(TRANSLATION ONLY)
Securities code: 2651

May 7, 2010

To Those Shareholders With Voting Rights

Takeshi Niinami
Representative Director
LAWSON, INC.
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo

NOTICE OF THE 35th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 35th Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting, please exercise your voting rights using either of the methods described below after reading the attached REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS.

[Voting in Writing (by Mail)]
Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Monday, May 24, 2010.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 24 2010 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 25, 2010
2. Place: Mielparque Hall, 5-20, Shiba-Koen 2-chome, Minato-ku, Tokyo
3. Objectives of the Meeting

Reports
The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 35th Fiscal Term (from March 1, 2009 to February 28, 2010), as well as the Audit Reports Thereof

Matters to Be Resolved
Proposal No. 1: Appropriation of Surplus
Proposal No. 2: Election of Seven (7) Directors
Proposal No. 3: Election of Two (2) Corporate Auditors
Proposal No. 4: Presentation of Retirement Benefits to Retiring Corporate Auditors

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- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Please arrive a little early because the reception desk can be congested immediately before the meeting begins.
- If you wish to exercise your voting rights by proxy, your proxy is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in the proxy's own name at the reception desk. (The qualified proxy is limited to one shareholder having voting rights for this meeting as per the relevant provision in the Articles of Incorporation.)
- If any amendment is made to this notice, such amendment will be posted on the Company's Web site.
  Results of resolutions will also be posted on the Company's Web site.
  (http://www.lawson.co.jp/company/ir/index.html)

(TRANSLATION ONLY)

BUSINESS REPORT
(March 1, 2009 through February 28, 2010)

I. CURRENT STATUS OF THE CORPORATE GROUP
1. Summary of Operations
(1) Business Developments and Results of Operations
During fiscal 2009, the year ended February 28, 2010, concerns about job security and falling personal incomes caused consumers to exercise more restraint in spending, prolonging the difficult conditions facing the Japanese retail industry. Deflation added to the industry's ongoing difficulties.

In this operating environment, the LAWSON Group (the "Company") took the following actions with the aim of improving customer satisfaction in convenience store (“CVS”) operations and other businesses to realize its corporate philosophy of "Happiness and Harmony in Our Community."

In terms of our operating results, total operating revenues rose 33.7% year-on-year to ¥467,192 million, despite a ¥1,271 million decrease in franchise commissions from franchised stores. The overall increase reflected the first full-year consolidation of Ninety-nine Plus Inc., which became a consolidated subsidiary in the previous fiscal year. Ordinary profit increased ¥653 million, or 1.3%, to ¥49,440 million. However, net income decreased ¥14,243 million, or 56.3%, to ¥11,063 million, the result mainly of the recording of a ¥12,616 million impropriety-related loss relating to the alleged misappropriation of funds by two former directors of consolidated subsidiary LAWSON ENTERMEDIA, INC. and the recording of a ¥1,936 million loss on prior period adjustment.

Operating results by business segment were as follows:

Convenience Store Operations

Merchandise Strategy and Services
On the merchandise front, the Company focused on product development in certain product categories during the fiscal year, namely fried foods, desserts, and cooked noodles. In fried foods, *L Chiki* fried chicken, which went on sale in March 2009, won strong support for its reasonable price and generous volume. Regarding desserts, LAWSON launched a new brand called *Uchi Café Sweets* in September 2009. Products made using fresh cream, such as Premium Whipped Cream Roll, won strong customer support. In cooked noodles, we revamped our pasta lineup and offered customers bona fide fresh pasta like that found in specialty stores by employing a vacuum extrusion production method.

We also sought to reduce costs by integrating purchasing of high-quality ingredients and proposing menus based around those ingredients. To this end, we continued to develop products offering a positive "surprise" to consumers with their high added value relative to price. One example is *Stamina Grilled Beef Bento*, which uses high-quality beef.

Moreover, to support our customers in their increased restraint in spending, we have also been expanding our VL (value line) series of private brand products that had hitherto mainly been featured in LAWSON STORE100 stores into LAWSON and other stores also.

In sales promotions, the Company prioritized highly effective campaigns such as the Spring Rilakkuma Fair, and Ponyo Ramen Bowl Present campaign. These promotions were popular with customers.

On the services front, the Company's bill settlement services processed approximately 162 million transactions for customers, representing a total transaction value of ¥1,553.8 billion. Meanwhile, ATMs (automatic teller machines) were installed in stores in 3 new prefectures, bringing the total number of prefectures with LAWSON stores that have ATMs to 40. The Company expanded the range of merchandise eligible for bonus points under the LAWSON PASS and MY LAWSON POINT customer loyalty programs, and ran a promotion that enabled card holders to collect more shopping points on certain days of the week, among other initiatives. As a result, the total number of point card members exceeded 11 million, reflecting continued support for the Company's customer loyalty programs.

Store Operations
In store operations, the Company continued providing guidance to franchise owners in order to ensure merchandise assortments match customer needs in each location. Guidance is continuously provided to individual stores based on a thorough understanding of the customers in each area so as to create merchandise assortments that will satisfy these

customers. In addition, following the launch of a new ordering system, the Company is offering guidance to stores on how to place orders based on customer-generated data, and applying data collected from the loyalty card programs to the creation of merchandise assortments.

The Company also continued to implement the "Mystery Shopper" program, which helps strengthen store operation capabilities. In this program, "undercover" researchers visit individual LAWSON stores as ordinary shoppers and objectively and quantitatively evaluate them from a customer's perspective.

Store Development

The Company worked to develop stores that it expects to generate high earnings, by rigorously adhering to proprietary standards for opening stores. This entailed concentrating on opening new stores mainly in major metropolitan areas in the Kanto, Kinki and Chubu regions.

In terms of store format strategy, the Company leveraged the LAWSON, NATURAL LAWSON and LAWSON STORE100 formats to promote new store openings and store renovations that match customer needs in each location.

Ninety-nine Plus Inc., which is developing a chain of fresh food convenience stores, continued to perform strongly as it responded to increased restraint in consumer spending by providing customers with a range of valuable products at a single fixed price. Going forward, the Company will continue to pursue an integrated business strategy involving Ninety-nine Plus Inc. that seeks to improve LAWSON Group management efficiency and bolster competitiveness.

[Change in Total Number of Stores] (March 1, 2009 to February 28, 2010) (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total stores as of February 28, 2009	8,509	93	925	9,527
Change during fiscal year	31	-4	71	98
Total stores as of February 28, 2010	8,540	89	996	9,625

Note: On December 1, 2009, LAWSON split off its convenience store business in Okinawa Prefecture to LAWSON Okinawa, Inc., transferring 136 LAWSON stores to the latter company.

As of February 28, 2010, the number of LAWSON stores operated by equity-method affiliate LAWSON Okinawa, Inc. in Okinawa Prefecture was 136.

In overseas operations, SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, was operating 300 stores in Shanghai, China, as of December 31, 2009.

Corporate Social Responsibility (CSR) Activities

In the CSR field, the CSR Promotion Office, which reports directly to the president, continued to lead environmental protection and social contribution activities, working together with franchise owners and employees.

As part of efforts to help create a low-carbon society, the Company set targets for reducing the CO_2 generated by power consumption at each store, and actively installed energy-saving devices. Moreover, all new stores opened after June 2009 feature energy-efficient LED lighting for signs and in stores. LAWSON also became the first retailer in Japan to introduce electric vehicles for use in business activities. In a collaborative effort with customers to fight global warming, in April 2008 the Company launched a carbon offset program, which allows customers to contribute to reducing CO_2 by purchasing carbon credits using their accumulated shopping points or cash, or by purchasing products designated for carbon offset. As of February 28, 2010, approximately 12,800 tons of CO_2 had been offset through this program. In recognition of its actions, LAWSON received the 2009 Minister of the Environment Award for Global Warming Prevention Activities. In addition, the LAWSON "Green Fund", active since 1992, in combination with donation drives in regions hit by disasters such as torrential rain, raised a total of ¥269 million in fiscal 2009.

Moving forward, working together with customers, the Company will actively continue its environmental protection and social contribution activities.

Other Activities
On August 24, 2009, the Company concluded a basic agreement on a business alliance with Matsumotokiyoshi Holdings Co., Ltd., as part of actions the Company is taking to capitalize on the June 1, 2009 amendments to the Pharmaceutical Affairs Law. Based on the business theme that "food is medicine," the two companies will help customers to achieve the healthy and comfortable lifestyles they seek. This will be achieved by providing high-value-added, highly-specialized merchandise and services and developing new types of stores.

Regarding CVS operations in Okinawa Prefecture, on December 1, 2009, we transferred 51% of the total outstanding shares of LAWSON Okinawa, Inc., which was established as a wholly owned LAWSON subsidiary, to SAN-A CO., LTD., Okinawa's largest food supermarket operator. Both LAWSON and SAN-A will now jointly manage LAWSON Okinawa. Through LAWSON Okinawa, we aim to further develop the LAWSON chain in Okinawa Prefecture, as well as better create stores that cater to regional needs.

[Total Operating Revenues in the Convenience Store Business]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
441,618	134.8

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

Product Group	Sales (¥ millions)	Composition Ratio (%)	Year-over-Year (%)
Processed foods	902,306	54.2	106.9
Fast foods	324,197	19.5	97.4
Daily delivered foods	239,088	14.3	128.5
Non-food products	200,544	12.0	102.6
Total	1,666,136	100.0	106.9

Other Businesses
In addition to convenience store operations, the LAWSON Group is involved in ticket sales, financial services, and other businesses.

On July 20, 2009, LAWSON TICKET, INC., which operates the ticket sales business, changed its name to LAWSON ENTERMEDIA, INC. The company recorded a strong performance on the back of rising sales of mainstay concert tickets as well as sporting event tickets.

LAWSON ATM Networks, Inc., which operates a financial services-related business, performed strongly as a result of an increase in the number of ATM machines installed nationwide in LAWSON stores and a rise in the number of transactions.

[Total Operating Revenues in Other Businesses]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
29,582	112.6

(2) Capital Expenditures and Financing

Capital expenditures of the LAWSON Group during the year totaled ¥40,170 million, of which ¥31,037 million was primarily for store facility investment in land and buildings, and ¥8,999 million was for the upgrading of information systems.

The LAWSON Group's own funds were used for all capital expenditures during the year ended February 28, 2010.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2006 32nd Term	Fiscal 2007 33rd Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term
Total operating revenues (¥ millions)	283,053	301,176	349,476	467,192
Ordinary profit (¥ millions)	44,646	46,244	48,787	49,440
Net income (¥ millions)	20,983	22,119	25,306	11,063
Net income per share (¥)	201.50	214.69	255.22	111.55
Total assets (¥ millions)	398,258	397,107	436,171	448,131
Net assets (¥ millions)	199,493	188,573	203,178	198,135
Net assets per share (¥)	1,868	1,867	1,983	1,935

Note: In the Consolidated Statements of Income for the year under review, we recorded a ¥12,616 million impropriety-related loss and a ¥1,936 million loss on prior period adjustment, relating to the alleged misappropriation of funds by two former directors of consolidated subsidiary LAWSON ENTERMEDIA, INC. If the income adjustment loss for the previous year is included retrospectively, the operating results and financial position for the 34th and 35th terms would be as follows.

Category/Fiscal Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term
Total operating revenues (¥ millions)	349,476	467,192
Ordinary profit (¥ millions)	48,787	49,440
Net income (¥ millions)	23,807	12,562
Net income per share (¥)	240.10	126.67
Total assets (¥ millions)	436,096	448,131
Net assets (¥ millions)	201,166	198,135
Net assets per share (¥)	1,968	1,935

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

Category/Fiscal Term	Fiscal 2006 32nd Term	Fiscal 2007 33rd Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term
Total net sales of LAWSON stores including franchised stores (¥ millions)	1,377,842	1,402,786	1,506,312	1,472,415
Total operating revenues (¥ millions)	256,023	269,582	279,739	271,513
Ordinary profit (¥ millions)	44,526	45,298	47,321	44,577
Net income (¥ millions)	21,733	18,899	22,066	20,665
Net income per share (¥)	208.70	183.43	222.54	208.38
Total assets (¥ millions)	389,109	385,335	402,117	420,444
Net assets (¥ millions)	200,257	187,146	195,634	200,506
Net assets per share (¥)	1,917	1,886	1,969	2,018

(4) Pressing Issues

During fiscal 2010, although we expect to see a recovery in the Japanese economy as overseas economies improve and emergency economic measures take effect, there is a risk that factors such as worsening employment and deflation will continue to hold the economy back. We also believe that a full-fledged rebound in consumer spending is unlikely. Furthermore, with the increasingly competitive environment in the convenience store industry, we anticipate continued severe conditions.

In this environment, LAWSON is promoting the following management measures with the aim of realizing its corporate philosophy of "Happiness and Harmony in Our Community" by responding to the changing needs of an aging society.

1) Create merchandise assortments and sales spaces based on customer-generated data
Determined to create stores and merchandise assortments that meet the needs of customers in each location, LAWSON will continue to use point card data to develop customer-centric merchandise assortments. Using the next-generation information system introduced in fiscal 2009, we will work to reduce sales opportunity losses and product disposal losses, and improve ordering precision and product development capabilities in store operations.

2) Promote the fresh foods convenience store business
As society ages and households become smaller in Japan, LAWSON will further promote the fresh foods convenience store business, mainly in residential areas, responding to customers who increasingly want to prepare and eat food at home, while expanding the customer base.

3) Provide appealing services through introduction of a multi-partner shopping points program
In March 2010, LAWSON joined the Ponta multi-partner shopping points program issued, operated and managed by Loyalty Marketing, Inc. Through the program, LAWSON will pursue broader marketing analysis and sales promotion measures in collaboration with the other participating companies as it works to provide customers with more convenient and appealing services.

4) Respond to demand for OTC drugs and healthcare
Following the June 1, 2009 amendment of the Pharmaceutical Affairs Law, LAWSON will expand OTC drug sales and help customers to achieve the healthy and comfortable lifestyles they seek based on the business theme that “food is medicine.” This will be achieved by providing high-value-added, highly-specialized merchandise and services and by developing new types of stores.

We offer our sincerest apologies for any inconvenience and concern caused by the large loss recorded as a result of the alleged misappropriation of funds by two former directors of consolidated subsidiary LAWSON ENTERMEDIA, INC. that was announced in February of this year. We are treating this matter seriously and have already taken steps aimed at preventing a reoccurrence by strengthening internal management systems and internal checks and balances at LAWSON and subsidiaries alike. We are determined to do our best to regain the trust of shareholders through these actions.

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

2. Current Status at the End of February 2010

(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 and NATURAL LAWSON convenience store chains

Head Office: Shinagawa-ku, Tokyo

Principal Offices: 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 (Kita-ku, Okayama) and Kyushu LAWSON Branch (Hakata-ku, Fukuoka)

Note: In addition to the above sites, the Company has 102 offices throughout Japan including District Offices.

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	518	Ibaraki	105	Kyoto	245	Ehime	156
Aomori	167	Tokyo	1,255	Shiga	123	Tokushima	105
Akita	148	Kanagawa	664	Nara	102	Kochi	58
Iwate	161	Shizuoka	173	Wakayama	109	Fukuoka	339
Miyagi	193	Yamanashi	66	Osaka	954	Saga	60
Yamagata	59	Nagano	133	Hyogo	541	Nagasaki	85
Fukushima	100	Aichi	446	Okayama	123	Oita	136
Niigata	104	Gifu	117	Hiroshima	140	Kumamoto	91
Tochigi	106	Mie	90	Yamaguchi	109	Miyazaki	82
Gunma	65	Ishikawa	85	Tottori	89	Kagoshima	107
Saitama	374	Toyama	111	Shimane	87		
Chiba	351	Fukui	96	Kagawa	97	Total	9,625

2) Ninety-nine Plus Inc.

Major Business: Ninety-nine Plus Inc. operates the Company-operated and franchise system stores as the headquarters of the LAWSON STORE100 and SHOP99 convenience store chains.

The 996 LAWSON STORE100 and SHOP99 stores operated by Ninety-nine Plus are included in the table above.

Head Office: Shinjuku-ku, Tokyo

Note: On May 1, 2009, Ninety-nine Plus Inc. absorbed VALUE LAWSON, Inc., which had been operating a convenience store business, at the end of the previous fiscal year, by a merger. Also, on December 1, 2009, Ninety-nine Plus Inc. absorbed Ninety-nine Plus Kansai Inc., which had been operating a convenience store business at the end of the previous fiscal year, by a merger.

Other Business

Company Name	Head Office	Major Business	
LAWSON ENTERMEDIA, INC.	Shinagawa-ku, Tokyo	Ticket sales business	Sells tickets for various events inside LAWSON stores, etc.
LAWSON ATM Networks, Inc	Shinagawa-ku, Tokyo	Financial services–related business	Installs jointly operated ATMs in LAWSON stores, etc.
BestPractice Inc.	Shinagawa-ku, Tokyo	Consulting business	Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores

Note: On March 1, 2009, LAWSON ENTERMEDIA, INC. absorbed i-Convenience, Inc., which had been operating an e-commerce business at the end of the previous fiscal year, by a merger. Also, on July 1, 2009, it changed its company name from LAWSON TICKET, INC. to LAWSON ENTERMEDIA, INC.

(2) Employees

1) Employees of the Corporate Group

Designation of Business Segment	Number of Employees (YoY Change)
Convenience store business	4,805 (-15)
Ticket sales business	282 (32)
Financial services-related business	22 (1)
Consulting business	127 (32)
Total	5,236 (50)

2) Employees of the Company

Number of Employees	(YoY Change)	Average Age	Average Years of Service
3,424	(-35)	37.9	11.0

(3) Status of Major Business Combinations

1) Important Subsidiaries

Company Name	Common Stock (¥ millions)	Shareholding (%)	Major Business
Ninety-nine Plus Inc.	5,338	77.7	Convenience store business
LAWSON ENTERMEDIA, INC.	2,892	75.5	Ticket sales business
LAWSON ATM Networks, Inc.	3,000	49.0	Financial services-related business
BestPractice Inc.	10	100.0	Consulting business

Notes:

1. On March 1, 2009, LAWSON ENTERMEDIA, INC. absorbed i-Convenience, Inc., which had been a consolidated subsidiary of LAWSON at the end of the previous fiscal year, by a merger. Also, on July 1, 2009, it changed its company name from LAWSON TICKET, INC. to LAWSON ENTERMEDIA, INC.
2. On May 1, 2009, Ninety-nine Plus Inc. absorbed VALUE LAWSON, Inc., which had been a consolidated subsidiary of Ninety-nine

Plus Inc. at the end of the previous fiscal year, by a merger. On December 1, 2009, Ninety-nine Plus Inc. absorbed Ninety-nine Plus Kansai, Inc., which had been a consolidated subsidiary wholly owned by Ninety-nine Plus Inc. at the end of the previous fiscal year, by a merger. On November 19, 2009, a share exchange agreement was concluded with the aim of making LAWSON the sole parent company and Ninety-nine Plus Inc. a wholly-owned subsidiary, but on February 9, 2010, it was decided to dissolve this agreement.

2) Other Important Business Combinations

i) Important Affiliated Companies

Company Name	Common Stock	Shareholding (%)	Major Business
SHANGHAI HUALIAN LAWSON CO., LTD.	CNY165,898 thousand	49.0	Convenience store business
LAWSON Okinawa, Inc.	¥10 million	49.0	Convenience store business

Note: LAWSON Okinawa, Inc. was established as a wholly owned LAWSON subsidiary on October 9, 2009. On December 1, 2009, we transferred 51% of the total outstanding shares of LAWSON Okinawa to SAN-A CO., LTD., thereby making LAWSON Okinawa an equity-method affiliate.

ii) Important Business Alliances

Mitsubishi Corporation holds 32.7% of the total voting rights (32,399 thousand shares) of the Company (including indirect holdings). Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into an extensive business tie-up agreement with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

On March 13, 2009, LAWSON concluded a comprehensive business alliance agreement with am/pm Japan Co., Ltd., but on May 19, 2009, the Company announced that this agreement would be dissolved.

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: 99,600,000 shares (Including 432,190 shares of treasury stock)
(3) Number of Unit *(tangen)* Shares: 100 shares
(4) Number of Shareholders: 35,691
(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.4
Marubeni Foods Investment Co., Ltd.	4,786	4.8
Japan Trustee Services Bank, Ltd. (Trust account)	3,765	3.8
The Master Trust Bank of Japan, Ltd. (Trust account)	3,363	3.4
STATE STREET BANK AND TRUST COMPANY 505223	2,543	2.6
NTT DoCoMo, Inc.	2,092	2.1
The Chase Manhattan Bank NA, London SL, Omnibus Account	1,856	1.9
STATE STREET BANK AND TRUST COMPANY 505225	1,337	1.3
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1,184	1.2
Mizuho Securities Co., Ltd.	1,087	1.1

Notes:
1. The number of shares held in the above table is based on the register of shareholders.
2. The equity position in the above table is calculated after deducting treasury stock.

2. Status of stock acquisition rights

(1) Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2010

	4th Stock Acquisition Rights	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	3 persons (160 units) 3 persons (90 units)	1 person (112 units) 3 persons (21 units)	3 persons (137 units) 3 persons (18 units)	3 persons (180 units) 3 persons (90 units)
Class and number of shares subject to stock acquisition rights	Common stock of LAWSON, INC. 25,000	Common stock of LAWSON, INC. 13,300	Common stock of LAWSON, INC. 15,500	Common stock of LAWSON, INC. 27,000
Value of property invested in exercising stock acquisition rights (per share)	¥4,160	¥1	¥1	¥4,053
Exercise period	October 12, 2007 through December 31, 2010	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	October 28, 2008 through October 26, 2011
Main exercise conditions	Note 1	Note 2	Note 3	Note 4

	7th (a) Stock Acquisition Rights	8th (a) Stock Acquisition Rights	9th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (Excluding outside directors) Outside directors	4 persons (162 units) 3 persons (18 units)	4 persons (239 units) 3 persons (25 units)	4 persons (194 units) 3 persons (21 units)
Class and number of shares subject to stock acquisition rights	Common stock of LAWSON, INC. 18,000	Common stock of LAWSON, INC. 26,400	Common stock of LAWSON, INC. 21,500
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1
Exercise period	September 6, 2007 through August 20, 2027	January 17, 2009 through December 15, 2028	February 18, 2010 through February 1, 2030
Main exercise conditions	Note 3	Note 3	Note 3

Notes:

1. A stock acquisition rights holder may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock on 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.
2. A stock acquisition rights holder may exercise his or her rights only for a period of five (5) years from the day after losing his or her position as a director of the Company.

3. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of five (5) years from the day after losing his or her position as either director and/or executive officer of the Company.
4. A stock acquisition rights holder may exercise his or her stock options when the closing price for ordinary transactions of the Company's common stock on the Tokyo Stock Exchange on the day immediately preceding the exercise date (the closing price of the nearest preceding 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	Assignments and Important Concurrent Positions Note: Important concurrent positions of outside directors given later in (3) Outside Directors and Outside Corporate Auditors
Representative Director	Takeshi Niinami	President and CEO
Director	Yoshiyuki Yahagi	Senior Executive Vice President and CFO
Director	Manabu Asano	Executive Vice President and CCO
Director	Toru Moriyama	Senior Vice President Assistant to Group CEO, Living Essentials Group Mitsubishi Corporation
Director	Hiroshi Tasaka	
Director	Reiko Yonezawa	
Director	Takehiko Kakiuchi	
Standing Corporate Auditor	Munehiko Nakano	
Standing Corporate Auditor	Kenji Yamakawa	
Corporate Auditor	Tetsuo Ozawa	
Corporate Auditor	Hiroshi Kuwata	

Notes:

1. Directors Hiroshi Tasaka, Reiko Yonezawa and Takehiko Kakiuchi are outside directors as stipulated in Article 2, Item 15, of the Corporate Law of Japan.
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 Munehiko Nakano has assumed responsible posts for many years in the accounting and administration departments of Mitsubishi Corporation and therefore has considerable expertise in finance and accounting.
   Standing Corporate Auditor Kenji Yamakawa has assumed responsible posts for many years in the finance and accounting departments of the Company and other companies and therefore has considerable expertise in finance and accounting.
   Corporate Auditor Tetsuo Ozawa, lawyer, has practiced law and advised on legal matters and risk management mainly in relation to the legal affairs of companies and therefore has considerable expertise in finance and accounting.
   Corporate Auditor Hiroshi Kuwata has served for many years in the investment management and examination departments and risk management of Mitsubishi Corporation and therefore has considerable expertise in finance and accounting.

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

Senior Executive Vice President	Takatoshi Kawamura	Senior Vice President	Yoichi Yokomizo
Senior Vice President	Norikazu Nishiguchi	Senior Vice President	Noriyuki Nobayashi
Senior Vice President	Shigeaki Kawahara	Senior Vice President	Kei Murayama
Senior Vice President	Takaki Mizuno	Senior Vice President	Ichiro Kijima
Senior Vice President	Syuichi Imagawa	Senior Vice President	Atsushi Maeda
Senior Vice President	Tatsushi Sato	Senior Vice President	Kazuo Togasa
Senior Vice President	Jun Miyazaki	Senior Vice President	Masahiro Oyama
Senior Vice President	Hajime Nakai		

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

Category	Number of persons	Amount paid (¥ millions)
Directors	7	284
Corporate Auditors	4	65
Total	11	350

Notes:

1. As of February 28, 2010, the number of directors in office was 7 and that of corporate auditors was 4.
2. Of the above total, the remuneration to 6 outside corporate officers (outside directors and outside corporate auditors) was ¥97 million. In addition to the above, total remuneration received from LAWSON subsidiaries, etc. by outside corporate officers was ¥1 million, which was received by 1 person.
3. The above remuneration figures include amounts corresponding to stock acquisition rights as stock options to directors and the reserve for retirement benefits to corporate auditors for the reporting year.

(3) Outside Directors and Outside Corporate Auditors

1) Relationship Between Major Positions Concurrently Held and the Company

Position in the Company	Name	Position Concurrently Held	Details	Relationship Between the Company and Company Where Position Concurrently Held
Director	Hiroshi Tasaka	Graduate School of Tama University SophiaBank Limited SBI Holdings, Inc. The Japan Research Institute, Limited	Professor President Director Fellow	
Director	Reiko Yonezawa	The R Co., Ltd. Culture Convenience Club Co., Ltd.	President Outside director	The Company and The R Co., Ltd., in which Reiko Yonezawa is President, have a business relationship with regard to the entrustment of reception services and employment agency services.
Director	Takehiko Kakiuchi	Mitsubishi Corporation	Division COO, Foods (Commodity) Div.	The Company and Mitsubishi Corporation, of which Mr. Kakiuchi is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.
		Kentucky Fried Chicken Japan, Ltd.	Outside director	
		The Nisshin OilliO Group, Ltd.	Outside director	
		MARUICHI Co., Ltd.	Outside director	
Corporate auditor	Munehiko Nakano	Ninety-nine Plus Inc.	Outside corporate auditor	The Company and Ninety-nine Plus Inc. have a business alliance mainly regarding joint procurement and joint product development.
Corporate auditor	Tetsuo Ozawa	Tokyo Fuji Law Office Monex Group, Inc. CEMEDINE CO., LTD.	Lawyer (Partner) Outside corporate auditor Outside corporate auditor	

Corporate auditor	Hiroshi Kuwata	Mitsubishi Corporation	General Manager, Risk Management Department	The Company and Mitsubishi Corporation, of which Mr. Kuwata is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.

Note: Where nothing is written in the column Relationship Between the Company and Company Where Position Concurrently Held, it means that the Company has no important business or other relationship with that company.

2) Major Activities During the Year

Position in the Company	Name	Major Activities
Director	Hiroshi Tasaka	Mr. Tasaka attended 12 of 16 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.
Director	Reiko Yonezawa	Ms. Yonezawa attended 13 of 16 Board meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive.
Director	Takehiko Kakiuchi	Mr. Kakiuchi attended 12 of 16 Board meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about the consumer lifestyles industry.
Corporate auditor	Munehiko Nakano	As a standing corporate auditor, Mr. Nakano examined financial documents, and visited relevant establishments and business partners to examine business operations and financial positions thereof. He monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems, and was also responsible for smooth operations of the Board of Corporate Auditors as its Chairman.

Corporate auditor	Tetsuo Ozawa	Mr. Ozawa attended 14 of 16 Board of Directors' meetings and 16 of 16 Board of Corporate Auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer.
Corporate auditor	Hiroshi Kuwata	Mr. Kuwata attended 12 of 16 Board of Directors' meetings and 15 of 16 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 Liability Limitation Agreements With Outside Directors and Outside Corporate Auditors
The Company has entered into agreements 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) Independent Auditor
Deloitte Touche Tohmatsu LLC
Note: The Independent Auditor changed its name from Deloitte Touche Tohmatsu to Deloitte Touche Tohmatsu LLC on July 1, 2009 to reflect its change in type of audit corporation to a limited liability company.

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

1) Remuneration to be paid by the Company to the Independent Auditor	¥79 million
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥149 million

Note: The audit agreement entered into by the Independent Auditor and the Company does not clearly distinguish the amount for the audit under the Corporate Law and that for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1) above indicates the total for the two audits.

(3) Non-Audit Services
The Company entrusts the following services, which do not come under the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Law (non-audit services), to the Independent Auditor:
1) Advice on and guidance on the preparation of documents translated into English for earnings reports and other various financial documents; and
2) Work related to supporting the internal control systems.

(4) Policy on Decisions Concerning Dismissal or Non-Reappointment of the Independent Auditor
If the Independent Auditor violates or infringes the Corporate Law, the Certified Public Accountant Law, or other laws or regulations, or the Company considers it necessary to do so, the Board of Directors shall, after obtaining the agreement of the Board of Corporate Auditors, 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 can dismiss the Independent Auditor with a unanimous resolution if it determines that any act or circumstance of the Independent Auditor falls under any items of Article 340, Paragraph 1, of the Corporate Law.

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

At the Board of Directors' meeting held on February 22, 2010, based on improvements and the operation of the preceding "2009 Basic Policy for Improvement of Internal Control Systems," which was approved at the Board of Directors' meeting held on February 18, 2009, the Company passed a resolution called the "2010 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 and Regulations and the Articles of Incorporation

1) The Board of Directors shall determine the improvement policies and plans for 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 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 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 regarding compliance by thoroughly disseminating the LAWSON Group Code of Conduct and the LAWSON Ethical Mission Statement by such measures including, but not limited to, as appointing a Chief Compliance Officer (CCO), establishing a department to oversee compliance, assigning personnel in charge of compliance at each department, streamlining the rules in relation to compliance, and providing periodic training on ethics and awareness surveys on compliance.
6) The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company's businesses and communicating the content thereof to the relevant departments and sections.
7) The Company shall establish and upgrade normal reporting routes for reporting any violations of laws, regulations or internal rules, and upgrade reporting and consulting systems (internal and outside contact points and a group-wide consulting contact point) that fully protect informants.
8) The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on and deal with improper demands by consulting with lawyers, the police and the like.

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

1) The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the Board of Directors and the Management Council, and authorizing documents, including those approved by the President, as well as financial, clerical and risk- and compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing relevant parties to inspect the above information.
2) The Company shall manage and monitor its information systems in a secure manner, in addition to maintaining the systems by sufficiently taking into account contingencies.
3) The Company shall establish and maintain rules regarding the management of documents (including electromagnetic recording media), keep everyone informed about the responsibility and authority for document management, document storage periods and management methods, and periodically monitor the status of document storage and management.
4) The Company shall establish and maintain rules regarding the protection of personal information and the management of trade secrets, and appropriately and safely store and manage personal information and important trade secrets.
5) The Company shall establish and maintain rules regarding the disclosure of important Company information, and upgrade the system for disclosing information that must be disclosed according to the requirements of laws, regulations and stock exchanges, in an appropriate, timely and fair manner.

(3) Rules and Other Systems Regarding Risk Management

1) The Company shall establish a department to oversee risk management, improve rules related to risk management, and improve group-wide risk-prevention systems during normal operations. Moreover, the Company shall respond according to the characteristics of risks by identifying risks that might have adverse effects on the

Company's management in connection with its business purposes in each department, analyzing the probability of such risk factors materializing and their impact, and evaluating whether intensive countermeasures should be taken.

2) To ensure the effectiveness of risk management, the Company shall establish a specialist committee ("Compliance & Risk Management Committee"), and clarify the authority and responsibility of the committee and its chairperson. Furthermore, the Company shall endeavor to increase awareness about risk management by assigning risk management staff to departments and associated companies and conducting risk management training.
3) The Company shall develop contingency systems and formulate policy for contingency-response bodies in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events, which might have adverse effects on management of the Company, in order to provide a quick response to any actual occurrence thereof and to take effective measures to prevent a reoccurrence. In particular, the Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management (BCM) system to minimize the business interruption in the event of the occurrence of situations or events inflicting substantial damage on the Company such as a large-scale natural disaster or an epidemic of a new-type influenza.

(4) Systems to Ensure the Efficient Execution of Duties by Directors

1) The Company shall clarify the functional authority and responsibility of corporate officers and employees for decision making and execution of business affairs. The Company shall also improve rules for the division of duties to ensure and encourage more appropriate division of duties and collaboration among organizational bodies.
2) The Company shall work to raise operational efficiency by simplifying business processes, streamlining the organization and making appropriate use of IT.
3) In order to promote the proper communication of information and communications between officers and employees, the Company shall improve systems so that management guidelines and policies are disseminated to employees by corporate officers, and important field information is properly communicated by employees to corporate officers in a timely manner.

(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 subsidiaries and affiliated companies (hereinafter "Associated Companies"). However, with regards to affiliated companies, the Company will work to appropriately establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders, difference in laws, regulations and business customs and the like of foreign countries.
2) While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof, and keep the Associated Companies informed of these regulations.
3) The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies, and promote improvements based on the results of audits.

(6) Necessary Systems to Ensure Proper Financial Reporting by the Company and its Group of Companies

1) The Company shall enhance systems for preparing financial statements according to laws and regulations and accounting standards and disclosing the same after they have been discussed, examined and confirmed in accordance with regulations governing information disclosure, in order to report financial information in a proper and timely manner.
2) The Company shall establish a dedicated internal organization in order to properly implement the internal control reporting system required by the Financial Instruments and Exchange Act, as an internal control for financial reporting. Furthermore, the Company shall establish a system for self- and third-party evaluation and improvement through the identification and recording of business processes at important business bases and the status of Company-wide internal controls. The results of these evaluations of and improvements at the Company and important subsidiaries shall be regularly reported to the Board of Directors.

(7) Matters Concerning Employees Where a Corporate Auditor Requests Employees to Assist With Duties

1) The Company shall assign appropriate personnel to the Auditors' Office as employees exclusively to assist Corporate Auditors in the execution of their duties (hereinafter "Corporate Auditors' Staff").
2) Corporate Auditors' Staff may serve concurrently as Corporate Auditors of Associated Companies.
3) Corporate Auditors' Staff shall have the authority to conduct investigations necessary for audits by Corporate

Auditors following the instructions of Corporate Auditors.

4) The Legal Affairs, Risk Management and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any Corporate Auditor.

(8) Independence of Employees From Directors in the Preceding Item

Performance reviews of Corporate Auditors' Staff shall be conducted by the Standing Corporate Auditors to ensure that Corporate Auditors' Staff carry out their duties appropriately. Personnel changes require the prior consent of the Standing Corporate Auditors.

(9) Systems for Directors and Employees to Report to Corporate Auditors and Other Reporting Systems to the Corporate Auditors

1) Directors and employees of the Company shall report important corporate management and business administration matters, as well as the status and results of the execution of their duties, to Corporate Auditors so that the Corporate Auditors can carry out their duties effectively. Such important matters include compliance- and risk-related issues and other matters relating to internal control.
2) If directors become aware of any fact or event that will likely cause the Company to suffer significant damage or loss, they shall immediately inform the Board of Corporate Auditors.
3) Reports to Corporate Auditors shall basically be made in good faith without fail, and shall be made promptly if required in addition to periodic reports.

(10) Other Systems to Ensure Effective Audits by Corporate Auditors

1) The Representative Directors and Corporate Auditors shall have regular meetings to enhance smooth communications with each other.
2) Directors shall cooperate with the Corporate Auditors with regards to communications, the collection and exchange of information and so on between the Corporate Auditors and the corporate directors and the like of Associated Companies so that the Corporate Auditors can perform their duties appropriately.
3) Directors shall also cooperate in conducting surveys of significant business partners, which the Corporate Auditors deem necessary.
4) Directors shall enable the Corporate Auditors to collaborate with outside experts such as 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 rounded down to the nearest unit and the ratios are rounded to the nearest whole number.

Consolidated Balance Sheet (As of February 28, 2010)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	132,198	Current liabilities	184,496
Cash and bank deposits	64,017	Accounts payable —trade	73,189
Accounts receivable—due from franchised stores	20,790	Accounts payable— due to franchised stores	1,024
Marketable securities	2,500	Lease obligations	4,641
Merchandise inventories	4,446	Accounts payable—other	22,134
Prepaid expenses	6,980	Income taxes payable	9,852
Accounts receivable—other	26,445	Deposits received	65,858
Deferred tax assets	4,587	Accrued employees' bonuses	2,789
Other	2,587	Provision for use of points granted	2,097
Allowance for doubtful accounts	(155)	Other	2,909
Fixed assets	315,933	Long-term liabilities	65,499
Property and store equipment	145,308	Lease obligations	19,410
Buildings and structures	96,452	Allowance for employees' retirement benefits	6,206
Furniture, fixtures and equipment	12,858	Allowance for retirement benefits to executive officers and corporate auditors	217
Land	6,526	Deposits received from franchisees and lessees	38,710
Lease assets	28,867	Allowance for impairment loss on leased property	471
Construction in progress	603	Other	484
Intangible assets	34,407	Total liabilities	249,996
Software	26,259	Net assets	
Software development in progress	3,415	Owners' equity	192,485
Goodwill	4,248	Common stock	58,506
Other	484	Capital surplus	41,520
Investments and other	136,216	Retained earnings	94,171
Investments in securities	2,053	Treasury stock	(1,713)
Long-term loans receivable	29,724	Valuation and translation adjustments	(554)
Long-term prepaid expenses	5,753	Net unrealized loss on available-for-sale securities	14
Lease deposits	83,205	Land revaluation difference	(634)
Deferred tax assets	15,274	Foreign currency translation adjustments	65
Claims provable in bankruptcy, claims provable in rehabilitation and other	13,631	Stock acquisition rights	346
Other	1,211	Minority interests	5,858
Allowance for doubtful accounts	(14,636)	Total net assets	198,135
Total Assets	448,131	Total Liabilities, and total net assets	448,131

Consolidated Statement of Income
(From March 1, 2009 to February 28, 2010)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	185,656	
Other	47,842	233,498
Net sales		
Net sales	(233,693)	233,693
Total operating revenues		467,192
Cost of goods sold	(173,722)	173,722
Gross profit on sales	(59,970)	
Operating gross profit		293,469
Selling, general and administrative expenses		243,193
Operating income		50,275
Non-operating income		
Interest received	696	
Compensation received for removal	342	
Equity in earnings of affiliates	61	
Other	575	1,676
Non-operating expenses		
Interest expense	394	
Loss on cancellation of store lease contract	1,578	
Other	539	2,511
Ordinary profit		49,440
Special gains		
Gain on change in equity	625	
Gain on sales of investment in subsidiaries	1,628	
Other	143	2,397
Special losses		
Loss on disposal of fixed assets	3,898	
Loss on impairment of long-lived assets	3,903	
Impropriety-related loss	12,616	
Loss on prior period adjustment	1,936	
Other	1,544	23,899
Income before income taxes and minority interests		27,938
Income taxes －current	18,392	
Income taxes – deferred	(1,092)	17,299
Minority interests in net income		(424)
Net income		11,063

Consolidated Statement of Changes in Net Assets
(From March 1, 2009 to February 28, 2010)

(Millions of yen)

	Owners' equity					Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total owners' equity	Net unrealized loss on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance at the end of previous period	58,506	41,520	99,310	(1,712)	197,624	(28)	(969)	59	(937)	274	6,217	203,178
Changes of items during the period												
Dividends from surplus			(15,866)		(15,866)							(15,866)
Net income			11,063		11,063							11,063
Reversal of land revaluation difference, net of tax			(334)		(334)							(334)
Purchase of treasury stock – at cost				(0)	(0)							(0)
Net changes of items other than owners' equity – net						42	334	6	383	71	(359)	95
Total changes of items during the period	—	—	(5,138)	(0)	(5,138)	42	334	6	383	71	(359)	(5,043)
Balance at the end of the current period	58,506	41,520	94,171	(1,713)	192,485	14	(634)	65	(554)	346	5,858	198,135

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

Consolidated subsidiaries: 4

(Domestic) LAWSON ENTERMEDIA, INC.
LAWSON ATM Networks, Inc.
BestPractice Inc.
Ninety-nine Plus Inc.

Because LAWSON ENTERMEDIA, INC. merged on March 1, 2009 with i-Convenience, Inc., which was a LAWSON consolidated subsidiary at the end of the previous fiscal year, i-Convenience, Inc. has been excluded from the number of LAWSON's consolidated subsidiaries.

Because Ninety-nine Plus Inc. merged on May 1, 2009 with VALUE LAWSON, Inc., which was a consolidated subsidiary of LAWSON at the end of the previous fiscal year, VALUE LAWSON, Inc. has been excluded from the number of LAWSON's consolidated subsidiaries. Furthermore, since Ninety-nine Plus Inc. on December 1, 2009 merged Ninety-nine Plus Kansai Inc., which was a wholly owned consolidated subsidiary of the former at the end of the previous fiscal year, Ninety-nine Plus Kansai Inc. has also been excluded from the number of consolidated subsidiaries. In all cases, income statements were consolidated up until the merger dates.

2. Application of the equity method

(1)Affiliated companies to which the equity method is applied: 2

(Domestic) LAWSON Okinawa, Inc.

(Foreign) SHANGHAI HUALIAN LAWSON CO., LTD.

LAWSON Okinawa, Inc. was established as a wholly owned LAWSON subsidiary on October 9, 2009, but became an equity-method affiliate following the transfer of 51% of total outstanding shares of the company to SAN-A CO., LTD. on December 1, 2009.

(2) Affiliated companies to which the equity method is not applied

The Company does not apply the equity method to two affiliated companies (Live Asia, Inc. and KOBE HOT DELI Co., LTD.), because the financial figures such as net income, retained earnings, and others are negligibly insignificant in comparison with the Company's consolidated financial statements.

(3) Special notes concerning procedures for application of the equity method:

Among equity method application companies, the closing date is December 31 for SHANGHAI HUALIAN LAWSON CO., LTD. . When preparing the consolidated financial statements, the Company used these companies' financial information prepared based on the financial data at the end of the most recently fiscal quarter and, as required, made certain adjustments for significant transactions that subsequently occurred in the intervening period until the end of the consolidation fiscal year.

3. Fiscal year end of the consolidated subsidiaries

Ninety-nine Plus Inc. changed its fiscal year end from March 31 at the end of the previous fiscal year to February 28 at its ordinary general meeting of shareholders on June 25, 2009. As a result of this change, the number of months included in the current fiscal year is 14, representing the period from January 1, 2009 through February 28, 2010.

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 the market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

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

Inventories:

Merchandise inventories are stated principally at cost being determined by the retail method (the book value on the balance sheet is written down for a decline in profitability).

(2) Depreciation

Property and store equipment (except for lease assets):

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 (except for lease 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.

Lease assets:

In terms of the depreciation method for lease assets related to finance leases that do not transfer ownership of leased properties, the Company applies the straight-line method using the lease terms as the useful lives and a residual value of zero.

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 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, and to directors and corporate auditors of a 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 translation 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

The Company continues to account for as rental transactions finance leases that do not transfer ownership of leased properties and that commenced before the first fiscal year in which the new accounting standard was applied.

(6) Accounting for consumption tax

Consumption tax is excluded from income and expense.

(7) Change of significant accounting policies

1) Adoption of Accounting Standard for Measurement of Inventories

Effective March 1, 2009, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 (July 5, 2006)) and states inventories principally at cost, being determined by the retail method (the book value on the balance sheet is written down for a decline in profitability) in accordance with this standard. In the past, the Company principally accounted for inventories at cost determined by the retail method. This change had no effect on earnings.

2) Adoption of Accounting Standard for Lease Transactions

Effective March 1, 2009, the Company adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (First Subcommittee of the Business Accounting Council), revised March 30, 2007)) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Accounting Committee of the Japanese Institute of Certified Public Accountants), revised March 30, 2007). As a result, the Company now accounts for finance leases that do not transfer ownership in a similar manner with ordinary sale and purchase transactions.

As a result, compared with the previous method, the Company recorded lease assets of ¥28,867 million under fixed assets, and lease obligations of ¥4,641 million and ¥19,410 million under current liabilities and long-term liabilities, respectively, on the consolidated balance sheet. The impact on earnings was negligible.

However, the Company continues to account for as rental transactions finance leases that do not transfer ownership of leased properties and that commenced before the fiscal year in which the new accounting standard was applied.

3) Change of Disclosure Method

Effective March 1, 2009, the line item "claims provable in bankruptcy, claims provable in rehabilitation and other" is shown separately due to an increase in monetary materiality. This item was included in "Other" in the fiscal year ended February 28, 2009, at which point it amounted to ¥1,032 million.

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

Goodwill is amortized on a straight-line basis over relevant years, depending on the reason for the occurrence of goodwill, with a maximum of 20 years.

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 134,339 million

2. 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 resulting revaluation difference has been included in net assets as land revaluation difference.

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 ¥ 232 million.

(Notes to the Consolidated Statement of Income)

1. Impropriety-related loss and loss on prior period adjustment

LAWSON booked an impropriety-related loss of ¥12,616 million and a loss on prior period adjustment of ¥1,936 million in the consolidated statement of income in connection with the discovery of alleged misconduct by two former directors of consolidated subsidiary LAWSON ENTERMEDIA, INC. The loss on prior period adjustment relates to the 34th fiscal term ended February 28, 2009. If it had been retroactively adjusted instead of being recognized as a one-off item in the fiscal year ended February 28, 2010, the consolidated net profit for the fiscal year ended February 28, 2009 would have decreased by ¥1,498 million and the consolidated net profit for the fiscal year ended February 28, 2010 would have been higher by the same amount.

2. 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 were recorded in special losses.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures・Furniture, fixtures and equipment and others	427
	Osaka	Buildings and structures・Furniture, fixtures and equipment and others	191
	Others	Buildings and structures・Furniture, fixtures and equipment and others	2,784
Other	—	Goodwill	500
Total	—	—	3,903

Category by fixed assets	（Millions of yen）
Buildings and structures	2,125
Furniture, fixtures and equipment	273
Land	395
Goodwill	500
Leased property	442
Other	166

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 mainly the 4.9% discount rate was applied.

(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	99,600	—	—	99,600
Treasury stock				
Common stock	463	0	—	432

Note: Increase in 0 thousand shares in treasury stock resulted from the purchase of stock less than unit share.

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, 2009)	Common stock	7,933	80	As of February, 28, 2009	As of May, 27, 2009
Directors' meeting (October 8, 2009)	Common stock	7,933	80	As of August 31, 2009	As of November, 10, 2009

(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, 2010)	Common stock	Retained Earnings	7,933	80	As of February, 28, 2010	As of May, 26, 2010

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

Common stock 324,800 shares

(Accounting for Income Taxes)

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

	(Millions of yen)
Enterprise taxes payable	906
Accrued employees' bonuses	1,135
Excess of depreciation	5,371
Excess of amortization of software	919
Allowance for employees' retirement benefits	4,797
Allowance for doubtful accounts	5,807
Impairment loss	2,396
Tax loss carryforward	1,523
Loss on replacement of computer system	412
Other	3,668
Subtotal of deferred tax assets	26,937
Less valuation allowances	(7,076)
Total deferred tax assets	19,861

(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	(12,528)
b. Plan assets	5,576
c. Projected benefit obligations in excess of plan assets (= a + b)	(6,952)
d. Unrecognized prior service cost	702
e. Unrecognized actuarial differences	43
f. Allowance for employees' retirement benefits (=c + d + e)	(6,206)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	972
b. Interest cost	242
c. Amortization of prior service cost	175
d. Amortization of actuarial differences	136
e. Net periodic benefit cost (= a + b +c + d)	1,527
f. Contribution to defined contribution plan	271
g. Total (= e + f)	1,799

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	1,935.41	yen
2. Net income per share	111.55	yen

Non-consolidated Balance Sheet (As of February 28, 2010)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	111,412	Current liabilities	157,764
Cash and bank deposits	53,862	Accounts payable —trade	64,271
Accounts receivable—due from franchised stores	20,767	Accounts payable— due to franchised stores	905
Marketable securities	2,500	Lease obligations	3,751
Merchandise inventories	1,063	Accounts payable—other	17,502
Prepaid expenses	6,339	Income taxes payable	8,812
Accounts receivable—other	21,484	Accrued expenses	1,778
Deferred tax assets	3,188	Deposits received	55,999
Other	2,280	Accrued employees' bonuses	2,629
Allowance for doubtful accounts	(74)	Provision for use of points granted	2,095
		Other	17
Fixed assets	309,031	Long-term liabilities	62,173
Property and store equipment	133,828	Lease obligations	16,298
Buildings	77,843	Allowance for employees' retirement benefits	6,095
Structures	11,968	Allowance for retirement benefits to executive officers and corporate auditors	201
Furniture, fixtures and equipment	11,708	Deposits received from franchisees and lessees	38,735
Land	6,526	Allowance for impairment loss on leased property	452
Lease assets	25,177	Other	390
Construction in progress	603	Total liabilities	219,937
Intangible assets	27,807	Net assets	
Software	23,226	Owners' equity	200,803
Software development in progress	3,336	Common stock	58,506
Goodwill	786	Capital surplus	41,520
Other	458	Additional paid-in capital	41,520
Investments and other	147,395	Retained earnings	102,490
Investments in securities	294	Legal reserve	727
Investments in subsidiaries and affiliated company	18,301	Other retained earnings	
Investments in affiliated limited private company	438	General reserve	50,000
Long-term loans receivable	29,670	Earned surplus brought forward	51,762
Long-term prepaid expenses	5,201	Treasury stock	(1,713)
Lease deposits	79,338	Valuation and translation adjustments	(643)
Deferred tax assets	14,424	Net unrealized loss on available-for-sale securities	(8)
Other	1,705	Land revaluation difference	(634)
Allowance for doubtful accounts	(1,979)	Stock acquisition rights	346
		Total net assets	200,506
Total Assets	420,444	Total Liabilities, and total net assets	420,444

Non-consolidated Statement of Income
(From March 1, 2009 to February 28, 2010)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	183,566	
Other	22,112	205,678
Net sales		
Net sales	(65,834)	65,834
Total operating revenues		271,513
Cost of goods sold	(47,046)	47,046
Gross profit on sales	(18,788)	
Operating gross profit		224,467
Selling, general and administrative expenses		179,469
Operating income		44,997
Non-operating income		
Interest and dividend income	864	
Compensation received for removal	294	
Other	359	1,518
Non-operating expenses		
Interest expense	264	
Loss on cancellation of store lease contract	1,382	
Other	292	1,939
Ordinary profit		44,577
Special gains		
Gain on sales of investment in subsidiaries	1,671	
Other	97	1,769
Special losses		
Loss on disposal of fixed assets	3,863	
Loss on impairment of long-lived assets	2,867	
Other	1,143	7,874
Income before income taxes		38,471
Income taxes - current	16,903	
Income taxes - deferred	902	17,806
Net income		20,665

Non-consolidated Statement of Changes in Net Assets
(From March 1, 2009 to February 28, 2010)

(Millions of yen)

	Owners' equity								
	Common stock	Capital surplus		Retained earnings				Treasury stock	Total owners' equity
		Additional paid-in capital	Total capital surplus	Legal reserve	Other retained earnings		Total retained earnings		
					General reserve	Earned surplus brought forward			
Balance at the end of previous period	58,506	41,520	41,520	727	50,000	47,298	98,025	(1,712)	196,339
Changes of items during the period									
Dividends from surplus						(15,866)	(15,866)		(15,866)
Net income						20,665	20,665		20,665
Reversal of land revaluation difference, net of tax						(334)	(334)		(334)
Purchase of treasury stock – at cost								(0)	(0)
Net changes of items other than owners' equity – net									
Total changes of items during the period	—	—	—	—	—	4,464	4,464	(0)	4,463
Balance at the end of the current period	58,506	41,520	41,520	727	50,000	51,762	102,490	(1,713)	200,803

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Net unrealized loss on available-for-sale securities	Land revaluation difference	Total valuation and translation adjustments		
Balance at the end of previous period	(10)	(969)	(979)	274	195,634
Changes of during the period					
Dividends from surplus					(15,866)
Net income					20,665
Reversal of land revaluation difference, net of tax					(334)
Purchase of treasury stock – at cost					(0)
Net changes of items other than owners' equity – net	2	334	336	71	408
Total changes of items during the period	2	334	336	71	4,871
Balance at the end of the current period	(8)	(634)	(643)	346	200,506

(Notes to the Non-consolidated Financial Statements)

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 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 at cost being determined by the retail method (the book value on the balance sheet is written down for a decline in profitability).

3. Depreciation

Property and store equipment(except for lease assets):

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(except for lease 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.

Lease assets:

In terms of the depreciation method for lease assets related to finance leases that do not transfer ownership of leased properties, the Company applies the straight-line method using the lease terms as the useful lives and residual values of zero.

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

The Company continues to account for as rental transactions finance leases that do not transfer ownership of leased properties and that commenced before the first fiscal year in which the new accounting standard was applied.

6. Accounting for consumption tax

Consumption tax is excluded from income and expense.

7. Change of significant accounting policies

(1) Adoption of Accounting Standard for Measurement of Inventories

Effective March 1, 2009, the Company adopted the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 (July 5, 2006)) and states inventories principally at cost, being determined by the retail method (the book value on the balance sheet is written down for a decline in profitability) in accordance with this standard. In the past, the Company principally accounted for inventories at cost determined by the retail method. This change had no effect on earnings.

(2) Adoption of Accounting Standard for Lease Transactions

Effective March 1, 2009, the Company adopted the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 (June 17, 1993 (First Subcommittee of the Business Accounting Council), revised March 30, 2007)) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (January 18, 1994 (Accounting Committee of the Japanese Institute of Certified Public Accountants), revised March 30, 2007). As a result, the Company now accounts for finance leases that do not transfer ownership in a similar manner with ordinary sale and purchase transactions.

As a result, compared with the previous method, the Company recorded lease assets of ¥25,177 million under fixed assets, and lease obligations of ¥3,751 million and ¥16,298 million under current liabilities and long-term liabilities, respectively, on the consolidated balance sheet. The impact on earnings was negligible.

However, the Company continues to account for as rental transactions finance leases that do not transfer ownership of leased properties and that commenced before the fiscal year in which the new accounting standard was applied.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 127,314 million

2. Due from / to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies ¥ 1,020 million
Long-term receivables due from subsidiaries and affiliated companies ¥ 12 million
Short-term payables due to subsidiaries and affiliated companies ¥ 1,755 million
Long-term payables due to subsidiaries and affiliated companies ¥ 30 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 resulting revaluation difference has been included in net assets as land revaluation difference.

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 ¥ 232 million.

(Notes to the Non-consolidated Statement of Income)

1. Transactions with subsidiaries and affiliated companies

Operating transactions

Operating revenues	¥ 2,680 million
Selling, general and administrative expenses	¥ 3,484 million
Transactions other than operating transactions:	¥ 200 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 amounts of those assets were written down to the recoverable amount and were recorded in special losses.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings・Furniture, fixtures and equipment and others	191
	Osaka	Buildings・Furniture, fixtures and equipment and others	127
	Others	Buildings・Furniture, fixtures and equipment and others	2,549
Total	—	—	2,867

Category by fixed assets	(Millions of yen)
Buildings	1,567
Structures	269
Furniture, fixtures and equipment	203
Land	395
Leased property	418
Other	14

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 4.9% discount rate was applied.

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

Number of shares and kind of treasury stock

Common stock	432,190 shares

(Accounting for Income Taxes)

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

	(Millions of yen)
Enterprise taxes payable	764
Accrued employees' bonuses	1,069
Loss on write-down of investments in affiliated companies	1,931
Excess of depreciation	5,296
Excess of amortization of software	875
Allowance for employees’ retirement benefits	4,749
Allowance for doubtful accounts	634
Impairment loss	2,169
Loss on replacement of computer system	412
Other	2,333
Subtotal of deferred tax assets	20,237
Less valuation allowances	(2,624)
Total deferred tax assets	17,613

(Accounting for Retirement Benefits)

Summary of the retirement benefit plans:
The Company has a 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	(12,417)
b. Plan assets	5,576
c. Projected benefit obligations in excess of plan assets (= a + b)	(6,841)
d. Unrecognized prior service cost	702
e. Unrecognized actuarial differences	43
f. Allowance for employees’ retirement benefits (= c + d + e)	(6,095)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	921
b. Interest cost	242
c. Amortization of prior service cost	175
d. Amortization of actuarial differences	136
e. Net periodic benefit cost (= a + b + c + d)	1,477
f. Contribution to defined contribution plan	271
g. Total (= e + f)	1,748

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	34,491	18,287	1,047	15,156

(2) Obligations under finance leases

	(Millions of yen)
Due within one year	5,422
Due after one year	11,177
Total	16,599
Allowance for impairment loss on leased property	452

(3) Lease payments, transfer from allowance for impairment loss on leased property, depreciation expense, interest expense and impairment loss:

	(Millions of yen)
Lease payments	7,290
Transfer from allowance for impairment loss on leased property	319
Depreciation expense	7,140
Interest expense	518
Impairment loss	418

(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)

Subsidiaries of an affiliated company of the Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship with the		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
				Business relationship	Directors posts held concurrently				
Subsidiaries of an affiliated company of the Company	RYOSHOKU LIMITED	Sales of processed foods	(Ownership) the company is directly owned 0.3 %	Vendor	—	Purchases for the Company-operated stores (Purchases for th franchised stores	4,893 (81,065)	Accounts payable-trade	5,810
	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)	13,127 (208,461)	Accounts payable-trade	16,455
	SAN-ESU INC.	Confectionary wholesale business	—	Vendor	—	Purchases for the Company-operated stores (Purchases for the franchised stores)	1,786 (29,430)	Accounts payable-trade	2,802

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 2,018.39 yen
2. Net income per share 208.38 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 ONLY)

INDEPENDENT AUDITORS' REPORT

April 12, 2010

To the Board of Directors of
LAWSON, INC.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kinya Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Morita

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of February 28, 2010 of LAWSON, INC. (the "Company"), and the related statements of income and changes in net assets, and the related notes for the 35th fiscal year from March 1, 2009 to February 28, 2010 and the accompanying supplemental schedules. These financial statements and the accompanying supplemental schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules 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, 2010, 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)

INDEPENDENT AUDITORS' REPORT

April 12, 2010

To the Board of Directors of
LAWSON, INC.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kinya Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Hiroyuki Morita

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 28, 2010 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 fiscal year from March 1, 2009 to February 28, 2010. 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 and consolidated subsidiaries as of February 28, 2010, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Notes to the consolidated statement of income, the Company recorded an impropriety-related loss and a loss on prior period adjustment in connection with the discovery of alleged misconduct in a consolidated subsidiary.

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 execution of duties by the Directors for the 35th business term from March 1, 2009 to February 28,2010, 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 audit 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 execution 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 audit 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 Board of Directors meetings, the management meetings, Internal Control over Financial Reporting committee 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 execution of their duties, asked for explanations whenever necessary, reviewed important authorized documents and the like, and investigated the status of operations and assets at the head office, branches, and other principal offices and stores.

In addition, pursuant to the audit items and audit methods 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 prescribed by item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company. In connection with internal control over financial reporting, we received reports from the Directors and other relevant personnel, and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control respectively, and asked for explanations whenever necessary. 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 investigated their status of operations and assets. Based on the above methods, we have examined the business report and supplementary schedules thereof 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 execution 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 131 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 supplementary schedules thereof" 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 supplementary schedules thereof fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
2. Regarding the execution 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. In addition, we have found no matters on which to give remarks in regard to the execution of duties by the Directors concerning Internal Control System. In this connection, as stated in the business report, the Company has booked the large amount of losses resulting from the misappropriation of money by former directors at a consolidated subsidiary. We have found that the Directors have been implementing the measures to enhance the internal control of the Company and governance over subsidiaries.

(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 LLC, are adequate.

(3) Result of Audit of Non-consolidated Financial Statements and Supplementary Schedules thereof.

We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are adequate.

April 13, 2010

The Board of Corporate Auditors of Lawson, Inc.

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

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and references
Proposal No. 1: Appropriation of Surplus

The Company intends to pay year-end dividends as specified below after comprehensively considering its financial position, earnings, dividend payout ratio and other factors while ensuring sufficient funds are retained to conduct future business development.

We will endeavor to raise the Company's corporate value by appropriating internal reserves for necessary business investments such as new store openings, existing store renovations and new business development.

Year-end dividends:
(1) The assignment of the dividend property to shareholders and total amount thereof
¥80 per share of the Company's common stock for a total of ¥7,933,424,800
Note: The annual dividend per share will be ¥160, the same as for the previous period, including an interim dividend per share of ¥80.

(2) Effective date of the dividends from surplus
Wednesday, May 26, 2010

Proposal No. 2: Election of Seven (7) Directors

The terms of office of seven (7) current directors expire at the conclusion of this 35th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect seven (7) directors.

The nominees for directors are as follows

No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
1	Takeshi Niinami (January 30, 1959)	April 1981	Joined Mitsubishi Corporation	6,000
		June 1995	Representative Director, Sodex Corporation	
		July 1999	General Manager, Restaurant Business Team, Living Essentials Logistics Planning Department, Mitsubishi Corporation	
		April 2000	General Manager, LAWSON Project Integration Office; General Manager, Restaurant Business Office, Mitsubishi Corporation	
		April 2001	Manager, LAWSON Business Unit; Manager, Restaurant Business Unit, Consumer Business Division, Mitsubishi Corporation	
		March 2002	Corporate Advisor, LAWSON, INC.	
		May 2002	President, Representative Director and Executive Officer, LAWSON, INC.	
		May 2004	Outside Director, LAWSON TICKET, INC (Currently LAWSON ENTERMEDIA, INC.)	
		March 2005	President, Representative Director and CEO, LAWSON, INC. (Current position)	
		April 2006	Outside Director, ACCESS, CO., LTD (Current position)	
		October 2007	Outside Director, Chairman, LAWSON TICKET, INC, (Currently LAWSON ENTERMEDIA, INC; Current position)	
		June 2009	Director, Chairman, Ninety-nine Plus Inc. (Current position)	
2	Yoshiyuki Yahagi (May 20, 1954)	April 1979	Joined Mitsubishi Corporation	200
		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, LAWSON, INC.	
		March 2007	Executive Vice President and CFO, in charge of Corporate Planning Office, LAWSON, INC.	
		May 2007	Director, Executive Vice President and CFO, in charge of Corporate Planning Office, Human Resources Office, LAWSON, INC.	

		March 2009	Director, Senior Executive Vice President and CFO; General Manager, Management Services Office, LAWSON, INC.	
		September 2009	Director, Senior Executive Vice President and CFO (Current position)	
		April 2010	Senior Vice President, Mitsubishi Corporation (Current position)	
3	Manabu Asano (October 1, 1949)	September 1977	Joined LAWSON, INC.	3,300
		September 1980	General Manager, Human Resources Development Department, LAWSON, INC.	
		March 1989	General Manager, Development Planning Department, Sales Planning Division, LAWSON, INC.	
		March 1992	Recruit Manager, Daiichi Region, Development Division, LAWSON, INC.	
		March 1988	General Manager, Higashi-Nippon-Daiichi Region, Development Division, LAWSON, INC.	
		January 2002	Senior Vice President; General Manager, Store Development Division, LAWSON, INC.	
		September 2005	Senior Vice President and Deputy CRO, LAWSON, INC.	
		May 2006	Director, Senior Vice President and CCO, in Charge of General Affairs and Internal Audit, LAWSON, INC.	
		April 2008	Director, Executive Vice President and CCO, in charge of General Affairs and Internal Audit, LAWSON, INC.	
		September 2008	Director, Executive Vice President and CCO (Current position)	
		February 2010	General Manager, Management Headquarters, LAWSON ENTERMEDIA, INC.	
		March 2010	General Manager, Headquarters, LAWSON ENTERMEDIA, INC. (Current position)	

No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
4	Toru Moriyama (August 9, 1954)	April 1977	Joined Mitsubishi Corporation	900
		April 2001	General Manager, Marine Products Unit, Mitsubishi Corporation	
		April 2004	General Manager, Food Textiles & General Merchandise Dept., Nagoya Branch, Mitsubishi Corporation	
		September 2005	Senior Vice President; Executive Assistant to CEO, LAWSON, INC.	
		November 2005	Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		March 2006	Senior Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		May 2006	Director, Senior Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		April 2008	Senior Vice President, Mitsubishi Corporation	
		April 2009	Director, LAWSON, INC. (Current position)	
		April 2009	Senior Vice President, Senior Assistant to Group CEO, Living Essentials Group, concurrently General Manager, Next Generation Business Development Unit, Mitsubishi Corporation	
		April 2010	Executive Vice President, Group COO, Living Essentials Group, Mitsubishi Corporation (Current position)	
5	Hiroshi Tasaka (April 17, 1951)	March 1990	Joined The Japan Research Institute, Limited	0
		June 1996	Director, The Japan Research Institute, Limited	
		April 2000	Fellow, The Japan Research Institute, Limited (Current position)	
		April 2000	Professor, Graduate School of Tama University (Current position)	
		May 2000	Outside Director, LAWSON, INC. (Current position)	
		June 2000	President, SophiaBank Limited (Current position)	
		June 2005	Director, Softbank Investment Corporation (Currently SBI Holdings, Inc.) (Current position)	

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
6	Reiko Yonezawa (April 3, 1950)	April 1974	Joined Japan Airlines International Co., Ltd.	0
		March 1982	President, The R Co., Ltd. (Current position)	
		May 2002	Outside Director, LAWSON, INC. (Current position)	
		June 2007	Director, Culture Convenience Club Co., Ltd. (Current position)	
7	Takehiko Kakiuchi (July 31, 1955)	April 1979	Joined Mitsubishi Corporation	0
		April 2001	White Meat Unit Manager, concurrently Red Meat Unit Manager, Foods (Commodity) Division, Mitsubishi Corporation	
		April 2004	General Manager, Planning & Coordination, Investment Administration & Credit, Living Essentials Group CEO Office, Mitsubishi Corporation	
		February 2005	Outside Director, Kentucky Fried Chicken Japan, Ltd. (Current position)	
		May 2005	Outside Director, LAWSON, INC. (Current position)	
		April 2006	General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation	
		April 2008	Division COO, Foods (Commodity) Div., Mitsubishi Corporation	
		June 2008	Outside Director, The Nisshin OilliO Group, Ltd. (Current position)	
		June 2009	Outside Director, MARUICHI Co., Ltd. (Current Position)	
		April 2010	Senior Vice President, Division COO, Foods (Commodity) Division, Mitsubishi Corporation (Current position)	

Notes:

1. The three nominees, Hiroshi Tasaka, Reiko Yonezawa and Takehiko Kakiuchi are candidates for outside directors as set forth in Article 2, Paragraph 3, Item 7 of Ordinance for Enforcement of the Companies Act.
2. Reason for Selection of the Nominees Above for Outside Directors and Terms of Office as Outside Directors of the Company.

   1) Hiroshi Tasaka

   He has been nominated as a candidate because he possesses abundant experience and knowledge as a learned person and a management executive, and the Company expects him to continue to adequately fulfill his role as an outside director, because he is currently providing appropriate supervision of the Company's management.

   He has been an outside director of the Company since May 2000, and will have held this position for 10 years as of the conclusion of this 35th Ordinary General Meeting of Shareholders. The Company has also find a notification of independent director with the Tokyo Stock Exchange naming Mr. Tasaka as an independent director.

   2) Reiko Yonezawa

   She has been nominated as a candidate because she possesses abundant experience and knowledge as a management executive, and the Company expects her to continue to adequately fulfill her role as an outside director, because she is currently providing appropriate supervision of the Company's management.

She has been an outside director of the Company since May 2002, and will have held this position for 8 years as of the conclusion of the 35th Ordinary General Meeting of Shareholders.

3) Takehiko Kakiuchi

He has been nominated as a candidate because he possesses deep knowledge concerning consumer goods industries through his work at Mitsubishi Corporation, which is an important business partner of the Company, and the Company expects him to continue to adequately fulfill his role as an outside director, because he is currently providing appropriate supervision of the Company's management.

He has been an outside director of the Company since May 2005, and will have held this position for 5 years as of the conclusion of the 35th Ordinary General Meeting of Shareholders.

3. Agreement to Limit Liability With the Nominees

   Pursuant to Article 24 of the current Articles of Incorporation, the Company has entered into agreements with the nominees Hiroshi Tasaka, Reiko Yonezawa and Takehiko Kakiuchi to limit their liability with regard to the damages set out under Article 423, Paragraph 1 of the Companies Act, to within the 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 the duties that were ascribed as the cause of the claim for damage concerned.

4. The R Co., Ltd., for which Reiko Yonezawa, one of the nominees, serves as president, and the Company have an outsourcing-outsourced business relationship with regard to reception services.
5. The nominees other than the above do not have any special interest in the Company.
6. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 14, 2010.

Proposal No. 3: Election of Two (2) Corporate Auditors

The terms of office of the current corporate auditors Kenji Yamakawa and Hiroshi Kuwata expire at the conclusion of this 35th Ordinary General Meeting of Shareholders. Accordingly, we propose that shareholders elect two (2) corporate auditors.

The Board of Corporate Auditors has given prior consent to this proposal.

The nominees for corporate auditors are as follows.

No.	Name (Date of Birth)	Brief Personal History, Position, and Important Concurrent Positions		Number of the Company's Shares Held
1	Atsuhiko Seki (October 4, 1954)	April 1977	Joined The Daiei, Inc.	1,100
		July 1999	Joined LAWSON, INC.	
		April 2000	General Manager, General Affairs Dept., Office of Business Planning, LAWSON, INC.	
		January 2002	Deputy General Manager, General Affairs Office, LAWSON, INC.	
		March 2004	General Manager, General Affairs Office, LAWSON, INC.	
		September 2007	Executive Officer (Other), General Manager, Line Support Division, LAWSON, INC.	
		March 2010	Corporate Auditors Office, LAWSON, INC. (Current position)	
2	Kazuyuki Masu (February 19, 1959)	April 1982	Joined Mitsubishi Corporation	0
		April 2004	Energy Business Group Controller, Mitsubishi Corporation	
		March 2008	General Manager, BPI and Internal Control Department, Mitsubishi Corporation	
		April 2010	General Manager, Administration Dept. of Corporate Section, Mitsubishi Corporation (Current position)	

Notes:

1. The nominee Kazuyuki Masu is a nominee for outside corporate auditor as set out in Article 2, Paragraph 3, Item 8 of the Companies Act.
2. Reason for Selection of Nominee for Outside Corporate Auditor
   Mr. Kazuyuki Masu has been selected as a nominee because he possesses abundant work experience and knowledge concerning accounting and administrative operations through his work at Mitsubishi Corporation, which is an important business partner of the Company, and because the Company expects him to adequately fulfill his role as a corporate auditor.
3. Agreement to Limit Liability With Nominee
   Pursuant to Article 32 of the current Articles of Incorporation, the Company will enter into an agreement with Kazuyuki Masu to limit his liability with regard to the damages set out under Article 423, Paragraph 1 of the Companies Act, to within the total sum of the amounts set forth in the relevant laws and regulations as far as he has been in good faith without gross negligence in executing duties that were ascribed as the cause of the claim for damage concerned.
4. The nominees do not have any special interest in the Company.
5. The nominee Atsuhiko Seki has been selected as a substitute for Kenji Yamakawa and the nominee Kazuyuki Masu has been selected as a substitute for Hiroshi Kuwata. The nominees' terms of office will finish at the expiration of their predecessors' terms of office.
6. Both Atsuhiko Seki and Kazuyuki Masu are new nominees for corporate auditor.
7. The nominees' Brief Personal History, Position, and Important Concurrent Positions are as of April 14, 2010.

Proposal No. 4: Presentation of Retirement Benefits to Retiring Corporate Auditors

The current corporate auditors Kenji Yamakawa and Hiroshi Kuwata will retire from office as of the conclusion of this 35th Ordinary General Meeting of Shareholders. As a reward for their services in office, we propose to present them with retirement benefits of up to a total of ¥31 million.

We would like to leave the details of the exact amount and the date and method of the presentation to the discretion of the corporate auditors.

The following is a brief personal history of the retiring corporate auditors.

Name	Brief Personal History	
Kenji Yamakawa	May 2004	Standing Corporate Auditor, LAWSON, INC. (Current position)
Hiroshi Kuwata	May 2005	Corporate Auditor, LAWSON, INC. (Current position)

Note:

The corporate auditors' Brief Personal Histories are current as of April 14, 2010.