Securities Code: 2651

May 2, 2011

To All Shareholders With Voting Rights

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

NOTICE OF THE 36th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 36th 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 23, 2011.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 23, 2011 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 24, 2011
2. Venue: Tokyo International Forum, Hall C, 5-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
   (Please note the venue has been changed from last year. See the Map attached at the end of this notice.)
3. Objectives of the Meeting
   Reports:
   The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 36th Fiscal Term (from March 1, 2010 to February 28, 2011), and the Audit Reports Thereof

   Matters to Be Resolved:
   Proposal No. 1: Appropriation of Surplus
   Proposal No. 2: Partial Amendments to the Articles of Incorporation
   Proposal No. 3: Election of Two (2) Corporate Auditors
   Proposal No. 4: Presentation of Retirement Benefits to a Retiring Corporate Auditor

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- If you attend in person, 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 Website.
  Results of resolutions will also be posted on the Company's Website.
  (http://www.lawson.co.jp/company/ir/index.html)

(TRANSLATION ONLY)

BUSINESS REPORT
(March 1, 2010 through February 28, 2011)

I. CURRENT STATUS OF THE CORPORATE GROUP
1. Summary of Operations
(1) Business Developments and Results of Operations
During fiscal 2010, the year ending on February 28, 2011, some recovery was seen in the overall consumer market, although consumer preferences for lower prices due to the prolonged recession continued to exert an adverse effect to some extent. Signs of recovery also began to emerge in the convenience store (CVS) industry in and after October 2010.

In this operating environment, the LAWSON Group (the "Company") took the following actions with the aim of improving customer satisfaction in 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 decreased 5.5% year-on-year to ¥441,277 million. This was mainly due to a ¥41,363 million decline in net sales resulting from a fall in the number of Company-operated stores, which more than offset a ¥12,016 million increase in franchise commissions paid by franchised stores, which increased in number. Ordinary income, however, increased by ¥5,153 million, or 10.4%, to ¥54,594 million. Net income also increased by ¥12,824 million, or 102.1%, to ¥25,386 million, mainly as a result of the fact that, in the previous fiscal year, an extraordinary loss of ¥12,616 million was posted in relation to the misappropriation of funds by former directors of the consolidated subsidiary LAWSON ENTERMEDIA, INC., as well as 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, we offered a wide variety of attractive items that pleasantly surprised customers with their value for money. This was made possible by bringing in innovative ideas in the ingredients procurement process, including procuring high-quality food materials in bulk.

In the rice dishes category (rice balls/boxed lunches/sushi), we reduced prices to promote sales for some popular items in the series of rice balls made with a branded rice, Niigata-grown Koshihikari, and launched a high-end line of Niigata-grown Koshihikari rice balls, adopting new upscale ingredients. In addition, our Onigiri-ya rice ball brand renewal in November, under which we switched to using Niigata-grown Koshihikari for all our white rice balls, was well received by many customers. Our Gohoubi-no-hitotoki (Enjoy a luxurious time) series of deluxe boxed lunches, which was launched under the concept of satisfying both the stomach and the soul, was also tremendously popular among customers. We also launched a series of chilled lunch boxes in January.

In the dessert category, our Uchi Café SWEETS line, including the Premium Roll Cake Series, was a great hit, contributing to the category’s enhanced performance.

In sales promotions, the Company focused on campaigns anticipated to bring a high return on investment (ROI) such as the Rilakkuma Fair, Miffy Campaign, Evangelion Campaign, and Keion!! Fair, which are centered on tie-ups with popular characters.
On the services front, the Company's bill settlement services processed approximately 169 million transactions for customers, representing a total transaction value of ¥1,639.2 billion. Meanwhile, ATMs (automatic teller machines) were installed in stores in 6 new prefectures, bringing the total number of prefectures with LAWSON stores that have ATMs to 46.
The Company also established a system for issuing the Ponta multi-partner shopping point card instantly in stores. Companies from diverse business categories participate in the Ponta card program operated by LOYALTY MARKETING, INC. The number of companies participating in the program has increased, expanding card membership to over 30 million. The number of LAWSON customers holding Ponta cards is ever on the rise, notably those with Ponta cards issued by other companies.

Store Operations
In store operations, we promoted sales spaces and merchandise assortments tailored to the needs of each neighborhood through analysis of purchase data collected from the Ponta card program by utilizing PRiSM, our core IT system that was developed to place orders from the perspective of customers. PRiSM has enhanced franchise owners' awareness of the importance of optimal merchandise assortment by quantifying the sales opportunities we lose as a result of being out of stock of items customers need and visualizing the effect that can be enjoyed by reducing these lost opportunities. The Company has thus strengthened its guidance to franchise owners to enable them to offer the exact merchandise customers need on a timely basis, aiming to further boost customer satisfaction.

Store Development, **Store Format Strategy**
In opening new stores, the Company focused on maximizing return on investment (ROI), strictly adhered to its proprietary group standards for opening stores, and prioritized profitability.
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 neighborhood.
The Company also proactively pursued renovation of conventional LAWSON stores into LAWSON stores that focus on fresh foods, especially in residential areas with a high demand for fresh food. The number of these stores now exceeds 1,000.
In an effort to reinforce its capacity to cater to healthcare needs, the Company opened new stores that combine MatsumotoKiyoshi and LAWSON STORE 100. In addition, we now operate 35 stores that market over-the-counter (OTC) drugs by increasing licensed sales personnel based on human resources exchange with MatsumotoKiyoshi Holdings Co., Ltd. Starting from August 2010, the Company also launched Pharmacy LAWSON, an integration of drug-dispensing pharmacies and NATURAL LAWSON stores, in partnership with Qol Co., Ltd., which operates a chain of drug-dispensing pharmacies.

[Change in Total Number of Stores] (March 1, 2010 to February 28, 2011) (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100 and SHOP99	Total
Total stores as of February 28, 2010	8,540	89	996	9,625
Change during fiscal year	146	1	81	228
Total stores as of February 28, 2011	8,686	90	1,077	9,853

As of February 28, 2011, the number of LAWSON stores operated by equity-method affiliate LAWSON Okinawa, Inc. in Okinawa Prefecture was 141.
In overseas operations, the Company opened its first store in Chongqing in China in July 2010, expanding its area of operations from Shanghai. CHONGQING LAWSON CO., LTD., in which LAWSON has a 100% equity interest, operates 4 stores as of February 28, 2011. SHANGHAI HUALIAN LAWSON CO., LTD., a Chinese equity-method affiliate, was operating 315 stores in Shanghai, China, as of February 28, 2011

Corporate Social Responsibility (CSR) Activities
In the CSR field, the CSR Promotion Office continued to lead environmental protection and social contribution activities, working together with franchise owners and employees.

In June 2010, we established the LAWSON Group Environmental Policy that expresses our determination to consider the environment in all aspects of our business and to work for the local communities in which we operate, in the hope of passing on the bountiful blessings of the Earth to the next generation.

As part of our 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, including LED lighting for signs and in stores, not only at new stores, but also at existing stores.

In a collaborative effort with customers to fight global warming, the Company launched a carbon offset program in April 2008 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, 2011, approximately 15,000 tons of CO_2 had been offset through this program. In addition, the LAWSON Green Fund, active since 1992, in combination with donation drives for regions hit by disasters such as torrential rain, raised a total of approximately ¥316 million in fiscal 2010.

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

Other Activities

In response to the misconduct that took place in fiscal 2009 within our subsidiary LAWSON ENTERMEDIA, INC., we implemented measures to strengthen internal control within the Company. Specifically, LAWSON examined the status of the distribution of authorities and risk management framework at its affiliates and regularly monitored the status of their funds. We also provided stronger guidance to affiliates in order to improve their management by expanding the number of items audited by our internal audit division. In the second half of the fiscal year, LAWSON revised its Affiliate Management Regulation to clarify the division of responsibilities with respect to management of, and assistance given to, its affiliates and promoted area-specific initiatives such as the centralized management of funds. We intend to continue to promote the measures we are implementing.

Ninety-nine Plus Inc. became a LAWSON wholly-owned subsidiary as a result of a share exchange agreement with LAWSON effective July 1, 2010

[Total Operating Revenues in the Convenience Store Business]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
405,467	91.8

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

Product Group	Sales (¥ millions)	Composition Ratio (%)	Year-over-Year (%)
Processed foods	897,426	53.3	99.5
Fast foods	321,865	19.1	99.3
Daily delivered foods	264,169	15.7	110.5
Non-food products	199,350	11.9	99.4
Total	1,682,812	100.0	101.0

Note: Some merchandise that was classified under fast food in the first half of the previous fiscal period has been reclassified under daily delivered goods in the presentation for the first half of the current fiscal period. The effect of the change is 8,913 million yen

Other Businesses

In addition to convenience store operations, the Company is involved in entertainment/e-commerce business, financial services, and other businesses.
LAWSON ENTERMEDIA, INC. which undertakes ticket sales as part of its entertainment/e-commerce business, recorded a strong performance in sales of event and leisure-related tickets. On July 1, 2010, LAWSON concluded a share exchange agreement with LAWSON ENTERMEDIA, INC. making it a wholly-owned subsidiary.

In addition, with the aim of expanding and reinforcing our ticket sales business and building a framework that allows us to offer a wider range of items online as well as offline by fortifying our e-commerce base, LAWSON acquired HMV Japan K.K., a music/video software marketing company, as its wholly-owned subsidiary on December 1, 2010. On January 28, 2011, LAWSON also acquired a 35.4% share of Venture Republic Inc., which operates a price comparison website that drives viewers to e-commerce websites and e-commerce shopping malls.
During fiscal 2009, LAWSON ENTERMEDIA, INC. was described as a company mainly engaged in the ticket sales business. When LAWSON acquired HMV Japan K.K. as its consolidated subsidiary, however, LAWSON changed the name of business operations undertaken by LAWSON ENTERMEDIA, INC. and HMV Japan K.K.from “ticket sales business” to “entertainment/e-commerce business” from fiscal 2010, aiming to expand the Company’s entertainment business.

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. The number of ATM machines installed has grown to 8,526 as of February 28, 2011.

[Total Operating Revenues in Other Businesses]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
39,673	134.1

(2) Capital Expenditures and Financing

Capital expenditures of the LAWSON Group during the year totaled ¥31,091 million, of which ¥22,697 million was primarily for store facility investment in land and buildings, and ¥7,479 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, 2011.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2007 33rd Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term
Total operating revenues (¥ millions)	301,176	349,476	467,192	441,277
Ordinary profit (¥ millions)	46,244	48,787	49,440	54,594
Net income (¥ millions)	22,119	23,807	12,562	25,386
Net income per share (¥)	214.69	240.10	126.67	254.61
Total assets (¥ millions)	397,107	436,096	448,131	476,036
Net assets (¥ millions)	188,573	201,166	198,135	208,466
Net assets per share (¥)	1,867	1,968	1,935	2,037

Note:

1. Net income and net income per share declined in the 35th term due to an extraordinary loss of ¥12,616 million recorded as a result of misappropriation of funds by former directors of consolidated subsidiary LAWSON ENTERMEDIA, INC.

2. A ¥1,936 million loss on a prior period adjustment posted in the 35th term is reflected retrospectively in the operating results and financial position of the 34th and 35th terms.

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

Category/Fiscal Term	Fiscal 2007 33rd Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term
Total net sales of LAWSON stores including franchised stores (¥ millions)	1,402,786	1,506,312	1,472,415	1,502,754
Total operating revenues (¥ millions)	269,582	279,739	271,513	263,209
Ordinary profit (¥ millions)	45,298	47,321	44,577	49,312
Net income (¥ millions)	18,899	22,066	20,665	24,643
Net income per share (¥)	183.43	222.54	208.38	247.15
Total assets (¥ millions)	385,335	402,117	420,444	444,821
Net assets (¥ millions)	187,146	195,634	200,506	211,448
Net assets per share (¥)	1,886	1,969	2,018	2,113

(4) Pressing Issues

Although early signs of recovery were seen in the consumer market, there are concerns that the Japanese economy will suffer adverse effects from the Great East Japan Earthquake in fiscal 2011.

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."

1) Create merchandise assortments that meet customer needs

In an effort to create stores that meet the needs of customers in the neighborhood, the Company will continue to use the Ponta multi-partner shopping points program data to develop customer-centric merchandise assortment. By harnessing our core IT system, PRiSM, to a higher degree, we will strive to improve ordering precision to reduce sales opportunity losses and product disposal losses. We will also step up our efforts to enhance product development capabilities, which are essential in achieving customer-centric merchandise assortments and improving ordering precision.

2) Provide appealing services by leveraging the Ponta multi-partner shopping points program

The number of companies participating in the Ponta program is expected to increase in the days ahead, which will lead to more convenient services for customers. LAWSON will pursue broader marketing analysis and sales promotion measures in collaboration with the other participating companies to provide customers with more appealing services.

3) Promote the fresh foods convenience store business

We will further expand our fresh foods convenience store business, which is a growth area, by opening new LAWSON STORE100 and fresh foods convenience stores mainly in residential areas. In particular, we will strive to respond to the increasing needs of customers desiring to prepare their meals at home, while further expanding our customer base by attracting elderly and female customers in addition to male customers in their 20s and 30s, who have constituted the main demographic of convenience store shoppers.

4) Respond to demand for OTC drugs and healthcare

LAWSON will expand OTC drug sales and help customers achieve the healthy and comfortable lifestyles they seek by stepping up the development and marketing of health-oriented foods harnessing the know-how acquired through operation of NATURAL LAWSON stores. Based on the idea that “you are what you eat,” we will continue to help customers lead healthy and fulfilling lives.

5) Full-scale operation of entertainment/e-commerce business

In our entertainment/e-commerce business, we aim to offer an entertainment-related merchandise assortment that meets diverse customer needs both online and offline. We also plan to provide new services in e-commerce based on partnership with other companies.

6) Strengthen internal control within the Company

In response to the misconduct that was uncovered in fiscal 2009 within our subsidiary LAWSON ENTERMEDIA, INC., we will continue to promote the initiatives we implemented in fiscal 2010. We will also embark on the establishment of a structure that facilitates communication between LAWSON and its affiliates with a view to propagating the Company’s management policy and increasing the degree of its implementation.

We take this opportunity to offer our deepest condolences to the families of those who lost their lives in the Great East Japan Earthquake and extend our heartfelt sympathy to all who have been affected by the disaster.

We will strive to fulfill our mission as “The Hot Station in the Neighborhood,” a place where customers can feel at home, by providing emergency supplies to disaster-hit regions, offering merchandise in disaster-hit stores, and collecting donations for relief support.

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. As of March 1, 2011, the Company adopted a branch structure for its organization, whereby District Offices were restructured into Branches.

2) Ninety-nine Plus Inc.

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

The 1,077 LAWSON STORE100 and SHOP99 stores operated by Ninety-nine Plus are included in the table below.

Head Office: Shinjuku-ku, Tokyo

3) CHONGQING LAWSON CO., LTD.

Major Business: CHONGQING LAWSON CO., LTD. Operates Company-operated stores.

The 4 LAWSON stores operated by CHONGQING LAWSON CO.,LTD are included in the table below above.

Head Office: Chongqing, China

Note: CHONGQING LAWSON CO., LTD., became LAWSON's consolidated subsidiary as a result of establishing this company as a wholly-owned subsidiary on April 29, 2010,

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	532	Ibaraki	109	Kyoto	251	Ehime	155
Aomori	169	Tokyo	1,288	Shiga	127	Tokushima	103
Akita	153	Kanagawa	697	Nara	99	Kochi	57
Iwate	160	Shizuoka	180	Wakayama	110	Fukuoka	357
Miyagi	193	Yamanashi	73	Osaka	969	Saga	61
Yamagata	61	Nagano	132	Hyogo	554	Nagasaki	87
Fukushima	99	Aichi	473	Okayama	122	Oita	139
Niigata	102	Gifu	122	Hiroshima	143	Kumamoto	92
Tochigi	107	Mie	94	Yamaguchi	112	Miyazaki	79
Gunma	68	Ishikawa	87	Tottori	89	Kagoshima	105
Saitama	389	Toyama	112	Shimane	90	Total	9,853
Chiba	355	Fukui	99	Kagawa	98	Chongqing	4

Other Business

Company Name	Head Office	Major Business	
LAWSON ENTERMEDIA, INC.	Shinagawa-ku, Tokyo	Entertainment/e-commerce business	Sells tickets for various events inside LAWSON stores, etc.
HMV Japan K.K.	Minato-ku, Tokyo	Entertainment/e-commerce business	Sells music/video software
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
Cross Ocean Media, Inc.	Shibuya-ku, Tokyo	Advertising business	Develops and operates digital signage inside LAWSON stores.

Note:
1. During fiscal 2009, LAWSON ENTERMEDIA, INC. was described as a company mainly engaged in the ticket sales business. When LAWSON acquired HMV Japan K.K. as its consolidated subsidiary, however, LAWSON changed the name of business operations undertaken by LAWSON ENTERMEDIA, INC. and HMV Japan K.K. from "ticket sales business" to "entertainment/e-commerce business" from fiscal 2010, aiming to expand the Company's entertainment business.
2. HMV Japan K.K. became LAWSON's consolidated subsidiary as a result of the acquisition of all of HMV Japan K.K.'s common shares issued and outstanding held by HMV Japan Holdings Co., Ltd. (5,001 shares) on December 1, 2010.
3. Cross Ocean Media, Inc., which was established as a joint venture between LAWSON, ASATSU- DK INC. and NTT DOCOMO, INC. became LAWSON's consolidated subsidiary on March 1, 2010.

(2) Employees

1) Employees of the Corporate Group

Designation of Business Segment	Number of Employees (YoY Change)	
Convenience store business	4,792	(-13)
Entertainment/e-commerce business	727	(445)
Financial services-related business	22	(-)
Consulting business	157	(30)
Advertising business	5	(5)
Total	5,703	(467)

2) Employees of the Company

Number of Employees	(YoY Change)	Average Age	Average Years of Service
3,305	(-119)	38.3	11.6

(3) Status of Major Business Combinations

1) Important Subsidiaries

Company Name	Common Stock	Shareholding (%)	Major Business
Ninety-nine Plus Inc.	¥99 million	100.0	Convenience store business
CHONGQING LAWSON CO., LTD.,	CNY37,881 Thousand	100.0	Convenience store business
LAWSON ENTERMEDIA, INC.	¥2,892 million	100.0	Entertainment/e-commerce business
HMV Japan K.K.	¥2,953 million	100.0	Entertainment/e-commerce business
LAWSON ATM Networks, Inc.	¥3,000 million	44.0	Financial services-related business
BestPractice Inc.	¥10 million	100.0	Consulting business
Cross Ocean Media, Inc.	¥393 million	42.0	Advertising business

Note:
1. Ninety-nine Plus Inc. became a LAWSON wholly-owned subsidiary as a result of a share exchange agreement with LAWSON effective July 1, 2010. In addition, Ninety-nine Plus Inc, reduced capital on August 31, 2010.
2. CHONGQING LAWSON CO., LTD., became LAWSON's consolidated subsidiary as a result of establishing this company as a wholly-owned subsidiary on April 29, 2010.
3. LAWSON ENTERMEDIA, INC. became a LAWSON wholly-owned subsidiary as a result of a share exchange agreement with LAWSON effective July 1, 2010.
4. HMV Japan K.K. became LAWSON's consolidated subsidiary as a result of the acquisition of all of HMV Japan K.K.'s common shares issued and outstanding held by HMV Japan Holdings Co., Ltd. (5,001 shares) on December 1, 2010.
5. Cross Ocean Media, Inc. became LAWSON's consolidated subsidiary as a result of LAWSON, ASATSU-DK INC. and NTT DOCOMO, INC. establishing a joint venture on March 1, 2010.

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
Venture Republic Inc.	¥307 million	35.4	Entertainment/e-commerce business

Note: Although LAWSON concluded a capital and operational alliance agreement with Venture Republic Inc. on January 28, 2011, the Company determined that its acquisition date would be March 31, 2011 because the balance sheet date for Venture Republic Inc. is different from the balance sheet date for the Company. For this reason, Venture Republic Inc. has been excluded from the scope of application of the equity method for this period.

ii) Important Business Alliances

Mitsubishi Corporation holds 32.5% 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.

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: 100,300,000 shares (Including 433,040 shares of treasury stock)

Note: Ninety-nine Plus Inc. and LAWSON ENTERMEDIA, INC. have been consolidated as wholly owned subsidiaries of LAWSON through share exchanges effective July 1, 2010. As a result, the total number of shares issued and outstanding increased by 1,602,189 shares. Pursuant to Article 178 of the Companies Act, the Company cancelled 902,189 shares of its treasury stock as of August 11, 2010.

(3) Number of Unit *(tangen)* Shares: 100 shares

(4) Number of Shareholders: 40,921

(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.1
Marubeni Foods Investment Co., Ltd.	4,786	4.8
Japan Trustee Services Bank, Ltd. (Trust account)	4,262	4.3
The Master Trust Bank of Japan, Ltd. (Trust account)	3,870	3.9
STATE STREET BANK AND TRUST COMPANY 505223	3,162	3.2
NTT DOCOMO, INC.	2,092	2.1
The Chase Manhattan Bank NA, London SL, Omnibus Account	1,440	1.4
Deutsche Securities Inc.	1,330	1.3
Rabobank Nederland, Tokyo Branch	1,080	1.1
STATE STREET BANK AND TRUST COMPANY 505225	883	0.9

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

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

	5th Stock Acquisition Rights	6th (a) Stock Acquisition Rights	6th (b) Stock Acquisition Rights	7th (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (Excluding outside directors) Outside directors	1 person (112 units) 3 persons (21 units)	3 persons (137 units) 3 persons (18 units)	3 persons (180 units) 3 persons (90 units)	4 persons (162 units) 3 persons (18 units)
Class and number of shares subject to stock acquisition rights	Common stock of LAWSON, INC. 13,300	Common stock of LAWSON, INC. 15,500	Common stock of LAWSON, INC. 27,000	Common stock of LAWSON, INC. 18,000
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥4,053	¥1
Exercise period	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	October 28, 2008 through October 26, 2011	September 6, 2007 through August 20, 2027
Main exercise conditions	Note 1	Note 2	Note 3	Note 2

	8th (a) Stock Acquisition Rights	9th Stock Acquisition Rights	10th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (Excluding outside directors) Outside directors	4 persons (239 units) 3 persons (25 units)	4 persons (194 units) 3 persons (21 units)	4 persons (166 units) 3 persons (23 units)
Class and number of shares subject to stock acquisition rights	Common stock of LAWSON, INC. 26,400	Common stock of LAWSON, INC. 21,500	Common stock of LAWSON, INC. 18,900
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1
Exercise period	January 17, 2009 through December 15, 2028	February 18, 2010 through February 1, 2030	February 26, 2011 through February 10, 2031
Main exercise conditions	Note 2	Note 2	Note 2

Notes:

1. 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.
2. 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.
3. 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).

The total number of shares subject to stock acquisition rights that remain unexercised as of February 28, 2011 is 279,100 shares, accounting for 0.3% of the total number of shares issued and outstanding.

3. Directors and Corporate Auditors

(1) Positions, Names and Assignments

Name	Position	Assignments and Important Concurrent Positions Note: Important concurrent positions of outside directors given later in (4) Outside Directors and Outside Corporate Auditors
Takeshi Niinami	Representative Director	President and CEO
Yoshiyuki Yahagi	Director	Senior Executive Vice President and CFO
Manabu Asano	Director	Executive Vice President and CCO
Toru Moriyama	Director	Executive Vice President, Group COO, Living Essentials Group, Mitsubishi Corporation
Hiroshi Tasaka	Director	
Reiko Yonezawa	Director	
Takehiko Kakiuchi	Director	
Munehiko Nakano	Standing Corporate Auditor	
Atsuhiko Seki	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Kazuyuki Masu	Corporate Auditor	

Notes:

1. Directors Hiroshi Tasaka, Reiko Yonezawa and Takehiko Kakiuchi are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan.
2. Standing Corporate Auditor Munehiko Nakano and Corporate Auditors Tetsuo Ozawa and Kazuyuki Masu are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
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 Atsuhiko Seki has assumed responsible posts for many years in the administration and other departments of LAWSON and therefore has considerable expertise in corporate legal affairs.
   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 Kazuyuki Masu 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.
4. Changes in positions as approved with resolutions by the 35th Ordinary General Meeting of Shareholders held on May 25, 2010, are as follows:

Appointment	Standing Corporate Auditor	Atsuhiko Seki
	Corporate Auditor	Kazuyuki Masu
Retirement from office	Standing Corporate Auditor	Kenji Yamakawa
	Corporate Auditor	Hiroshi Kuwata

5. LAWSON appointed, at its Board of Directors meeting, Director Hiroshi Tasaka and Corporate Auditor Tetsuo Ozawa as independent directors as specified in the rules set by the Tokyo Stock Exchange, Inc. and the Osaka Stock Exchange Co., Ltd., and filed notifications to that effect with both stock exchanges.
6. Executive officers who are not directors are as follows:

Senior Executive Vice President	Takatoshi Kawamura	Senior Vice President	Masahiro Oyama
Executive Vice President	Shuichi Imagawa	Senior Vice President	Tatsushi Sato
Executive Vice President	Masaharu Kamo	Senior Vice President	Kei Murayama
Senior Vice President	Norikazu Nishiguchi	Senior Vice President	Ichiro Kijima
Senior Vice President	Shigeaki Kawahara	Senior Vice President	Hisashi Yasuhira
Senior Vice President	Takaki Mizuno	Senior Vice President	Atsushi Maeda
Senior Vice President	Hajime Nakai	Senior Vice President	Kazuo Togasa
Senior Vice President	Jun Miyazaki		

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

Category	Total Compensation Paid (Millions of Yen)	Total Compensation Paid by Type (Millions of Yen)			Number of Directors and Corporate Auditors Applicable
		Basic Compensation	Stock Options	Retirement Benefit	
Directors (Including outside directors)	214	163	50	―	7
(Outside directors)	(44)	(38)	(6)	(―)	(3)
Corporate Auditors (Including outside corporate auditors)	69	54	―	14	6
(Outside corporate auditors)	(42)	(36)	(―)	(6)	(4)
Total	283	218	50	14	13

Notes:
1. As of February 28, 2010, the number of directors in office was 7 and that of corporate auditors was 4.
2. The above figures include remuneration paid to 2 corporate auditors who retired at the conclusion of the 35th Ordinary General Meeting of Shareholders held on May 25, 2010.
3. 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) Policy on Decisions Concerning the Amounts of Remuneration, etc. Paid to Directors and Corporate Auditors
The amounts of remuneration paid to directors of LAWSON are set in close correlation with financial performance and in such a way that value can be shared with the shareholders.

Remuneration of directors, which is composed of basic compensation and stock options as compensation, is paid within the limit of the amount of annual remuneration resolved at the General Meeting of Shareholders. The basic compensation is composed of fixed compensation commensurate with the position and variable compensation, which fluctuates in response to corporate financial performance. The baseline pay is decided in accordance with the directors' remuneration system.

The variable compensation is decided mainly based on quantitative elements such as corporate financial performance.

Decisions concerning remuneration are made at the Board of Directors meeting in accordance with the recommendations of the Compensation Committee, which consists of outside directors and outside corporate auditors.

As for remuneration of corporate auditors, fixed compensation amounts are decided for each corporate auditor based on discussions by the corporate auditors, within the limit of the amount of annual remuneration resolved at the General Meeting of Shareholders. As for the corporate auditors' retirement benefits, reasonable amounts are to be paid based on discussions by the corporate auditors and pursuant to a resolution made at the General Meeting of Shareholders and the standards stipulated by internal rules.

(4) 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.	President	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.
Director	Takehiko Kakiuchi	Mitsubishi Corporation Kentucky Fried Chicken Japan, Ltd. The Nisshin OilliO Group, Ltd.	Division COO, Foods (Commodity) Div. Outside director Outside director	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.
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	Kazuyuki Masu	Mitsubishi Corporation	General Manager, Administration Dept. of Corporate Section	The Company and Mitsubishi Corporation, of which Mr. Masu 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 11 of 13 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 11 of 13 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 13 Board meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about the consumer lifestyles industry and was also responsible for smooth operations of the Board of Directors as its Chairman.
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. Mr. Nakano attended 13 of 13 Board of Directors' meetings and 15 of 15 Board of Corporate Auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant occupational experience in accounting and investment management.
Corporate auditor	Tetsuo Ozawa	Mr. Ozawa attended 10 of 13 Board of Directors' meetings and 14 of 15 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	Kazuyuki Masu	Mr. Masu attended 10 of 10 Board of Directors' meetings and 11 of 11 Board of Corporate Auditors' meetings held during his term in office in the year and appropriately questioned and/or remarked based on his abundant experience in financial accounting and risk management.

LAWSON appointed, at its Board of Directors meeting, Director Hiroshi Tasaka and Corporate Auditor Tetsuo Ozawa as independent directors as specified in the rules set by the Tokyo Stock Exchange, Inc. and the Osaka Stock Exchange Co., Ltd., and filed notifications to that effect with both stock exchanges.

(5) 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

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

1) Remuneration to be paid by the Company to the Independent Auditor	¥78 million
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥128 million

Note:

1.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. In addition to the above, LAWSON and its subsidiaries paid ¥28 million as additional remuneration for the previous term.

2. One of the important subsidiaries of LAWSON overseas is subject to audit by an independent auditor other than LAWSON's independent auditor.

(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:

Advice on and guidance on the preparation of documents translated into English for earnings reports and other various financial documents; and

(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 21, 2011, based on improvements and the operation of the preceding "2010 Basic Policy for Improvement of Internal Control Systems," which was approved at the Board of Directors' meeting held on February 22, 2010, the Company passed a resolution called the "2011 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 as, including, but not limited to, 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 those who report more positive. By establishing a consulting contact point for employees and business counterparties for LAWSON's franchised stores, the Company shall strive for early detection of violations or possible violations of laws, regulations, etc. across the entire LAWSON chain.
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, differences 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 fully informed of the LAWSON Group Code of Conduct.
3) The Company shall appoint designated persons at major Associated Companies to be responsible for promoting compliance and risk management with a view to ensuring the appropriateness of business operations across the entire LAWSON Group.
4) 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, 2011)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	145,009	Current liabilities	192,595
Cash and bank deposits	74,816	Accounts payable —trade	81,398
Accounts receivable—due from franchised stores	16,159	Accounts payable— due to franchised stores	1,179
Marketable securities	2,999	Lease obligations	7,953
Merchandise inventories	7,011	Accounts payable—other	18,239
Prepaid expenses	7,424	Income taxes payable	10,673
Accounts receivable—other	29,285	Deposits received	62,340
Deferred tax assets	4,943	Accrued employees' bonuses	3,768
Other	2,466	Provision for use of points granted	1,287
Allowance for doubtful accounts	(97)	Other	5,753
		Long-term liabilities	74,974
Fixed assets	331,026	Long-term debt	500
Property and store equipment	158,833	Long-term lease obligations	28,253
Buildings and structures	96,401	Allowance for employees' retirement benefits	7,529
Furniture, fixtures and equipment	13,241	Allowance for retirement benefits to executive officers and corporate auditors	234
Land	6,609	Deposits received from franchisees and lessees	37,139
Lease assets	41,934	Allowance for impairment loss on leased property	667
Construction in progress	646	Other	650
Intangible assets	36,096	Total liabilities	267,570
Software	23,182	Net assets	208,466
Software development in progress	4,719	Owners' equity	204,117
Goodwill	7,717	Common stock	58,506
Other	477	Capital surplus	47,696
Investments and other	136,096	Retained earnings	99,608
Investments in securities	3,116	Treasury stock	(1,693)
Long-term loans receivable	31,825	Valuation and translation adjustments	(638)
Long-term prepaid expenses	5,736	Net unrealized loss on available-for-sale securities	(4)
Lease deposits	81,654	Land revaluation difference	(634)
Deferred tax assets	13,253	Foreign currency translation adjustments	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	15,372	Stock acquisition rights	405
Other	1,184	Minority interests	4,581
Allowance for doubtful accounts	(16,047)	Total net assets	208,466
Total Assets	476,036	Total Liabilities, and Total Net Assets	476,036

Consolidated Statement of Income
(From March 1, 2010 to February 28, 2011)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	197,673	
Other	51,274	248,947
Net sales		
Net sales	(192,329)	192,329
Total operating revenues		441,277
Cost of goods sold	(143,101)	143,101
Gross profit on sales	(49,228)	
Operating gross profit		298,176
Selling, general and administrative expenses		242,635
Operating income		55,540
Non-operating income		
Interest received	661	
Compensation received for removal	207	
Equity in earnings of affiliates	311	
Other	537	1,718
Non-operating expenses		
Interest expense	983	
Loss on cancellation of store lease contract	1,224	
Other	457	2,665
Ordinary profit		54,594
Extraordinary gains		
Gain on sale of investment in securities	1	1
Extraordinary losses		
Loss on sale of fixed assets	1,303	
Loss on disposal of fixed assets	3,017	
Loss on impairment of long-lived assets	4,989	
Other	873	10,184
Income before income taxes and minority interests		44,411
Income taxes－current	16,551	
Income taxes – deferred	1,668	18,220
Minority interests in net income		803
Net income		25,386

Consolidated Statement of Changes in Net Assets
(From March 1, 2010 to February 28, 2011)

(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	94,171	(1,713)	192,485	14	(634)	65	(554)	346	5,858	198,135
Changes of items during the period												
Increase by share exchanges		6,176			6,176							6,176
Dividends from surplus			(16,422)		(16,422)							(16,422)
Net income			25,386		25,386							25,386
Purchase of treasury stock – at cost				(3,510)	(3,510)							(3,510)
Disposal of treasury stock			(0)	1	1							1
Retirement of treasury stock			(3,528)	3,528	—							—
Net changes of items other than owners' equity – net						(19)		(64)	(83)	59	(1,276)	(1,301)
Total changes of items during the period	—	6,176	5,436	19	11,632	(19)	—	(64)	(83)	59	(1,276)	10,331
Balance at the end of the current period	58,506	47,696	99,608	(1,693)	204,117	(4)	(634)	1	(638)	405	4,581	208,466

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 7

(Domestic) LAWSON ENTERMEDIA, INC.
LAWSON ATM Networks, Inc.
BestPractice Inc.
Ninety-nine Plus Inc.
Cross Ocean Media, Inc.
HMV Japan K.K.
(Foreign) CHONGQING LAWSON, Inc

On March 1, 2010, Cross Ocean Media, Inc. which was established as a joint venture between LAWSON, ASATSU-DK INC. and NTT DOCOMO, INC. became LAWSON's consolidated subsidiary.
HMV Japan K.K. became LAWSON's consolidated subsidiary as a result of the acquisition of all of HMV Japan K.K.'s common shares issued and outstanding held by HMV Japan Holdings Co., Ltd. (5,001 shares) through a transfer of shares on December 1, 2010.
CHONGQING LAWSON Co., Ltd. was established on April 29, 2010 as a 100% subsidiary of LAWSON.

(2) Names of major non-consolidated subsidiaries, etc.

LAWSON Toyama, Inc.,
LAWSON Toyama, Inc., categorized as a non-consolidated subsidiary, has been excluded from the application of the equity method because it has a negligible impact on total assets, net sales, net income, retained earnings, etc., and does not interfere with reasonable judgment of the corporate group's financial condition and business results.

2. Application of the equity method

(1)Unconsolidated subsidiaries and affiliated companies to which the equity method is applied: 2

(Domestic) LAWSON Okinawa, Inc.
(Foreign) SHANGHAI HUALIAN LAWSON CO., LTD.

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

The Company does not apply the equity method to two affiliated companies (KOBE HOT DELI Co., LTD. and LAWSON Farm Chiba, Inc.) and LAWSON Toyama, Inc., categorized as a non-consolidated subsidiary, because the financial figures such as net income, retained earnings, and others are negligibly insignificant in comparison with the Company's consolidated financial statements.
Among affiliates not accounted for by the equity method, Venture Republic Inc. has been excluded from the application of the equity method because the deemed acquisition date is not arrived.

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

Among companies accounted by the equity method, the closing date is December 31 for SHANGHAI HUALIAN LAWSON CO., LTD. . When preparing the consolidated financial statements, the Company used this company's financial information prepared based on the financial data at the end of the most recent 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

The balance sheet date of HMV Japan K.K. is April 30 and the balance sheet date of CHONGQING LAWSON Co., Ltd. is December 31. In order to prepare for the consolidated financial statements, temporary financial statements based on the latest quarterly financial statements are used and significant transactions which occur between the latest quarterly balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation. The fiscal year-end date for the other consolidated subsidiaries correspond with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

Marketable securities and investments in securities:

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

Available-for-sale securities:

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

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

Inventories:

Inventories at cost being determined by the retail method (the book value on the balance sheet is written down based on a decline in profitability) in accordance with this standard.

Merchandise of some consolidated subsidiaries is stated at cost determined by the specific identification method (the book value on the balance sheet is written down based on a decline in profitability).

(2) Depreciation

Property and store equipment (except for lease assets):

Depreciation is mainly 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 leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life 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, mainly to MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

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 mainly 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 mainly 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 terminated 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 statement of income. The balance sheet accounts as well as revenue and expense accounts of foreign affiliated companies are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" in a separate component of net assets.

(5) Leases

Finance leases without ownership transfer of the leased property to the lessee whose lease inception was before February 28, 2009 are accounted for as operating lease transactions.

(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 Business Combinations

Effective from the year ended February 28, 2011, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, etc." (ASBJ Guidance No. 10 issued on December 26, 2008).

2) Adoption of Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

Effective from the year ended February 28, 2011, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits" (ASBJ Statement No. 19 issued on July 31, 2008). This change had no effect on operating income, ordinary income and income before income taxes and minority interests.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries, including the portion attributable to minority interests, are carried in the consolidated balance sheet 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 maximum of 20 years.

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 153,499 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 ¥ 269 million.

(Notes to the Consolidated Statement of Income)

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	1,223
	Osaka	〃	192
	Others	〃	2,128
Other	―	Software	1,438
	―	Other	6
Total	―	―	4,989

Category by fixed assets	(Millions of yen)
Buildings and structures	2,043
Furniture, fixtures and equipment	380
Leased property	1,094
Software	1,438
Other	31

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 3.3% 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 (*1)	99,600	1,602	902	100,300
Treasury stock				
Common stock (*2)	432	903	902	433

(*1) The 1,602,000 increase in shares outstanding resulted from the 1,314,000 increase in shares outstanding due to the share exchange between the Company and Ninety-nine Plus Inc., effective as of July 1, 2010, and the 287,000 increase in shares outstanding due to the share exchange between the Company and LAWSON ENTERMEDIA, INC., effective as of July 1, 2010. The 902,000 decrease in shares outstanding resulted from the retirement of treasury stock.

(*2) The 903,000 share increase in treasury stock resulted from the 902,000 share increase due to acquisition of treasury stock in accordance with a Board of Directors' resolution and the 1,000 share increase due to purchase of stock less than one share unit.

The 902,000 share decrease in treasury stock resulted from the 902,000 share decrease due to retirement of treasury stock.

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 25, 2010)	Common stock	7,933	80	As of February, 28, 2010	As of May, 26, 2010
Directors' meeting (October 12, 2010)	Common stock	8,488	85	As of August 31, 2010	As of November, 10, 2010

(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 24, 2011)	Common stock	Retained Earnings	8,488	85	As of February, 28, 2011	As of May, 25, 2011

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

Common stock 279,100 shares

(Notes regarding financial instruments)

1. Matters relating to the status of financial instruments

(1) Policy for financial instruments

The LAWSON Group primarily uses short-term deposits, etc. to manage its funds and raises funds as necessary through borrowings from financial institutions and leasing according to the financial plan. The Company does not engage in derivative transactions.

(2) Nature, extent of risk and risk management system for financial instruments

Trade receivables such as other accounts receivable are exposed to credit risk from business counterparties.

Long-term loans receivable (primarily referring to construction cooperation funds which are loaned to the owners when a store opens and loans to franchised stores) and lease deposits are exposed to credit risk from the owners, etc. The department responsible manages liabilities regarding these risks on a daily basis with the aim of early detection and reduction of concerns associated with the collectability of debt due to deterioration in the financial conditions of the owners.

Marketable securities are government bonds which are financial instruments with low risk and high liquidity. Investment securities are primarily shares of companies with business relationships and listed shares of which are exposed to the risk of market price fluctuations. With regard to this risk, the Company monitors the financial conditions of bond issuers and business counterparties on a regular basis.

Among trade payables, most of the accounts payable-trade and deposits held as a result of bill settlement services have payment due dates within one month, while most deposits held as a result of ticket sales transactions have payment due dates within six months.

The primary purpose of long-term debt and lease obligations related to finance lease transactions is securing the operating capital and funds required for capital investments, and their maximum redemption dates are two years and seven years after the balance sheet date, respectively.

Deposits received from franchisees and lessees are primarily operational deposits received from franchised stores based on franchise contracts are returned to franchised stores after the expiry of the franchise contract term (contract term is 10 years in principle.).

With regard to the liquidity risk associated with fund raising (risk for which payment cannot be executed on the payment due date), the Company prepares and updates financial plans on a timely basis and manages liquidity risk by measures including maintaining liquidity on hand.

(3) Fair values of financial instruments

Fair values of financial instruments are based on the quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The result of estimation might differ if other valuation techniques were used.

2. Matters relating to the fair values of financial instruments

The carrying amount, fair values and the unrealized gain/loss as of February 28, 2011, are as follows. (Financial instruments whose fair value cannot be reliably determined are not included as described in “(Note 2) Financial instruments whose fair value cannot be reliably determined.”)

(Millions of yen)

	Carrying amount	Fair value	Unrealized gain/loss
(1) Cash and bank deposits	74,816	74,816	—
(2) Accounts receivable—other	29,285		
Allowance for doubtful accounts (*1)	(47)		
	29,238	29,238	—
(3) Marketable securities and investment securities			
(i) Held-to-maturity debt securities	2,999	2,999	(0)
(ii) Available-for-sale securities	144	144	—
(iii) Investment in subsidiaries and affiliated companies	599	449	(149)
(4) Long-term loans receivable	31,825		
Allowance for doubtful accounts (*1)	(119)		
	31,706	31,783	77
(5) Lease deposits	81,654		
Allowance for doubtful accounts (*1)	(523)		—
	81,130	71,795	(9,334)
(6) Claims provable in bankruptcy, claims provable in rehabilitation and other	15,372		
Allowance for doubtful accounts (*1)	(15,353)		
	18	18	—
Total assets	220,653	211,246	(9,407)
(1) Accounts payable—trade	81,398	81,398	—
(2) Deposits received	62,340	62,340	—
(3) Long-term debt	500	500	0
(4) Lease obligations (*2)	36,207	36,831	173
(5) Deposits received from franchisees and lessees	37,139	32,761	(4,378)
Total liabilities	217,585	213,381	(4,204)

(*1) Allowance for doubtful accounts posted against other accounts receivable—other, long-term loans receivable, lease and claims provable in bankruptcy, claims provable in rehabilitation and other, have been deducted.
(*2) Lease obligations are indicated including liabilities maturing within one year.

(Note 1) Method of calculating the fair values of financial instruments

(1) Cash and bank deposits (2) Accounts receivable—other

The carrying fair values of cash and bank deposits and accounts receivable—other approximate fair value because of their short maturities.

(3) Marketable securities and investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments.

(4) Long-term loans receivable

The fair values of long-term loans receivable are determined by discounting the cash flows related to the loans at the interest rate deemed to be applied for similar loans.

(5) Lease deposits

The fair values of lease deposits are determined by discounting future cash flows which reflect the collectibility with the yield rate of government bonds during the remaining period.

(6) Claims provable in bankruptcy, claims provable in rehabilitation and other

The fair values of claims in bankruptcy, claims provable in rehabilitation and other are stated at book value because the estimated amount of bad debt is calculated based on the collectibility, and fair values are close to the amount which can be calculated by deducting the estimated amount of current bad debt from the carrying value on the consolidated balance sheets on the consolidated balance sheet date.

Liabilities

(1) Accounts payable—trade (2) Deposits received

The carrying values of accounts payable—trade and deposits received approximate fair value because of their short maturities.

(3) Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate discount rate.

(4) Lease obligations

The fair values of lease obligations are determined by discounting the cash flows related to the obligations at the Group's assumed corporate discount rate.

(5) Deposits received from franchisees and lessees

The fair values of deposits received from franchisees and lessees are determined by discounting future cash flows based on the estimated repayment amount with the yield rate of government bonds during the remaining period.

(Note 2) Financial instruments for whose fair values cannot be reliably determined

Category	Carrying amount (Million Yen)
Unlisted equity securities	391
Investments in subsidiaries and affiliated companies	1,875
Others	106

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined they are not included in "(3) Marketable securities and investment securities."

(Additional information)

Effective from the year ended February 28, 2011 the Company adopted the "Accounting Standard for Financial Instruments" (the Accounting Standards Board of Japan (hereinafter, "ASBJ") Statement No. 10 announced on March 10, 2008) and the "Guidance on Accounting Standard for Financial Instruments and Related Disclosures" (ASBJ Guidance No. 19 issued on March 10, 2008).

(Accounting for income taxes)

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

	(Millions of yen)
Enterprise taxes payable	935
Accrued employees' bonuses	1,562
Excess of depreciation	6,832
Excess of amortization of software	788
Allowance for employees' retirement benefits	5,333
Allowance for doubtful accounts	3,377
Impairment loss	3,288
Tax loss carryforwards	5,421
Other	3,302
Subtotal of deferred tax assets	30,842
Less valuation allowances	(10,304)
Total deferred tax assets	20,537
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,340)
Total deferred tax liabilities	(2,340)
Deferred tax assets-net	18,197

(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	(13,676)
b. Plan assets	5,577
c. Projected benefit obligations in excess of plan assets (= a + b)	(8,099)
d. Unrecognized prior service cost	527
e. Unrecognized actuarial differences	42
f. Allowance for employees' retirement benefits (=c + d + e)	(7,529)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	1,028
b. Interest cost	249
c. Amortization of prior service cost	174
d. Amortization of actuarial differences	85
e. Net periodic benefit cost (= a + b +c + d)	1,537
f. Contribution to defined contribution plan	271
g. Total (= e + f)	1,809

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

Basis of calculation of projected benefit obligations

a. Discount rate	2.0% (mainly)
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	2,037.50	yen
2. Net income per share	254.61	yen

(Notes regarding significant subsequent events)

As a result of the earthquake off the pacific coast of Tohoku, which occurred on March 11, 2011, some of the LAWSON Group stores in the Tohoku region and the Kanto region, including Ibaraki Prefecture, have been affected. Some merchandise and fittings fell, tipped over or broke, and buildings have been damaged or suffered from power outages. Some of the stores, mainly in Iwate and Miyagi Prefectures, remained closed or opening hours were shortened. In addition, due to the influence of the planned power outages mainly in the Kanto region, opening hours have been shortened for some stores and there has been a delay in the delivery of goods.

The extent of the damage to the Group caused by this earthquake is currently being studied. The influence on the Group's operational activities, etc., the outlook for recovery and the amount of damage including the cost of repairs are not yet determinable.

(Business Combinations-Related)

Transactions under common control

1. Ninety-nine Plus Inc. has been consolidated as a wholly-owned subsidiary of the Company through a share exchange.

(1) Name and business of combined companies, date of the business combination, legal form of the business combination, name of the companies after combination, and overview of the transaction including the objectives.

(i) Name and business of combined companies

Names of companies under business combination: Ninety-nine Plus Inc.

Business description: Single-price Store LAWSON STORE 100, direct management of SHOP99 and roll out of the franchise chain

(ii) Date of the business combination

July 1, 2010

(iii) Legal form of the business combination

Share exchange between the Company as the sole parent company and Ninety-nine Plus Inc. as a wholly-owned subsidiary (hereinafter, “this share exchange”)

(iv) Name of the company after combination

There has been no change in the name of the combined companies.

(v) Overview of the transactions including objectives

Amid increasingly fierce competition in the store opening and product development areas in the convenience store industry, it has become inevitable for medium- to long-term growth to open more stores in the optimal format based on the area strategy and provide products to protect life which exceed customers’ expectation more promptly than ever in order to sustain and expand the franchise commission from franchised stores. To achieve this, the Company conducted this share exchange with the belief that it is the best policy to reinforce the competitiveness of the Company Group as a whole by establishing a system that will enable functional decision-making, the further unification of both companies, sharing know-how, and further enhancing the collaborative structure to improve productivity with effective utilization of the Group’s operational capital.

(2) Overview of accounting treatment of transaction

This share exchange has been treated as a transaction under common control pursuant to the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures,etc.” (ASBJ Guidance No. 10 issued on December 26, 2008).

(3) Matters relating to the acquisition of additional shares in the subsidiary

(i) Details of acquisition costs

Equivalent value of the acquisition:	5,069 million yen
Costs directly incurred for the acquisition:	108 million yen
Acquisition costs:	5,177 million yen

(ii) Exchange ratio by type of stock

Thirty three shares in the Company’s common stock have been allocated per one share of Ninety-nine Plus Inc.’s common stock.

(iii) Method of calculating the share exchange ratio

In order to ensure fairness and validity of the share exchange ratio in this share exchange, the Company and Ninety-nine Plus Inc. requested Mitsubishi UFJ Securities Co., Ltd. and Ernst & Young Transaction Advisory Services Co., Ltd. separately to calculate the exchange ratio. The above ratio was determined based on the results of the calculation and discussions between both parties.

(iv) Number of allocated shares and valuation amount

Number of allocated shares: 1,314,951 shares

Valuation amount: 5,069 million yen

(4) Amount of carryforward goodwill, causes of carryforward goodwill, and amortization method and amortization period

(i) Amount of carryforward goodwill

2,324 million yen

(ii) Causes of carryforward goodwill

Difference between the increase in equity of the combined company held by the Company LAWSON and the acquisition cost

(iii) Amortization method and amortization period

Amortized equally over 20 years

2. LAWSON ENTERMEDIA, INC. has been consolidated as a wholly-owned subsidiary of the Company through a share exchange.

(1)Name and business of the combined companies date of the business combination, legal form of the business combination, name of the companies after combination, and overview of the transaction including the objectives.

(i) Name and businesses of combined companies

Names of Companies under business combination: LAWSON ENTERMEDIA, INC.

Content of business: Ticket sales, E-Commerce, advertising, Web marketing, and other information distribution and management business, etc.

(ii) Date of the business combination

July 1, 2010

(iii) Legal form of the business combination

Share exchange between the Company as the sole parent company and LAWSON ENTERMEDIA, INC. as a wholly-owned subsidiary (hereinafter, "this share exchange")

(iv) Name of the companies after combination

There has been no change in the name of the combined companies.

(v) Overview of the transactions objectives

As entertainment is seen as more attractive as content and recognition of the influence of entertainment in attracting customers to the stores increases in the convenience store industry, movement in competitors including business alliances and capital alliances with ticket sales agencies has become marked since last year. This share exchange was conducted as a result of the Company's belief that the acquisition of LAWSON ENTERMEDIA, INC. as a wholly-owned subsidiary of the Company will lead to improved operational efficiency through unified organizational management, prompt decision-making and redeployment of management resources while leveraging the strengths of LAWSON ENTERMEDIA, INC. and that this will ultimately contribute to reinforcing the Company Group's competitiveness and enhancing the corporate value.

(2) Overview of accounting treatment of transaction

This share exchange has been treated as a transaction under common control pursuant to the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures, etc." (ASBJ Guidance No. 10 issued on December 26, 2008).

(3) Matters relating to the additional acquisition of shares in the subsidiary

(i) Details of acquisition costs

Equivalent value of the acquisition: 1,107 million yen

Costs directly incurred for the acquisition: 142 million yen

Acquisition costs: 1,250 million yen

(ii) Exchange ratio by type of stock

Twenty one shares in the Company's common stock have been allocated per one share of LAWSON ENTERMEDIA, INC.'s common stock.

(iii) Method of calculating the share exchange ratio

In order to ensure fairness and validity of the share exchange ratio in this share exchange the Company and LAWSON ENTERMEDIA, Inc. requested Mitsubishi UFJ Securities Co., Ltd. and PricewaterhouseCoopers Co., Ltd. separately to calculate the exchange ratio. The above ratio was decided based on the results of the calculation and discussions between both parties.

(iv) Number of allocated shares and valuation amount

Number of allocated shares: 287,238 shares

Valuation amount: 1,107 million yen

(4) Amount of carryforward goodwill, causes of carryforward goodwill, and amortization method and amortization period

(i) Amount of carryforward goodwill

1,250 million yen

(ii) Causes of carryforward goodwill

Revenue surplus to be expected as a result of business expansion and enhanced efficiency of operations

(iii) Amortization method and amortization period

Amortized equally over 5 years

Non-consolidated Balance Sheet (As of February 28, 2011)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	123,234	Current liabilities	165,398
Cash and bank deposits	68,743	Accounts payable —trade	67,633
Accounts receivable—due from franchised stores	15,661	Accounts payable— due to franchised stores	1,171
Marketable securities	2,999	Short-term loans payable to subsidiaries and affiliates	5,870
Merchandise inventories	862	Lease obligations	5,893
Prepaid expenses	6,599	Accounts payable—other	13,534
Accounts receivable—other	23,641	Income taxes payable	9,738
Deferred tax assets	3,344	Consumption taxes payable	2,635
Other	1,459	Accrued expenses	1,821
Allowance for doubtful accounts	(77)	Deposits received	52,548
		Accrued employees' bonuses	3,610
Fixed assets	321,586	Provision for use of points granted	925
Property and store equipment	141,614	Other	14
Buildings	78,104	Long-term liabilities	67,974
Structures	11,216	Long-term lease obligations	22,612
Furniture, fixtures and equipment	10,962	Allowance for employees' retirement benefits	7,036
Land	6,609	Allowance for retirement benefits to executive officers and corporate auditors	212
Lease assets	34,076	Deposits received from franchisees and lessees	37,240
Construction in progress	643	Allowance for impairment loss on leased property	562
		Other	310
Intangible assets	27,925	Total liabilities	233,372
Software	21,627	Net assets	
Software development in progress	4,674	Owners' equity	211,692
Goodwill	1,163	Common stock	58,506
Other	459	Capital surplus	47,696
		Additional paid-in capital	47,696
Investments and other	152,046	Retained earnings	107,182
Investments in securities	438	Legal reserve	727
Investments in subsidiaries and affiliated companies	16,656	Other retained earnings	
Investments in affiliated limited private company	924	General reserve	50,000
Long-term loans receivable	31,756	Earned surplus brought forward	56,455
Long-term loans receivable from subsidiaries and affiliates	8,100	Treasury stock	(1,693)
Long-term prepaid expenses	5,252	Valuation and translation adjustments	(648)
Lease deposits	77,164	Net unrealized loss on available-for-sale securities	(14)
Deferred tax assets	11,693	Land revaluation difference	(634)
Other	1,662	Stock acquisition rights	405
Allowance for doubtful accounts	(1,601)	Total net assets	211,448
Total Assets	444,821	Total Liabilities, and Total Net Assets	444,821

Non-consolidated Statement of Income
(From March 1, 2010 to February 28, 2011)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	193,746	
Other	22,821	216,568
Net sales		
Net sales	(46,641)	46,641
Total operating revenues		263,209
Cost of goods sold	(33,053)	33,053
Gross profit on sales	(13,587)	
Operating gross profit		230,156
Selling, general and administrative expenses		179,945
Operating income		50,210
Non-operating income		
Interest and dividend income	702	
Compensation received for removal	177	
Other	417	1,297
Non-operating expenses		
Interest expense	768	
Loss on cancellation of store lease contract	1,075	
Other	351	2,195
Ordinary profit		49,312
Extraordinary gains		
Gain on sale of investment in subsidiary	73	
Gain on sale of investment in securities	1	75
Extraordinary losses		
Loss on disposal of fixed assets	2,926	
Loss on impairment of long-lived assets	2,410	
Loss on sale of fixed assets	1,303	
Other	540	7,180
Income before income taxes		42,206
Income taxes - current	14,984	
Income taxes - deferred	2,579	17,563
Net income		24,643

Non-consolidated Statement of Changes in Net Assets
(From March 1, 2010 to February 28, 2011)

(Millions of yen)

	Owners' equity								
		Capital surplus		Retained earnings					
					Other retained earnings				
	Common stock	Additional paid-in capital	Total capital surplus	Legal reserve	General reserve	Earned surplus brought forward	Total retained earnings	Treasury stock	Total owners' equity
Balance at the end of previous period	58,506	41,520	41,520	727	50,000	51,762	102,490	(1,713)	200,803
Changes of items during the period									
Increase by share exchanges		6,176	6,176						6,176
Dividends from surplus						(16,422)	(16,422)		(16,422)
Net income						24,643	24,643		24,643
Purchase of treasury stock – at cost								(3,510)	(3,510)
Disposal of treasury stock						(0)	(0)	1	1
Retirement of treasury stock						(3,528)	(3,528)	3,528	—
Net changes of items other than owners' equity – net									
Total changes of items during the period	—	6,176	6,176	—	—	4,692	4,692	19	10,888
Balance at the end of the current period	58,506	47,696	47,696	727	50,000	56,455	107,182	(1,693)	211,692

	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	(8)	(634)	(643)	346	200,506
Changes of items during the period					
Increase by share exchanges					6,176
Dividends from surplus					(16,422)
Net income					24,643
Purchase of treasury stock – at cost					(3,510)
Disposal of treasury stock					1
Retirement of treasury stock					—
Net changes of items other than owners' equity – net	(5)		(5)	59	53
Total changes of items during the period	(5)	—	(5)	59	10,942
Balance at the end of the current period	(14)	(634)	(648)	405	211,448

(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 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:

Inventories at cost being determined by the retail method (the book value on the balance sheet is written down based on a decline in profitability) in accordance with this standard.

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 leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value 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 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, mainly to MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

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 and executive officers terminated their services with the Company at the balance sheet date.

5. Leases

Finance leases without ownership transfer of the leased property to the lessee whose lease inception was before February 28, 2009 are accounted for as operating lease transactions

6. Accounting for consumption tax

Consumption tax is excluded from income and expense.

7. Adoption of Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)

Effective from the year ended February 28 2011, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits" (ASBJ Statement No. 19, issued on July 31, 2008). This change had no effect on operating income, ordinary income and income before income taxes.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 140,922 million

2. Due from / to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	¥	1,027	million
Short-term payables due to subsidiaries and affiliated companies	¥	7,698	million
Long-term payables due to subsidiaries and affiliated companies	¥	106	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 ¥269 million.

(Notes to the Non-consolidated Statement of Income)

1. Transactions with subsidiaries and affiliated companies

Operating transactions			
Operating revenues	¥	2,004	million
Selling, general and administrative expenses	¥	4,464	million
Transactions other than operating transactions:	¥	98	million

2. Long-lived assets

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

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

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings・Furniture, fixtures and equipment and others	468
	Osaka	〃	85
	Others	〃	1,790
Others	—	Software	66
Total	—	—	2,410

Category by fixed assets	(Millions of yen)
Buildings	1,435
Structures	179
Furniture, fixtures and equipment	211
Leased property	492
Software	66
Other	25

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 3.3% 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 433,040 shares

(Accounting for income taxes)

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

	(Millions of yen)
Enterprise taxes payable	832
Accrued employees' bonuses	1,498
Loss on write-down of investments in affiliated companies	1,946
Excess of depreciation	5,456
Excess of amortization of software	747
Allowance for employees' retirement benefits	5,132
Allowance for doubtful accounts	437
Impairment loss	2,470
Other	1,661
Subtotal of deferred tax assets	20,183
Less valuation allowances	(2,805)
Total deferred tax assets	17,378
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,340)
Total deferred tax liabilities	(2,340)
Deferred tax assets-net	15,037

With regard to the deferred tax liability related to the 1,002 million yen of investments in subsidiaries and affiliated companies which was assumed through the share exchange method specified in the Companies Act under Article 796 (3), the amount has not been recognized based on the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

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

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

Projected benefit obligations	(Millions of yen)
a. Projected benefit obligations	(13,160)
b. Plan assets	5,577
c. Projected benefit obligations in excess of plan assets (= a + b)	(7,583)
d. Unrecognized prior service cost	527
e. Unrecognized actuarial differences	19
f. Allowance for employees' retirement benefits (= c + d + e)	(7,036)

Net periodic benefit cost

	(Millions of yen)
a. Service cost	960
b. Interest cost	248
c. Amortization of prior service cost	175
d. Amortization of actuarial differences	82
e. Net periodic benefit cost (= a + b + c + d)	1,467
f. Contribution to defined contribution plan	271
g. Total (= e + f)	1,738

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 leases without ownership transfer of the leased property to the lessee whose lease inception was before February 28, 2009:

(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	27,313	16,659	964	9,689

(2) Obligations under finance leases

	(Millions of yen)
Due within one year	3,906
Due after one year	7,108
Total	11,014
Allowance for impairment loss on leased property	562

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

	(Millions of yen)
Lease payments	5,463
Transfer from allowance for impairment loss on leased property	382
Depreciation expense	5,430
Interest expense	351
Impairment loss	492

(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 and affiliates

Attribute	Name of Company	Business or Occupation	Holding Ratio of Voting Rights (%)	Relationship		Description of Transactions	Transaction Amount (Million Yen)	Account Item	Balance at End of Year (Million Yen)
				Business Relationship	Officer's Post Concurrently Held				
Subsidiary	Ninety-nine Plus Inc.	Convenience store business	Direct holding 100.0%	Joint purchasing, joint product development	Yes	Receipt of dividend, Loaning of funds, Receipt of interest rates	10,800 9,000 45	— Long-term loans receivable —	— 8,100 —
	LAWSON ATM Networks, Inc.	Financial services-related business	Direct holding 44.0%	Placement of ATMs in the LAWSON stores	No	Borrowing of funds	—	Short-term loans payable	4,500

Transaction conditions and the policies for determining those conditions:

1. LAWSON manages the funds of some subsidiaries centrally and there are loans and borrowing transactions between LAWSON and its subsidiaries. Because it is difficult to obtain the details of transaction amounts, the balance at end of year is disclosed in the notes.
2. The interest rates for loans and borrowings are determined rationally, taking into account market interest rates.

Subsidiaries of an affiliated company of the Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
				Business relationship	Director's 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	3,285 (74,708)	Accounts payable-trade	5,559
	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)	10,229 (227,351)	Accounts payable-trade	20,119
	SAN-ESU INC.	Confectionary wholesale business	—	Vendor	—	Purchases for the Company-operated stores (Purchases for the franchised stores)	1,376 (31,209)	Accounts payable-trade	3,166
	RYOSHOKU LIQUOR LIMITED	General wholesale of alcohol and food	—	Vendor	—	Purchases for the Company-operated stores (Purchases for the franchised stores)	356 (22,206)	Accounts payable-trade	1,662

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 2,113.24 yen
2. Net income per share 247.15 yen

(Notes regarding significant subsequent events)

As a result of the earthquake off the pacific coast of Tohoku, which occurred on March 11, 2011, some of the LAWSON stores in the Tohoku region and the Kanto region, including Ibaraki Prefecture, have been affected. Some merchandise and fittings fell, tipped over or broke and buildings have been damaged or suffered from power outages. Some of the stores, mainly in Iwate and Miyagi Prefectures, remained closed or opening hours were shortened. In addition, due to the influence of the planned power outages mainly in the Kanto region, opening hours have been shortened for some stores and there has been a delay in the delivery of goods.
The extent of the damage to the Company caused by this earthquake is currently being studied. The influence on the Company's operational activities, etc., the outlook for recovery and the amount of damage including the cost of repairs are not yet determinable.

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 6, 2011

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, 2011 of LAWSON, INC. (the "Company"), and the related statements of income and changes in net assets, and the related notes for the 36th fiscal year from March 1, 2010 to February 28, 2011 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, 2011, 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 6, 2011

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, 2011 of LAWSON, INC. (the "Company"), and the related consolidated statements of income and changes in net assets, and the related notes for the 36th fiscal year from March 1, 2010 to February 28, 2011. 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, 2011, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

(TRANSLATION ONLY)

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

AUDIT REPORT

Regarding the execution of duties by the Directors for the 36th business term from March 1, 2010 to February 28, 2011, 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, Compliance & Risk committee meetings, Internal Control over Financial Reporting 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 regarding the internal control system established by the Board of the Corporate Auditors, we have monitored and verified the resolution of the Board of Directors, described in the business report, 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 the 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 relevant description in the business report and execution of duties by the Directors concerning Internal Control System.

(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, 2011

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor Munehiko Nakano
(Outside Corporate Auditor)
Standing Corporate Auditor Atsuhiko Seki
Corporate Auditor Tetsuo Ozawa
(Outside Corporate Auditor)
Corporate Auditor Kazuyuki Masu
(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 considering its comprehensive financial position, earnings, dividend payout ratio and other factors while ensuring sufficient funds are retained for future business development.

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

Year-end dividends:

(1) The assignment of the dividend property to shareholders and total amount thereof:

¥85 per share of the Company's common stock to a total of ¥8,488,691,600

Note: The annual dividend per share will be ¥170, an increase of ¥10 from the previous period, including an interim dividend per share of ¥85.

(2) Effective date of the dividends from surplus:

Wednesday, May 25, 2011

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

The Company proposes that the Articles of Incorporation be partially amended as follows.

1. Reasons for amendment

Under the corporate philosophy, “Happiness and Harmony in our Community,” the Company operates businesses centering on a franchise chain of convenience stores. We place emphasis on the entertainment business that provides our customers with happiness as a critical growth area. In line with this policy, on July 1, 2010, LAWSON ENTERMEDIA, INC., which sells tickets in LAWSON stores, was made a wholly owned subsidiary of the Company by way of a share transfer. Further, on December 1, 2010, we purchased all the outstanding shares in HMV Japan K.K., which distributes music and video software.

On March 1, 2011, the Company adopted a group-based internal organization system toward further expansions of our entertainment business, establishing the Entertainment & e-Commerce Group as one of the key groups with the CVS Operating Group and International Group.

Under these circumstances, the Company proposes to add to Article 2 (Objectives) in the current Articles of Incorporation an item “Business relating to entertainment including music, theaters and other events,” so that the Company’s business purposes will be clearer to our stakeholders. In line with the amendment, the existing Articles must be renumbered.

2. Particulars of amendments

Particulars of proposed amendments are described below.

(Suggested amendments are underlined in the text.)

Current Provision of the Articles of Incorporation	Proposed Amendments
Chapter 1. GENERAL PROVISIONS (Purpose) Article 2. The purpose of the Company shall be to operate the following businesses: 1.-2. (Text omitted) (A new item to be inserted) <u>3</u>.-<u>21</u>. (Text omitted)	Chapter 1. GENERAL PROVISIONS (Purpose) Article 2. The purpose of the Company shall be to operate the following businesses: 1.-2. (Unchanged from the existing text) <u>3. Business relating to entertainment including music, theaters and other events.</u> <u>4</u>.-<u>22</u>. (Unchanged from the existing text)

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

The term of office of two corporate auditors, Messrs. Tetsuo Ozawa and Kazuyuki Masu, is to expire at the conclusion of this general meeting of shareholders. We propose that two corporate auditors be elected.

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

Brief history of the nominees is described below:

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
1	Tetsuo Ozawa (June 28, 1947)	April 1973	Registered as a practicing attorney. Joined Tokyo Fuji Law Office.	Nil
		May 2003	Outside Corporate Auditor of LAWSON, INC. (to date)	
		August 2004	Outside Corporate Auditor (to date) of Monex Beans Holdings Inc. (currently, Monex Group, Inc.)	
		June 2005	Outside Corporate Auditor of Monex Beans, Inc. (currently, Monex, Inc.)	
		June 2007	Outside Corporate Auditor of CEMEDINE CO., LTD. (to date)	
2	* Eiko Tsujiyama (December 11, 1947)	April 1974	Registered as a Certified Public Accountant	Nil
		August 1980	Assistant Professor, College of Humanities, Ibaraki University	
		April 1985	Assistant Professor, Faculty of Economics, Musashi University	
		April 1991	Professor, Faculty of Economics, Musashi University	
		April 2003	Professor, School of Commerce and The Graduate School of Commerce, Waseda University (to date)	
		June 2008	Outside Corporate Auditor of Mitsubishi Corporation (to date)	
		June 2010	Outside Director of ORIX Corporation (to date)	

Notes:

1. Both Mr. Tetsuo Ozawa and Ms. Eiko Tsujiyama are nominees for outside corporate auditors as set forth in Article 2, Paragraph 3, Item 8 of the Ordinance for Enforcement of the Companies Act.
2. Reasons for selecting the above-listed nominees for outside corporate auditors, and the term of office as outside corporate auditors of the Company:
   (1) Mr. Tetsuo Ozawa

   He has been nominated as a candidate because he possesses abundant experience mainly in the area of corporate legal affairs ranging from legislation to risk management from the legal point of view and because of his knowledge as a lawyer, and he is also currently providing appropriate supervision to execution of business by the Company's directors. Although he has not participated in corporate management in a position other than as an outside director or outside corporate auditor, the Company expects him to continue to adequately fulfill his role as an outside corporate auditor for the reasons referred to above.

   He has been an outside corporate auditor of the Company since May 2003, and will have held this position for eight years at the conclusion of this general meeting of shareholders.

   (2) Ms. Eiko Tsujiyama

   She has been nominated as a candidate because she possesses abundant experience of serving on the

Government's Tax Commission, the National Tax Agency's National Tax Council, etc. as an academic expert as well as a deep knowledge of finance and accounting as a certified public accountant. Although she has not participated in corporate management in a position other than as an outside director or outside corporate auditor, the Company expects her to adequately fulfill her role as an outside corporate auditor for the reasons referred to above.

3. Facts pertaining to the illicit execution of business, if any, that took place in another company while the above nominee served as an executive at that other company, and a summary of his/her acts to prevent such actions from occurring, and to respond to such actions after they occurred:

   When Mr. Tetsuo Ozawa was a part-time Outside Corporate Auditor of Monex, Inc. ("Monex"), Monex received a business improvement order from the Financial Services Agency ("FSA") in June 2006 as a result of an inspection conducted by the Securities and Exchange Surveillance Commission ("SESC") in and after November 2005, in which certain facts were recognized as violating applicable laws. These facts were that management was insufficient with respect to transactions of securities on behalf of customers to prevent unfair trading, and that Monex was in a situation in which "the management of the electronic data processing organization related to the securities business is not satisfactory." As a corporate auditor, Mr. Ozawa had regularly expressed his opinions at meetings of the Board of Directors from the viewpoint of compliance based on his expertise as a lawyer, and endeavored to prevent any violation of laws through proper auditing procedures. After the aforementioned violation of laws became known, he demanded that actions be implemented to prevent any reoccurrence to the Representative Director through the Board of Corporate Auditors, and also demanded that the person responsible for such action be present at the Board of Corporate Auditors to explain the situation after the submission of an improvement report. Furthermore, in March 2009, Monex received a three-month business suspension order (the cessation of all new business services, aside from those approved by the FSA, deploying system developments) and a business improvement order from the FSA following the recognition of the violation of applicable laws due to the existence of a situation in which "the management of the electronic data processing organization related to financial product transactions is not satisfactory," as revealed in an inspection conducted by the SESC in and after November 2008. As a corporate auditor, Mr. Ozawa had regularly expressed his opinions at meetings of the Board of Directors from the viewpoint of compliance based on his expertise as a lawyer, and endeavored to prevent any violation of laws through proper auditing procedures. After the aforementioned violation of laws occurred, he further reinforced his monitoring efforts to prevent any reoccurrence through the Board of Directors and the Board of Corporate Auditors.

4. Agreement with the nominees to limit liability

   Pursuant to Article 32 of the current Articles of Incorporation, the Company has entered into an agreement with Mr. Tetsuo Ozawa to limit his 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 he has been in good faith and without gross negligence in executing the duties that were ascribed as the cause of the claim for damages.

   The same agreement will be entered into with Ms. Eiko Tsujiyama.

5. The nominees do not have any special interests in the Company.
6. The Company designates Mr. Tetsuo Ozawa as an independent executive as stipulated in the regulations of the Tokyo Stock Exchange and the Osaka Securities Exchange, and has notified those stock exchanges of the designation. In the same manner, the Company will designate Ms. Eiko Tsujiyama as an independent executive, and notify those stock exchanges.
7. The person marked with an asterisk (*) represents a new nominee for corporate auditor.
8. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 14, 2011.

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

The current corporate auditor, Mr. Kazuyuki Masu, will retire from office at the conclusion of this 36th Ordinary General Meeting of Shareholders. As a reward for his services in office, we propose to present him with retirement benefits of up to ¥1 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 auditor.

Name	Brief Personal History	
Kazuyuki Masu	May 2010	Outside Corporate Auditor of LAWSON, INC. (to date)

Note: The corporate auditor's Brief Personal History is current as of April 14, 2011.