(TRANSLATION ONLY)
Securities Code: 2651

May 8, 2012

To All Shareholders With Voting Rights

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

NOTICE OF THE 37th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 37th 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 28, 2012.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 28, 2012 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 29, 2012
2. Venue: Tokyo International Forum, Hall C, 5-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
3. Objectives of the Meeting
   Reports:
   The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 37th Fiscal Term (from March 1, 2011 to February 29, 2012), 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 Seven (7) Directors
   Proposal No. 4: Election of One (1) Corporate Auditor
   Proposal No. 5: Presentation of Retirement Benefit to a Retiring Corporate Auditor, and Final Payment of Retirement Benefit upon the Abolishment of the Retirement Benefit System for Corporate Auditors
   Proposal No. 6: Revision of the Amount of Compensation for Corporate Auditors

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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.)

[Concerning Disclosure on Websites]

1. In accordance with provisions of applicable laws and ordinances, as well as Article 14 of the Articles of Incorporation of the Company, the following statements are posted on our website and are not included in this notice of the Ordinary General Meeting of Shareholders. The referential documents attached to this notice are part of the documents audited by the corporate and accounting auditors in the process of preparation of the Audit Reports.
   (1) Notes to the consolidated financial statements
   (2) Notes to the non-consolidated financial statements

2. If any modification to the contents of this notice is needed, the Company will post such modifications on its website. Also, the results of the resolutions made at this Ordinary General Meeting of Shareholders will be posted on the Company's website.

   Website of LAWSON, INC.   http://www.lawson.co.jp/company/ir/index.html

(TRANSLATION ONLY)

BUSINESS REPORT

(March 1, 2011 through February 29, 2012)

I. CURRENT STATUS OF THE CORPORATE GROUP

1. Summary of Operations

(1) Business Developments and Results of Operations

During fiscal 2011, the year ended on February 29, 2012, the LAWSON Group (hereinafter, "the Group") focused on achieving speedy recovery of stores and the product supply chain affected by the Great East Japan Earthquake in March 2011 with the aim of realizing the Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities." With these efforts, we were appreciated by customers as a convenience store chain with a nationwide network as well as "social infrastructure" that provides essential items at the local level.

In terms of operating results for the consolidated fiscal year under review, total operating revenues increased by 8.5% from the previous fiscal year to ¥478,957 million. This was due to a ¥17.9 billion increase in franchise commission from franchised stores owing to the positive effect of measures to expand customer bases comprising women and seniors and a rise in spending per customer resulting from a tax hike on tobacco. Selling, general and administrative expenses increased by 7.5% to ¥260,941 million due to the active injection of advertising expenditures. As a result, operating income grew ¥6,229 million, or 11.2%, from the previous fiscal year to ¥61,769 million. Ordinary income climbed ¥7,133 million, or 13.1%, from the previous fiscal year to ¥61,728 million. Net income decreased ¥501 million, or 2.0%, from the previous fiscal year to ¥24,885 million, partly as a result of an increase of ¥7,317 million, or 71.9%, in extraordinary loss, to ¥17,502 million, which reflects the posting of ¥8,292 million in loss on adjustment for changes of accounting standard for asset retirement obligations and ¥3,460 million in loss from the disaster caused by the Great East Japan Earthquake.

Operating results by business segment were as follows:

(Convenience Store Operations and Overseas Businesses)

Merchandise Strategy and Services

On the merchandise front, the Group developed menus catering to customer needs as follows by leveraging customer purchase data acquired through the multi-partner loyalty program, Ponta, which the Group joined in March 2010. We also strived to provide appealing products that offer value for money by enhancing added-value in the ingredients procurement process, including bulk procurement of high-quality food materials, by employing a dedicated section.

In the rice category, we offered chilled lunch boxes, named "Lawson-Tei," which incorporates the color, taste and texture preferences of female customers, who have traditionally proven reluctant to purchase convenience store lunch boxes. The favorable performance of Lawson-Tei helped us succeed in expanding the demand for lunch boxes, especially among female customers.

In the over-the-counter fast food category, prepared foods such as croquettes and minced cutlets performed well, while new flavors for our Karaagekun and fried chicken also contributed to the category's strong performance.

Our private brand, "Lawson select," which is mainly comprised of prepared foods, processed foods, ad daily necessities, was renewed significantly in October 2011. As a result of expansion in the number of items and strengthening of sales promotion, robust sales growth was recorded.

In the dessert category, sales climbed year-on-year, driven by our Uchi Café SWEETS line including the Premium Roll Cake Series.

In sales promotions, the Group focused on campaigns anticipated to bring a high return on investment (ROI), such as the Spring and Autumn Rilakkuma Fairs, Miffy Bowl/Plate Present Campaign, and Keion!! Fair II, which are centered on tie-ups with popular characters. We also implemented the HAPPY 10,000 Champaign in celebration of reaching the 10,000 store milestone in Japan. Total Ponta members reached 39.12 million as of February 29, 2012, including members joining through other participating companies. LAWSON provided loyalty points appealing to Ponta members in addition to expanding its membership base, which resulted in an increase in Ponta members' sales ratio.

Store Operations

To improve store operations, we promoted retail spaces and merchandise assortments that matched customer needs specific to each neighborhood by utilizing our backbone IT system to analyze customer sales data collected from Ponta cards and to use the analyzed data in store-based order placements. This operational reform in the store operation method is dubbed PRiSM. Through the promotion of PRiSM, we have strived to enhance accuracy in order placement in order to reduce opportunity loss. Through these measures, we continued to work toward curtailing lost opportunities while aiming to create stores that fully satisfy the desires of customers to purchase "whatever you want, whenever and wherever you need it."

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.

In an effort to reinforce stores that cater to healthcare needs, we expanded the number of stores that market over-the-counter (OTC) drugs to 41 as of February 29, 2012, partly as a result of increasing licensed sales personnel based on human resources exchange with MatsumotoKiyoshi Holdings Co., Ltd. Starting from August 2010, the Group 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. As of February 29, 2012, we operate 7 Pharmacy LAWSON stores.

Regarding fresh foods convenience stores, we have been converting our directly managed stores into franchised stores to promote our franchise-based store management. The number of fresh foods convenience stores, LAWSON STORE100, operated by the Group's consolidated subsidiary Ninety-nine Plus Inc., reached 1,172 as of February 29, 2012. In addition, at our conventional LAWSON stores that enhance focus on perishable foods and foods delivered daily, we promoted a strategy of expanding our customer base by attracting elderly customers and homemakers. As of February 29, 2012, the number of these fresh food-type LAWSON stores totaled 3,913. Some of these stores sell fresh vegetables produced at 4 LAWSON Farms in Japan, which the Group partially funded.

The number of LAWSON chain stores operated by LAWSON Toyama, Inc., a consolidated subsidiary of LAWSON, INC. (hereinafter, "the Company"), reached 73 as of February 29, 2012. The number of LAWSON chain stores operated by the Company's equity-method affiliate, LAWSON Okinawa, Inc., through the business alliance agreement with SAN-A CO., LTD. totaled 147 as of February 29, 2012.

The Company agreed to conclude a franchise agreement with CVS Bay Area, Inc. as of January 25, 2012. Starting from March 1, 2012, CVS Bay Area, Inc. is converting its convenience stores to LAWSON stores and launching their operations.

[Change in Total Number of Stores] (March 1, 2011 to February 29, 2012) (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE100	Total
Total stores as of February 28, 2011	8,686	90	1,077	9,853
Change during fiscal year	352	10	95	457
Total stores as of February 29, 2012	9,038	100	1,172	10,310

Operations of Overseas Convenience Stores

Regarding our business in the People's Republic of China (hereinafter, "China"), the Company raised its controlling stake in its Chinese equity-method affiliate, SHANGHAI HUALIAN LAWSON CO., LTD., to 85% in September 2011, converting it into a consolidated subsidiary. Also, we opened our first store in Dalian in November 2011, in addition to advancing into Shanghai and Chongqing. The number of LAWSON stores operated by SHANGHAI HUALIAN LAWSON CO., LTD. totaled 314 as of February 29, 2012. CHONGQUING LAWSON CO., LTD., also a consolidated subsidiary of the Company, was operating 38 LAWSON stores in Chongqing, China, as of February 29, 2012. DALIAN LAWSON CO., LTD., the Company's 95% subsidiary, was opening 3 LAWSON stores as of February 29, 2012.

In the regions outside of China, the Company established LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. (LAP) in May 2011 in the Republic of Singapore as its consolidated subsidiary, in order to control its subsidiaries and affiliates that operate convenience stores outside Japan (excluding China). Also, the Company entered into a licensing agreement in June 2011 with PT MIDI UTAMA INDONESIA Tbk (MIDI), a member of the Alfa Group, which operates a large-scale retail business in the Republic of Indonesia. Further, LAP acquired a 30% stake in MIDI in July 2011. As of February 29, 2012, MIDI operates 523 stores in its own store format and 15 LAWSON stores in Jakarta and its outskirts.

Corporate Social Responsibility (CSR) Activities

In the CSR field, the CSR Promotion Office promoted environmental protection and social contribution activities, working together with franchise owners and employees.

As part of our efforts to help create a low-carbon society, the Group set targets for reducing the CO_2 generated by power consumption at each store, and strived to actively install 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, in April 2008 the Group launched a carbon offset program, which allows customers to contribute to reducing CO_2 by purchasing carbon credits using their accumulated shopping points or cash, or by purchasing products designated for carbon offset. As of February 29, 2012, approximately 16 thousand 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 the Great East Japan Earthquake, raised a total of approximately ¥1,737 million in fiscal 2011.

Furthermore, as part of its social contribution activities, the Group established a scholarship program dubbed "Support For Dreams Fund" to help junior and senior high school students that were affected by the Great East Japan Earthquake, and began paying it out from October 2011.

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

[Total Operating Revenues in the Convenience Store Business]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
417,751	103.0

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

Product Group	Sales (¥ millions)	Composition Ratio (%)	Year-over-Year (%)
Processed foods	1,022,619	56.0	114.0
Fast foods	345,424	18.9	107.3
Daily delivered foods	263,179	14.4	99.6
Non-food products	194,586	10.7	97.6
Total	1,825,809	100.0	108.5

(Other Businesses)

In addition to convenience store operations, the Group is involved in entertainment/e-commerce business, financial services, and other businesses.

We expanded the Group's e-commerce business, leveraging the alliance with Yahoo JAPAN Corporation which commenced in June 2011. Furthermore, we have been focusing on reinforcing the e-commerce business by providing price comparison and product search functions owned by Venture Republic Inc., an equity-method affiliated with which the Company entered into a capital and business alliance in January 2011. By capitalizing on these alliances, the Group opened its comprehensive online entertainment mall, LAWSON HOT STATION Lpaca, and its online shopping mall, Loppi, in August and September 2011, respectively, thereby making a full-fledged start for its e-commerce business. Loppi has expanded merchandise offering since November 2011 with particular emphasis on daily necessities and foods, and Lpaca has increased the number of books, both in an effort to provide customers with "whatever you want, whenever and wherever you need it."

The Company's consolidated subsidiary, LAWSON HMV ENTERTAINMENT, INC., which was established on September 1, 2011 through the merging of LAWSON ENTERMEDIA, INC. and HMV Japan K.K., is also engaged in entertainment/e-commerce-related business. The merged company has shown steady recovery at a pace exceeding our original expectations despite the negative impact of the Great East Japan Earthquake which resulted in voluntary cancellation and postponement of some concerts and in the voluntary delay of new CD/DVD releases.

LAWSON ATM NETWORKS, INC., which operates a financial services-related business, has worked to increase the number of transactions in response to the increased number of ATMs installed nationwide in LAWSON stores. As of February 29, 2012, the number of ATMs installed nationwide totaled 9,002.

In response to the misconduct that was uncovered in fiscal 2009 within the Company's subsidiary LAWSON ENTERMEDIA, INC. (currently LAWSON HMV ENTERTAINMENT, INC.), we have undertaken rigorous initiatives to prevent future misconduct within the Company and its Group companies. Specifically, the Company implemented centralized management of its affiliates' funds, examined the status of the distribution of authorities and risk management at its affiliates, and provided stronger guidance to affiliates for improvement based on internal audits within the Group. In addition, the Company revised and enforced its Affiliate Management Regulation to strengthen guidance to affiliates with respect to risk management and establishment of internal control systems. We intend to continue to promote the measures we are implementing.

[Total Operating Revenues in Other Businesses]

Total Operating Revenues (¥ millions)	Year-over-Year (%)
65,529	165.2

(2) Capital Expenditures and Financing

Capital expenditures of the LAWSON Group during the year totaled ¥40,211 million, of which ¥32,387 million was primarily for store facility investment in land and buildings, and ¥7,744 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 29, 2012.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2008 34th Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term	Fiscal 2011 37th Term
Total operating revenues (¥ millions)	349,476	467,192	441,277	478,957
Ordinary profit (¥ millions)	48,787	49,440	54,594	61,728
Net income (¥ millions)	23,807	12,562	25,386	24,885
Net income per share (¥)	240.10	126.67	254.61	249.17
Total assets (¥ millions)	436,096	448,131	476,036	531,453
Net assets (¥ millions)	201,166	198,135	208,466	214,662
Net assets per share (¥)	1,968	1,935	2,037	2,114

Notes:

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 2008 34th Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term	Fiscal 2011 37th Term
Total net sales of LAWSON stores including franchised stores (¥ millions)	1,506,312	1,472,415	1,502,754	1,621,328
Total operating revenues (¥ millions)	279,739	271,513	263,209	272,498
Ordinary profit (¥ millions)	47,321	44,577	49,312	56,110
Net income (¥ millions)	22,066	20,665	24,643	22,462
Net income per share (¥)	222.54	208.38	247.15	224.91
Total assets (¥ millions)	402,117	420,444	444,821	500,667
Net assets (¥ millions)	195,634	200,506	211,448	216,826
Net assets per share (¥)	1,969	2,018	2,113	2,166

(4) Pressing Issues

The LAWSON Group is promoting the following management measures with the aim of realizing its corporate philosophy of "Creating Happiness and Harmony in Our Communities."

1) Create merchandise assortments that meet customer needs

In an effort to create stores that meet the needs of customers in the neighborhood, the Group will continue to use the Ponta data to develop customer-centric merchandise assortment. We will enhance the level of PRiSM operational reform based on our core IT system, and 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 by leveraging the Ponta data.

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. By accelerating the introduction of perishable foods at our stores and strengthening our private brand, “Lawson select,” which is mainly comprised of prepared foods, processed foods, and daily necessities, 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 body 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. In addition to selling OTC drugs at our convenience stores, we intend to promote our healthcare business based on in-store drug-dispensing pharmacies. 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 by further promoting partnership with other companies.

6) Proactive development of overseas business

Currently, the Group operates LAWSON stores in Shanghai, Chongqing, and Dalian in China, and Jakarta and its outskirts in Indonesia. We will continue to look into the possibility of opening new stores in these countries, as well as in other countries and regions where economic growth is expected, by analyzing their economic and political situations. We will also proactively examine whether we can advance into Europe, the United States, and other developed countries, by finding opportunities to apply our business model.

7) Addressing operating risks

The Group will continue to address risks inherent in expanding its business formats and regions of operation. In particular, we will strive to step up efforts to tackle risks related to large-scale disasters, including natural disasters, in order to mitigate their effects. In addition, the Group will improve its business continuity framework by addressing risks concerning information security, including the handling of personal information, as well as risks concerning legal regulations.

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

2. Current Status at the End of February 2012

(1) Major Business Operations and Principal Offices
(Convenience Store Operations and Overseas Businesses)

[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 95 offices throughout Japan, including 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 fresh foods convenience store chains. The 1,172 LAWSON STORE100 stores operated by Ninety-nine Plus are included in the table on the next page.
Head Office:	Shinjuku-ku, Tokyo

[3] LAWSON Toyama, Inc.

Major Business:	LAWSON Toyama, Inc. operates the LAWSON-brand franchise system as the headquarters of some LAWSON convenience store chains in Toyama prefecture. The 73 LAWSON stores operated by LAWSON Toyama, Inc. are included in the table on the next page.
Head Office:	Toyama-shi, Toyama

Note: LAWSON Toyama, Inc. became LAWSON's consolidated subsidiary effective from the current fiscal year.

[4] SHANGHAI HUALIAN LAWSON CO., LTD.

Major Business:	SHANGHAI HUALIAN LAWSON CO., LTD. operates the Company-operated and franchise system stores of the LAWSON convenience store chains. The 314 LAWSON stores operated by HUALIAN LAWSON CO., LTD. are included in the table on the next page.
Head Office:	Shanghai, China

Note: The Company raised its controlling stake in its Chinese equity-method affiliate, SHANGHAI HUALIAN LAWSON CO., LTD., to 85% in September 2011, converting it into a consolidated subsidiary.

[5] CHONGQING LAWSON CO., LTD.

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

The 38 LAWSON stores operated by CHONGQING LAWSON CO., LTD are included in the table below.

Head Office: Chongqing, China

[6] DALIAN LAWSON CO., LTD.

Major Business: DALIAN LAWSON CO., LTD. operates the Company-operated stores of the LAWSON convenience store chains.

The 3 LAWSON stores operated by DALIAN LAWSON CO., LTD. are included in the table below.

Head Office: Dalian, China

Note: DALIAN LAWSON CO., LTD. was established as the Company's 95% subsidiary in September 2011 and subsequently became the Company's consolidated subsidiary.

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	550	Ibaraki	117	Kyoto	261	Ehime	160
Aomori	173	Tokyo	1,384	Shiga	128	Tokushima	103
Akita	158	Kanagawa	738	Nara	100	Kochi	60
Iwate	153	Shizuoka	190	Wakayama	115	Fukuoka	375
Miyagi	193	Yamanashi	81	Osaka	985	Saga	63
Yamagata	64	Nagano	135	Hyogo	572	Nagasaki	90
Fukushima	91	Aichi	492	Okayama	122	Oita	143
Niigata	108	Gifu	125	Hiroshima	146	Kumamoto	98
Tochigi	111	Mie	99	Yamaguchi	112	Miyazaki	85
Gunma	71	Ishikawa	91	Tottori	93	Kagoshima	109
Saitama	425	Toyama	182	Shimane	92	Total	10,310
Chiba	367	Fukui	101	Kagawa	99		
Region	Number of Stores	Region	Number of Stores	Region	Number of Stores	Region	Number of Stores
Shanghai	314	Chongqing	38	Dalian	3	Overseas total	355

[7] LAWSON ASIA PACIFIC HOLDINGS PTE. LTD.

Major Business: LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. controls the Company's subsidiaries and affiliates that operate overseas businesses (excluding China).

Head Office: Singapore

Note: LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. was established as the Company's 100% subsidiary in May 2011.

(Other Business)

Company Name	Head Office	Major Business	
LAWSON HMV ENTERTAINMENT, INC.	Shinagawa-ku, Tokyo	Entertainment/e-commerce business	Sells tickets for various events and music/video software inside LAWSON stores, etc.
LAWSON ATM Networks, Inc.	Shinagawa-ku, Tokyo	Financial services–related business	Installs jointly-operated ATMs in LAWSON stores, etc.
BestPractice Inc.	Shinagawa-ku, Tokyo	Consulting business	Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores
Cross Ocean Media, Inc.	Shibuya-ku, Tokyo	Advertising business	Develops and operates digital signage inside LAWSON stores.

Note: LAWSON HMV ENTERTAINMENT, INC. was established following the merging of HMV Japan K.K. by LAWSON ENTERMEDIA, INC. in September 2011 and subsequent change of the trade name.

(2) Employees

[1] Employees of the Corporate Group

Designation of Business Segment	Number of Employees	YoY Change
Convenience store business	4,776	78
Overseas business	754	660
Entertainment/e-commerce business	751	24
Financial services-related business	21	(1)
Consulting business	144	(13)
Advertising business	4	(1)
Total	6,450	747

Notes:

1. The number of employees increased by 747 from the previous fiscal year mainly due to the fact that the Company's equity-method affiliate, SHANGHAI HUALIAN LAWSON CO., LTD., became the Company's consolidated subsidiary effective from the current fiscal year.
2. CHONGQING LAWSON CO., LTD., which had been included in the convenience store business as of the end of the previous fiscal year, has been included in the overseas business effective from the current fiscal year. The number of employees as of the end of the previous fiscal year was 94.

[2] Employees of the Company

Number of Employees	YoY Change	Average Age	Average Years of Service
3,342	37	38.9	12.5

(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
LAWSON Toyama, Inc.	¥50 million	100.0	Convenience store business
SHANGHAI HUALIAN LAWSON CO., LTD.	CNY165,898 Thousand	85.0	Overseas business
CHONGQING LAWSON CO., LTD.	CNY77,660 Thousand	100.0	Overseas business
DALIAN LAWSON CO., LTD.	CNY22,000 Thousand	95.0	Overseas business
LAWSON ASIA PACIFIC HOLDINGS PTE. LTD.	S$64 million	100.0	Overseas business
LAWSON HMV ENTERTAINMENT, INC.	¥100 million	100.0	Entertainment/e-commerce business
LAWSON ATM Networks, Inc.	¥3,000 million	70.9	Financial services-related business
BestPractice Inc.	¥10 million	100.0	Consulting business
Cross Ocean Media, Inc.	¥393 million	42.0	Advertising business

Notes:

1. The Company raised its controlling stake in SHANGHAI HUALIAN LAWSON CO., LTD., which had been the Company's equity-method affiliate in the previous fiscal year, to 85% in September 2011, converting it into a consolidated subsidiary.
2. DALIAN LAWSON CO., LTD. was established as the Company's 95% subsidiary in September 2011 and subsequently became the Company's consolidated subsidiary.
3. The Company established LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. in May 2011 as its 100% subsidiary, in order to control its subsidiaries and affiliates that operate overseas businesses (excluding China).
4. LAWSON HMV ENTERTAINMENT, INC. was established following the merging of HMV Japan K.K. by LAWSON ENTERMEDIA, INC. in September 2011 and subsequent change of the trade name.

[2] Other Important Business Combinations

1) Important Affiliated Companies

Company Name	Common Stock	Shareholding (%)	Major Business
LAWSON Okinawa, Inc.	¥10 million	49.0	Convenience store business
PT MIDI UTAMA INDONESIA Tbk	Rp. 288,235 million	30.0	Overseas business
Venture Republic Inc.	¥307 million	41.1	Entertainment/e-commerce business

Notes:

1. The Company acquired a 30% equity stake in PT MIDI UTAMA INDONESIA Tbk (MIDI) through LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. As a result, MIDI became the Company's equity-method affiliate.
2. Although the Company concluded a capital and operational alliance agreement with Venture Republic Inc. on January 28, 2011, the Company determined 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. Venture Republic Inc. has been included in the scope of application of the equity method effective from the current fiscal year.

2) Important Business Alliances

Mitsubishi Corporation holds 32.4% 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 416,166 shares of treasury stock)

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

(4) Number of Shareholders: 37,300

(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.1
Japan Trustee Services Bank, Ltd. (Trust account)	2,794	2.8
STATE STREET BANK AND TRUST COMPANY 505223	2,726	2.7
The Master Trust Bank of Japan, Ltd. (Trust account)	2,447	2.5
STATE STREET BANK AND TRUST COMPANY	2,348	2.4
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK AND TRUST COMPANY 505225	1,787	1.8
The Chase Manhattan Bank NA, London SL, Omnibus Account	1,643	1.6
STATE STREET BANK AND TRUST COMPANY 502202	1,610	1.6
MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1,451	1.5

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 29, 2012

	5th Stock Acquisition Rights	6th (a) Stock Acquisition Rights	7th (a) Stock Acquisition Rights	8th (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)	4 persons (162 units) 3 persons (18 units)	4 persons (239 units) 3 persons (25 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. 18,000	Common stock of LAWSON, INC. 26,400
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	September 6, 2007 through August 20, 2027	January 17, 2009 through December 15, 2028
Main exercise conditions	Note 1	Note 2	Note 2	Note 2

	9th Stock Acquisition Rights	10th Stock Acquisition Rights	11th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (Excluding outside directors) Outside directors	4 persons (194 units) 3 persons (21 units)	4 persons (166 units) 3 persons (23 units)	4 persons (247 units) 3 persons (23 units)
Class and number of shares subject to stock acquisition rights	Common stock of LAWSON, INC. 21,500	Common stock of LAWSON, INC. 18,900	Common stock of LAWSON, INC. 27,000
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1
Exercise period	February 18, 2010 through February 1, 2030	February 26, 2011 through February 10, 2031	February 18, 2012 through February 1, 2032
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.

The total number of shares subject to stock acquisition rights that remain unexercised as of February 29, 2012 is 217,100 shares, accounting for 0.2% 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 (5) 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 COO in charge of CSR
Toru Moriyama	Director	Executive Vice President, Group CEO, 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	
Eiko Tsujiyama	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 Eiko Tsujiyama 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.
   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 Eiko Tsujiyama has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.
4. Changes in appointment, approved with resolutions by the 36th Ordinary General Meeting of Shareholders held on May 24, 2011 are as follows:

Appointment	Corporate Auditor	Eiko Tsujiyama
Retirement from office	Corporate Auditor	Kazuyuki Masu

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

Senior Executive Vice President	Genichi Tamatsuka	Senior Vice President	Ichiro Kijima
Senior Executive Vice President	Takatoshi Kawamura	Senior Vice President	Hisashi Yasuhira
Executive Vice President	Shuichi Imagawa	Senior Vice President	Masahiro Oyama
Executive Vice President	Masaharu Kamo	Senior Vice President	Tatsushi Sato
Senior Vice President	Norikazu Nishiguchi	Senior Vice President	Kei Murayama
Senior Vice President	Shigeaki Kawahara	Senior Vice President	Masayuki Sawada
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

1) Remuneration paid to officers

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)	267	177	90	–	7
(Outside directors)	(37)	(29)	(7)	(–)	(3)
Corporate Auditors (Including outside corporate auditors)	66	57	–	9	5
(Outside corporate auditors)	(45)	(39)	(–)	(6)	(4)
Total	334	234	90	9	12

Notes:

1. As of February 29, 2012, the number of directors in office was 7 and that of corporate auditors was 4.
2. The above figures include remuneration paid to 1 corporate auditor who retired at the conclusion of the 36th Ordinary General Meeting of Shareholders held on May 24, 2011.

2) Remuneration paid to representative directors

Name	Officer Category	Company Category	Total Compensation Paid by Type		Consolidated Total Amount of Compensation
			Basic Compensation	Stock Options	
Takeshi Niinami	Representative Director	LAWSON, INC.	¥80 million	¥55 million	¥148 million
	Chairman and Director	Ninety-nine Plus Inc.	¥12 million	–	

(3) Policy on Decisions Concerning the Amount of Remuneration Paid to Directors

1) Basic policy on decisions concerning the amount of remuneration paid to directors

Regarding the amount of remuneration paid to directors, it is the Company's basic policy to design the remuneration system in close correlation with shareholder returns while ensuring that it will function sufficiently as an incentive for the enhancement of corporate value, sustainable growth and improvement of operating performance, and reward each director with a sufficient and adequate amount of compensation for the execution of their duties.

2) Decision-making process for the amount of remuneration paid to directors

In order to enhance management transparency, the amount of remuneration paid to directors is determined at the Board of Directors meeting based on recommendations by the Company's Compensation Committee, which consists exclusively of outside officers (three Outside Directors and one Outside Corporate Auditor).

Members of the Compensation Committee
Outside Director: Takehiko Kakiuchi (Chairperson)
Outside Director: Hiroshi Tasaka
Outside Director: Reiko Yonezawa
Outside Corporate Auditor: Tetsuo Ozawa

3) Details of remuneration paid to directors

Remuneration paid to the Company's directors is composed of basic compensation through cash payments and stock-price-linked compensation through the granting of stock options.

[Basic compensation]

Basic compensation of directors is composed of fixed compensation with fixed monthly payments and variable compensation, which fluctuates in response to the Company's financial performance for each period.

i) Fixed compensation

The amount of fixed compensation commensurate with the position is determined based on standards stipulated by internal rules.

ii) Variable compensation

In order to link the remuneration of directors with shareholder returns, the Company has adopted a compensation system that is linked to the Company's financial performance.

Variable compensation is paid in accordance with earnings indicators such as EPS (consolidated net income per share). Regarding non-executive directors, including Toru Moriyama, Hiroshi Tasaka, Reiko Yoneyama and Takehiko Kakiuchi, variable compensation is not applicable, as they are focused on their supervisory and advisory roles as the Company's representative directors and in the Board of Directors meetings.

[Stock-price-linked compensation]

Stock options as stock-based compensation

By incorporating stock options as stock-based compensation linked with stock prices as part of compensation paid to directors, the Company has a system in which management shares with stockholders the benefits from a rise in stock price as well as the risks associated with a price decline. The Company positions stock options as compensation that is linked to medium to long-term improvement of its corporate value.

Exercise price on stock options as stock-based compensation is ¥1 per share and the amount of units granted is determined in accordance of the position of directors. In addition, stock options as stock-based compensation can be exercised only during designated periods after retirement from office; directors are not allowed to exercise their stock option rights during their term in office.

4) Limit on the amount of remuneration paid to directors

The limit on the amount of remuneration paid to the Company's directors is determined at the General Meeting of Shareholders in accordance with laws and regulations.

i) Amount of remuneration paid to directors

Resolutions at the General Meeting of Shareholders as of May 24, 2001: ¥400 million or less per year

ii) Amount of stock options granted to directors

Resolutions at the General Meeting of Shareholders as of May 26, 2006: ¥200 million or less per year

(4) Policy on Decisions Concerning the Amount of Remuneration Paid to Corporate Auditors

1) Basic policy on decisions concerning the amount of remuneration paid to corporate auditors

Regarding the amount of remuneration paid to corporate auditors, it is the Company's basic policy to reward each corporate auditor with a sufficient and adequate amount of compensation for the execution of their duties.

2) Decision-making process for the amount of remuneration paid to corporate auditors

The amount of remuneration paid to corporate auditors is determined based on discussions among corporate auditors, and is within the remuneration amount limit resolved at the General Meeting of Shareholders.

3) Details of remuneration paid to corporate auditors

Remuneration paid to the Company's corporate auditors consists of basic compensation (fixed compensation) and retirement benefits payable at the time of retirement from office. The amount of fixed compensation is decided based on discussions among corporate auditors, taking into consideration whether or not they are working on a full-time basis, and segregation of auditing duties. Regarding retirement benefits for corporate auditors, reasonable amounts are to be paid based on discussions among corporate auditors and pursuant to resolutions made at the General Meeting of Shareholders and the standards stipulated by internal rules.

*Regarding "retirement benefits for corporate auditors," the system itself will be abolished and retirement benefits upon the abolishment of retirement benefits to corporate auditors will be paid out following resolution at the 37th Ordinary General Meeting of Shareholders to be held on May 29, 2012.

4) Limit of the amount of remuneration paid to corporate auditors

The limit of the amount of remuneration paid to the Company's corporate auditors is determined at the General Meeting of Shareholders in accordance with laws and regulations.

Amount of remuneration paid to corporate auditors

Resolutions at the General Meeting of Shareholders as of May 30, 1998: ¥60 million or less per year

*The amount will be increased to ¥80 million or less following the resolution at the 37th Ordinary General Meeting of Shareholders to be held on May 29, 2012.

(5) 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. (President, Reiko Yonezawa) have a business relationship consisting of reception services for the Company's head office provided by the latter. The Company entrusted The R Co., Ltd. to provide services after receiving bids from several suitable companies and verifying their economic efficiency.
Director	Takehiko Kakiuchi	Mitsubishi Corporation Kentucky Fried Chicken Japan, Ltd.	Division COO, Foods (Commodity) Div. 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			
Corporate auditor	Tetsuo Ozawa	Tokyo Fuji Law Office Monex Group, Inc. CEMEDINE CO., LTD.	Lawyer (Partner) Outside corporate auditor Outside corporate auditor	
Corporate auditor	Eiko Tsujiyama	Waseda University School of Commerce and Graduate School of Commerce Mitsubishi Corporation ORIX Corporation NTT DOCOMO, INC.	Professor Outside corporate auditor Outside director Outside corporate auditor	Mitsubishi Corporation, for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship between the two companies based on a comprehensive business alliance agreement. NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship in the telecommunications field between the two companies based on a comprehensive 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 7 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. Mr. Tasaka is also a member of the Company's Compensation Committee.
Director	Reiko Yonezawa	Ms. Yonezawa attended 12 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. Ms. Yonezawa is also a member of the Company's Compensation Committee.
Director	Takehiko Kakiuchi	Mr. Kakiuchi attended 10 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. Mr. Kakiuchi is also a member of the Company's Compensation Committee.
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 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 experience and knowledge as a lawyer. Mr. Ozawa is also a member of the Company's Compensation Committee.
Corporate auditor	Eiko Tsujiyama	Ms. Tsujiyama attended all 11 Board of Directors meetings and all 11 Board of Corporate Auditors meetings held throughout the year during her term in office and appropriately questioned and/or remarked based on her deep knowledge as a university accounting professor.

Note: At its Board of Directors meeting, the Company appointed Director Hiroshi Tasaka, Director Reiko Yonezawa, Corporate Auditor Tetsuo Ozawa and Corporate Auditor Eiko Tsujiyama as independent directors as specified in the rules set forth by the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd., and filed notifications to that effect with both exchanges.

(6) Judgment Criteria Concerning Independence

With the aim of enhancing corporate governance, the Company has specified the following judgment criteria regarding independent directors, and has appointed outside directors and/or outside corporate auditors who do not meet the judgment criteria as independent directors as specified in the rules set forth by the Tokyo Stock Exchange, Inc. and the Osaka Stock Exchange Co., Ltd.

1) Those who are engaged in business operations of the Company's parent company
2) Those who are engaged in business operations of the Company's sister companies
3) Those who conduct business transactions with the Group as a major business partner or those who are engaged in such business operations
   Business partner groups that provide the Group with products and/or services and whose total amount of business transactions with the Group during the latest fiscal year account for 2% or more of their consolidated net sales
4) The Group's major business partners or those who are engaged in such business operations
   Business partner groups to which the Group provides its products and/or services and for which the Group's total amount of business transactions during the latest fiscal year accounted for 2% or more of the Company's consolidated net sales (total operating revenues)
5) Consultants, accounting professionals, and legal professionals who have received any monetary or property benefits from the Group other than remuneration paid to officers
   Consultants, accounting professionals such as certified accountants, and legal professionals such as lawyers who have received any monetary or property benefits from the Group other than remuneration paid to officers and who have received remuneration totaling ¥5 million or more per year
6) The Company's major shareholders (those who are engaged in business operations of applicable corporations in cases where major shareholders are corporations)
7) Those with close family members who are engaged in business operations of the Group
8) Those with close family members who are non-executive directors or accounting advisors of the Company (in cases where independent directors are outside corporate auditors)

(7) 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 Companies Act, 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 Companies Act.

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	¥81 million
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditor	¥134 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 Companies Act 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.
2. Four 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 Act (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 Companies Act, the Certified Public Accountant Act, 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 Companies Act.

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 20, 2012, based on improvements and the operation of the preceding "2011 Basic Policy for Improvement of Internal Control Systems," which was approved at the Board of Directors' meeting held on February 21, 2011, the Company passed a resolution called the "2012 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) Through the close collaboration between the Risk Management Department and the IT Department, the Company shall strive to establish a consolidated and unified information security governance system.
6) 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) In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to improve effectiveness of the "Disaster Countermeasure Manuals" and the "BCP" system.

(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 and promote communications between the Company and major subsidiaries with a view to ensuring appropriate 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.

(TRANSLATION ONLY)

Consolidated Balance Sheet (As of February 29, 2012)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	160,157	Current liabilities	217,978
Cash and bank deposits	79,074	Accounts payable—trade	88,262
Accounts receivable—due from franchised stores	19,521	Accounts payable—due to franchised stores	1,390
Marketable securities	4,999	Current portion of long-term debt	500
Merchandise inventories	8,075	Lease obligations	11,223
Prepaid expenses	8,110	Accounts payable—other	17,541
Accounts receivable—other	32,645	Income taxes payable	15,305
Deferred tax assets	4,800	Deposits received	75,004
Other	3,080	Accrued employees' bonuses	3,204
Allowance for doubtful accounts	(149)	Provision for use of points granted	701
		Asset retirement obligations	101
Fixed assets	371,295	Other	4,743
Property and store equipment	183,835	Long-term liabilities	98,812
Buildings and structures	107,061	Long-term lease obligations	37,902
Furniture, fixtures, and equipment	14,013	Allowance for employees' retirement benefits	8,745
Land	6,815	Allowance for retirement benefits to executive officers and corporate auditors	308
Lease assets	54,137	Deposits received from franchisees and lessees	35,735
Construction in progress	1,806	Allowance for impairment loss on leased property	679
Intangible assets	38,977	Asset retirement obligations	15,161
Software	19,288	Other	280
Software development in progress	8,263	Total liabilities	316,791
Goodwill	10,871	Net assets	
Other	553	Shareholders' equity	211,835
Investments and other	148,483	Common stock	58,506
Investments in securities	7,702	**Capital surplus**	47,707
Long-term loans receivable	32,138	Retained earnings	107,249
Long-term prepaid expenses	7,988	Treasury stock	(1,627)
Lease deposits	83,665	Accumulated other comprehensive income	(680)
Deferred tax assets	16,870	Net unrealized loss on available-for-sale securities	(11)
Claims provable in bankruptcy, claims provable in rehabilitation, and other	15,136	Land revaluation difference	(567)
Other	832	Foreign currency translation adjustments	(101)
Allowance for doubtful accounts	(15,851)	Stock acquisition rights	442
		Minority interests	3,064
		Total net assets	214,662
Total Assets	531,453	Total Liabilities and Total Net Assets	531,453

(TRANSLATION ONLY)

Consolidated Statement of Income
(From March 1, 2011 to February 29, 2012)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	215,573	
Other	55,320	270,893
Net sales		
Net sales	[208,063]	208,063
Total operating revenues		478,957
Cost of goods sold	[156,245]	156,245
Gross profit on sales	[51,817]	
Operating gross profit		322,711
Selling, general, and administrative expenses		260,941
Operating income		61,769
Nonoperating income		
Interest received	672	
Compensation income	446	
Equity in earnings of affiliates	380	
Other	767	2,268
Nonoperating expenses		
Interest expense	1,122	
Loss on cancellation of store lease contract	661	
Other	526	2,309
Recurring profit		61,728
Extraordinary gains		
Gain on step acquisitions	1,570	
Gain on negative goodwill	291	
Other	197	2,059
Extraordinary losses		
Loss on sale of fixed assets	40	
Loss on disposal of fixed assets	2,068	
Loss on impairment of long-lived assets	3,318	
Loss on disaster	3,460	
Loss on adjustment for adoption of accounting for asset retirement obligations	8,292	
Other	320	17,502
Income before income taxes and minority interests		46,285
Income taxes – current	22,963	
Income taxes – deferred	(2,321)	20,641
Income before minority interests		25,643
Minority interests in net income		758
Net income		24,885

(TRANSLATION ONLY)

Consolidated Statement of Changes in Net Assets
(From March 1, 2011 to February 29, 2012)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Stock acquisition rights	Minority interests	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized loss on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total Accumulated other comprehensive income			
Balance at the end of previous period	58,506	47,696	99,608	(1,693)	204,117	(4)	(634)	1	(638)	405	4,581	208,466
Changes of items during the period												
Dividends from surplus			(17,177)		(17,177)							(17,177)
Net income			24,885		24,885							24,885
Purchase of treasury stock – at cost				(3)	(3)							(3)
Reversal of revaluation reserve for land			(67)		(67)		67		67			–
Exercise of stock acquisition rights to shares (delivery of treasury stock)		10		69	80							80
Net changes of items other than shareholders' equity – net						(6)		(102)	(109)	37	(1,516)	(1,588)
Total changes of items during the period	–	10	7,640	65	7,717	(6)	67	(102)	(42)	37	(1,516)	6,195
Balance at the end of the current period	58,506	47,707	107,249	(1,627)	211,835	(11)	(567)	(101)	(680)	442	3,064	214,662

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of Consolidated subsidiaries: 10

(Domestic) LAWSON HMV Entertainment, Inc.
LAWSON ATM Networks, Inc.
BestPractice Inc.
Ninety-nine Plus Inc.
Cross Ocean Media, Inc.
LAWSON Toyama, Inc.

(Foreign) CHONGQING LAWSON, Inc.
SHANGHAI HUALIAN LAWSON CO., LTD.
DALIAN LAWSON COMPANY LIMITED
LAWSON ASIA PACIFIC HOLDINGS PTE. LTD.

Among those listed above, DALIAN LAWSON COMPANY LIMITED and LAWSON ASIA PACIFIC HOLDINGS PTE. LTD. were included in the scope of consolidation as those subsidiaries were newly established in the consolidated fiscal year under review. Also, included in the scope of consolidation were LAWSON Toyama, Inc., of which materiality has increased, and SHANGHAI HUALIAN LAWSON CO., LTD. in which shareholding ratio by LAWSON, INC. (the "Company") has increased.

HMV Japan K.K. was excluded from the scope of consolidation as it was dissolved due to an absorption-type merger effective September 1, 2011, in which LAWSON ENTERMEDIA INC., a consolidated subsidiary of the Company, was the surviving company. LAWSON ENTERMEDIA INC. changed its name to LAWSON HMV Entertainment, Inc.

(2) Names of major nonconsolidated subsidiaries, etc.

(Domestic) Radish LAWSON Supermarket, Inc.
Natural LAWSON Direct, LLC.

(Foreign) LAWSON USA HAWAII, INC.

Nonconsolidated subsidiaries were excluded from the scope of consolidation because they have a negligible impact on total assets, total operating revenues, net income, retained earnings, etc., and do not interfere with reasonable judgments of the Corporate Group's financial condition and business results.

2. Application of the equity method

(1) Number of unconsolidated subsidiaries and affiliated companies to which the equity method is applied: 3

(Domestic) LAWSON Okinawa, Inc.
Venture Republic Inc.

(Foreign) PT MIDI UTAMA INDONESIA Tbk

Among those listed above, Venture Republic Inc. was included in the application of equity method from the acquisition date of the shares whereas PT MIDI UTAMA INDONESIA Tbk became an equity method affiliate as a result of the acquisition of shares by the Company during the consolidated fiscal year under review.

SHANGHAI HUALIAN LAWSON CO., LTD., which had been categorized as an equity method affiliate in the previous consolidated fiscal year, was excluded from the application of the equity method and included in the scope of consolidation due to an increase in the shareholding ratio.

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

The Company does not apply the equity method to Radish LAWSON Supermarket, Inc. and LAWSON USA HAWAII, INC., both of which were categorized as nonconsolidated subsidiaries, as well as KOBE HOT DELI Co., LTD.; Healthsiru Co., Ltd.; LAWSON Farm Chiba, Inc.; LAWSON Farm Kagoshima, Inc.; LAWSON Farm Tokachi, Inc.; and LAWSON Farm Oita, Inc., all of which were categorized as nonequity method-applied affiliates, because the financial figures such as net income, retained earnings, and others are negligibly insignificant in comparison with the Company's consolidated financial statements.

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

The closing date of Venture Republic Inc. and PT MIDI UTAMA INDONESIA Tbk is December 31. When preparing the consolidated financial statements, the Company used these companies' financial information prepared as of such closing date, and as required, made certain adjustments for significant transactions that subsequently occurred in the intervening period up to the end of the consolidated fiscal year.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of CHONGQING LAWSON, Inc..; SHANGHAI HUALIAN LAWSON CO., LTD.; and DALIAN LAWSON COMPANY LIMITED. is December 31. In order to prepare for the consolidated financial statements, the Company used these companies' financial information prepared as of such closing date are used and significant transactions which occur between the 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 any decline in profitability).

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 any decline in profitability).

(2) Depreciation

Property and store equipment (except for leased 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 five to eight 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 five years, which is the estimated 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 the 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. Provision for points granted are recorded at the amount that is expected to be used as of the balance sheet date.

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 the average remaining service period of employees at the time of their occurrence. Prior service cost is mainly amortized, starting with the fiscal year when it was incurred, on a straight-line basis over a certain period (10 years) within the average remaining service period of employees.

Allowance for Retirement Benefits to Executive Officers and Corporate Auditors:

Allowance for retirement benefits to executive officers and corporate auditors and of the Company, and to directors and corporate auditors of a consolidated subsidiary, are recorded as a 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 subsidiaries and 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", a separate component of net assets.

(5) Leases

Finance leases without ownership transfer of the leased property to the lessee and for which the 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) Application of "Accounting Standard for Asset Retirement Obligations"

Effective from the consolidated fiscal year under review, the Company has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of this change, operating income and ordinary income declined ¥967 million, respectively, and income before income taxes and minority interests decreased ¥9,157 million.

2) Application of "Accounting Standard for Equity Method of Accounting for Investments" and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method"

Effective from the consolidated fiscal year under review, the Company has applied the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (PITF No. 24, March 10, 2008). There is no impact on operating income, Recurring profit and income before income taxes and minority interests.

5. Amortization of Goodwill

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

(Changes in Method of Presentation)

1. Effective from the consolidated fiscal year under review, based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), the Company has applied the “Ordinance Partially Revising the Enforcement of the Companies Act, the Ordinance on Accounting of Companies, etc.” (Ordinance of the Ministry of Justice No. 7 of 2009, issued on March 27, 2009); and the item of “Income before minority interests” is presented.

2. “Compensation received for removal” as presented in the previous consolidated fiscal year has been changed to “Compensation income.”

(Additional Information)

Effective from the consolidated fiscal year under review, the Company adopted the “Ordinance on Partial Amendments to Accounting of Companies” (Ordinance of the Ministry of Justice No. 33 of 2010, issued on September 30, 2010) based on the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). As a result, the item presented as “Valuation and translation adjustments” as of February 28, 2011, has been changed to “Accumulated other comprehensive income.”

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥180,425 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 notified 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 ¥ 287 million.

(Notes to the Consolidated Statement of Income)

1. Long-lived assets

The Company and the consolidated subsidiaries (together, the “Group”) identified each store as 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 as extraordinary losses.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures Furniture, fixtures, equipment, and others	546
	Osaka	〃	557
	Others	〃	2,213
Total	–	–	3,318

Category by fixed assets	(Millions of yen)
Buildings and structures	2,101
Furniture, fixtures, and equipment	251
Lease assets	673
Land	155
Other	136

Recoverable value of the impaired assets is calculated based on net selling price or value in use. Net selling price of land was calculated based on the value appraised by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.3% was applied.

2. Loss on disasters

Loss on disasters is attributable to the Great East Japan Earthquake, and the details are as described below:

Loss relating to support activities for franchisees	¥1,793 million
Loss on fixed assets	¥644 million
Other losses	¥1,023 million
Total	¥3,460 million

(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	100,300	–	–	100,300
Treasury stock				
Common stock (notes)	433	0	17	416

Notes:

1. Out of common stock, the increase of 0 thousand shares in treasury stock is attributable to purchase of stock less than one share unit.
2. Out of common stock, the 17 thousand share decrease in treasury stock resulted from the 17 thousand-share decrease due to the exercise of stock option rights and a 0-thousand share purchase request of stock less than one share unit.

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 24, 2011)	Common stock	8,488	85	As of February 28, 2011	As of May 25, 2011
Meeting of Board of Directors (October 13, 2011)	Common stock	8,688	87	As of August 31, 2011	As of November 10, 2011

(2) Dividends for which the effective date is after the year-end balance sheet date, while dividends attributed to 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 29, 2012)	Common stock	Retained Earnings	9,289	93	As of February 29, 2012	As of May 30, 2012

3. Kind and number of stock which can be exercised by outstanding stock acquisition rights (excluding those not yet in the exercisable period).

Common stock 217,100 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 financing plan.

(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 land owners when a store opens and loans to franchised stores) and lease deposits are exposed to credit risk from the land owners, etc. The responsible department monitors these risks on receivables on a daily basis with the aim of early detection and reduction of concerns associated with the collectibility 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 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 one year and seven years after the balance sheet date, respectively.

Deposits received from franchisees and lessees which 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 that payments cannot be executed on the payment due dates), the Company prepares and updates financial plans on a timely basis and manages liquidity risk by measures including maintaining adequate 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. Since estimation of the fair values considers multiple factors, the results of the 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 difference as of February 29, 2012, are as follows:
(Financial instruments whose fair value cannot be reliably determined are not included as described in "(Note 2) Financial instruments whose fair values cannot be reliably determined.")

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and bank deposits	79,074	79,074	–
(2) Accounts receivable—other	32,645		
Allowance for doubtful accounts (*1)	(48)		
	32,596	32,596	–
(3) Marketable securities and investment securities			
(i) Held-to-maturity debt securities	4,999	4,999	(0)
(ii) Available-for-sale securities	115	115	–
(iii) Investment in subsidiaries and affiliated companies	4,879	4,373	(505)
(4) Long-term loans receivable	32,138		
Allowance for doubtful accounts (*1)	(94)		
	32,044	32,108	64
(5) Lease deposits	83,665		
Allowance for doubtful accounts (*1)	(601)		–
	83,064	75,661	(7,402)
(6) Claims provable in bankruptcy, claims provable in rehabilitation, and other	15,136		
Allowance for doubtful accounts (*1)	(15,100)		
	35	35	–
Total assets	236,809	228,965	(7,843)
(1) Accounts payable—trade	88,262	88,262	–
(2) Current portion of long-term debt	500	500	0
(3) Deposits received	75,004	75,004	–
(4) Lease obligations (*2)	49,126	49,419	293
(5) Deposits received from franchisees and lessees	35,735	32,484	(3,250)
Total liabilities	248,628	245,671	(2,957)

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

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

Assets

(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 on 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, using the yield rate of government bonds for 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 sheet.

Liabilities

(1) Accounts payable—trade (3) Deposits received

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

(2) Current portion of long-term debt

The fair values of current portion 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 whose fair values cannot be reliably determined

Category	Carrying amount (Million Yen)
Unlisted equity securities	272
Investments in subsidiaries and affiliated companies	2,295
Others	139

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."

(Accounting for income taxes)

1. Components of deferred tax assets and liabilities were as follows:

(Millions of yen)

Enterprise taxes payable	1,281
Accrued employees' bonuses	1,304
Excess of depreciation	9,051
Excess of amortization of software	739
Allowance for employees' retirement benefits	5,230
Allowance for doubtful accounts	3,503
Impairment loss	2,929
Tax loss carryforwards	5,609
Other	3,503
Subtotal of deferred tax assets	33,154
Less valuation allowances	(9,433)
Total deferred tax assets	23,721
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,050)
Total deferred tax liabilities	(2,050)
Deferred tax assets-net	21,670

2. Revision of deferred tax assets due to changes in effective tax rate

The "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011. As a result, the reduction of corporate tax rates and the Special Income Tax for Reconstruction are to be effective from fiscal years beginning on or after April 1, 2012. Due to this implementation, the effective tax rate used to calculate deferred income taxes related to the temporary differences that are expected to be recovered or settled for the three consecutive fiscal years beginning on March 1, 2013, has been reduced from the previously applied rate of 40.7% to 38.0%, while 35.6% is applied to those temporary differences expected to be covered or settled for fiscal years beginning on or after March 1, 2016.

As a result of this change, deferred tax assets (an amount after deducting deferred tax liabilities) decreased by ¥1,586 million, and deferred income tax expense increased by ¥1,586 million.

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

The Company and a 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	(14,890)
b. Plan assets	5,577
c. Projected benefit obligations in excess of plan assets (= a + b)	(9,312)
d. Unrecognized prior-service cost	351
e. Unrecognized actuarial differences	216
f. Allowance for employees' retirement benefits (=c + d + e)	(8,745)

Net periodic benefit cost	(Millions of yen)
a. Service cost	1,076
b. Interest cost	265
c. Amortization of prior-service cost	173
d. Amortization of actuarial differences	92
e. Net periodic benefit cost (= a + b +c + d)	1,607
f. Contribution to defined contribution plan	277
g. Total (= e + f)	1,884

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 the respective periods in the employee's whole service period)

(Per-Share data)

1. Net assets per share	2,114.00 yen
2. Net income per share	249.17 yen

(TRANSLATION ONLY)

Nonconsolidated Balance Sheet (As of February 29, 2012)

(Millions of yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	137,840	Current liabilities	196,405
Cash and bank deposits	75,389	Accounts payable—trade	72,752
Accounts receivable—due from franchised stores	18,064	Accounts payable—due to franchised stores	1,006
Marketable securities	4,999	Short-term loans payable to subsidiaries and affiliates	15,830
Merchandise inventories	807	Lease obligations	8,545
Prepaid expenses	7,070	Accounts payable—other	13,902
Accounts receivable—other	26,212	Income taxes payable	14,259
Deferred tax assets	3,122	Consumption taxes payable	1,046
Other	2,245	Accrued expenses	1,757
Allowance for doubtful accounts	(73)	Deposits received	63,587
		Accrued employees' bonuses	3,012
Fixed assets	362,826	Provision for use of points granted	556
Property and store equipment	162,075	Other	147
Buildings	86,686	Long-term liabilities	87,435
Structures	11,126	Long-term lease obligations	30,699
Furniture, fixtures, and equipment	11,884	Allowance for employees' retirement benefits	8,188
Land	6,815	Allowance for retirement benefits to executive officers and corporate auditors	289
Lease assets	43,787	Deposits received from franchisees and lessees	35,718
Construction in progress	1,776	Allowance for impairment loss on leased property	655
		Asset retirement obligations	11,642
Intangible assets	27,413	Other	241
Software	17,891	**Total liabilities**	283,840
Software development in progress	8,194	Net assets	
Goodwill	871	Shareholders' equity	216,986
Other	455	Common stock	58,506
		Capital surplus	47,707
Investments and other	173,337	Additional paid-in capital	47,696
Investments in securities	460	Other capital surplus	10
Investments in subsidiaries and affiliated companies	27,288	Retained earnings	112,400
Investments in affiliated private limited company	3,006	Legal reserve	727
Long-term loans receivable	32,075	Other retained earnings	
Long-term loans receivable from subsidiaries and affiliates	9,907	General reserve	50,000
Long-term prepaid expenses	7,551	Earned surplus brought forward	61,673
Lease deposits	78,450	Treasury stock	(1,627)
Deferred tax assets	14,475	Valuation and translation adjustments	(602)
Other	1,502	Net unrealized loss on available-for-sale securities	(35)
Allowance for doubtful accounts	(1,380)	Land revaluation difference	(567)
		Stock acquisition rights	442
		Total net assets	216,826
Total Assets	500,667	Total Liabilities and Total Net Assets	500,667

(TRANSLATION ONLY)

Nonconsolidated Statement of Income
(From March 1, 2011 to February 29, 2012)

(Millions of yen)

Account item	Amount	
Operating revenues		
Franchise commissions from franchised stores	209,045	
Other	24,035	233,080
Net sales		
Net sales	[39,417]	39,417
Total operating revenues		272,498
Cost of goods sold	[28,035]	28,035
Gross profit on sales	[11,382]	
Operating gross profit		244,462
Selling, general, and administrative expenses		188,199
Operating income		56,263
Nonoperating income		
Interest and dividend income	837	
Compensation income	348	
Other	452	1,638
Nonoperating expenses		
Interest expense	850	
Loss on cancellation of store lease contract	579	
Other	361	1,791
Recurring profit		56,110
Extraordinary gains		
Gain on sales of fixed assets	50	
Gain on reversal of subscription rights to shares	44	
Other	2	97
Extraordinary losses		
Loss on sale of fixed assets	40	
Loss on disposal of fixed assets	1,888	
Loss on impairment of long-lived assets	2,764	
Loss on disaster	3,229	
Loss on adjustment for changes of accounting standard for asset retirement obligations	6,823	
Other	328	15,074
Income before income taxes		41,133
Income taxes – current	21,216	
Income taxes – deferred	(2,545)	18,670
Net income		22,462

(TRANSLATION ONLY)

Nonconsolidated Statement of Changes in Net Assets
(From March 1, 2011 to February 29, 2012)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Common stock	Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	General reserve	Earned surplus brought forward	Total retained earnings	Treasury stock	Total shareholder s' equity
Balance at the end of previous period	58,506	47,696	–	47,696	727	50,000	56,455	107,182	(1,693)	211,692
Changes of items during the period										
Dividends from surplus							(17,177)	(17,177)		(17,177)
Net income							22,462	22,462		22,462
Purchase of treasury stock – at cost									(3)	(3)
Reversal of revaluation reserve for land							(67)	(67)		(67)
Exercise of subscription rights to shares (delivery of treasury stock)			10	10					69	80
Net changes of items other than Shareholders' equity – net										
Total changes of items during the period	–	–	10	10	–	–	5,217	5,217	65	5,294
Balance at the end of the current period	58,506	47,696	10	47,707	727	50,000	61,673	112,400	(1,627)	216,986

(TRANSLATION ONLY)

(Millions of yen)

	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	(14)	(634)	(648)	405	211,448
Changes of items during the period					
Dividends from surplus					(17,177)
Net income					22,462
Purchase of treasury stock – at cost					(3)
Reversal of revaluation reserve for land		67	67		–
Exercise of subscription rights to shares (delivery of treasury stock)					80
Net changes of items other than shareholders’ equity – net	(21)		(21)	37	15
Total changes of items during the period	(21)	67	45	37	5,377
Balance at the end of the current period	(35)	(567)	(602)	442	216,826

(Notes to the Nonconsolidated Financial Statements)

(Significant Accounting Policies)

1. Valuation of Securities

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

Available-for-sale securities:

Securities whose market value is readily determinable: 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 any decline in profitability) .

3. Depreciation

Property and store equipment (except for lease assets):

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

Intangible assets (except for leased 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 five years, which is the estimated 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 the 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. Provision for points granted are recorded to state the liability at the amount that is expected to be used as of the balance sheet date.

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 the average remaining service period of employees at the time of their occurrence. Prior-service cost is amortized, starting with the fiscal year when it was incurred, on a straight-line basis over a certain period (10 years) within the average remaining service period of employees.

Allowance for Retirement Benefits to Executive Officers and Corporate Auditors:

Allowance for retirement benefits to executive officers and corporate auditors of the Company is recorded as a 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 and for which the 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

Application of "Accounting Standard for Asset Retirement Obligations"

Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

As a result of this change, operating income and ordinary income declined ¥625 million, respectively, and income before income taxes decreased ¥7,472 million.

(Changes in Method of Presentation)

"Compensation received for removal" as presented in the previous fiscal year has been changed to "Compensation income."

(Notes to the Nonconsolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥163,004 million

2. Contingent Liabilities

The Company is contingently liable for guarantees for accounts payable-trade of Ninety-nine Plus Inc. ¥1,045 million

3. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	¥1,672 million
Short-term payables due to subsidiaries and affiliated companies	¥17,572 million
Long-term loans receivable from subsidiaries and affiliated companies	¥9,912 million
Long-term payables due to subsidiaries and affiliated companies	¥184 million

4. Revaluation of land used for business

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

Revaluation method: The value of land is determined based on the notified 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 ¥287 million.

(Notes to the Nonconsolidated Statement of Income)

1. Transactions with subsidiaries and affiliated companies

Operating transactions	
Operating revenues	¥2,400 million
Selling, general, and administrative expenses	¥5,401 million
Transactions other than operating transactions	¥412 million

2. Long-lived assets

The Company identified mainly for each store as 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 as extraordinary losses.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures Furniture, fixtures, equipment, and others	465
	Osaka	〃	500
	Others	〃	1,798
Total	–	–	2,764

Category by fixed assets	(Millions of yen)
Buildings	1,427
Structures	189
Furniture, fixtures, and equipment	201
Lease assets	664
Land	155
Other	125

Recoverable value of the impaired assets is calculated based on net selling price or value in use. Net selling price of land was calculated based on the value appraised by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.3% was applied.

3. Loss on disasters

Loss on disasters is attributable to the Great East Japan Earthquake, and the details are as described below:

Loss relating to support activities for franchisees	¥1,749 million
Loss on fixed assets	¥546 million
Other losses	¥932 million
Total	¥3,229 million

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

Number of shares and kind of treasury stock

Common stock	416,166 shares

(Accounting for income taxes)

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

(Millions of yen)

Enterprise taxes payable	1,166
Accrued employees' bonuses	1,225
Loss on write-down of investments in affiliated companies	1,787
Excess of depreciation	7,822
Excess of amortization of software	673
Allowance for employees' retirement benefits	5,002
Allowance for doubtful accounts	502
Impairment loss	2,717
Other	1,549
Subtotal of deferred tax assets	22,445
Less valuation allowances	(2,797)
Total deferred tax assets	19,648
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,050)
Total deferred tax liabilities	(2,050)
Deferred tax assets-net	17,598

2. Revision of deferred tax assets due to changes in effective tax rate

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011. As a result, the reduction of corporate tax rates and the Special Income Tax for Reconstruction are to be effective from fiscal years beginning on or after April 1, 2012. Due to this implementation, the effective tax rate used to calculate deferred income taxes related to the temporary differences that are expected to be recovered or settled for the three consecutive fiscal years beginning on March 1, 2013, has been reduced from the previously applied rate of 40.7% to 38.0%, while 35.6% is applied to those temporary differences expected to be covered or settled for fiscal years beginning on or after March 1, 2016.

As a result of this change, deferred tax assets (an amount after deducting deferred tax liabilities) decreased by ¥1,504 million, and deferred income tax expense increased by ¥1,504 million.

(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	(14,316)
b. Plan assets	5,577
c. Projected benefit obligations in excess of plan assets (= a + b)	(8,738)
d. Unrecognized prior-service cost	351
e. Unrecognized actuarial differences	198
f. Allowance for employees' retirement benefits (= c + d + e)	(8,188)

Net periodic benefit cost	(Millions of yen)
a. Service cost	955
b. Interest cost	263
c. Amortization of prior-service cost	175
d. Amortization of actuarial differences	88
e. Net periodic benefit cost (= a + b + c + d)	1,482
f. Contribution to defined contribution plan	277
g. Total (= e + f)	1,760

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 the respective periods in the employee's whole service period)

(Leases)

Finance leases without ownership transfer of the leased property to the lessee and for which the lease inception was before February 28, 2009:

(1) Pro forma information as to acquisition cost, accumulated depreciation, and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Furniture, fixtures, and equipment	18,060	11,356	727	5,977

(2) Obligations under finance leases

	(Millions of yen)
Due within one year	2,335
Due after one year	4,662
Total	6,997
Allowance for impairment loss on leased property	655

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

	(Millions of yen)
Lease payments	3,887
Transfer from allowance for impairment loss on leased property	280
Depreciation expense	3,870
Interest expense	232
Impairment loss	381

(4) Computation method of depreciation expense

Depreciation expense which is not reflected in the accompanying statement of income 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 the interest, and interest expense is computed by the interest method.

(Related-Party Transactions)

Subsidiaries and affiliates

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				
Subsidiary	Ninety-nine Plus Inc.	Convenience store business	Direct holding 100.0%	Joint purchasing, joint product development	Yes	Lending of funds	–	Long-term loans receivable	6,300
						Interest on loans	72	–	–
						Guarantees for accounts payable-trade (Note)	1,045	–	–
	LAWSON ATM Networks, Inc.	Financial services-related business	Direct holding 70.9%	Placement of ATMs in the LAWSON stores	No	Borrowing of funds	–	Short-term loans payable	7,800
						Borrowing interest	3	–	–
	LAWSON HMV Entertainment, inc.	Entertainment and eCommerce-related business	Direct holding 100%	Sale of tickets and software for music and video	Yes	Borrowing of funds	–	Short-term loans payable	7,500
						Borrowing interest	1	–	–

Note: The Company is contingently liable for guarantees for accounts payable-trade of Ninety-nine Plus Inc.

Transaction conditions and the policies for determining those conditions:

1. The Company manages the funds of some subsidiaries centrally and there are lending and borrowing transactions between the Company 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	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	Reverse-Holds 0.3% Ownership in the company	Vendor	No	Purchases for the Company-operated stores (purchases for the franchised stores)	3,268 (101,071)	Accounts payable-trade	7,850
	Food Service Network Co., Ltd.	Sales of fast foods and daily delivered foods	–	Vendor	No	Purchases for the Company-operated stores (purchases for the franchised stores)	9,614 (267,302)	Accounts payable-trade	22,279
	SAN-ESU INC.	Confectionary wholesale business	–	Vendor	No	Purchases for the Company-operated stores (purchases for the franchised stores)	1,171 (34,812)	Accounts payable-trade	3,282

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 a direct party for the purchase.

(Per-Share data)

1. Net assets per share 2,166.35 yen
2. Net income per share 224.91 yen

(TRANSLATION ONLY)

<Copy of the Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 5, 2012

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: Junichi Fujii

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 29, 2012 of LAWSON, INC. (the "Company"), and the related consolidated statements of income and changes in net assets, and the related notes for the 37 th fiscal year from March 1, 2011 to February 29, 2012. 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 29, 2012, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Additional Information
As described under "Change of Significant Accounting Policies" in the "Significant Accounting Policies," the Company adopted the Accounting Standard for Asset Retirement Obligations and the Guidance on Accounting Standard for Asset Retirement Obligations effective from the fiscal year ended February 29, 2012. The financial statements, therefore, were prepared in accordance with these accounting standards.

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 Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 5, 2012

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: Junichi Fujii

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 29, 2012 of LAWSON, INC. (the "Company"), and the related statements of income and changes in net assets, and the related notes for the 37th fiscal year from March 1, 2011 to February 29, 2012 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 29, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Additional Information
As described under "Change of Significant Accounting Policies" in the "Significant Accounting Policies," the Company adopted the Accounting Standard for Asset Retirement Obligations and the Guidance on Accounting Standard for Asset Retirement Obligations effective from the fiscal year ended February 29, 2012. The financial statements, therefore, were prepared in accordance with these accounting standards.

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 and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

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

AUDIT REPORT

Regarding the execution of duties by the Directors for the 37th business term from March 1, 2011 to February 29,2012, 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 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 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 net assets, and notes to consolidated financial statements)" and "non-consolidated financial statements (balance sheet, statement of income, non-consolidated statements of changes in net assets, and notes to non-consolidated financial statements) and supplementary schedules thereof" for this term.

2. Result of Audit

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

1. We have found that business report and the supplementary schedules thereof fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
2. Regarding the execution of duties by the Directors, we have found no misconduct or material matter that violates applicable laws and regulations or the Articles of Incorporation.
3. We have found that the content of the resolution of the Board of Directors regarding the Internal Control System is adequate. In addition, we have found no matters on which to give remarks in regard to the 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 10, 2012

The Board of Corporate Auditors of LAWSON, INC.

Standing Corporate Auditor (Outside Corporate Auditor)	Munehiko Nakano
Standing Corporate Auditor	Atsuhiko Seki
Corporate Auditor (Outside Corporate Auditor)	Tetsuo Ozawa
Corporate Auditor (Outside Corporate Auditor)	Eiko Tsujiyama

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References
Proposal No. 1: Appropriation of Surplus

The Company regards the ROE (consolidated return on equity) as a significant management indicator and has been conducting business activities with the aim of achieving an ROE of 20% from a medium to long-term perspective. In addition, one of our key measures for shareholder returns has been the continuous and steady payment of dividends while securing internal reserves necessary for future business development during the course of sustainable growth of the LAWSON Group. Based on this policy, we have been increasing dividends on a continuous basis since the initial listing of the Company in July 2000.

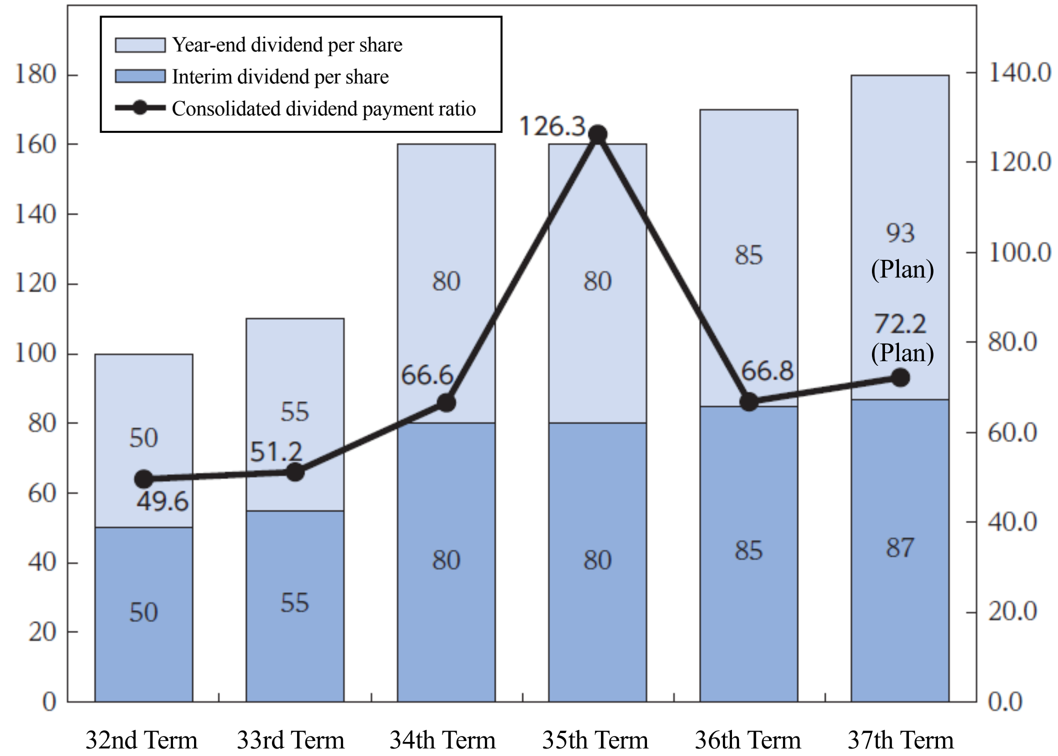
It is our policy to continue to work actively on the distribution of profit to shareholders into the future.

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:
¥93 per share of the Company's common stock to a total of ¥9,289,196,562
Note: The annual dividend per share will be ¥180, an increase of ¥10 from the previous period, including an interim dividend per share of ¥87.

(2) Effective date of the dividends from surplus:
Wednesday, May 30, 2012

[Reference: Changes in Dividends and Consolidated Dividend Payment Ratio]



	32nd Term	33rd Term	34th Term	35th Term	36th Term	37th Term (Current Period)
Interim dividend per share	¥50	¥55	¥80	¥80	¥85	¥87
Year-end dividend per share	¥50	¥55	¥80	¥80	¥85	(Plan) ¥93
Annual dividend per share	¥100	¥110	¥160	¥160	¥170	¥180
Consolidated net income per share	¥201.50	¥214.69	¥240.10	¥126.67	¥254.61	¥249.17
Consolidated dividend payment ratio	49.6%	51.2%	66.6%	126.3%	66.8%	(Plan) 72.2%
ROE	11.3%	11.6%	12.5%	6.5%	12.8%	12.0%

(Notes)

1. In the 37th term, ROE (consolidated return on equity) declined compared to the previous period as a result of an extraordinary loss of ¥11,753 million, which included loss due to the Great East Japan Earthquake and loss on adjustment for changes in accounting standards for asset retirement obligations. ROE excluding these extraordinary factors is 15.1%.
2. The amounts of the 34th and 35th terms are the retroactively adjusted amounts reflecting the loss on the prior period adjustment of ¥1, 936 million recognized in the 35th term.
3. Consolidated dividend payment ratio is calculated based on annual dividend per share divided by consolidated net income per share.

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

(1)

(i) Based on the LAWSON Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities," the Company primarily focuses on the business of the franchise headquarters of convenience stores. Reflecting increasing competition across industries and diversification of customer needs, we have initiated supply chain management reforms with the aim of becoming a business operator that combines manufacturing and retail, covering upstream to downstream commercial distribution. Specifically, we will strive to enhance customer satisfaction and increase revenue of franchised stores by providing comprehensive services, from production of fresh foods such as vegetables and manufacturing of self-planned products to sales thereof. For this purpose, we will add "manufacturing and processing" to item 2 of Article 2 (Purpose) of the Company's current Articles of Incorporation and include "agriculture and production and processing of agricultural products" as the new item 3. In addition, we will add "dealing of second-hand articles" to item 2 of Article 2 (Purpose) of the current Articles of Incorporation, as the Group has also focused on the E-commerce business mainly in the sales of various goods via the Internet, and is planning to expand dealing of second-hand articles, including music DVDs and videos.

(ii) The Group has always been environmentally aware when conducting its business activities in order to ensure continued passage of the blessings of mother earth to future generations. The entire LAWSON chain, including franchised stores, has been working on CO_2 reduction and energy savings. At the same time, concerns over power supply shortages and increased electricity prices have arisen since the Great East Japan Earthquake last year, which resulted in a reduction in power supply from domestic nuclear power plants. Amid these circumstances, the LAWSON Group is planning to generate and trade electricity through utilization of its domestic store network from the viewpoint of environmental consciousness and reducing electricity expenses at its stores. Specifically, we are considering cost reductions at stores and trading of electricity with electric utility operators through the utilization of so-called "FIT (feed-in tariff for renewable energy)," to be introduced on July 1, 2012. For this purpose, we will add item 19 to Article 2 (Purpose) of the current Articles of Incorporation to include "power generation, management and operation thereof and trading of electricity."

(iii) At the same time, we will delete "real estate brokerage," as we are not currently engaged in this business.

(2) In order to flexibly secure venues for and facilitate the holding of General Meetings of Shareholders even in the event of emergencies arising from natural disasters or other causes, we will delete item 2 of Article 11 (Timing and venues for the General Meeting of Shareholders) of the existing Articles of Incorporation, which limits the venues for the General Meeting of Shareholders.

(3) In addition, various expressions and item numbers will be altered accordingly.

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
ARTICLE 1: Trade Name The Company shall be called KABUSHIKI KAISHA LAWSON, and its English name shall be "LAWSON, INC."	ARTICLE 1: Trade Name The Company shall be called KABUSHIKI KAISHA LAWSON, and its English name shall be "Lawson, Inc."
ARTICLE 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. (Omitted) 2. To sell or act as a sales agent for products and services through stores, mainly convenience stores, the Internet and other means and to operate wholesaling, distribution, lease, export and import of same.	ARTICLE 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. (No change) 2. To sell or act as a sales agent for products and services through stores, mainly convenience stores, the Internet and other means, to engage in manufacturing and processing, and to operate wholesaling, distribution, dealing of second-hand articles, lease, export and import of same.
(Newly added)	3. Agriculture and production and processing of agricultural products
3. ~ (Omitted) 11.	4. ~ (No change) 12.
12. Real estate brokerage	(Deleted)
13. ~ (Omitted) 18.	13. ~ (No change) 18.
(Newly added)	19. Power generation, management and operation thereof and electricity trading
19. ~ (Omitted) 22.	20. ~ (No change) 23.
ARTICLE 11: Time and Place to Convene General Meetings of Shareholders 1) The ordinary general meeting of shareholders of the Company shall be convened in May every year. Extraordinary general meetings of shareholders may be convened at any time whenever necessary. 2) The general meetings of shareholders shall be convened either in Osaka or any place within the Metropolis of Tokyo.	ARTICLE 11: Time to Convene General Meetings of Shareholders The ordinary general meeting of shareholders of the Company shall be convened in May every year. Extraordinary general meetings of shareholders may be convened at any time whenever necessary. (Deleted)

Proposal No. 3: Election of Seven (7) Directors

The terms of office of seven (7) current directors expire at the conclusion of this 37th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect seven (7) directors.

The nominees for directors are as follows

No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
1	 Takeshi Niinami (January 30, 1959)	April 1981 June 1995 July 1999 April 2000 April 2001 March 2002 May 2002 March 2005 April 2006 June 2010	Joined Mitsubishi Corporation Representative Director, Sodex Corporation (Currently LEOC Co., Ltd.) General Manager, Restaurant Business Team, Living Essentials Logistics Planning Department, Mitsubishi Corporation General Manager, LAWSON Project Integration Office; General Manager, Restaurant Business Office, Mitsubishi Corporation Manager, LAWSON Business Unit; Manager, Restaurant Business Unit, Consumer Business Division, Mitsubishi Corporation Corporate Advisor, LAWSON, INC. President, Representative Director and Executive Officer, LAWSON, INC. President, Representative Director and CEO, LAWSON, INC. (Current position) Outside Director, ACCESS, CO., LTD (Current position) Outside Director, ORIX Corporation (Current position)	8,400
2	**[Candidate for New Director]**  Genichi Tamatsuka (May 23, 1962)	April 1985 July 1998 December 1998 November 2002 September 2005 November 2010 March 2011 April 2012	Joined Asahi Glass Co., Ltd. Joined IBM, Japan Joined Fast Retailing Co., Ltd. President, Representative Director and COO, Fast Retailing Co., Ltd. Established Revamp Corporation President, Representative Director and COO, Revamp Corporation Corporate Advisor, LAWSON, INC. Senior Executive Vice President and COO, Group CEO, CVS Operating Group and Division Director, Fast Food Division, LAWSON, INC. Senior Exective Vice President and COO, Group CEO, CVS Operating Group and Division Director, CRM Promotion Office and Marketing Office, LAWSON, INC. (Current position)	900

No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
3	 Yoshiyuki Yahagi (May 20, 1954)	April 1979	Joined Mitsubishi Corporation	700
		January 1999	Team Leader, Investment Administration Team No. 1, Risk Management Department, Mitsubishi Corporation	
		October 2001	Team Leader, Investment Administration Team No. 1, Controller Office; and Leader, PM Committee Secretariat, Mitsubishi Corporation	
		July 2004	Deputy General Manager, Audit Department, Mitsubishi Corporation	
		December 2006	Senior Vice President and Executive Assistant to CEO, LAWSON, INC.	
		March 2007	Executive Vice President and CFO, in charge of Corporate Planning Office, LAWSON, INC.	
		May 2007	Director, Executive Vice President and CFO, in charge of Corporate Planning Office, Human Resources Office, LAWSON, INC.	
		March 2009	Director, Senior Executive Vice President and CFO; General Manager, Management Services Office, LAWSON, INC.	
		September 2009	Director, Senior Executive Vice President and CFO, LAWSON, INC. (Current position)	
		April 2010	Senior Vice President, Mitsubishi Corporation (Current position)	
4	 Toru Moriyama (August 9, 1954)	April 1977	Joined Mitsubishi Corporation	1,500
		April 2001	General Manager, Marine Products Unit, Mitsubishi Corporation	
		April 2004	General Manager, Food Textiles & General Merchandise Dept., Chubu Branch, Mitsubishi Corporation	
		September 2005	Senior Vice President; Executive Assistant to CEO, LAWSON, INC.	
		November 2005	Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		March 2006	Senior Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		May 2006	Director, Senior Executive Vice President; General Manager, Merchandising & Logistics Division, LAWSON, INC.	
		April 2008	Senior Vice President, Mitsubishi Corporation	
		April 2009	Director, LAWSON, INC. (Current position)	

		April 2009	Senior Vice President, Senior Assistant to Group CEO, Living Essentials Group, concurrently General Manager, Next Generation Business Development Unit, Mitsubishi Corporation	
		April 2010	Executive Vice President, Group COO, Living Essentials Group, concurrently General Manager, Next Generation Business Development Unit, Mitsubishi Corporation	
		April 2011	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation, (Current position)	
		June 2011	Outside Director, RYOSHOKU LIMITED (Currently Mitsubishi Shokuhin Co., Ltd.) (Current position)	

<table>
<tr><td>No.</td><td>Name
(Date of Birth)</td><td colspan="2">Brief Personal History, Position, Assignment and Important Concurrent Positions</td><td>Number of the Company's Shares Held</td></tr>
<tr><td rowspan="5">5</td><td>[Candidate for Outside Director]

Reiko Yonezawa
(April 3, 1950)</td><td>April 1974

March 1982

May 2002</td><td>Joined Japan Airlines International Co., Ltd.

President, The R Co., Ltd. (Current position)

Outside Director, LAWSON, INC. (Current position)</td><td>0</td></tr>
<tr><td colspan="4">[Reasons for nomination as Outside Director and reasons behind our judgement that the person would be able to perform obligations of Outside Director appropriately]
Ms. Reiko Yonezawa has been nominated as a candidate for Outside Director, as she has a wealth of experience and knowledge regarding corporate management, human resources and labor-related matters, having served as President of The R Co., Ltd., a human resources education and temporary staffing company. At the Board of Directors' meetings she attended, Ms. Yonezawa proactively expressed her opinions and suggestions on the Company's management, and we would like to continue to benefit from her supervision on the Company's management by leveraging her experiences.
Ms. Yonezawa also serves as a member of the Company's Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors. The Company and The R Co., Ltd. have executed a small number of service contracts relating to the reception services of the Company. Decisions for such transactions have been made upon tenders participated by several companies and confirmation that economic rationality can be ensured sufficiently. In addition, Ms. Yonezawa has been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd. pursuant to the rules specified by the exchanges.</td></tr>
<tr><td colspan="4">[Term of Outside Director of LAWSON, INC.]
Ms. Yonezawa has served as Outside Director of the Company since 2002 and her term will be ten years as of the end of this General Meeting of Shareholders.</td></tr>
<tr><td colspan="4">[Particular conflicts of interest between the Candidate and LAWSON, INC.]
There are no particular conflicts of interest between the Candidate and LAWSON, INC.</td></tr>
<tr><td colspan="4">[Attendance at Board of Directors' Meetings]
Out of a total of 13 meetings, Ms. Yonezawa attended 12. (Attendance rate: 92.3%)</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of Birth)</th><th colspan="2">Brief Personal History, Position, Assignment and Important Concurrent Positions</th><th>Number of the Company's Shares Held</th></tr>
<tr><td rowspan="5">6</td><td>[Candidate for Outside Director]

Takehiko Kakiuchi
(July 31, 1955)</td><td>April 1979
April 2001
April 2004
February 2005
May 2005
April 2006
April 2008
April 2010
April 2011</td><td>Joined Mitsubishi Corporation
White Meat Unit Manager, concurrently Red Meat Unit Manager, Foods (Commodity) Division, Mitsubishi Corporation
General Manager, Planning & Coordination, Investment Administration & Credit, Living Essentials Group CEO Office, Mitsubishi Corporation
Outside Director, Kentucky Fried Chicken Japan, Ltd. (Current position)
Outside Director, LAWSON, INC. (Current position)
General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation
Division COO, Foods (Commodity) Div., Mitsubishi Corporation
Senior Vice President, Division COO, Foods (Commodity) Division, Mitsubishi Corporation
Senior Vice President, General Manager, Living Essentials Group CEO Office, and Division COO, Foods (Commodity) Division, Mitsubishi Corporation (Current position)</td><td>0</td></tr>
<tr><td colspan="4">[Reasons for nomination as Outside Director and reasons behind our judgement that the person would be able to perform obligations of Outside Director appropriately]
Mr. Takehiko Kakiuchi has been nominated as a candidate for Outside Director of the Company, as he has deep knowledge regarding the living essentials field with a focus on foods through his duties at Mitsubishi Corporation, one of the Company’s key business partners. At the Board of Directors’ meetings he attended, Mr. Kakiuchi proactively expressed his opinions and suggestions on the Company’s management, and we would like to continue to benefit from his supervision of the Company’s management by leveraging his experiences.
Mr. Kakiuchi also serves as Chairperson of the Company’s Board of Directors Meetings and the Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors.</td></tr>
<tr><td colspan="4">[Term of Outside Director of LAWSON, INC.]
Mr. Kakiuchi has served as Outside Director of the Company since 2005 and his term will be seven years as of the end of this General Meeting of Shareholders.</td></tr>
<tr><td colspan="4">[Particular conflicts of interest between the Candidate and LAWSON, INC.]
There are no particular conflicts of interest between the Candidate and LAWSON, INC.</td></tr>
<tr><td colspan="4">[Attendance at Board of Directors’ Meetings]
Out of a total of 13 meetings, Mr. Kakiuchi attended 10. (Attendance rate: 76.9%)</td></tr>
</table>

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
7	**[Candidate for New Director]** **[Candidate for Outside Director]**  Emi Osono (August 8, 1965)	April 1988	Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)	0
		April 1998	Assistant Professor, Institute of Asia-Pacific Studies, Waseda University	
		April 2000	Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	
		October 2002	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	
		June 2004	Outside Director, Nisshin Fire and Marine Insurance, Co., Ltd.	
		June 2006	Outside Director, Resona Bank, Ltd.	
		April 2010	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (Current position)	
		June 2011	Outside Director, Resona Holdings, Inc. (Current position)	
	[Reasons for nomination as Outside Director and reasons behind our judgement that the person would be able to perform obligations of Outside Director appropriately] Ms. Emi Osono has been nominated as a candidate for Outside Director of the Company, as she has a wealth of academic knowledge on global corporate management, operational strategies, andorganizational behavior. While receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, in the future, we would also like to benefit from her supervision of the Company's management by leveraging her experiences. We are also planning to register Ms. Osono as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd. pursuant to the rules specified by the exchanges.			
	[Term of Outside Director of LAWSON, INC.] There are no relevant items, as Ms. Osono is a candidate for a new Director position.			
	[Particular conflicts of interest between the Candidate and LAWSON, INC.] There are no particular conflicts of interest between the Candidate and LAWSON, INC.			
	[Attendance at Board of Directors' Meetings] There are no relevant items, as Ms. Osono is a candidate for a new Director position.			

Notes:
1. In accordance with Article 24 of the current Articles of Incorporation, LAWSON, INC. has concluded the following liability limitation agreements with Ms. Reiko Yonezawa and Mr. Takehiko Kakiuchi. Under the liability limitation agreement concluded with the Company, Outside Directors assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence. The Company is also planning to conclude a similar agreement with Ms. Osono.
2. The appointment of the Independent Directors/Auditors is based on "(6) Criteria for Independence" on page 22.
3. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 12, 2012.

Proposal No. 4: Election of One (1) Corporate Auditor

The term of office of Mr. Munehiko Nakano, Corporate Auditor, expires at the conclusion of this 37th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect one (1) new Corporate Auditor.
The Board of Corporate Auditors has given prior consent to this proposal.
The nominee for corporate auditor is as follows.

<table>
<tr><td>Name
(Date of Birth)</td><td colspan="2">Brief Personal History, Position, and Important Concurrent Positions</td><td>Number of the Company's Shares Held</td></tr>
<tr><td rowspan="7">**[Candidate for New Corporate Auditor]**
[Candidate for Outside Corporate Auditor]

Shinichi Hokari
(March 18, 1949)</td><td>April 1975</td><td>Joined the Board of Audit of Japan</td><td rowspan="7">0</td></tr>
<tr><td>July 1990</td><td>Supervisory Manager of 2nd Bureau, Board of Audit of Japan</td></tr>
<tr><td>December 2002</td><td>Deputy Secretary General (in charge of 4th Bureau), Board of Audit of Japan</td></tr>
<tr><td>December 2005</td><td>Director General of 4th Bureau, Board of Audit of Japan</td></tr>
<tr><td>April 2007</td><td>Chief Audit Commissioner, Gifu Prefecture Government</td></tr>
<tr><td>July 2011</td><td>Rejoined the Board of Audit of Japan</td></tr>
<tr><td>March 2012</td><td>Retired from the Board of Audit of Japan</td></tr>
<tr><td colspan="4">[Reasons for nomination as Outside Corporate Auditor and reasons behind our judgement that the person would be able to perform obligations of Outside Corporate Auditor appropriately]
Mr. Shinichi Hokari has been nominated as a candidate for Outside Corporate Auditor of the Company, as he has held prominent positions including Director General of a Bureau at the Board of Audit of Japan, and has a considerable amount of knowledge on finance and accounting through examination of financial results and financial positions of government agencies and independent administrative corporations. We would like to benefit from his audits and supervision of the Company's management by leveraging his experience.
We are also planning to register Mr. Hokari as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange Co., Ltd. pursuant to the rules specified by the exchanges.</td></tr>
<tr><td colspan="4">[Term of Outside Corporate Auditor of LAWSON, INC.]
There are no relevant items, as Mr. Hokari is a candidate for a new Outside Corporate Auditor position.</td></tr>
<tr><td colspan="4">[Particular conflicts of interest between the Candidate and LAWSON, INC.]
There are no particular conflicts of interest between the Candidate and LAWSON, INC.</td></tr>
<tr><td colspan="4">[Attendance at Board of Directors' Meetings and Corporate Auditors' Meetings]
There are no relevant items, as Mr. Hokari is a candidate for a new Outside Corporate Auditor position.</td></tr>
</table>

Notes:

1. In accordance with Article 32 of the current Articles of Incorporation, LAWSON, INC. is planning to conclude the following liability limitation agreement with Mr. Shinichi Hokari. Under the liability limitation agreement concluded with the Company, Outside Corporate Auditor assumes liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that he has performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.
2. The appointment of the Independent Directors/Auditors is based on "(6) Criteria for Independence" on page 22.
3. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 12, 2012.

Proposal No. 5: Presentation of Retirement Benefit to a Retiring Corporate Auditor, and Final Payment of Retirement Benefit upon the Abolishment of Retirement Benefit System for Corporate Auditors

In appreciation of his excellent service, we wish to present retirement benefit of not more than ¥27 million to Mr. Munehiko Nakano, who is to retire as a standing corporate auditor at the expiration of his term as of the conclusion of this 37th Ordinary General Meeting of Shareholders.

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

At the Board of Directors meeting held in April 2005, the Company resolved the abolishment of the Retirement Benefit System for directors. Consequently, we introduced a stock compensation type stock option plan as the compensation scheme for directors in addition to cash payments. Regarding compensation for corporate auditors, we have continued to adopt the retirement benefit system without introducing the stock compensation type stock option plan, taking into consideration the nature of their service.

However, with the aim of increasing compensation structure transparency for our shareholders, we decided to unify the compensations for corporate auditors into a monthly payment system that is based on annual compensation, and resolved at the Board of Directors meeting held on March 29, 2012 with the consent of the Board of Corporate Auditors, to abolish retirement benefits for corporate auditors.

As a result, we are proposing final payments of retirement benefit for the three corporate auditors currently remaining in service (with the exception of Mr. Munehiko Nakano) corresponding to the respective periods of service up to the conclusion of this 37th Ordinary General Meeting of Shareholders, totaling not more than ¥31 million.

Payments will be made on the retirement date of each corporate auditor, respectively, and we would like to leave the details of the exact amount, date and method of payment to the discretion of the corporate auditors.

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

Name	Brief Personal History	
Munehiko Nakano	May 2006	Standing Corporate Auditor, LAWSON, INC. (Current position)

A brief personal history of the corporate auditors who qualify for the final payment of retirement benefit is shown below.

Name	Brief Personal History	
Atsuhiko Seki	May 2010	Standing Corporate Auditor, LAWSON, INC. (Current position)
Tetsuo Ozawa	May 2003	Corporate Auditor, LAWSON, INC. (Current position)
Eiko Tsujiyama	May 2011	Corporate Auditor, LAWSON, INC. (Current position)

Notes:

1. Messrs. Munehiko Nakano and Tetsuo Ozawa and Ms. Eiko Tsujiyama are outside corporate auditors.
2. The corporate auditors' Brief Personal Histories are as of April 12, 2012.

Proposal No. 6: Revision of the Amount of Compensation for Corporate Auditors

The amount of compensation for corporate auditors was approved at the 23rd Ordinary General Meeting of Shareholders held on May 30, 1998 at up to ¥60 million annually, and this amount has been maintained to date. Taking into consideration changes in the economic and social climate since then as well as the expanded scope of audits due to growth of the Group, the proposed abolishment of the retirement benefit system for corporate auditors, and many other factors, we propose a revision in the amount of compensation for the corporate auditors to make it up to ¥80 million annually.

At present, the Company has four corporate auditors. If Proposal No. 4 is approved and adopted, the number of corporate auditors will total four at the conclusion of this 37th Ordinary General Meeting of Shareholders.