock options (or the closing price of the nearest day with transactions if such closing price was not established on the preceding day) if such Exercise price is below the closing price.
Moreover, when the Company conducts a stock split or 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

Also, 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.

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

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 subscribed 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 27, 2007 to December 31, 2010

(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) A person entitled to stock options may apply to exercise his or her right of stock options to the Company only when the Company's common stock price at the Tokyo Stock Exchange exceeds the amount to be subscribed per share set forth in Item (4) above by 10% or more.
3) 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 30th 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" to the effect that the restrictions on the above exercise conditions 1) and 2) of the persons entitled to stock options are tightened.

(7) Causes and conditions of 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 forfeits this right because he or she no longer meets the condition set forth in paragraph (6) 1) 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 the stock options
The transfer of the stock options shall require the approval of the Board of Directors.

Proposal No. 6: Issuance of Stock-Compensation-Type Stock Options for Directors
Pursuant to the provisions of Article 280-20 and Article 280-21 of the Commercial Code, we request that you approve our issuance of stock-compensation-type stock options for directors in the following manner.
1. Reason for issuing stock options at specifically advantageous conditions
The Company intends to considerably review the current compensatory system for directors. We aim to abolish the conventional retirement benefit system for directors but allocate stock-compensation-type stock options without charge, on the condition that the proposal be approved by an ordinary general meeting of shareholders to be held in each fiscal year during their term of office. In this connection, we would like to issue stock-compensation-type stock options at no charge to directors of the Company in the manner described in Item "3. Procedure for issuing the stock options" below for the purpose of enhancing their motivation and morale toward higher stock price and improved performance of the Company while sharing not only advantages due to higher stock price but also the risk of fallen stock prices with shareholders.

2. Persons qualified for the allocation of the stock options
Directors of LAWSON, INC.

3. Procedure for issuing the stock options
(1) Class and number of shares subject to stock options
Within upper limit of the 25,000 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 or reverse stock split, of all the stock options. The resulting fraction of shares below one (1) share shall be rounded down.

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

Also, 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 necessary.

(2) Total number of the stock options

Within the upper limit of 250 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 subscribed in exercising the right of stock options

The amount to be subscribed 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 subscribed per share multiplied by the number of shares subject to each stock option set forth in Item (2) above, on the supposition that such amount to be subscribed per share be ¥1 for shares that would be issued or transferred by the exercise of the right of stock options.

(5) Exercisable period of the stock options

From May 27, 2005 to May 31, 2025

(6) Exercise conditions of the stock options

1) A qualified person to whom the stock options are granted may exercise the right of stock options for a period of five years computing from the day (hereinafter referred to as the "Right-Exercising Start Date") following the date when he or she loses the director's position. Provided that such person is allowed to exercise his or her right in the following cases (a) and (b) for a specified period prescribed in the respective clauses.
   (a) If a person entitled to stock options does not have the Right-Exercising Start Date before May 31, 2020, the exercisable period of the right shall be from June 1 2020 to May 31, 2025.
   (b) 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 exercisable period of the right shall be 15 days computing from the day following such approval.
2) Partial exercise of the stock options shall not be authorized.
3) 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 the Company, based on a resolution at this 30th 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" to the effect that the restrictions on the above exercise conditions 1) and 2) of the persons entitled to stock options are tightened.

(7) Causes and conditions of 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 the stock options that have not been exercised under the paragraph (6) 1) above at no charge.
2) The Company may at any time cancel without charge the stock options that it has acquired and currently owns. The Company may also cancel forfeited stock options without charge if any cause for invalidation of the stock options, which shall be prescribed in the "Stock Option Granting Agreement" to be entered into under the paragraph (6) 3) above, takes place. Provided that the Company may, in these cases, take the cancellation procedure for relevant stock options collectively after the exercisable period of the stock options has expired.

(8) Restriction on transfer of the stock options

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

Proposal No. 7: Presentation of Retirement Benefits to Retiring Directors and a Retiring Corporate Auditor, as well as the Payment of Final Retirement Benefits to Directors associated with Abolition of the Retirement Benefit System for Directors

To Teruo Aoki and Hiroshi Mino, who are retiring from their position as director, and Yoshiyuki Sanada, who is resigning from his position as corporate auditor, at the conclusion of this 30th Ordinary General Meeting of Shareholders, we propose to present retirement benefits within the upper limit of ¥32 million for the two retiring directors and of ¥5 million for the retiring corporate auditor 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 consultation of the Board of Corporate Auditors for the retiring corporate auditor.

At the meeting of the Board of Directors on April 13, 2005, the Company decided to completely abolish the retirement benefit system for directors. Accordingly, we would like to pay final retirement benefits to seven directors in office other than Teruo Aoki and Hiroshi Mino within the upper limit of ¥125 million to provide compensation for services rendered during the period corresponding to their tenure before the conclusion of this 30th Ordinary General Meeting of Shareholders. We propose the timing of presentation be at the retirement of the respective directors.

We also propose that the actual amount and method of presentation to each be left to the determination of the Board of Directors.

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

Name	Brief Personal History	
Teruo Aoki	May 2000 March 2001 January 2002 March 2004	Director, LAWSON, INC. Managing Director, LAWSON, INC. Director and Senior Managing Executive Officer, LAWSON, INC. Director, LAWSON, INC. (Current position)
Hiroshi Mino	May 2004	Director, LAWSON, INC. (Current position)
Yoshiyuki Sanada	May 2001	Corporate Auditor, LAWSON, INC. (Current position)

The directors who qualify for the final retirement benefits are as follows:

Name	Brief Personal History	
Takeshi Niinami	May 2002 March 2005	Representative Director, President and CEO, LAWSON, INC. Representative Director and President, LAWSON, INC. (Current position)
Eiichi Tanabe	May 2001 January 2002 May 2004 March 2005	Director, LAWSON, INC. Director and Managing Executive Officer, LAWSON, INC. Representative Director and Senior Managing Executive Officer, LAWSON, INC. Representative Director and Executive Vice President, LAWSON, INC. (Current position)
Katsuhiko Yamasaki	May 2003	Director and Managing Executive Officer, LAWSON, INC. (Current position)
Hiroshi Tasaka	May 2000	Director, LAWSON, INC. (Current position)
Reiko Okutani	May 2002	Director, LAWSON, INC. (Current position)
Muneaki Masuda	May 2004	Director, LAWSON, INC. (Current position)
Koji Furukawa	May 2004	Director, LAWSON, INC. (Current position)