(TRANSLATION ONLY)

Securities code: 2651

May 7, 2007

To Those Shareholders with Voting Rights

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

NOTICE OF THE 32nd ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 32nd Ordinary General Meeting of Shareholders to be held as follows:
If you are unable to attend the meeting, please read the attached REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS and return the Voting Rights Exercise Form with your vote of approval or disapproval so that it will reach us by 5:45 p.m., Thursday, May 24, 2007.

1. Date: 10 a.m., Friday, May 25, 2007
2. Place: Melpark Hall (Osaka Yubin-Chokin Hall),
2-1, Miyahara 4-chome, Yodogawa-ku, Osaka
3. Objectives of the Meeting:
Reports:

The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 32nd Fiscal Term (from March 1, 2006 to February 28, 2007), as well as the Audit Reports

Agenda for Resolutions:
Proposal No. 1: Distribution of Surplus
Proposal No. 2: Partial Amendment to the Articles of Incorporation
Proposal No. 3: Election of One (1) Director
Proposal No. 4: Election of Two (2) Corporate Auditors

For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
If you wish to exercise your voting right by proxy, your attorney-in-fact is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in such attorney-in-fact's own name at the reception desk. (The qualified attorney-in-fact is limited only to one shareholder having voting rights as per relevant provisions in the Articles of Incorporation.)
Since the reception desk will be congested immediately before the meeting opens, we cordially request you to arrive early at the place of the meeting.
If any amendment is made to this notice, such amendment will be disclosed on the Company's Web site.
(http://www.lawson.co.jp/company/ir/stock/stockholder.html)

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.

(Appendix to the NOTICE OF THE 32nd ORDINARY GENERAL MEETING OF SHAREHOLDERS)

BUSINESS REPORT

(March 1, 2006, through February 28, 2007)

I. CURRENT STATUS OF THE CORPORATE GROUP

1. Summary of Operations

(1) Process and Results of Operations

During fiscal 2007, the year ended February 28, 2007, the Japanese economy continued to grow at a favorable pace, driven by improved consumer spending and corporate capital investment, gross domestic product (GDP) posted real growth (1.3%) during the third quarter (October-December 2006), and the GDP deflator, which indicates the price developments, for the third quarter moved closer to positive territory compared with the preceding quarter, and deflation was on the moderate path of recovery. However, compared with the recovery trend seen in Japan's three major metropolitan areas, business sentiment in regional economies remained at a relatively low ebb and continued to vary widely from region to region.

A wave of market restructuring reached retailing, with mergers and acquisitions across sector boundaries within the industry, as exemplified by the acquisition of a ready-meal supplier by a major supermarket chain operator. In the convenience store (CVS) sector, competition intensified with supermarkets, as seen in lengthened operating hours, and other sectors within the retail industry such as restaurant, ready meal and drugstore companies.

In addition, a new type of convenience store that focuses on perishable foods was spotlighted partly in the context of the aging population with a declining birthrate. Given these changes in our operating environment, the conventional CVS, which primarily meets time-saving needs and provides goods and services targeting young male customers, suffered from the tough business environment mainly at existing stores.

Against this background, the LAWSON Group has adopted the following management policies:

1) Strengthening existing stores and prioritizing new store openings with the three essential elements of "improving product development capability," "upgrading the service level of store operation" and "reinforcing store development capability," striving to achieve greater customer satisfaction through the promotion of our "Three Challenge Practices ."
2) New store openings using three formats: LAWSON, NATURAL LAWSON, and LAWSON STORE100 to expand our customer base. On February 28, 2007, we announced our subscription for a capital increase through the third-party allocation of new shares by Ninety-nine Plus Inc., which corresponds to approximately 20% of the total number of issued shares of Ninety-nine Plus, to expand target customer segments.
3) Strengthening marketing promotion, with campaigns such as the "LAWSON Fair," and "Miffy the Bunny Plate Presents" to increase customer numbers.
4) To strengthen the existing stores, we started to modify the existing "LAWSON" stores to "LAWSON PLUS" that is an individual-type store format focusing on the introduction of perishables.

As a result of the management measures described above, the LAWSON Group achieved the following earnings results for the year under review.

Total operating revenue was ¥ 283,053 million (up 5.6%), and ordinary profit increased to ¥ 44,646 million (a year-over-year increase of ¥ 706 million (up 1.6%), which was mainly due to a revenue increase of ¥ 3,540 million from franchise stores, reflecting the increased number of franchised stores), while net income was ¥ 20,983 million, a year-over-year decrease of ¥ 1,042 million (down 4.7%) due to the write-off of ¥ 2,202 million as loss associated with system changeover.

Operating results by business segment were as follows:

(Convenience Store Operations)
<Merchandise Strategy>
As for merchandise strategy, in order to expand our customer base, we developed a range of merchandise targeting health-conscious, middle-aged and elderly people and women.

Specifically, for the "*Gohantei*" series, a brand of rice dishes launched in 2004 under the concept of "Surprises and innovative ideas in eating", we started sales in April 2006 of an updated range, "*Yasai to Isshoni* (lunchbox with vegetable)", including small portions of vegetables and rice. In May, we released "*Kuromai iri Onigiri Tanbaguro Kuromame* (rice ball with black rice and black bean)", which was selected as the pioneer dish for introducing the NATURAL LAWSON brand into LAWSON, and in September, by utilizing NATURAL LAWSON's product development know-how to the *Gohantei* menu, "*Gokoku Hayashi to Guriru Yasai* (Stew with five grain rice with grilled vegetable)" was on sale. In the sushi category, we aggressively developed new sushi products, namely "sushi rolled by hand", "sushi packaged in small box", and "Sushi-Onigiri (sushi in onigiri-style rice ball). In addition, we promoted the provision of health-conscious food products through the marketing of the "the *Neba-neba* Menu" line of cold noodles, salads, etc. (including 11 types of nutritious "sticky foods" such as okra, tororo potato, glutinous yam, natto fermented soybeans, and mekabu seaweed, etc.).

We stepped up promotional activities to make our customers aware of these initiatives, more aggressive than ever before. In June 2006, we launched the LAWSON Fair promotion, featuring limited-period products and a quick lottery offering discount coupons as prizes. From July to August 2006 and from November 2006 to January 2007, we launched the "Miffy the Bunny Plate Presents, " a point collection campaign, as an integrated campaign to "Happy Child Raising Project," through which we succeeded in increasing customer numbers at our stores throughout the crucial summer and winter sales periods.

<Store Operations>
As for store operations, to reduce two types of loss—one is lost sales opportunities (i.e., where the store runs out of the merchandise that customers require) and the other is waste-based losses (i.e., where merchandise is not purchased by customers, resulting in surplus)— we stepped up efforts on an individual store basis to ensure that merchandise assortments are tailored to customers in individual local communities.

In the beginning, we further developed and fostered the use of individual store "store charts", which are business assessments based on marketing and management analysis at the individual store level, launched in 2005. We prepared hypothetical merchandise assortments to meet the needs of the customers of each individual store, striving for an enhanced ordering precision at each store operated by franchisees, through the verification of the results. We also further pursued the in-depth management support activities through our supervisors, which is the key factor in these store management initiatives. The "Mystery Shopper System" program introduced in 2004, in which inspectors pretending to be ordinary shoppers visit respective LAWSON stores and evaluate them from a customer's perspective, through both objective and quantitative evaluation, has taken root, and also contributed to strengthened store operation capabilities, by further encouraging individual franchise owners' awareness of the need to improve operations.

<Store Development>
As for store development during this fiscal year, we rigidly adhered to our proprietary set of standards for opening new stores, and the Company endeavored to open new stores in areas promising high profitability, principally in the Kanto, Kinki and Chubu metropolitan areas. We also took measures to recruit excellent franchise owners, and focused on gathering information on optimal locations for new stores through closer linkage between the store operation divisions and the development divisions and alliance with major local companies in candidate areas for store openings.
In our store-opening strategy for diversified locations, we launched the new station-type convenience store format "LAWSON + toks" in August 2006. This is a joint development with TOKYU CORPORATION, with whom we signed a business alliance in the previous fiscal year. By combining the functions of station stores (kiosks) and convenience stores, we have found a new possibility in the convenience-store format.

<New Store Format>
As for our new store format strategy, we focused on achieving the optimized format in store openings by leveraging the strengths of our three formats, LAWSON, NATURAL LAWSON, and LAWSON STORE100, to meet the customer needs of the individual local communities we serve. We opened stores under the distinctive NATURAL LAWSON and LAWSON STORE100 formats, even in areas where we face fierce competition from other operators of convenience stores that has made it difficult to open new stores under the conventional LAWSON brand.

As for NATURAL LAWSON, we have not only developed products for women, and health-conscious customers, we have also promoted new stores, and strengthened the existing stores in the Kanto and Kinki regions. As of February 28, 2007, we have five franchise stores, through the facilitation of franchising former Company-operated stores.

In respect to our LAWSON STORE100 stores, in addition to developing merchandise aimed at the middle-aged, senior and housewife customers, predominantly using our private brand “Value Line,” we also promoted the opening of new stores and strengthening operation in existing stores in the Kanto region.

In our store openings strategy tailored to individual local communities’ needs, we started our “Senior-friendly LAWSON” format in regions where the proportion of senior citizens is relatively higher than elsewhere to provide special merchandise assortments, shopping carts, relaxation spaces and other features geared to the needs of the elderly. Besides, in urban areas, using know-how acquired through the operation of LAWSON STORE100 outlets, we also began to strengthen existing stores by attracting a wider customer range, through introducing a range of perishable food products which are packaged in moderate small portions to existing LAWSON stores. With the aim of impressing in the minds of our customers as “ a new LAWSON store,” we named the new store format as “LAWSON PLUS” which is based on these measures. Not only changing the shop interior and exterior design, including the color of signboards, but also enhancing the merchandise assortment aimed at the middle-aged, senior and female customers, we expect to realize an increase in customers.

As a consequence of these measures, 700 new stores (including 47 “NATURAL LAWSON” stores and 35 “LAWSON STORE100” stores) were opened and 502 were closed during the year, including those that were relocated, resulting in 8,564 domestic stores (including 100 “NATURAL LAWSON” stores and 80 “LAWSON STORE100” stores), an increase of 198 compared with the end of the previous fiscal year.

Meanwhile, the number of stores operated by SHANGHAI HUALIAN LAWSON CO., LTD., which develops the chain store business in Shanghai, the People's Republic of China and one of our affiliated companies accounted for by the equity method, increased by eight to 291.

As a result, the number of LAWSON stores totaled 8,855 (8,564 domestic stores and 291 overseas stores) globally.

<Other Business Developments>
In terms of service, we handled more than 140 million payments for bill settlement service such as public utility payments, expanding the total amount of the handled payments to ¥1,204 billion. We also expanded our network of ATMs, so that we now cover 30 of Japan's 47 prefectures. We continued to take proactive measures during this fiscal year for “LAWSON PASS,” introduced in August 2002, to acquire new members. Moreover, in order to strengthen the approach to a point card system that is popular among housewives, and middle-aged and elderly customers, we started issuing “MY LAWSON POINT” cards, which are point cards without a credit function. The total number of card holders of “LAWSON PASS” and “MY LAWSON POINT” was approximately 3.4 million as of February 28, 2007.

In order to improve the convenience of customers in bill settlement, we entered into a business alliance with NTT DoCoMo, Inc. in March 2006, and actively installed multifunction terminals capable of handling settlement transactions in a range of major electronic money formats (such as “iD™”) in our stores.

In the corporate social responsibility (CSR) field, we continued our environmental protection and social contribution activities as well as our energy-saving and waste-reduction initiatives, with franchise owners and employees working together with the CSR Promotion Office under the direct control of the President. Now into its 16th year, LAWSON Green Fund, in addition to the existing forest development activities, started to extend its tree-planting activities with elementary schools in February 2006, as an event held in locations which are more familiar to customers. The number of schools involved in this initiative had reached 38 by February 28, 2007. The Company proactively helped with relief fund-raising and provision of supplies to disaster sites, after typhoons, earthquakes and other disasters occurring during

the year. As a result, the total amount since fiscal 1992 under the LAWSON Green Fund and our fund-raising campaigns for disaster-relief projects have risen to ¥3.0 billion as of February 28, 2007. In addition, in order to facilitate waste-food recycling, we aggressively promoted our waste cooking-oil recycle activity in our stores, which resulted in the total number of stores participating in such recycling activities to reach approximately 7,000 as of February 28, 2007. Those activities contributed to the reduction of food waste, combined with other initiatives such as turning edible waste into fertilizer and livestock feed.
Moreover, we proactively promoted a customer calling campaign to request customers' cooperation in reducing the use of plastic bags. As a result, the volume of plastic bags used per store decreased by almost 3% in volume terms on average compared with the previous fiscal year.

As for the internal control systems, the Company, in respect to its corporate philosophy and the "LAWSON Ethical Mission Statement," addressed compliance and risk management through the efforts of its central governance including the Board of Directors, which has a half of outside directors; the Board of Corporate Auditors; the Compliance & Risk Management Committee; and the Internal Audit and Correction Office, which mainly controls internal audits. On February 21, 2006, the Board of Directors adopted a resolution, the "2006 Basic Policy for Improvement of Internal Control Systems," to implement relevant control systems as of March 1, 2006. Based on this policy, the Company improved its relevant systems and rules relating to internal control systems and reinforced its commitment to upgraded compliance and risk management.

[Total Operating Revenue in the Convenience Store Business]

Total Operating Revenue (¥Millions)	Year over Year (%)
266,002	105.6

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

Product Group	Sales (¥Millions)	Composition Ratio (%)	Year over Year (%)
Processed foods	705,155	50.9	103.4
Fast foods	324,993	23.4	104.1
Daily delivered foods	155,575	11.2	103.1
Non-food products	200,907	14.5	92.8
Total	1,386,630	100.0	101.8

(Other Operations)
In addition to convenience store operations, the LAWSON Group conducts a ticket sales business, e-commerce business, a financial service business, a consulting business, and a restaurant business.

LAWSON TICKET, INC., which engages in the ticket selling business, saw a sales performance that exceeded those for the previous fiscal year in terms of tickets for concerts, its mainstay business, and theatrical performances and sports events.

A sound performance was recorded by LAWSON ATM Networks, Inc, our financial services arm, which increased both the number of ATMs installed in LAWSON stores, etc. and the number of ATM transactions. As of February 28, 2007, this company installed 4,245 ATMs in stores across Japan.

naturalBeat Co., Ltd. , a company engaged in the restaurant business, has been consolidated with the LAWSON Group, effective from the year under review.

[Total Operating Revenue in Other Business]

Total Operating Revenue (¥Millions)	Year over Year (%)
20,010	105.9

(2) Capital Expenditures and Financing
Capital expenditures of the Group during the year totaled ¥35,949 million, of which ¥31,509 million was primarily for store facility investment in land and buildings and ¥4,420 million was for the reinforcement of information systems.

The Company's own funds were applied to all the capital expenditures required for capital investments during the year ended February 28, 2007.

(3) Changes in Operating Results and Financial Position

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

Fiscal term / Category	Fiscal 2004 29th Term	Fiscal 2005 30th Term	Fiscal 2006 31st Term	Fiscal 2007 32nd Term
Total operating revenue (¥Millions)	245,601	254,395	268,058	283,053
Ordinary profit (¥Millions)	36,563	42,322	43,940	44,646
Net income (¥Millions)	18,571	20,435	22,025	20,983
Net income per Share (¥)	175.78	198.47	215.50	201.50
Total assets (¥Millions)	354,831	356,309	375,106	398,258
Net assets (¥Millions)	154,317	160,282	175,184	199,493
Net assets per share (¥)	1,479	1,568	1,712	1,868

2) Changes in Operating Results and Financial Position of the Company

Fiscal term / Category	Fiscal 2004 29th Term	Fiscal 2005 30th Term	Fiscal 2006 31st Term	Fiscal 2007 32nd Term
Net Sales of LAWSON Stores including Franchised Stores (¥Millions)	1,285,018	1,329,077	1,360,495	1,377,842
Total operating revenue (¥Millions)	231,099	239,534	248,041	256,023
Ordinary profit (¥Millions)	37,629	42,237	43,639	44,526
Net income (¥Millions)	19,018	20,585	22,707	21,733
Net income per share (¥)	180.01	199.93	222.18	208.70
Total assets (¥Millions)	349,328	350,180	368,276	389,109
Net assets (¥Millions)	157,843	163,991	179,505	200,257
Net assets per share (¥)	1,513	1,604	1,754	1,917

Note:
Effective from fiscal 2005 (30th Term), the year ended February 28, 2005, "1) Changes in Operating Results and Financial Position" have been expressed with figures truncated below the unit compared with the previous method of rounding off.

(4) Challenge for the Future Success
The LAWSON Group recognizes the following to be the priorities facing the convenience store business, and also described below are the core management strategies we have formulated to cope with these issues.

1) Growing Need to Broaden Customer Segments
To realize the corporate philosophy, "Happiness and Harmony in our Community," and cope with a declining birthrate and aging society, the LAWSON Group will need to target not only men in their 20s and 30s, their traditional core customers, but also women and the elderly.

2) Changes in Market Structure and in Intensifying Competition due to Deregulation
In addition to growing disparities among regions, deregulation such as the revision of the Large Scale Retail Store Location Law and the Pharmaceutical Affairs Law is also occurring. In addition, customers' needs have become more diversified and supermarkets, which intend to extend operating hours, restaurants, ready-meal suppliers and drugstores are engaging in fierce inter-sector competition. We must therefore review our traditional management practices and merchandizing structures centering on nationwide standardization to restructure our stores to achieve a new and convenient CVS better suited to customer lifestyles.

3) Increasing Social Concern About CSR

As publicly listed corporations, convenience store chain operators must not only seek profit, but also recognize the societal duties that their sector bears, and conduct operations in awareness of CSR prerogatives.

4) Improving internal control systems and thoroughly raising awareness of compliance

Based on the "2007 Basic Policy for Improvement of Internal Control Systems," we will further encourage the improvement of various internal control systems and increased awareness to compliance, thereby ensuring that all employees are sufficiently informed of the appropriate corporate behaviors that comply with our corporate philosophy.

In addition, another core component of our medium- to long-term strategy of the LAWSON Group is the adoption of a store format suited to the individual local communities; we are working hard to increase the satisfaction of respective local communities and each and every one of the customers we serve. Also, anticipating further changes to our operating environment in the future, we are taking measures to enhance customer convenience. We are making our best efforts to support owners of franchised stores so that they can make their stores more customer-orientated and improve profits.

We look forward to the continued support and encouragement of our shareholders.

2. Current Status at the End of the Year

(1) Major Business Operations and Principal Offices

(Convenience Store Business)

1) LAWSON, INC.

Major Business: LAWSON, INC., operates the LAWSON-brand franchise system and Company-operated stores as the headquarters of LAWSON convenience chain stores

Head Office: 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 (Shinagawa-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 103 offices throughout Japan including District Offices.

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	500	Tokyo	895	Shiga	125	Kagawa	97
Aomori	151	Kanagawa	494	Kyoto	193	Ehime	163
Iwate	172	Niigata	108	Osaka	835	Kochi	61
Miyagi	157	Toyama	99	Hyogo	482	Fukuoka	316
Akita	136	Ishikawa	72	Nara	104	Saga	60
Yamagata	57	Fukui	85	Wakayama	116	Nagasaki	79
Fukushima	97	Yamanashi	61	Tottori	82	Kumamoto	91
Ibaraki	105	Nagano	139	Shimane	74	Oita	119
Tochigi	103	Gifu	104	Okayama	119	Miyazaki	84
Gunma	69	Shizuoka	148	Hiroshima	124	Kagoshima	107
Saitama	333	Aichi	329	Yamaguchi	110	Okinawa	130
Chiba	287	Mie	84	Tokushima	108	Total	8,564

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 (100) is included in the table above.

Head Office: Shinagawa-ku, Tokyo

3) VALUE LAWSON, Inc.

Major Business: VALUE LAWSON, Inc., engages in the operations of “LAWSON STORE 100” stores. The number of “LAWSON STORE 100” stores (80) 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, etc.
i-Convenience, Inc	Shinagawa-ku, Tokyo	e-commerce business	Engages in the merchandising business and provides services and information through its mobile phone site "LAWSON MOBILE"
LAWSON ATM Networks, Inc	Shinagawa-ku, Tokyo	Financial services–related business	Establishes shared ATMs in LAWSON stores, etc.
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) Employees

1) Employees of the Corporate Group

Designation of Business Segment	Number of Employees (Increase from the Previous Fiscal Year)
Convenience store business	3,322 (17)
Ticket sales business	158 (2)
e-commerce business	24 (4)
Financial services-related business	15 (2)
Consulting business	95 (4)
Total	3,614 (29)

2) Employees of the Company

Number of Employees	(Increase from the Previous Fiscal Year)	Average Age	Average Years of Service
3,131	(11)	37.1	10.5

(3) Status of Major Business Combinations

1) Important Subsidiaries

Company Name	Common Stock (¥Millions)	Equity Position (%)	Major Business
NATURAL LAWSON, INC.	98	100.0	Convenience store business
VALUE LAWSON, Inc.	99	100.0	Convenience store business
LAWSON TICKET, INC.	2,892	50.8	Ticket sales business
i-Convenience, Inc	2,000	51.0	e-commerce business
LAWSON ATM Networks, Inc	3,000	58.0	Financial services-related business
BestPractice Inc.	10	100.0	Consulting business

2) Other Important Business Combinations

i) Important Affiliated Companies

Company Name	Common Stock	Equity Position (%)	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
naturalBeat Co., Ltd.	¥435 million	33.4	Restaurant business

Notes:

1. naturalBeat Co., Ltd., became an affiliated company accounted for by the equity method during the year as a result of the Company's subscription for its capital increase through the third-party allocation of new shares as of February 22, 2007.
2. As of March 16, 2007, Ninety-nine Plus Inc. became an affiliated company accounted for by the equity method as the Company subscribed for a capital increase through the third-party allocation of new shares.

ii) Important Business Alliance

Mitsubishi Corporation holds 31.0% 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.

II. CURRENT STATUS OF THE COMPANY

1. Shares at the End of the Year

(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 (Including 186,918 shares of treasury stock)
(3) Number of Unit *(tangen)* Shares: 100 shares
(4) Number of Shareholders: 40,904
(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Equity position (%)
Mitsubishi Corporation	32,089	30.7
Japan Trustee Services Bank, Ltd. (Trust account)	7,769	7.4
Marubeni Foods Investment Co., Ltd.	5,939	5.7
The Master Trust Bank of Japan, Ltd. (Trust account)	5,910	5.7
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,610	2.5
NTT DoCoMo, Inc.	2,092	2.0
Mellon Bank N.A. as Agent for its Client Mellon. Omnibus US Pension	1,401	1.3
The Nomura Trust & Banking Co., Ltd. (Investment trust account)	1,194	1.1
STATE STREET BANK AND TRUST COMPANY 505103	1,126	1.1
The Sumitomo Trust & Banking Co., Ltd. (Trust account B)	1,093	1.0

Note: The number of shares held in the above table is based on the register of shareholders.

2. Status of stock acquisition rights

(1) Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2007

	Preemptive Rights	2nd Stock Acquisition Rights	3rd Stock Acquisition Rights	4th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (Excluding outside directors) Outside directors Corporate auditors	1 person — 1 person — 1 person —	3 persons (170 units) 1 person (30 units) —	3 persons (180 units) 3 persons (90 units) —	4 persons (230 units) 4 persons (120 units) —
Class of shares subject to stock acquisition rights	Common stock of LAWSON, INC.	Common stock of LAWSON, INC.	Common stock of LAWSON, INC.	Common stock of LAWSON, INC.
Number of shares subject to stock acquisition rights	23,000	20,000	27,000	35,000
Value of property invested in exercising stock acquisition rights (per share)	—	¥3,517	¥4,320	¥4,160
Exercisable period	May 27, 2002, through May 25, 2007	July 3, 2005, through July 2, 2008	June 10, 2006, through June 9, 2009	October 12, 2007, through December 31, 2010
Major exercise conditions	A qualified person to whom preemptive rights are granted shall be either a director or an employee of the Company as of the date when the rights are granted and also when they are exercised.	A person entitled to stock acquisition rights may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock at the Tokyo Stock Exchange exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 20% or more.	A person entitled to stock acquisition rights may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock at the Tokyo Stock Exchange exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 20% or more.	A person entitled to stock acquisition rights may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock at the Tokyo Stock Exchange exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more.

	5th Stock Acquisition Rights	6th (a) Stock Acquisition Rights	6th (b) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (Excluding outside directors) Outside directors Corporate auditors	2 persons (164 units) 4 person (26 units) —	4 persons (187 units) 4 persons (22 units) —	4 persons (250 units) 4 persons (120 units) —
Class of shares subject to stock acquisition rights	Common stock of LAWSON, INC.	Common stock of LAWSON, INC.	Common stock of LAWSON, INC.
Number of shares subject to stock acquisition rights	19,000	20,900	37,000
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥4,053
Exercisable period	October 13, 2005, through May 31, 2025	October 27, 2006, through May 26, 2026	October 28, 2008, through October 26, 2011
Major exercise conditions	A person entitled to stock acquisition rights may exercise his or her rights only for a period of five (5) years from the day following the date when he or she lost the director's position of the Company.	A person entitled to stock acquisition rights may exercise the stock option for subscription only for a period of five (5) years from the day following the date when he or she lost both the director's position and the executive officer's position within the exercisable period of the stock acquisition rights above.	A person entitled to stock acquisition rights may exercise his or her stock option for subscription only when the closing price for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange on the day preceding the exercise date (the closing price of the nearest trading day if such closing price was not established on the preceding day) exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more (with a fraction below one (1) yen to be rounded up).

(2) Stock Acquisition Rights Issued to Executive Officers of the Company during the Year

Date of resolution adopted by the Board of Directors	October 11, 2006
Number of persons to whom the stock acquisition rights were issued and the number of stock acquisition rights (units):	
Executive officers of the Company (Excluding those who concurrently serve as officers of the Company)	14 persons (430 units)
Class of shares subject to stock acquisition rights	Common stock of LAWSON, INC.
Number of shares subject to stock acquisition rights	43,000
Value of property invested in exercising stock acquisition rights (per share)	¥4,053
Exercisable period	October 28, 2008, through October 26, 2011
Major exercise conditions	A person entitled to stock acquisition rights may exercise his or her stock option for subscription only when the closing price for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange on the day preceding the exercise date (the closing price of the nearest trading day if such closing price was not established on the preceding day) exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more (with a fraction below one (1) yen to be rounded up).

3. Directors and Corporate Auditors

(1) Positions, Names and Assignments

Position	Name	Postings, Assignments in the Company or Representative Positions in Other Companies
Representative Director	Takeshi Niinami	President and CEO
Representative Director	Eiichi Tanabe	Senior Executive Vice President and CFO, in charge of Corporate Planning Office
Director	Toru Moriyama	Senior Executive Vice President and General Manager, Merchandising & Logistics Division
Director	Manabu Asano	Senior Executive Vice President and CCO, in charge of General Affairs and Internal Audit
Director	Hiroshi Tasaka	Professor, Graduate School of Tama University
Director	Reiko Yonezawa	President, The R Co., Ltd.
Director	Muneaki Masuda	President, Culture Convenience Club Co., Ltd.
Director	Koji Furukawa	Senior Advisor to the President, Mitsubishi Corporation
Director	Takehiko Kakiuchi	General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation
Standing Corporate Auditor	Kenji Yamakawa	
Standing Corporate Auditor	Munehiko Nakano	
Corporate Auditor	Tetsuo Ozawa	Lawyer
Corporate Auditor	Hiroshi Kuwata	General Manager, Risk Management Department, Mitsubishi Corporation

Notes:

1. Directors Hiroshi Tasaka, Reiko Yonezawa, Muneaki Masuda, Koji Furukawa and Takehiko Kakiuchi are outside directors as stipulated in Article 2, Item 15, of the Corporate Law.
   As Muneaki Masuda resigned from the director's position as of December 19, 2006, the position in the table above indicates his position at his resignation.
2. Standing Corporate Auditor Munehiko Nakano and Corporate Auditors Tetsuo Ozawa and Hiroshi Kuwata are outside corporate auditors as stipulated in Article 2, Item 16, of the Corporate Law.
3. Standing Corporate Auditor Kenji Yamakawa has assumed responsible posts for many years in the finance and accounting departments of the Company and other companies, thereby having considerable expertise in finance and accounting.
   Standing Corporate Auditor Munehiko Nakano has assumed posts for many years in the financial and accounting departments of Mitsubishi Corporation, thereby having considerable expertise in finance and accounting.
   Corporate Auditor Tetsuo Ozawa, lawyer, has practiced law and advised on risk management mainly in relation with the legal affairs of companies, thereby having considerable expertise in finance and accounting.
   Corporate Auditor Hiroshi Kuwata has assumed posts for many years in the investment management and examination and risk management departments of Mitsubishi Corporation, thereby having considerable expertise in finance and accounting.
4. Changes in positions as approved with resolutions by the 31st Ordinary General Meeting of Shareholders and the Board of Directors meeting, both held on May 26, 2006, are as follows:

Appointment	Director	Toru Moriyama
	Director	Manabu Asano
Retirement from office	Director	Katsuhiko Yamasaki
	Director	Koichi Narita
Appointment	Standing Corporate Auditor	Munehiko Nakano
Resignation	Standing Corporate Auditor	Masaaki Kojima

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

Executive Vice President	Susumu Hasegawa	Senior Vice President	Katsuyuki Imada
Senior Vice President	Ichiro Okuda	Senior Vice President	Kenji Morimoto
Senior Vice President	Takatoshi Kawamura	Senior Vice President	Takaki Mizuno
Senior Vice President	Konoshin Deguchi	Senior Vice President	Norikazu Nishiguchi
Senior Vice President	Shigeru Niikura	Senior Vice President	Jun Miyazaki
Senior Vice President	Kiyoteru Suzuki	Senior Vice President	Yoshiyuki Yahagi
Senior Vice President	Yoshio Shinozaki	Senior Vice President	Masatoshi Okada
Senior Vice President	Shigeaki Kawahara		

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

Category	Number of persons	Amount paid (¥Millions)
Directors	9	248
Corporate Auditors	4	58
Total	13	307

Notes:

1. As of February 28, 2007, the number of directors in office was eight and that of corporate auditors was four.
2. Of the above total, the remuneration to eight outside officers (outside directors and outside corporate auditors) was ¥84 million.
3. The above amount paid figures include the portions corresponding to stock acquisition rights as stock options to directors and the reserve for retirement benefits to corporate auditors.

(3) Outside Directors and Outside Corporate Auditors

1) Hiroshi Tasaka (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- President, SophiaBank Limited
- Director, SBI Holdings, Inc.
- Fellow, The Japan Research Institute, Limited

The Company has no business relationship with SophiaBank, in which Hiroshi Tasaka assumes the post of President; SBI Holdings, in which he assumes the post of Director; or The Japan Research Institute, Limited, in which he serves as a fellow.

Positions concurrently held as a corporate officer of other corporations:

- Outside director, OK Wave

Major activities during the year:

(Attendance at the Board of Directors meetings and opinions issued thereat)

He attended nine of 15 Board meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a learned person and a management executive.

2) Reiko Yonezawa (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- President, The R CO., Ltd.
- Representative Director, R&R Inc.

The Company and The R, in which Reiko Yonezawa assumes the post of President, have a business relationship with regard to operations related to the entrustment of reception services. The Company has no business relationship with R&R Inc., in which Reiko Yonezawa assumes the post of Representative Director.

Positions concurrently held as a corporate officer of other corporations:

- Outside director, Nihon Enterprise Co., Ltd.
- Outside director, Japan Post Corporation

Major activities during the year:

(Attendance at the Board of Directors meetings and opinions issued thereat)

She attended 12 of 15 Board meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive.

3) Muneaki Masuda (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- President, Culture Convenience Club Co., Ltd.
- President, TSUTAYA Co., Ltd.
- Chairman and CEO, T CARD & MARKETING Co., Ltd.
- Representative Director, CCC Investment Co., Ltd.
- President, CCC Casting Co., Ltd.
- President, Masuda & Partners Co., Ltd.

The Company and TSUTAYA CO., LTD., in which he assumes the post of President, have a business relationship with regard to transactions related to the return of rental products.

The Company and T CARD & MARKETING Co., Ltd., in which he assumes the post of Chairman and CEO, have a business relationship with regard to transactions related to card point programs.

The Company has no business relationship with Culture Convenience Club Co., Ltd., CCC Casting Co., Ltd., or Masuda & Partners Co., Ltd., for each of which he assumes the post of President, or with CCC Investment Co., Ltd., in which he assumes the post of Representative Director.

Positions concurrently held as a corporate officer of other corporations:

- Outside director, BOOKOFF CORPORATION
- Outside director, Rakuten, Inc.
- Outside director, KADOKAWA GROUP HOLDINGS, INC.
- Outside director, Nippon Shuppan Hanbai Inc.
- Outside director, KITAMURA Co., Ltd.

Major activities during the year:

(Attendance at the Board of Directors meetings and opinions issued thereat)

He attended five of 11 Board meetings held during his tenure in the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a management executive.

Note: As Muneaki Masuda resigned the director's position as of December 19, 2006, the description above indicates the circumstances at his resignation.

4) Koji Furukawa (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- Chairman and CEO, Japan Post Bank Co., Ltd.
- Senior Advisor to the President, Mitsubishi Corporation

The Company has no business relationship with Japan Post Co., Ltd., in which Koji Furukawa assumes the post of Chairman and CEO. The Company and Mitsubishi Corporation, in which he assumes the post of Senior Advisor to the President and which is a large shareholder of the Company, have a business relationship under extensive business tie-up agreements.

Positions concurrently held as a corporate officer of other corporations:

- Outside director, Japan Post Corporation
- Outside director, Astellas Pharma Inc.

Major activities during the year:

(Attendance at the Board of Directors meetings and opinions issued thereat)

He attended 10 of 15 Board meetings held during the year and appropriately questioned and/or remarked based on his knowledge as a management executive and abundant experience in risk management.

5) Takehiko Kakiuchi (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation

The Company and Mitsubishi Corporation, in which he serves as employee and which is a large shareholder of the Company, have a business relationship under extensive business tie-up agreements.

Positions concurrently held as a corporate officer of other corporations:

- Outside director, KENTUCKY FRIED CHICKEN JAPAN LTD.

Major activities during the year:

(Attendance at the Board of Directors meetings and opinions issued thereat)

He attended 14 of 15 Board meetings held during the year and appropriately questioned and/or remarked based on his abundant occupational experience in investment in business and examination of investment projects.

6) Munehiko Nakano (Corporate Auditor)

Major activities during the year:

As a standing corporate auditor, he examined financial documents, and visited relevant establishments and business partners to examine business operations and financial positions thereof. He also monitored and verified

the execution of duties of directors and other personnel including those relating to the improvement of internal control systems.
(Attendance at the Board of Directors and the Board of Corporate Auditors meetings and opinions issued thereat)
He attended 13 of 13 Board of Directors meetings and 11 of 11 Board of Corporate Auditors meetings held during his tenure in the year and appropriately questioned and/or remarked based on his abundant occupational experience in accounting and investment management.

7) Tetsuo Ozawa (Corporate Auditor)
Positions concurrently held as a corporate officer of other corporations:
- Outside corporate auditor, Monex Beans Holdings, Inc.
- Outside corporate auditor, Monex Inc.

Major activities during the year:
He attended 14 of 15 Board of Directors meetings and 14 of 14 Board of Corporate Auditors meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as lawyer.

8) Hiroshi Kuwata (Corporate Auditor)
Positions concurrently held as an executive director, etc., of other corporations:
- General Manager, Risk Management Department, Mitsubishi Corporation

The Company and Mitsubishi Corporation, in which he serves as employee and which is a large shareholder of the Company, have a business relationship under extensive business tie-up agreements.
Major activities during the year:
(Attendance at the Board of Directors and the Board of Corporate Auditors meetings and opinions issued thereat)
He attended 13 of 15 Board of Directors meetings and 13 of 14 Board of Corporate Auditors meetings held during the year and appropriately questioned and/or remarked based on his abundant occupational experience in risk management.

(4) Outline of the Agreement to Limit Their Liability with Outside Directors and Outside Corporate Auditors
The Company has entered into an agreement with the outside directors and outside corporate auditors to limit their liability with regard to the damages outlined under Article 423, Paragraph 1, of the Corporate Law, whereby their liability shall be, at a maximum, the total sum of the amounts set forth in the respective relevant items of Article 425, Paragraph 1, of the Corporate Law.

4. Independent Auditor

(1) Designation of Independent Auditor

Deloitte Touche Tohmatsu

(2) Amounts of Remunerations, etc., to be Paid to the Independent Auditor

1) The remuneration to be paid by the Company to the Independent Auditor: ¥45 million

2) Sum of money or other property benefits to be paid by the Company and its subsidiaries to the Independent Auditor: ¥66 million

Note: The audit agreement entered into by the Independent Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Corporate Law 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 1) above indicates the total of these two kinds of amounts.

(3) Non-Audit Services

The Company entrusts the following services, which do not come under the business set forth in Article 2, Paragraph 1, of the Certified Public Accountant Law (non-audit services), to the Independent Auditor:

1) Consulting on the disclosure of quarterly financial information; and

2) Consulting on the preparation of documents translated into English for brief results announcements and other various financial documents.

(4) Policy on Decisions Concerning Dismissal or Non-Reappointment of the Independent Auditor

In case the Board of Directors determines it necessary to do so, including the case that any violation or infringement of the Corporate Law, the Certified Public Accountant Law, and other laws and regulations by the Independent Auditor is revealed, the Board of Directors shall, upon consent of the Board of Corporate Auditor, submit a proposal for dismissal or non-reappointment of the Independent Auditor to a general meeting of shareholders. In addition, the Board of Corporate Auditors is allowed to dismiss the Independent Auditor concerned with a unanimous resolution if it determines that any act or circumstance of the Independent Auditor falls under any of the events set forth in Article 340, Paragraph 1, of the Corporate Law.

III. SYSTEMS TO ENSURE COMPLIANCE OF THE DIRECTORS' EXECUTION OF DUTIES WITH LAWS, REGULATIONS AND THE ARTICLES OF INCORPORATION, AS WELL AS ENSURING THE PROPRIETY OF OTHER BUSINESS OPERATIONS

At the Board of Directors meeting held on February 20, 2007, based on the improved and operating circumstances of the preceding "2006 Basic Policy for Improvement of Internal Control Systems," which was resolved at the Board of Directors meeting held on February 21, 2006, the Company passed the resolution called the "2007 Basic Policy for Improvement of Internal Control Systems" as indicated below.

(1) Systems to Ensure Compliance of the Execution of Duties by Directors and Employees with Laws, Regulations and the Articles of Incorporation

1) The Board of Directors shall determine the improvement policies and plans for the internal control systems including those for compliance with laws, regulations and the like (hereinafter the "Compliance") and receive status reports thereof periodically.
2) The Board of Directors shall maintain and improve the supervising function regarding the execution of duties by the Directors by electing outside Directors on an ongoing basis.
3) The Corporate Auditors shall independently audit the execution of duties by the Directors, including the status concerning the improvement and operation of the internal control systems.
4) The Internal Audit Department, which is independent from the business-executing bodies, shall audit the status concerning the improvement and operation of the internal control systems, and recommend improvements thereof, as required.
5) The Board of Directors shall maintain and raise the awareness of officers and employees to the Compliance by thoroughly disseminating the LAWSON Ethical Mission Statement with such measures including, but not limited to, appointing the Chief Compliance Officer (CCO), staffing the personnel in charge of the Compliance, streamlining the rules in relation to the Compliance and providing periodic training on ethics.
6) The Legal Affairs Department shall be reinforced to fortify foundations to comply with legal requirements by identifying the laws and regulations applicable to the Company's businesses and clarifying the content thereof to the relevant departments and sections.
7) The Company shall establish and upgrade the reporting and consulting systems (internal and outside consulting organs and a group-wide lateral consulting organization) in which informants shall be fully protected in a secure manner.

(2) Systems to Preserve and Manage Information Pertaining to the Execution of Duties by Directors

1) The Company shall establish and maintain its information handling system to record, preserve and manage any information in relation to the decision making at important meetings such as those of the Board of Directors and the Management Council, and the authorizing documents including those for the President's approval, as well as financial, clerical and risk-compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing the relevant parties to inspect the above information.
2) The Company shall manage and monitor its information systems in a secure manner, in combination with the maintenance thereof utilizing the appropriate contingency actions.
3) The Company shall establish and maintain rules regarding the management of various documents (including electromagnetic media for recording) to allow users to use the information effectively to perform their business operations more appropriately and efficiently.

(3) Rules and Other Systems Regarding Risk Management

1) The Company shall identify risks that might have adverse effects on the Company's management in connection with its business purposes, analyze the probability and degree of such risk factors, and evaluate whether intensive countermeasures should be taken, as well as improving rules related to the risk management and preliminary risk-prevention system during peacetime.
2) To ensure the effectiveness of its risk management, the Company shall establish a professional committee ("Compliance & Risk Management Committee"), which authority, responsibility and the chairperson are clarified. Furthermore, the Company shall endeavor to increase the awareness about the risk management by assigning the necessary risk management staff to each department/section and associated company and conducting the risk management education training.
3) The Company shall develop the contingency systems and the formation policy of contingency-responsive organs in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events,

which might have adverse effects on the management of the Company, in order to smoothly cope with an actual occurrence thereof and take effective recurrence preventive measures.

(4) Systems to Ensure the Efficient Execution of Duties by Directors
1) The Company shall clarify the functional authority and responsibility of the respective Directors and employees for decision making and more appropriate execution of business affairs. The Company shall also improve the rules on segregation of duties to ensure and encourage more appropriate allocation of roles and collaboration among organizations.
2) The Company shall promote raising operational efficiency via the streamlining of operations, organizational downsizing and the appropriate use of IT.
3) In order to promote proper transmission of information and communications between officers and employees, the Company shall improve the mechanism in which management guidelines and this policy are communicated to employees by corporate officers, whereas the important field information is appropriately transmitted from employees to corporate officers at the proper timing.

(5) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and Its Subsidiaries
1) The Company shall endeavor to maintain and enhance the LAWSON brand through close collaboration with the subsidiaries and affiliated companies (hereinafter referred to as the "Associated Companies"). However, with regards to the affiliated companies, we endeavor to carry out the establishment and operation thereof by means of phased implementation and the like by taking into account such factors including, but not limited to, the relations with other leading shareholders, difference in laws, regulations and business customs and the like of foreign countries .
2) While respecting the independence of the Associated Companies, in view of the purpose of the Company's equity participation in associated companies, the Company shall endeavor to streamline the codes at the LAWSON Group level such as basic policies for the management of the Associated Companies and management policies thereof to ensure the appropriateness of the group-wide business operations.

(6) Employees in Cases Where a Corporate Auditor Requests That the Company Dispatch Several Employees as Assistants to Support His/Her Duties
1) The Company shall assign appropriate personnel to the Auditors' Office as employees exclusively assisting the Corporate Auditors in the execution of their duties therein (hereinafter the "Corporate Auditor's Staff").
2) A Corporate Auditor's Staff may serve concurrently as Corporate Auditors of any of the Associated Companies.
3) The Legal Affairs, Risk Management and Finance and Accounting departments of the Company shall assist the Corporate Auditors to conduct necessary surveys for audits when requested by any Corporate Auditor.

(7) Independence of the Employees from Directors in the Preceding Item
1) The merit rating of the Corporate Auditor's Staff shall be made by the standing Corporate Auditors to carry out their duties appropriately. Their personnel changes shall require the prior consent of the standing Corporate Auditors.

(8) Systems For Directors and Employees to Report to the Corporate Auditors and Other Systems Relating to Reporting to the Corporate Auditors
1) The Directors and employees of the Company shall report important matters for corporate management and business administration, as well as the status and results of the execution of their duties, to Corporate Auditors in order for the effective execution of the duties by the Corporate Auditors. Such important matters include such compliance- and risk-related issues and other matters relating to internal control.
2) In case that the Board of Directors becomes aware of any fact or event, which will likely cause the Company to suffer significant damage or loss, it shall immediately inform thereof to the Board of Corporate Auditors.
3) Reporting to the Board of Corporate Auditors shall be basically conducted in good faith without fail, and shall be promptly conducted if required apart from the periodic reports.

(9) Other Systems to Ensure Effective Audits by the Corporate Auditors

1) The Representative Directors and the Corporate Auditors shall have regular meetings to enhance smooth communications with each other.
2) In order to perform their duties appropriately, the Directors shall cooperate with the Corporate Auditors with regards to the exchange of communications, the collection and exchange of information and so on between the Corporate Auditors of the Company and the corporate directors and the like of the subsidiaries and affiliated companies.
3) The Directors shall also cooperate in conducting surveys about significant business partners, whom the Corporate Auditors deems necessary.
4) The Directors shall arrange for such environment in which the Corporate Auditors can collaborate with outside experts, including, but not limited to, lawyers and certified public accountants, if any Corporate Auditor deems it necessary in executing his/her duties.

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, 2007)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	149,022	Current liabilities	143,513
Cash and bank deposits	71,950	Accounts payable —trade	64,999
Accounts receivable—due from franchised stores	11,710	Accounts payable— due to franchised stores	2,757
Marketable securities	19,592	Accounts payable—other	16,017
Merchandise inventories	1,788	Income taxes payable	4,754
Prepaid expenses	5,458	Deposits received	48,754
Short-term loans receivable	8,850	Accrued employees' bonuses	2,626
Accounts receivable—other	26,002	Provision for use of points granted	500
Deferred tax assets	2,795	Other	3,102
Other	989	Long-term liabilities	55,250
Allowance for doubtful accounts	(115)	Allowance for employees' retirement benefits	3,526
Fixed assets	249,235	Allowance for retirement benefits to executive officers and corporate auditors	249
Property and store equipment at net book value	104,255	Deposits received from franchisees and lessees	49,325
Buildings and structures	82,403	Allowance for impairment loss on leased property	95
Furniture, fixtures and equipment	15,548	Other	2,053
Land	4,708	Total liabilities	198,764
Construction in progress	1,594	Net assets	
Intangible assets	15,890	Owners' equity	195,366
Software	12,137	Common stock	58,506
Software development in Progress	2,648	Capital surplus	42,253
Goodwill	656	Retained earnings	95,344
Other	449	Treasury stock-at cost	(738)
Investments and other	129,089	Valuation and transaction adjustments	(227)
Investments in securities	2,569	Net unrealized gain on available-for-sale securities	319
Long-term loans receivable	24,379	Land revaluation difference	(682)
Long-term prepaid expenses	3,822	Foreign currency translation adjustments	134
Lease deposits	87,903	Stock acquisition rights	78
Deferred tax assets	11,551	Minority Interests	4,276
Deferred tax assets for land revaluation	467	Total net assets	199,493
Other	2,412		
Allowance for doubtful accounts	(4,018)		
Total Assets	398,258	Total Liabilities, and total net assets	398,258

Consolidated Statement of Income
(From March 1, 2006 to February 28, 2007)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	174,324	
Other	32,870	207,195
Net sales		
Net sales	(75,858)	75,858
Total operating revenues		283,053
Cost of goods sold	(55,370)	55,370
Gross profit on sales	(20,487)	
Operating gross profit		227,682
Selling, general and administrative expenses		183,168
Operating income		44,513
Non-operating income		
Interest received	650	
Equity in earnings of affiliated companies	102	
Other	926	1,679
Non-operating expenses		
Loss on cancellation of store lease contract	1,206	
Other	340	1,546
Ordinary profit		44,646
Special gains		
Gain on sales of fixed assets	746	
Reversal of allowance for doubtful accounts	311	
Other	230	1,288
Special losses		
Loss on disposal of fixed assets	4,638	
Loss on replacement of computer system	2,202	
Loss on impairment of long-lived assets	1,810	
Other	435	9,086
Income before income taxes and minority interests		36,848
Income taxes －current	12,377	
Income taxes – deferred	3,011	15,389
Minority interests in net income		476
Net income		20,983

Consolidated Statement of Changes in Net Assets
(From March 1, 2006 to February 28, 2007)

(Millions of yen)

	Owners' Equity					Valuation and Translation Adjustments						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Foreign Currency Transaction Adjustments	Total Valuation and Translation Adjustments	Stock acquisition rights	Minority Interests	Total Net Assets
Balance at the end of previous period	58,506	41,520	88,355	(9,144)	179,237	695	(4,854)	105	(4,053)	—	3,822	179,006
Changes of items during the period												
*Dividends from surplus			(4,602)		(4,602)							(4,602)
Dividends from surplus			(5,219)		(5,219)							(5,219)
Net income			20,983		20,983							20,983
Purchase of treasury stock – at cost				(0)	(0)							(0)
Sales of treasury stock – at cost		753		8,267	9,020							9,020
Reversal of land revaluation difference			(4,172)		(4,172)							(4,172)
Exercise of stock acquisition rights		(19)		139	119							119
Net changes of items other than owners' equity – net						(375)	4,172	29	3,825	78	454	4,358
Total changes of items during the period	—	733	6,988	8,405	16,128	(375)	4,172	29	3,825	78	454	20,486
Balance at the end of the current period	58,506	42,253	95,344	(738)	195,366	319	(682)	134	(227)	78	4,276	199,493

*Approved as appropriations of earnings at the Ordinary General Meeting of Shareholders held on May, 2006.

(Notes to the Consolidated Financial Statement)

1. Scope of consolidation
   Consolidated subsidiaries: 6 (Domestic)
   LAWSON TICKET, INC.
   i-Convenience, Inc
   LAWSON ATM Networks, Inc
   BestPractice Inc.
   NATURAL LAWSON, INC.
   VALUE LAWSON, Inc

2. Application of the equity method
   Affiliated companies to which the equity method is applied: 3
   (Domestic) LAWSON CS Card, Inc.
   naturalBeat Co., LTD
   (Foreign) SHANGHAI HUALIAN LAWSON CO., LTD.

   Investment in naturalBeat Co., LTD are accounted for by the equity method, from February 22, 2007, when it became an affiliated company by means of new shares to the Company.

3. Fiscal year end of the consolidated subsidiaries
   Fiscal year end of all consolidated subsidiaries is the same as the Company's fiscal year end.

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 (Straight – line method).
   Available-for-sale securities:
   Securities whose market value is readily determinable: Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined at cost based on the moving-average method.
   Other: Stated at cost determined by the moving-average method.

   Inventories:
   Merchandise inventories: Principally, retail method applied on an annual average cost basis.

   (2) Depreciation
   Property and store equipment:
   Depreciation is computed using the declining-balance method at rates based on estimated useful lives of the assets. The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for furniture, fixtures and equipment.

   Intangible assets:
   Amortization of intangible assets is computed by the straight-line method.
   Software costs 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 policies for important reserves

Allowance for Doubtful Accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectible 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 points granted:

The Company provides LAWSON PASS holders and MY LAWSON POINT holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits are provided at the amount accrued based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial differences are 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 with 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 Executive officers and Corporate Auditors:

Allowance for retirement benefits to corporate auditors and executive officers of The Company, and to directors and corporate auditors of the certain consolidated subsidiary are calculated to state the liability at 100% of the amount that would be required if all corporate auditors, executive officers and directors 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 Net assets.

(5) Leases

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 excluded from income and expense.

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 Goodwill

The amount of Goodwill is amortized over 5 years on a straight-line basis.

(Change in significant accounting policy)

1. Accounting Standard for the Presentation of Net assets
   The Group adopted the new accounting standard, “Accounting Standard for Presentation of Net assets in the Balance Sheet ” (ASBJ Statement No.5, December 9, 2005) and “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet”(ASBJ Guidance No.8, December 9, 2005) in this period. Shareholders’ equity calculated based on the prior standard was ¥ 195,138 million.

2. Accounting standard for Share-based Payments and its Implementation
   The Group adopted the new accounting standard, “Accounting Standard for Share-based Payments and its Implementation“ (ASBJ Statement No.8, December 27,2005) and “Guidance on Accounting Standard for Share-based Payments and its Implementation” (ASBJ Guidance No.11, May 31,2006) in this period.
   The effect of this change decreases operating income, ordinary profit and income before income taxes and minority interests by ¥78 million for the year ended February 28, 2007, respectively.

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 103,849 million

2. Contingent liabilities
   Guarantee for bank loan borrowed by LAWSON CS Cards, Inc., the affiliated company
   ¥ 11,350 million

3. Revaluation of land used for business
   Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The revaluation difference resulted has been included in net assets, as land revaluation difference, net of the related tax which is included in 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

   The difference between book value and market value of the revalued land as of the balance sheet date was ¥ 181 million.

(Notes to the Consolidated Statement of Income)

1. Long-lived assets

The Group recognized an impairment loss mainly for each store with the smallest cash generating unit.

The Group recognized an impairment loss on the following assets that declined in value due mainly to continuous operating losses. The carrying amount of those assets were written down to the recoverable amount and was recorded in special losses.

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings and structures・furniture, fixtures and equipment and others	111
	Osaka	〃	303
	Others	〃	1,396
Total	—	—	1,810

Category by fixed assets

Buildings and Structures	1,475
Furniture, fixtures and equipment	268
Leased property	57
Other	9

Recoverable value of the impaired assets is calculated based on the net selling price or value in use. The net selling price of land was calculated based on the appraised value by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which the 6.9% discount rate was applied.

2. Loss on replacement of computer system

The Company decided to replace its computer system with next generation, including its core information system, based on an optical fiber network in 2008 and 2009. The Company recognized, loss on the replacement system, as special depreciation of the related equipment and software and the equivalent of those related to lease cancellation of the existing system.

Loss on replacement of computer system:

Lease property (cancellation)	1,623
Equipment	542
Software	36
Total	2,202

The liability of the lease cancellation equivalent to the special depreciation was recorded and included in other (long-term liability).

(Notes to the Consolidated Statement of Changes in Net assets)

1. Number of shares of outstanding stock and treasury stock.

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding stock				
Common stock	104,600	—	—	104,600
Treasury stock				
Common stock	2,313	0	2,127	186

Note: Increase in the shares of treasury stock resulted from the purchase of stock less than the unit share.
Decrease in shares of treasury stock resulted from the transfer (2,092 thousand shares) and provision in relation to the exercise of stock acquisition rights (35 thousand shares).

2. Dividend

(1) Dividend payment

Date of resolution	Class of shares	Amount of dividend payment (Millions of yen)	Dividend per share (yen)	Date attributable to dividend	Effective date
The General meeting of shareholders (May 26, 2006)	Common stock	4,602	45	As of February, 28, 2006	As of May, 26, 2006
Directors' meeting (October 11, 2006)	Common stock	5,219	50	As of August 31, 2006	As of November, 10, 2006

(2) Dividends for which the effective date is after the year - end Balance sheet date, while dividends attributed in this period.

Date of resolution	Class of shares	Reserve of Dividend	Amount of dividend payment (Millions of yen)	Dividend per share (yen)	Date attributable to dividend	Effective date
The General meeting of shareholders (May 25, 2007)	Common stock	Retained Earnings	5,220	50	As of February, 28, 2007	As of May, 28, 2007

3. Kind and number of stock which can be exercised by outstanding stock acquisition rights (excluding those before exercisable period).

Common stock 271,600 shares

(Accounting for income taxes)

Components of deferred tax assets and liabilities were described as follows:

		(Millions of yen)
Enterprise taxes payable	¥	498
Accrued employees' bonuses		1,100
Excess of depreciation		3,445
Excess of amortization of software		648
Allowance for employees' retirement benefits		3,673
Allowance for doubtful accounts		1,671
Impairment loss		1,129
Tax loss carryforward		1,758
Loss on replacement of computer system		896
Other		1,575
Subtotal of deferred tax assets	¥	16,394
Valuation allowances		(1,827)
Total deferred tax assets		14,566
Net unrealized gain on available-for-sale securities	¥	(219)
Total deferred tax liabilities		(219)
Deferred tax assets-net	¥	14,346

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

The Company and a certain domestic subsidiary have defined benefit lump - sum severance indemnity plans which cover substantially all of their employees. The Company established a trust fund for its lump - sum severance indemnity plan.

In addition, the Company has a defined contribution plan for severance payments.

Projected benefit obligations

	(Millions of yen)
a. Projected benefit obligations	(10,736)
b. Plan assets	5,547
c. Projected benefit obligations in excess of plan assets (= a + b)	(5,188)
d. Unrecognized prior service cost	1,230
e. Unrecognized actuarial differences	431
f. Allowance for employees' retirement benefits (=c + d + e)	(3,526)

Net periodic benefit cost

		(Millions of yen)
a. Service cost	¥	1,105
b. Interest cost		213
c. Amortization of prior service cost		175
d. Amortization of actuarial differences		128
e. Net periodic benefit cost	¥	1,622
f. Contribution to defined contribution plan		245
g. Total (= e + f)		1,868

Note: Net periodic benefit cost in the consolidated subsidiary, which adopted the simplified method, are included in "a. Service cost."

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)

(Per Share data)

1. Net assets per share 1,868.91 yen
2. Net income per share 201.50 yen

Non-consolidated Balance Sheet <u>(As of February 28, 2007)</u>

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	135,696	Current liabilities	134,150
Cash and bank deposits	61,536	Accounts payable —trade	64,308
Accounts receivable—due from franchised stores	11,711	Accounts payable— due to franchised stores	2,757
Marketable securities	15,994	Accounts payable—other	14,633
Merchandise inventories	1,491	Income taxes payable	4,285
Prepaid expenses	5,376	Consumption taxes payable	547
Short-term loans receivable	11,940	Accrued expenses	2,113
Accounts receivable—other	23,905	Deposits received	42,474
Deferred tax assets	2,696	Accrued employees' bonuses	2,448
Other	1,159	Provision for use of points granted	494
Allowance for doubtful accounts	(114)	Other	87
Fixed assets	253,412	Long-term liabilities	54,701
Property and store equipment at net book value	103,736	Allowance for employees' retirement benefits	3,472
Buildings	68,276	Allowance for retirement benefits to executive officers and corporate auditors	190
Structures	13,673	Deposits received from franchisees and lessees	49,319
Furniture, fixtures and equipment	15,483	Allowance for impairment loss on leased property	95
Land	4,708	Other	1,623
Construction in progress	1,594	Total liabilities	188,851
Intangible assets	15,364	Net assets	
Software	11,762	Owners' equity	200,541
Software development in progress	2,530	Common stock	58,506
Goodwill	645	Capital surplus	42,253
Other	426	Additional paid-in capital	41,520
Investments and other	134,310	Other capital surplus	733
Investments in securities	762	Retained earnings	10,519
Investments in subsidiaries and affiliated company	7,824	Legal reserve	727
Investments in affiliated limited private company	438	Other retained earnings	
Long-term loans receivable	24,379	General reserve	50,000
Long-term prepaid expenses	3,578	Earned surplus brought forward	49,792
Lease deposits	87,583	Treasury stock-at cost	(738)
Deferred tax assets	11,424	Valuation and transaction adjustments	(362)
Deferred tax assets for land revaluation	467	Net unrealized gain on available-For-sale securities	319
Other	1,868	Land revaluation difference	(682)
Allowance for doubtful accounts	(4,018)	Stock acquisition rights	78
		Total net assets	200,257
Total Assets	389,109	Total Liabilities, and total net assets	389,109

Non-consolidated Statement of Income
(From March 1, 2006 to February 28, 2007)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	174,335	
Other	16,338	190,674
Net sales		
Net sales	(65,349)	65,349
Total operating revenues		256,023
Cost of goods sold	(46,998)	46,998
Gross profit on sales	(18,350)	
Operating gross profit		209,025
Selling, general and administrative expenses		164,652
Operating income		44,373
Non-operating income		
Interest and dividend income	696	
Other	920	1,617
Non-operating expenses		
Loss on cancellation of store lease contract	1,143	
Other	320	1,463
Ordinary profit		44,526
Special gains		
Gain on sales of fixed assets	745	
Reversal of allowance for doubtful accounts	311	
Other	214	1,270
Special losses		
Loss on disposal of fixed assets	4,395	
Loss on replacement of computer system	2,202	
Loss on impairment of long-lived assets	1,810	
Other	426	8,834
Income before income taxes		36,963
Income taxes - current	11,733	
Income taxes - deferred	3,496	15,229
Net income		21,733

Non-consolidated Statement of Changes in Net Assets
(From March 1, 2006 to February 28, 2007)

(Millions of yen)

	Owners' Equity										
		Capital Surplus			Retained Earnings						
						Other retained earnings					
	Common Stock	Additional Paid-in Capital	Other Capital Surplus	Total Capital Surplus	Legal Reserve	General Reserve	Earned Surplus Brought Forward	Total Retained Earnings	Treasury Stock	Total Owners' Equity
Balance at the end of previous period	58,506	41,520	—	41,520	727	50,000	42,053	92,781	(9,144)	183,663
Changes of items during the period										
*Dividends from surplus							(4,602)	(4,602)		(4,602)
Dividends from surplus							(5,219)	(5,219)		(5,219)
Net income							21,733	21,733		21,733
Purchase of treasury stock – at cost									(0)	(0)
Sales of treasury stock – at cost			753	753					8,267	9,020
Reversal of land revaluation difference							(4,172)	(4,172)		(4,172)
Exercise of stock acquisition rights			(19)	(19)					139	119
Net changes of items other than owners' equity – net										
Total changes of items during the period	—	—	733	733	—	—	7,738	7,738	8,405	16,878
Balance at the end of the current period	58,506	41,520	733	42,253	727	50,000	49,792	100,519	(738)	200,541

	Valuation and Translation Adjustments			Stock acquisition rights	Total Net Assets
	Net Unrealized Gain on Available-for-Sale Securities	Land Revaluation Difference	Total Valuation and Transaction Adjustments		
Balance at the end of previous period	697	(4,854)	(4,157)	—	179,505
Changes of during the period					
*Dividends from surplus					(4,602)
Dividends from surplus					(5,219)
Net income					21,733
Purchase of treasury stock – at cost					(0)
Sales of treasury stock – at cost					9,020
Reversal of land revaluation difference					(4,172)
Exercise of stock acquisition rights					119
Net changes of items other than owners' equity – net	(377)	4,172	3,794	78	3,873
Total changes of items during the period	(377)	4,172	3,794	78	20,751
Balance at the end of the current period	319	(682)	(362)	78	200,257

*Approved as appropriations of earnings at the Ordinary General Meeting of Shareholders held on May, 2006.

(Notes to the Non-consolidated Financial Statement)

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: Recorded at the market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based at cost 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: Principally retail method applied on an annual average cost basis.

3. Depreciation

Property and store equipment:

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

Intangible 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 points granted:

The Company provides LAWSON PASS holders and MY LAWSON POINT holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits are provided at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial differences are 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 with 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 Executive officers and Corporate Auditors:

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

5. Leases
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 excluded from income and expense.

(Change in significant accounting policy)

1. Accounting Standard for the Presentation of Net assets in the Balance Sheet
The Company adopted the new accounting standard, "Accounting Standard for Presentation of Net assets in the Balance Sheet " (ASBJ Statement No.5, December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet"(ASBJ Guidance No.8, December 9, 2005) in this period. Shareholders' equity calculated based on the prior standard was ¥ 200,179 million.

2. Accounting standard for Share-based Payments and its Implementation
The Company adopted the new accounting standard, "Accounting Standard for Share-based Payments and its Implementation"(ASBJ Statement No.8, December 27, 2005) and "Guidance on Accounting Standard for Share-based Payments and its Implementation" (ASBJ Guidance No.11, May 31, 2006) in this period.
The effect of this change decreases operating income, ordinary profit and income before income taxes by ¥78 million for the year ended February 28, 2007, respectively.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 103,556 million

2. Contingent liabilities
Guarantee for bank loan borrowed by LAWSON CS Cards, Inc., the affiliated company
¥ 11,350 million

3. Due from / to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	¥ 13,424	million
Short-term payables due to subsidiaries and affiliated companies	¥ 2,629	million
Long-term payables due to subsidiaries and affiliated companies	¥ 55	million

4. Revaluation of land used for business
Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The revaluation difference resulted has been included in net assets, as land revaluation difference, net of the related tax which is included in 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

The difference between book value and market value of the revalued land as of balance the sheet date was ¥181 million.

5. 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:	848 thousands
Issuance (exercise) price of new shares:	¥7,500 per share
Exercise period:	May 27, 2002, to May 25, 2007

(Notes to the Non-consolidated Statement of Income)

1. Transactions with subsidiaries and affiliated companies

Operating transactions			
Operating revenues	¥	775	million
Selling, general and administrative expenses	¥	3,018	million
Transactions other than operating transactions:	¥	155	million

2. Long-lived assets

The Company recognized an impairment loss mainly for each store with the smallest cash generating unit.

The Company recognized an impairment loss on the following assets that declined in value due mainly to continuous operating losses. The carrying amount of those assets were written down to the recoverable amount and was recorded in special losses.

Category by use	Location	Assets	Million of yen
Stores	Tokyo	Buildings・furniture, fixtures and equipment and others	111
	Osaka	〃	303
	Others	〃	1,396
Total	—	—	1,810

Category by fixed assets	
Buildings	1,234
Structures	240
Furniture, fixtures and equipment	268
Leased property	57
Other	9

Recoverable value of the impaired assets is calculated based on the net selling price or value in use. The net selling price of land was calculated based on the appraised value by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which the 6.9% discount rate was applied.

3. Loss on replacement of computer system

The Company decided to replace its computer system with the next generation, including its core information system, based on an optical fiber network in 2008 and 2009.The Company recognized, loss on the replacement system, as special depreciation of the related equipment and software and the equivalent of those related to lease cancellation of the existing system.

Loss on replacement of computer system:	
Lease property (cancellation)	1,623
Equipment	542
Software	36
Total	2,202

The liability of the lease cancellation equivalent to the special depreciation was recorded and included in other (long-term liability).

(Notes to the Non-consolidated Statement of Changes in Net assets)

Number of shares and kind of treasury stock

Common stock 186,918 shares

(Accounting for Income taxes)

Components of deferred tax assets and liabilities were described as follows:

(Millions of yen)

Enterprise taxes payable	¥	456
Accrued employees' bonuses		996
Loss on write down of investments in affiliated companies		667
Excess of depreciation		3,381
Excess of amortization of software		648
Allowance for employees' retirement benefits		3,650
Allowance for doubtful accounts		1,671
Impairment loss		1,129
Loss on replacement of computer system		896
Other		1,452
Total deferred tax assets	¥	14,951
Valuation allowances		(610)
Total deferred tax assets		14,340
Available-for-sale securities	¥	(219)
Total deferred tax liabilities		(219)
Deferred tax assets-net	¥	14,121

(Accounting for retirement benefits)

Summary of the retirement benefit plans:
The Company has defined benefit lump - sum severance indemnity plans which cover substantially all of their employees. The Company established a trust fund for its lump - sum severance indemnity plan.
In addition, the Company has a defined contribution plan for severance payments.

Projected benefit obligations	(Millions of yen)
a. Projected benefit obligations	(10,681)
b. Plan assets	5,547
c. Projected benefit obligations in excess of plan assets (= a + b)	(5,133)
d. Unrecognized prior service cost	1,230
e. Unrecognized actuarial differences	431
f. Allowance for employees' retirement benefits (= c + d + e)	(3,472)

Net periodic benefit cost		(Millions of yen)
a. Service cost	¥	1,042
b. Interest cost		213
c. Amortization of prior service cost		175
d. Amortization of actuarial differences		128
e. Net periodic benefit cost (= a + b + c + d)	¥	1,559
f. Contribution to defined contribution plan		245
g. Total (= e + f)		1,805

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)

(Leases)

Finance lease contracts other than those by which the ownership of the leased property is to be transferred to lessees

(1) The assumed data as to acquisition cost, accumulated depreciation and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Leased property
Furniture, fixtures and equipment	76,167	47,069	234	28,863

(2) Obligations under finance leases

	(Millions of yen)
Due within one year	14,053
Due after one year	15,748
Total	29,801
Allowance for impairment loss on leased property	95

(3) Lease payments, depreciation expense, interest expense and impairment loss

	(Millions of yen)
Lease payments	15,223
Transfer from allowance for impairment loss on leased property	82
Depreciation expense	14,286
Interest expense	899
Impairment loss	57

(4) Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of interest expense

The difference between the total lease contract amount and the acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

(Related Party Transactions)

(1) Directors and major individual shareholders, etc.

Attribute	Name	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
				Directors posts held concurrently	Business relationship				
Directors	Reiko Yonezawa	President, The R Co., Ltd.	—	Directors posts held concurrently	Outsourcing of reception desk service	Payments for outsourcing fee	8	—	—
	Muneaki Masuda	President and Representative Director, TSUTAYA Co., Ltd.	—	Directors posts held concurrently	Handling returned rental goods on behalf of TSUTAYA	Handling charges on returned rental goods on behalf of TSUTAYA	25	—	—
						Payments for tie-up fee about T card point program	373	—	—

Transaction conditions and the principles on the decision thereof:

1. Outsourcing fee is determined by negotiations similar to those negotiated with the third parties.
2. As for the handling charges on returned rental goods on behalf of Tsutaya, the terms and conditions are determined on the same basis as those for other general business transactions by taking into account the logistics costs.
3. As for payments of the tie-up fee about T card point program, the terms and conditions are determined as the same as those for other general business transactions.
4. Mr. Muneaki Masuda, external director, resigned on December 19, 2006, and transactions with him include those from March 1, 2006 to December 31, 2006.

(2) Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
				Directors posts held concurrently	Business relationship				
Affiliated companies	LAWSON CS Card, Inc	Financial service	(Ownership) Direct 0% Indirect —	One director of the Company One temporary transfer	Outsourcing of a card service etc	Increase in short-term loans receivable	2,600	Short-term loans receivable	8,850
						Interest received	53	Accrued interest receivable	11
						Guarantee for bank borrowings	11,350		
						Receipts of guarantee fee	18		

Transaction conditions and the principles on the decision thereof:

1. The Company receives guarantee fees granted to LAWSON CS Card, Inc for banks borrowings.
2. The interest rates of short-term loans were determined rationally, referring to the market interest rate.

(3) Subsidiaries of an affiliated company of the Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
				Directors posts held concurrently	Business relationship				
Subsidiaries of an affiliated company of the Company	RYOSHOKU LIMITED	Sales of processed foods	(Ownership) Direct 0.3% Indirect —	—	Vendor	Purchases for the Company-operated stores (Purchases for the franchised stores)	5,710 (83,257)	Accounts payable-trade	6,466
	Food Service Network Co, Ltd	Sales of fast foods and daily delivered foods	—	—	Vendor	Purchases for the Company-operated stores (Purchases for the franchised stores)	13,307 (205,034)	Accounts payable-trade	16,445
	SAN-ESU INC.	Confectionary wholesale business	—	—	Vendor	Purchases for the Company-operated stores (Purchases for the franchised stores)	1,724 (29,562)	Accounts payable-trade	2,795

Transaction conditions and the principles on the decision thereof:
The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, the Company acts as an alternative payer, not as direct party of purchase.

(Per Share data)
1. Net assets per share 1,917.18 yen
2. Net income per share 208.70 yen

The above amounts and the number of shares in these consolidated and non-consolidated statements are truncated below the unit, and the ratios are rounded to the nearest whole number.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 4, 2007

To the Board of Directors of LAWSON, INC.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya
Designated Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Morita

Pursuant to the fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 28, 2007 of LAWSON, INC. (the "Company") and consolidated subsidiaries, and the related statements of income and changes in net assets, and the related notes for the 32nd fiscal year from March 1, 2006 to February 28, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in 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 represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 4, 2007

To the Board of Directors of LAWSON, INC.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya
Designated Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Morita

Pursuant to the first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the balance sheet as of February 28, 2007 of LAWSON INC. (the "Company"), and the related statements of income and changes in net assets, and the related notes for the 32nd fiscal year from March 1, 2006 to February 28, 2007 and the accompanying supplemental schedules. 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 and the accompanying supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in 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 represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION ONLY)

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

AUDIT REPORT

Regarding the performance of duties by the Directors for the 32nd business term from March 1, 2006 to February 28,2007, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Corporate Auditor, and hereby report as follows:

1. Auditing Methods Employed by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods

We have established auditing policies, audit programs and other guidelines for the current term, and received the reports from each Corporate Auditor regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding the performance of their duties, and asked for explanations as necessary.

Each Corporate Auditor, pursuant to the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, has followed the auditing policies and audit programs for the current term, communicated with the Directors, officers, internal audit department and other relevant employees, endeavored to collect information and develop the audit environment, attended the meetings of the Board of Directors, the management meetings, Compliance & Risk committee meetings, and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the performance of their duties, asked for explanations whenever necessary, reviewed important authorized documents and the like, and studied the status of operations and assets at the head office, branches, and other principal offices and stores.

In addition, pursuant to the audit implementation standards of Corporate Auditors established by the Board of the Corporate Auditors, we have monitored and verified the resolution of the Board of Directors regarding the organization of the system as stipulated in item (vi) of paragraph 4, Article 362 of the Corporate Law and item 1 and item 3, Article 100 of the Ordinance for Enforcement of the Corporate Law and the status of the development and operation of the system based on such resolution (Internal Control System), as the system for ensuring that the performance of the duties by the Directors shall conform to the applicable laws and regulations and the Articles of Incorporation and other requisites, for ensuring the propriety of the Company's operations. With respect to subsidiaries, we have communicated and exchanged information with the Directors, Corporate Auditors and other relevant personnel of subsidiaries, requested the subsidiaries to report on their business where necessary, and studied their status of operations and assets. Based on the above methods, we have examined the business report and accompanying supplementary documents for this business term.

Furthermore, we have monitored and verified whether Accounting Auditor maintained its independent position and implemented appropriate audit, and we received reports from Accounting Auditor regarding the status of the performance of its duties and, whenever necessary, asked for explanations. In addition, we have received the notice from the Accounting Auditor that "System for ensuring that the duties are performed properly" (matters set forth in each item of Article 159 of the Company Accounting Regulations) is organized in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and the like, and, when necessary, asked for explanations. Based on the above methods, we have examined the "consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in stockholder's equity, and notes to consolidated financial statements)" and "non-consolidated financial statements (balance sheet, statement of income, non-consolidated statements of changes in stockholder's equity, and notes to non-consolidated financial statements) and accompanying supplementary documents" for this term.

2. Result of Audit

(1) Result of Audit of Business Report and Other Relevant Documents

1. We have found that business report and the accompanying supplementary documents fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
2. Regarding the performance of duties by the Directors, we have found no misconduct or material matter that violates applicable laws and regulations or the Articles of Incorporation.
3. We have found that the content of the resolution of the Board of Directors regarding the Internal Control System is adequate.

(2) Result of Audit of Consolidated Financial Statements
We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu, are adequate.

(3) Result of Audit of Non-consolidated Financial Statements and Accompanying Supplementary Documents
We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu, are adequate.

April 10, 2007

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor	Kenji Yamakawa
Standing Corporate Auditor (Outside Corporate Auditor)	Munehiko Nakano
Corporate Auditor (Outside Corporate Auditor)	Tetsuo Ozawa
Corporate Auditor (Outside Corporate Auditor)	Hiroshi Kuwata

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references

Proposal No. 1: Distribution of Surplus

The Company intends to pay year-end dividends as specified below 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 for future business development.

We will endeavor to raise the corporate value of the Company by appropriating the internal reserve to new store openings, the renovation of existing stores and the development of new businesses.

Year-end dividends:

(1) Allotment of property for dividends to shareholders and total amount thereof
¥50 per share of the Company's common stock for a total of ¥5,220,654,100
Note: The annual dividend per share would be ¥100 per share, including an interim dividend per share of ¥50, an increase of ¥10 from the annual dividend for previous fiscal year.

(2) Effective date of the dividends from surplus
Monday, May 28, 2007

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 the expansion of services of the franchise business, we would like to add the expressions of “and payment,” “and so on” and “conduct photo-related services and photocopy service” to ARTICLE 2: Purposes of Incorporation in the current Articles of Incorporation.

(2) To improve business efficiency, we would like to change the location of the head office from the current “Suita, Osaka Prefecture,” to “Shinagawa-ku, Tokyo,” in ARTICLE 3: Location of Head Office, as of June 1, 2007, 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
CHAPTER I: General Rules	CHAPTER I: General Rules
ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. to (The related provisions omitted) 12. 13. To operate bill settlement and collection services as agency for public utility charges; 14. (The related provision omitted) 15. To act as an advertising agent, a general travel operator, a domestic travel operator, a travel agent, and a printing and publishing agent, and manage parking lots; 16. to (The related provisions omitted) 32.	ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. to (The same as the existing ones) 12. 13. To operate bill settlement, collection and payment services as an agency for public utility charges and so on; 14. (The same as the existing one) 15. To act as an advertising agent, a general travel operator, a domestic travel operator, a travel agent, and a printing and publishing agent, conduct photo-related services and photocopy service, and manage parking lots; 16. to (The same as the existing ones) 32.
ARTICLE 3: Location of Head Office The head office of the Company shall be located in Suita, Osaka Prefecture, Japan.	ARTICLE 3: Location of Head Office The head office of the Company shall be located in Shinagawa-ku, Tokyo, Japan.
(New establishment)	(Supplementary Provision) The change of ARTICLE 3 shall come into effect as of June 1, 2007. The supplementary provision shall be deleted as of this effective date.

Proposal No. 3: Election of One (1) Director

Director Muneaki Masuda resigned as of December 19, 2006, and the current directors, Eiichi Tanabe and Koji Furukawa, will resign at the conclusion of this 32nd Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect one (1) director.

The nominee for the new director is as follows:

Name (Date of birth)	Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies		Number of the Company's Shares Held
Yoshiyuki Yahagi (May 20, 1954)	April 1979	Joined Mitsubishi Corporation	0
	January 1999	Team Leader, Investment Administration Team No. 1, Risk Management Department, Mitsubishi Corporation	
	October 2001	Team Leader, Investment Administration Team No. 1, Controller Office, and Leader, PM Committee Secretariat, Mitsubishi Corporation	
	July 2004	Deputy General Manager, Audit Department, Mitsubishi Corporation	
	December 2006	Senior Vice President and Executive Assistant to CEO, the Company.	
	March 2007	Executive Vice President and CFO, in charge of Corporate Planning Office, the Company.	
	April 2007	Executive Vice President and CFO, in charge of Corporate Planning Office and Human Resources Office, the Company. (Current position)	

Notes:

1. The nominee does not have any special interest in the Company.
2. The term of office of the elected nominee shall be until the expiration of the existing directors in office in accordance with the relevant provision of the Articles of Incorporation of the Company.
3. The nominee's Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies are as of April 11, 2007.

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

The current corporate auditors, Tetsuo Ozawa and Hiroshi Kuwata, will resign at the conclusion of this 32nd Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) corporate auditors.

The Board of Corporate Auditors has given prior consent to this proposal No. 4.

The nominees for the new corporate auditors are as follows:

No.	Name (Date of birth)	Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies		Number of the Company's Shares Held
1	Tetsuo Ozawa (June 28, 1947)	April 1973	Registered as a lawyer; joined Tokyo Fuji Legal Affairs Office (to present)	0
		May 2003	Outside corporate auditor, LAWSON, INC. (Current position)	
		June 2003	Outside corporate auditor, Monex Inc.	
		August 2004	Outside corporate auditor, Monex Beans Holdings, Inc. (Current position)	
		June 2005	Outside corporate auditor, Monex Beans, Inc. (Presently Monex Inc.) (Current position)	
2	Hiroshi Kuwata (December 3, 1956)	April 1980	Joined Mitsubishi Corporation	0
		May 2001	Manager of Risk Management, Corporate Planning Department, Mitsubishi Corporation	
		April 2004	Manager, Investment Administration Team, Controller's Office, Mitsubishi Corporation	
		May 2005	Outside corporate auditor, LAWSON, INC. (Current position)	
		April 2006	General Manager, Risk Management Department, Mitsubishi Corporation (Current position)	
		April 2007	Outside corporate auditor, Mitsubishi Corporation Financial & Management Services (Japan) Ltd. (Current position)	

Notes:

1. The nominees Tetsuo Ozawa and Hiroshi Kuwata are candidates for outside corporate auditors as stipulated in Article 2, Paragraph 3, Item 8, of the Corporate Law.
2. Reason for the election of the nominees above as outside corporate auditors and the terms of office as outside corporate auditors of the Company
   1) Tetsuo Ozawa
      He has been nominated as a candidate for outside corporate auditor because he is highly expected by management to fully perform the corporate auditor's role as a lawyer with abundant expertise in legal affairs.
      As Ozawa has served as an outside corporate auditor of the Company since May 2003, his term of office will be four years as of the conclusion of this 32nd Ordinary General Meeting of Shareholders.
   2) Hiroshi Kuwata
      He has been nominated as a candidate for outside corporate auditor because he is highly expected by management to fully perform the corporate auditor's role with abundant expertise long accumulated through his practical experience in the field of risk management at Mitsubishi Corporation, with which the Company's has a significant business collaboration.
      As Kuwata has served as an outside corporate auditor of the Company since May 2005, his term of office will be two years as of the conclusion of this 32nd Ordinary General Meeting of Shareholders.
3. The fact that the unfair execution of business affairs was made at another company where one of our corporate officers served at the relevant company, the measures to prevent a recurrence of similar unfair actions and reactions after the occurrence thereof
   Although Tetsuo Ozawa was serving as an outside corporate auditor (part-timer) of Monex Inc. ("Monex"), an admonition was made from the Securities and Exchange Surveillance Commission (SESC) to the Financial Services Agency (FSA) to take appropriate measures such as an administrative sanction toward Monex in response to an allegation of a possible violation of the Securities Exchange Law that its management of purchases and sales of securities for the customers was insufficient to prevent unfair transactions and that its management of electronic information processing organizations engaged in the securities business was also deemed insufficient. As a result, Monex received a business improvement order issued by the FSA on June 7, 2006.
   Although he was unaware of such infraction until the it was revealed, Ozawa usually marked opinions and offered proposals from the viewpoint of compliance to Monex's Board of Directors and had endeavored to prevent such infractions. After the infraction was revealed, he encouraged the Representative Directors of Monex, through its Board of Corporate Auditors, to take effective measures to prevent a recurrence of similar misconduct and also requested that the responsible officer attend a Board of Corporate Auditors meeting to explain the circumstances in detail after the submission of the business improvement report to the FSA. In this context, Monex submitted a

business improvement report to the FSA on July 7, 2006, which was officially accepted by the Agency.

4. Agreement to limit liability with the nominees
   Pursuant to Article 32 of the current Articles of Incorporation, the Company has entered into an agreement with Tetsuo Ozawa and Hiroshi Kuwata to limit their liability with regard to the damages set out under Article 423, Paragraph 1, of the Corporate Law to within the total sum of the amounts set forth in the relevant laws and regulations as far as they have been in good faith without gross negligence in executing duties, which were ascribed as the cause of the claim for damage concerned.
5. The nominees do not have any special interest in the Company.
6. The nominees' Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies are as of April 11, 2007.