(TRANSLATION ONLY)
Securities Code: 2651

April 30, 2013

To All Shareholders with Voting Rights

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

NOTICE OF THE 38th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 38th 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 20, 2013.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 20, 2013 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 21, 2013
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 38th Fiscal Term (from March 1, 2012 to February 28, 2013), and the Audit Reports Thereof

   Matters to Be Resolved:
   Proposal No. 1: Appropriation of Surplus
   Proposal No. 2: Partial Amendment to the Articles of Incorporation
   Proposal No. 3: Election of One (1) Director
   Proposal No. 4: Election of One (1) Corporate Auditor

- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. The reception desk will open at 9:00 a.m. 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.)

(TRANSLATION ONLY)

BUSINESS REPORT

(March 1, 2012 through February 28, 2013)

I. CURRENT STATUS OF THE CORPORATE GROUP

1. Summary of Operations

(1) Business Developments and Results of Operations

During the consolidated fiscal year under review, or fiscal 2012 ended February 28, 2013, the LAWSON Group ("the Group") implemented measures to enhance its function as a form of social infrastructure that provides essential items and services at the local level with the aim of realizing the Group's corporate philosophy of "Creating Happiness and Harmony in our Communities." Based on its analysis of purchase data retrieved from the multipartner loyalty program, Ponta, the Group focused on customer relationship management (CRM)[*1] and supply chain management (SCM)[*2] in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

In terms of operating results for the consolidated fiscal year under review, total operating revenues increased year on year by ¥8,487 million to ¥487,445 million (up 1.8%) as a result of new store openings and efforts to expand customer bases comprising homemakers and seniors. Operating income grew ¥4,476 million to ¥66,246 million (up 7.2%) and ordinary income climbed ¥4,198 million to ¥65,926 million (up 6.8%). Net income rose ¥8,297 million to ¥33,182 million (up 33.3%) owing to a decrease of ¥10,784 million in extraordinary loss resulting mainly from the absence of a loss on adjustment for changes of accounting standard for asset retirement obligations and loss from disaster caused by the Great East Japan Earthquake posted in the previous consolidated fiscal year.

*1 CRM: A marketing management method for providing merchandise and services that meet the specific needs of customers.

*2 SCM: A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

Operating results by business segment were as follows:

(Convenience Store Operations)

Merchandise Strategy

On the merchandising front, we upheld the expansion of our perishable food offerings as an important strategic agenda. In October 2012, we launched our Fresh Foods Convenience Store Declaration to strengthen our lineup of precut vegetables and other fresh food items. We also strived to offer a wider range of seasonings and other home cooking supplies that meet growing consumer demand for at-home dining.

As of the end of February 2013, we are now operating nine Lawson Farms. The farms were established with the aim of supplying the Group's stores with vegetables and fruits on a stable basis as well as providing produce for use as ingredients in LAWSON's original products.

In the rice category, the high value-added Furusato-no-umai! line released under the Onigiri-ya range was tremendously popular thanks to its high-quality ingredients. To offer products with even higher added value, the line will be expanded to include lunch boxes.

We have expanded our cooked-in-store fast-food product range by increasing our lineup of deep-fried foods, including the addition of Torikara fried chicken in June 2012.

The number of stores equipped with MACHI café, which offers casual but authentic drip coffee, increased to 2,860. Thanks to coffee sales, we have been able to deepen our interaction with customers.

In the dessert category, we launched Ankoya, a new Japanese dessert line from the Uchi Café SWEETS brand. Ankoya was developed to meet customer needs for smaller Japanese desserts with subdued sweetness. The intrinsic flavor of adzuki beans and the refreshing and reserved sweetness proved appealing to a wide range of customers.

In sales promotions, the Group, which has know-how in the entertainment field, executed a joint promotional campaign with the Aeon Group, which operates a diverse range of retail outlets, including AEON general merchandise stores and MINISTOP convenience stores. The business alliance was formed with the aim of leveraging synergies to create superior contents and appealing to a wider range of customers, especially families.

In addition, we implemented region-specific promotional campaigns, such as the Hokkaido Gourmet Fair, Chiba Promotional Campaign, Shinshu Seasonal Travel Campaign, and Kumamoto Yokamon Fair to market merchandise from each region.

Store Operations

In store operations, we continued to reinforce adherence to our Triple Emphasis policy, which emphasizes (1) sincere customer service; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping the store and local areas clean, in addition to ensuring that products are safe, reliable, healthy, and delicious.
Notably, in tandem with the increase in the number of stores with MACHI café, we strived to comprehensively improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them.
Total Ponta members exceeded 50 million as of the end of February 2013, accounting for 45% of total sales. Based on customer base analysis using Ponta membership purchase data, we strived to improve accuracy in order placement, develop new products, focus on measures to promote customer visits in the evening and at night, and reduce sales opportunity loss.

Store Development and Store Format Strategy

In opening new stores, the Group strictly adhered to its proprietary return-on-investment (ROI)-focused store development standard to prioritize profitability.
Regarding store format strategy, we promoted store openings to meet the needs of customers specific to each neighborhood by leveraging the LAWSON, NATURAL LAWSON, and LAWSON STORE 100 store formats to better advantage.
In an effort to reinforce stores that cater to healthcare needs, we increased the number of stores offering over-the-counter pharmaceuticals to 72 (up 31) and the number of Pharmacy LAWSON (pharmaceutical convenience stores), a store format that integrates drug-dispensing pharmacies operated by Qol Co., Ltd. with LAWSON and NATURAL LAWSON, to 30 (up 23) as of the end of February 2013. In August 2012, Lawson, Inc. (“the Company”) acquired 5% of the total number of shares issued by Qol Co., Ltd., forming a capital alliance.

Change in Total Number of Stores (Stores)

	LAWSON	NATURAL LAWSON	LAWSON STORE 100	Total
Total stores as of February 29, 2012	9,038	100	1,172	10,310
Change during fiscal year	604	10	52	666
Total stores as of February 28, 2013	9,642	110	1,224	10,976

Overseas Operations

In the People’s Republic of China, the Company established Lawson (China) Holdings, Inc. (“Lawson China”) in Shanghai in May 2012 as a holding company that controls business investment, trademark licensing management, and administrative management functions within China. The Company’s subsidiaries in Shanghai, Chongqing, and Dalian will be placed under the control of Lawson China to ensure efficient management. As of the end of February 2013, Shanghai Hualian Lawson, Inc. in Shanghai operated a total of 305 LAWSON stores (down nine year on year), Chongqing Lawson, Inc. in Chongqing, 49 stores (up 11 year on year), and Dalian Lawson, Inc. in Dalian, eight stores (up five year on year).
In Indonesia, PT MIDI UTAMA INDONESIA Tbk (“MIDI”), in which Lawson Asia Pacific Holdings Pte. Ltd. (“LAP”), the Company’s subsidiary in Singapore, holds a 30% stake, operates LAWSON stores. As of the end of February 2013, MIDI operated 574 stores following its own store format and 83 LAWSON stores (up 68 year on year) in Jakarta and its outskirts as well as on the island of Bali.
In the United States, Lawson USA Hawaii, Inc., the Company’s US subsidiary in Hawaii, launched its first LAWSON store in Honolulu in July 2012. As of the end of February 2013, two LAWSON stores were operating in Hawaii—one in the Sheraton Waikiki Hotel and the other in Moana Surfrider—both attracting customers from around the world in addition to Japanese customers.
In Thailand, in November 2012, we established Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand’s leading distributor of consumer goods, in preparation for opening stores in the country in fiscal 2013.

Total Operating Revenues in the Convenience Store Business

Total Operating Revenues (¥ millions)	Year-on-Year (%)
421,150	100.8

Net Sales at All LAWSON Stores in the Convenience Store Business

Fiscal period / Product group	Previous fiscal year March 1, 2011 to February 29, 2012		Current fiscal year March 1, 2012 to February 28, 2013		YOY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,022,619	56.0	1,064,133	55.8	104.1
Fast foods	345,424	18.9	373,385	19.6	108.1
Daily delivered foods	263,179	14.4	272,312	14.3	103.5
Nonfood products	194,586	10.7	196,716	10.3	101.1
Total	1,825,809	100.0	1,906,547	100.0	104.4

Other Businesses

In addition to convenience store operations and overseas operations, the Group is involved in the entertainment/home delivery business, financial services, and other businesses.

In the Group's entertainment/home convenience business, the Company's subsidiary, Lawson HMV Entertainment, Inc., successfully organized large-scale concerts by popular musicians, along with other events. As a result, revenues from the Group's ticketing services for fiscal 2012 exceeded ¥100 billion, a record high, which secured the Group a top-tier position in the ticketing industry.

In January 2013, Smart Kitchen, Inc., a joint venture with Yahoo JAPAN Corp., launched an online food delivery service targeting busy homemakers. By consolidating the Group's merchandise procurement capacity—well proven by the popularity of NATURAL LAWSON among working women—and its know-how in original product development with Yahoo's expertise in creating and operating high-traffic websites, Smart Kitchen offers via smartphone and tablet an easy-to-use and convenient online shopping service, delivering proprietary food ingredient sets that can be cooked in no time by following simple directions. Moreover, the assortment of items available is as large as that of a large-scale supermarket.

Lawson ATM Networks, Inc., which operates a financial services-related business, posted a solid performance owing to an increase in the number of ATMs installed in LAWSON and other stores, along with a rise in the number of transactions. We started providing financial services for eight new banks as their business partner, bringing the total number of our financial institution partners to 58 nationwide, including online banks, and the number of ATMs installed nationwide to 9,672 (up 670 year on year) as of the end of February 2013.

Total Operating Revenues in Other Businesses

Total Operating Revenues (¥ millions)	Year-on-Year (%)
70,947	108.3

Environmental and Social Contribution Activities

The Company's Environment and Social Contribution Division promoted environmental protection and social contribution activities, working together with franchise store owners and Group employees.

In response to the launch of the Feed-in Tariff Scheme for Renewable Energy, a measure taken by the government against global warming, we started introducing solar power generation systems at our stores in October 2012 as our own initiative to tackle domestic energy issues. The systems will be installed at a total of 2,000 stores by the end of fiscal 2013.

In December 2012, we opened a cutting-edge energy-saving pilot store in Ebina-shi, Kanagawa Prefecture. Based on joint research with the Institute of Industrial Science of the University of Tokyo, the pilot store harnesses renewable energy, such as solar power and geo-heat, to reduce electricity consumption by about 30% compared with the fiscal 2010 level.

In our efforts to undertake social contribution activities at stores, we have been hosting the LAWSON Green Fund, a donation project active since 1992; the Support for Dreams Fund, a scholarship program for senior high school students affected by the 2011 Great East Japan Earthquake; and a donation campaign for regions hit by heavy rains in northern Kyushu. These initiatives have raised a combined total of ¥502 million in fiscal 2012.

With a view to functioning as a lifeline to the community under all circumstances, the Group strives to improve its management system to ensure that its stores are kept open or restored to operation as soon as possible during or subsequent to a disaster. This enhancement is based on our hands-on experience in coping with various disasters since the Great Hanshin-Awaji Earthquake. When the Great East Japan Earthquake struck, the Group endeavored to continue operations in disaster-hit areas and promptly resumed operations in areas struck by the tsunami by setting up temporary stores. In addition, we helped these areas in their own restoration efforts, proactively sharing our experiences with the public.

In recognition of such activities, the Group received the Business Continuity Advancement Organization (BCAO) Award, which is presented to organizations that have contributed to the dissemination and practical execution of the business continuity concept in Japan.

The Group also received Japan's 2012 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming in recognition of its significant contribution to prevent global warming by adopting environmentally friendly materials for its packaging. This was the third time the Group was given the award, following presentations in 2004 and 2009.

(2) Capital Expenditures and Financing

Capital expenditures of the LAWSON Group during the year totaled ¥51,046 million, of which ¥43,677 million was primarily for store facility investment in land and buildings, and ¥5,907 million was for the upgrading of information systems.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term	Fiscal 2011 37th Term	Fiscal 2012 38th Term
Total operating revenues (¥ millions)	467,192	441,277	478,957	487,445
Ordinary profit (¥ millions)	49,440	54,594	61,728	65,926
Net income (¥ millions)	12,562	25,386	24,885	33,182
Net income per share (¥)	126.67	254.61	249.17	332.20
Total assets (¥ millions)	448,131	476,036	531,453	579,809
Net assets (¥ millions)	198,135	208,466	214,662	230,181
Net assets per share (¥)	1,935	2,037	2,114	2,267

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 35th term.

[2] Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2009 35th Term	Fiscal 2010 36th Term	Fiscal 2011 37th Term	Fiscal 2012 38th Term
Total net sales of LAWSON stores, including franchised stores (¥ millions)	1,472,415	1,502,754	1,621,328	1,693,435
Total operating revenues (¥ millions)	271,513	263,209	272,498	282,752
Ordinary profit (¥ millions)	44,577	49,312	56,110	59,459
Net income (¥ millions)	20,665	24,643	22,462	30,314
Net income per share (¥)	208.38	247.15	224.91	303.49
Total assets (¥ millions)	420,444	444,821	500,667	532,619
Net assets (¥ millions)	200,506	211,448	216,826	227,974
Net assets per share (¥)	2,018	2,113	2,166	2,277

(4) Pressing Issues

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

(i) Develop merchandise assortments that meet customer needs

In an effort to create stores that meet the needs of customers from the local neighborhood, the Group will continue to use the Ponta data to develop customer-centric merchandise assortments. We will place special focus on offering evening and nighttime merchandise assortments that differentiate our stores from others as well as healthy and high-quality fresh foods.

(ii) Develop overseas business

The Group will strive to understand potential customer needs in each country and region overseas and will establish business models tailored to each locality. Not being bound by Japanese-style business models or store formats, we will pursue the hospitable customer service that is a signature feature of Japanese convenience stores while respecting local cultures.

(iii) Provide home delivery service to offer customers more convenience

The Group will offer customers the luxury of convenience store shopping from the comfort of their own homes. To start with, we will establish a full-fledged home delivery network based on our Smart Kitchen delivery service to meet the needs of busy homemakers and others.

(iv) Promote internal control systems and address operating risks

In order to ensure business continuity, it is imperative to foster the Group's internal control in its entirety and address operating risks. In addition, we believe that taking a proactive approach to corporate governance will provide us with a shortcut to enhance corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

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

2. Current Status at the End of February 2013

(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), North Kanto Lawson Branch (Shinagawa-ku, Tokyo), South 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 91 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 1,224 LAWSON STORE100 stores operated by Ninety-nine Plus, Inc. are included in the table on the next page.

Head Office: Shinagawa-ku, Tokyo

[3] SCI, Inc.

Major Business: SCI, Inc. operates the wholesale of meats, such as processed foods and frozen foods, and packing materials.

Head Office: Shinagawa-ku, Tokyo

Note: SCI, Inc. was established as a wholly owned subsidiary of the Company in July 2012.

[4] Lawson (China) Holdings, Inc.

Major Business: Lawson (China) Holdings, Inc. controls companies that operate overseas businesses in China.

Head Office: Shanghai, China

Note: Lawson (China) Holdings, Inc. was established as a wholly-owned subsidiary of the Company in May 2012.

[5] Shanghai Hualian Lawson, Inc.

Major Business: Shanghai Hualian Lawson, Inc. operates company-operated and franchise system stores of the LAWSON convenience store chains.

The 305 LAWSON stores operated by Shanghai Hualian Lawson, Inc. are included in the table on the next page.

Head Office: Shanghai, China

[6] Chongqing Lawson, Inc.

Major Business: Chongqing Lawson, Inc. operates company-operated stores.

The 49 LAWSON stores operated by Chongqing Lawson, Inc. are included in the table below.

Head Office: Chongqing, China

[7] Dalian Lawson, Inc.

Major Business: Dalian Lawson, Inc. operates company-operated stores.

The 8 LAWSON stores operated by Dalian Lawson, Inc. are included in the table below.

Head Office: Dalian, China

Stores:

Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	576	Ibaraki	124	Kyoto	266	Ehime	168
Aomori	186	Tokyo	1,549	Shiga	135	Tokushima	108
Akita	168	Kanagawa	799	Nara	100	Kochi	64
Iwate	159	Shizuoka	205	Wakayama	118	Fukuoka	393
Miyagi	200	Yamanashi	91	Osaka	1,004	Saga	65
Yamagata	66	Nagano	141	Hyogo	593	Nagasaki	92
Fukushima	91	Aichi	513	Okayama	131	Oita	148
Niigata	114	Gifu	131	Hiroshima	155	Kumamoto	103
Tochigi	125	Mie	104	Yamaguchi	114	Miyazaki	89
Gunma	80	Ishikawa	99	Tottori	98	Kagoshima	114
Saitama	462	Toyama	191	Shimane	101	Total	10,976
Chiba	437	Fukui	102	Kagawa	104		
Region	Number of Stores	Region	Number of Stores	Region	Number of Stores	Region	Number of Stores
Shanghai	305	Chongqing	49	Dalian	8	Overseas total	362

[8] 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

(Other Business)

Company Name	Head Office	Major Business	
Lawson HMV Entertainment, Inc.	Shinagawa-ku, Tokyo	Entertainment/Home convenience business	Sells tickets for various events and music/video software inside LAWSON stores, etc.
Smart Kitchen, Inc.	Shinagawa-ku, Tokyo	Entertainment/Home convenience business	Operates a regular home delivery service for foods and daily necessities using the Internet
Lawson ATM Networks, Inc.	Shinagawa-ku, Tokyo	Financial services–related business	Installs jointly operated ATMs in LAWSON stores, etc.
BestPractice Inc.	Shinagawa-ku, Tokyo	Consulting business	Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores

Note: Smart Kitchen, Inc. was established as a 51 % owned subsidiary of the Company in June 2012.

(2) Employees

[1] Employees of the Corporate Group

Designation of Business Segment	Number of Employees	YoY Change
Convenience store business	4,751	(25)
Overseas business	660	(105)
Entertainment/Home convenience business	817	52
Financial services-related business	24	3
Consulting business	152	8
Advertising business	0	(4)
Total	6,404	(71)

[2] Employees of the Company

Number of Employees	YoY Change	Average Age	Average Years of Service
3,482	140	39.1	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
SCI, Inc.	¥10 million	100.0	Convenience store business
Lawson (China) Holdings, Inc.	CNY600,000 Thousand	100.0	Overseas business
Shanghai Hualian Lawson, Inc.	CNY165,898 Thousand	85.0	Overseas business
Chongqing Lawson, Inc.	CNY102,411 Thousand	100.0	Overseas business
Dalian Lawson, Inc.	CNY22,000 Thousand	95.0	Overseas business
Lawson Asia Pacific Holdings Pte, Ltd.	S$66 million	100.0	Overseas business
Lawson HMV Entertainment, Inc.	¥100 million	100.0	Entertainment/Home convenience business
Smart Kitchen, Inc.	¥490 million	51.0	Entertainment/Home convenience business
Lawson ATM Networks, Inc.	¥3,000 million	76.5	Financial services-related business
BestPractice Inc.	¥10 million	100.0	Consulting business

Notes:

1. SCI, Inc. was established as a wholly owned subsidiary of the Company in July 2012 and became LAWSON's consolidated subsidiary.
2. Lawson (China) Holdings, Inc. was established as a wholly owned subsidiary of the Company in May 2012 and became LAWSON's consolidated subsidiary.
3. Smart Kitchen, Inc. was established as a 51 % owned subsidiary of the Company in June 2012 and became LAWSON's consolidated subsidiary.
4. Lawson Toyama, Inc., which had been a consolidated subsidiary in the previous consolidated fiscal year, was merged with the Company in December 2012.
5. Cross Ocean Media, Inc., which had been a consolidated subsidiary in the previous consolidated fiscal year, was excluded from the scope of consolidation because its liquidation was completed in November 2012.

[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

Notes:

Venture Republic Inc., which had been an equity method affiliate in the previous consolidated fiscal year, was excluded from the scope of the equity method affiliate because the Company sold all the equities it owned in Venture Republic Inc. in May 2012.

2) Important Business Alliances

Mitsubishi Corporation holds 32.5% of the total voting rights (32,399 thousand shares) of the Company (including indirect holdings). Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into an extensive business tie-up agreement with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

II. CURRENT STATUS OF THE COMPANY

1. Shares at the End of the Year

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

(2) Total Number of Shares Issued and Outstanding: 100,300,000 shares (Including 406,853 shares of treasury stock)

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

(4) Number of Shareholders: 33,629

(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.1
STATE STREET BANK AND TRUST COMPANY 505223	2,877	2.9
Japan Trustee Services Bank, Ltd. (Trust account)	2,462	2.5
The Master Trust Bank of Japan, Ltd. (Trust account)	2,228	2.2
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK AND TRUST COMPANY	1,856	1.9
The Chase Manhattan Bank NA, London SL, Omnibus Account	1,853	1.9
STATE STREET BANK AND TRUST COMPANY 502202	1,653	1.7
STATE STREET BANK AND TRUST COMPANY 505225	1,638	1.6
MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1,580	1.6

Notes:

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

2. Status of stock acquisition rights

Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2013

	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) 2 persons (10 units)	2 persons (122 units) 2 persons (8 units)	3 persons (146 units) 2 persons (8 units)	3 persons (210 units) 2 persons (12 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 12,200	Common stock of Lawson, Inc. 13,000	Common stock of Lawson, Inc. 15,400	Common stock of Lawson, Inc. 22,200
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	3 persons (168 units) 2 persons (10 units)	3 persons (144 units) 2 persons (10 units)	3 persons (215 units) 2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 17,800	Common stock of Lawson, Inc. 15,400	Common stock of Lawson, Inc. 22,500
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 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 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 28, 2013, is 179,500 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 and Group CEO, Overseas Business
Genichi Tamatsuka	Director	Senior Executive Vice President, COO and Group CEO, CVS
Yoshiyuki Yahagi	Director	Senior Executive Vice President and CFO
Toru Moriyama	Director	Executive Vice President and Group CEO, Living Essentials Group, Mitsubishi Corporation
Reiko Yonezawa	Director	
Takehiko Kakiuchi	Director	
Emi Oosono	Director	
Atsuhiko Seki	Standing Corporate Auditor	
Shinichi Hokari	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Eiko Tsujiyama	Corporate Auditor	

Notes:

1. Directors Reiko Yonezawa, Takehiko Kakiuchi and Emi Oosono are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
2. Standing Corporate Auditor Shinichi Hokari 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 Shinichi Hokari has assumed responsible posts for many years on the Board of Audit of Japan 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 37th Ordinary General Meeting of Shareholders held on May 29, 2012 are, as follows:

Appointment	Director	Genichi Tamatsuka
	Director	Emi Oosono
	Standing Corporate Auditor	Shinichi Hokari
Retirement from office	Director	Manabu Asano
	Director	Hiroshi Tasaka
	Standing Corporate Auditor	Munehiko Nakano

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

Senior Executive Vice President	Takatoshi Kawamura	Senior Vice President	Kiyoteru Suzuki
Executive Vice President	Shuichi Imagawa	Senior Vice President	Tetsu Yamada
Executive Vice President	Masaharu Kamo	Senior Vice President	Shigeaki Kawahara
Senior Vice President	Norikazu Nishiguchi	Senior Vice President	Tatsushi Sato
Senior Vice President	Katsuyuki Imada	Senior Vice President	Kei Murayama
Senior Vice President	Takaki Mizuno	Senior Vice President	Masakatsu Gounai
Senior Vice President	Jun Miyazaki	Senior Vice President	Yasuhiro Iseki
Senior Vice President	Ichiro Kijima	Senior Vice President	Hajime Nakai
Senior Vice President	Hisashi Yasuhira	Senior Vice President	Atsushi Maeda
Senior Vice President	Masayuki Sawada	Senior Vice President	Kazuo Togasa
Senior Vice President	Masahiro Oyama		

(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)	213	213	–	–	9
(Outside directors)	(24)	(24)	(–)	(–)	(4)
Corporate Auditors (Including outside corporate auditors)	73	67	–	6	5
(Outside corporate auditors)	(51)	(44)	(–)	(6)	(4)
Total	287	281	–	6	14

Notes:

1. As of February 28, 2013, the number of directors in office was 7 and that of corporate auditors was 4.
2. The above figures include remuneration paid to 2 directors and 1 corporate auditor who retired at the conclusion of the 37th Ordinary General Meeting of Shareholders held on May 29, 2012.

(Reference)

At the board of directors meeting held on March 27, 2013, the Company resolved that stock options worth ¥148 million will be granted to directors (¥8 million for outside directors) as compensation for the fiscal year under review in addition to the above compensation.

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.	¥108 million	–	¥112 million
	Chairman and Director	Ninety-nine Plus, Inc.	¥3 million	–	

(Reference)

At the board of directors meeting held on March 27, 2013, the Company resolved that stock options worth of ¥82 million will be granted as compensation for the fiscal year under review in addition to the above compensation.

(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:	Reiko Yonezawa
Outside Director:	Emi Oosono
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 nonexecutive directors, including Toru Moriyama, Reiko Yoneyama, Takehiko Kakiuchi and Emi Oosono, 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 with 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

The Company's corporate auditors receive basic compensation (fixed compensation) in cash.
The amount of basic 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, the system itself was abolished. Retirement benefits upon the abolishment of retirement benefits to corporate auditors were paid out following the resolution at the 37th Ordinary General Meeting of Shareholders 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 29, 2012: ¥80 million or less per year

(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	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.
Director	Emi Oosono	Hitotsubashi University Graduate School of International Corporate Strategy Resona Holdings, Inc.	Professor Outside director	
Corporate auditor	Shinichi Hokari			
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. Shiseido Company, Limited	Professor Outside corporate auditor Outside director Outside corporate auditor 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	Reiko Yonezawa (Independent director)	Ms. Yonezawa attended 10 of 12 board of directors' 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 11 of 12 board of directors' 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.
Director	Emi Oosono (Independent director)	Ms. Oosono attended all 10 board of directors' meetings held throughout the year during her term in office and, as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Oosono is also a member of the Company's Compensation Committee.
Corporate auditor	Shinichi Hokari (Independent director)	As a standing corporate auditor, Mr. Hokari examined financial documents, and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Hokari monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Hokari attended all 10 board of directors' meetings and all 11 board of corporate auditors' meetings held throughout the year during his term in office and appropriately questioned and/or remarked based on his deep knowledge finance and accounting, and using his experience of assuming responsible posts for many years on the board of audit of Japan.
Corporate auditor	Tetsuo Ozawa (Independent director)	Mr. Ozawa attended 11 of 12 board of directors' meetings and 14 of 15 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer. Mr. Ozawa is also a member of the Company's Compensation Committee.
Corporate auditor	Eiko Tsujiyama (Independent director)	Ms. Tsujiyama attended 11of 12 board of directors' meetings and all 15 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on her deep knowledge of accounting as a university professor in this field.

(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 nonexecutive 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	¥83 million
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	¥132 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 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. Five of the important subsidiaries of LAWSON overseas are subject to audit by an independent auditor other than LAWSON's independent auditor.

(3) Nonaudit 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 (nonaudit services), to the independent auditor:

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

(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 nonreappointment 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 19, 2013, based on improvements and the operation of the preceding "2012 Basic Policy for Improvement of Internal Control Systems," which was approved at the Board of Directors' meeting held on February 20, 2012, the Company passed a resolution called the "2013 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 (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 (CCRO), 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) With the aim to strive for the early detection of violations or possible violations of laws, regulations, etc. across the LAWSON Group and the entire LAWSON chain, the Company shall establish and upgrade normal reporting routes for reporting any violations of laws, regulations or internal rules. It shall establish reporting and consulting systems (internal consulting contact points, group-wide outside consulting contact points and consulting contact points for employees and business counterparties for LAWSON's franchised stores) that fully protect those who make such reports.
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 an information security system for the LAWSON Group to cope with the expansion of e-commerce business and active promotion of overseas business.
7) 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 ("Associated Companies"). However, with regard 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, 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 evaluation 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 ("Corporate Auditors' Staff") as employees exclusively to assist corporate auditors in the execution of their duties.
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 Sheets

(Millions of yen)

Assets			Liabilities		
Account item	As of February 29, 2012 (for reference)	As of February 28, 2013	Account item	As of February 29, 2012 (for reference)	As of February 28, 2013
Current assets	160,157	180,296	Current liabilities	217,978	239,794
Cash and bank deposits	79,074	84,770	Accounts payable—trade	13,761	11,169
Accounts receivable—due from franchised stores	19,521	25,374	Accounts payable—trade for franchised stores	74,501	76,018
Marketable securities	4,999	—	Due to franchised stores	1,390	1,403
Merchandise inventories	8,075	8,963	Short-term loans payable	—	1,431
Prepaid expenses	8,110	8,793	Current portion of long-term debt	500	—
Accounts receivable—other	32,645	46,008	Lease obligations	11,223	14,489
Deferred tax assets	4,800	4,656	Accounts payable—other	17,541	26,105
Other	3,080	3,011	Income taxes payable	15,305	14,474
Allowance for doubtful accounts	(149)	(1,281)	Deposits received	75,004	87,529
			Accrued employees' bonuses	3,204	2,544
Fixed assets	371,295	399,513	Provision for use of points granted	701	215
Property and store equipment	183,835	209,138	Asset retirement obligations	101	108
Buildings and structures	107,061	118,372	Other	4,743	4,304
Furniture, fixtures, and equipment	14,013	14,761	Long-term liabilities	98,812	109,833
Land	6,815	8,295	Long-term loans payable	—	148
Lease assets	54,137	65,799	Long-term lease obligations	37,902	47,207
Construction in progress	1,806	1,910	Allowance for employees' retirement benefits	8,745	9,898
Intangible assets	38,977	34,089	Allowance for retirement benefits to executive officers and corporate auditors	308	332
Software	19,288	22,255	Deposits received from franchisees and lessees	35,735	34,804
Software in progress	8,263	1,659	Asset retirement obligations	15,161	16,682
Goodwill	10,871	9,683	Other	958	758
Other	553	491	Total liabilities	316,791	349,627
Investments and other	148,483	156,285	Net assets		
Investments in securities	7,702	10,098	Shareholders' equity	211,835	225,785
Long-term loans receivable	32,138	34,580	Common stock	58,506	58,506
Long-term prepaid expenses	7,988	9,130	Capital surplus	47,707	47,718
Lease deposits	83,665	86,109	Retained earnings	107,249	121,154
Deferred tax assets	16,870	16,215	Treasury stock	(1,627)	(1,593)
Other	15,968	1,368	Accumulated other comprehensive income	(680)	690
Allowance for doubtful accounts	(15,851)	(1,217)	Net unrealized gain (loss) on available-for-sale securities	(11)	78
			Land revaluation difference	(567)	(567)
			Foreign currency translation adjustments	(101)	1,179
			Stock acquisition rights	442	427
			Minority interests	3,064	3,279
			Total net assets	214,662	230,181
Total Assets	531,453	579,809	Total Liabilities and Total Net Assets	531,453	579,809

Note: Figures as of February 29, 2012, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Consolidated Statements of Income

(Millions of yen)

Account item	From March 1, 2011 to February 29, 2012 (for reference)		From March 1, 2012 to February 28, 2013	
Operating revenues				
Franchise commissions from franchised stores	215,573		230,002	
Other	55,320	270,893	64,500	294,503
Net sales				
Net sales	(208,063)	208,063	(192,942)	192,942
Total operating revenues		478,957		487,445
Cost of goods sold	(156,245)	156,245	(144,885)	144,885
Gross profit on sales	(51,817)		(48,056)	
Operating gross profit		322,711		342,560
Selling, general, and administrative expenses		260,941		276,313
Operating income		61,769		66,246
Nonoperating income				
Interest received	672		756	
Penalty income	44		265	
Equity in earnings of affiliates	380		394	
Other	1,169	2,268	794	2,211
Nonoperating expenses				
Interest expense	1,122		1,231	
Loss on cancellation of store lease contract	661		534	
Other	526	2,309	765	2,531
Recurring profit		61,728		65,926
Extraordinary gains				
Gain on step acquisitions	1,570		—	
Gain on sales of investment securities	—		145	
Gain on negative goodwill	291		153	
Compensation income	—		71	
Other	197	2,059	11	381
Extraordinary losses				
Loss on disposal of fixed assets	2,068		1,641	
Loss on impairment of long-lived assets	3,318		2,929	
Provision of allowance for doubtful accounts	—		1,127	
Loss on disaster	3,460		—	
Loss on adjustment for changes of accounting standard for asset retirement obligations	8,292		—	
Other	361	17,502	1,018	6,717
Income before income taxes and minority interests		46,285		59,589
Income taxes – current	22,963		25,345	
Income taxes – deferred	(2,321)	20,641	748	26,094
Income before minority interests		25,643		33,494
Minority interests in net income		758		311
Net income		24,885		33,182

Note: Figures from March 1, 2011 to February 29, 2012, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Consolidated Statement of Changes in Net Assets
(From March 1, 2012 to February 28, 2013)

(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 gain (loss) on available-for-sale securities	Land revaluation difference	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the current period	58,506	47,707	107,249	(1,627)	211,835	(11)	(567)	(101)	(680)	442	3,064	214,662
Changes of items during the period												
Dividends from surplus			(19,278)		(19,278)							(19,278)
Net income			33,182		33,182							33,182
Purchase of treasury stock – at cost				(7)	(7)							(7)
Disposal of treasury stock		0		0	0							0
Exercise of stock acquisition rights to shares (delivery of treasury stock)		11		41	52							52
Net changes of items other than shareholders' equity						89		1,280	1,370	(15)	214	1,569
Total changes of items during the period	–	11	13,904	33	13,950	89	–	1,280	1,370	(15)	214	15,519
Balance at the end of the current period	58,506	47,718	121,154	(1,593)	225,785	78	(567)	1,179	690	427	3,279	230,181

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of Consolidated subsidiaries: 11

(Domestic) Lawson HMV Entertainment, Inc.
Lawson ATM Networks, Inc.
BestPractice, Inc.
Ninety-nine Plus, Inc.
Smart Kitchen, Inc.
SCI, Inc.

(Foreign) Chongqing Lawson, Inc.
Shanghai Hualian Lawson, Inc.
Dalian Lawson, Inc.
Lawson Asia Pacific Holdings Pte, Ltd.
Lawson (China) Holdings, Inc.

Among those listed above, Smart Kitchen, Inc., SCI, Inc. and Lawson (China) Holdings, Inc. were included in the scope of consolidation as those subsidiaries were newly established in the consolidated fiscal year under review.

Lawson Toyama, Inc., which was a consolidated subsidiary in the previous consolidated fiscal year, has been excluded from the scope of consolidation due to merger with Lawson, Inc. on December 1, 2012. In addition, Cross Ocean Media, Inc., which was a consolidated subsidiary in the previous consolidated fiscal year, has been excluded from the scope of consolidation due to completion of liquidation on November 27, 2012.

(2) Names of major nonconsolidated subsidiaries, etc.

(Domestic) Natural Lawson Direct, LLP.
LAWSONWILL, Inc.
HATS UNLIMITED CO., LTD.

(Foreign) Lawson USA Hawaii, Inc.
Shanghai Lesong Trading Co., Ltd.
Hangzhou Lawson Department Store Co., Ltd.

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: 2

(Domestic) Lawson Okinawa, Inc.
(Foreign) PT MIDI UTAMA INDONESIA Tbk

Venture Republic Inc., which had been categorized as an equity method affiliate in the previous consolidated fiscal year, was excluded from the application of the equity method because all shares of Venture Republic Inc. have been sold.

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

The Company does not apply the equity method to Natural Lawson Direct, LLP., LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Lawson USA Hawaii, Inc., Shanghai Lesong Trading Co., Ltd., and Hangzhou Lawson Department Store Co., Ltd., all of which were categorized as nonconsolidated subsidiaries, as well as KOBE HOT DELI Co., LTD.; Healthsiru Co., Ltd.; Double Culture Partners Co., Ltd.; Lawson Farm Chiba, Inc.; Lawson Farm Kagoshima, Inc.; Lawson Farm Tokachi, Inc. ; Lawson Farm Oita, Inc.; Lawson Farm Oita Bungoono, Inc.; Lawson Farm Tottori, Inc.; Lawson Farm Hiroshima Jinsekikogen-cho, Inc.; Lawson Farm Miyazaki, Inc.; Lawson Farm Ehime, Inc.; and Saha-Lawson, Co.,Ltd., 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 PT MIDI UTAMA INDONESIA Tbk is December 31. When preparing the consolidated financial statements, the Company used this company's 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, Inc.; Dalian Lawson, Inc.; and Lawson (China) Holdings, Inc. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such closing date 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 dates for 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 in the consolidated 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 in the consolidated 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.

ASBJ Statement No.13 "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, the ASBJ Statement No.13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions. The Group applied the ASBJ Statement No.13 effective March 1, 2009 and continued to account for such leases as operating lease transactions.

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, 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 is recorded at the amount that is expected to be used as of the consolidated balance sheet date.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount calculated based on the projected benefit obligations and plan assets at the consolidated balance sheet date. Actuarial differences are mainly amortized from the following consolidated 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 consolidated 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 of the Company, and to directors and corporate auditors of a consolidated subsidiary is 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 consolidated 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 consolidated 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 consolidated 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" and "minority interests", separate components of net assets.

(5) Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

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. In the "Investments and other" section, "Claims provable in bankruptcy, claims provable in rehabilitation and other" were separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, "Claims provable in bankruptcy, claims provable in rehabilitation and other" (¥589 million for the consolidated fiscal year under review) are included in "Other" from the consolidated fiscal year under review.
2. In the "Current liabilities" section, "Accounts payable-trade for franchised stores" (¥74,501 million for the previous consolidated fiscal year) were included in "Accounts payable-trade" before. From the standpoint of clarity, "Accounts payable-trade for franchised stores" (¥76,018 million for the consolidated fiscal year under review) are separately presented from the consolidated fiscal year under review.
3. In the "Long-term liabilities" section, "Accumulated impairment loss on long-term leased assets" was separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, "Accumulated impairment loss on long-term leased assets" (¥552 million for the consolidated fiscal year under review) is included in "Other" from the consolidated fiscal year under review.
4. In the "Nonoperating income" section, "Penalty income" (¥44 million for the previous consolidated fiscal year) was included in "Other" before. Due to an increase in financial materiality, "Penalty income" (¥265 million for the consolidated fiscal year under review) is separately presented from the consolidated fiscal year under review.
5. In the "Nonoperating income" section, "Compensation income" was separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, "Compensation income" (¥161 million for the consolidated fiscal year under review) is included in "Other" from the consolidated fiscal year under review.
6. In the "Extraordinary losses" section, "Loss on sales of fixed assets" was separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, "Loss on sales of fixed assets" (¥36 million for the consolidated fiscal year under review) is included in "Other" from the consolidated fiscal year under review.

(Additional Information)

For the accounting changes and error corrections made after the beginning of the consolidated fiscal year under review, the Group has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 of December 4, 2009).

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥207,651 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 consolidated balance sheet date was ¥ 307 million.

(Notes to the Consolidated Statement of Income)

Loss on impairment of 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 mainly due to continuous operating losses. The carrying amounts 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	420
	Osaka	Buildings and structures Furniture, fixtures, equipment, and others	472
	Others	Buildings and structures Furniture, fixtures, equipment, and others	2,009
Other	–	Software	25
	–	Other	1
Total	–	–	2,929

By category of fixed assets	(Millions of yen)
Buildings and structures	1,923
Furniture, fixtures, and equipment	204
Lease assets	758
Software	25
Other	17

The 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 4.0% was primarily applied.

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

1. Number of shares of outstanding stock and treasury stock

	Number of shares at the beginning of current 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)	416	1	10	406

Notes:

1. Out of common stock, the increase of 1 thousand shares in treasury stock is attributable to purchase of stock less than one share unit.
2. Out of common stock, the 10 thousand share decrease in treasury stock resulted from the 10 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 29, 2012)	Common stock	9,289	93	As of February 29, 2012	As of May 30, 2012
Meeting of board of directors (October 3, 2012)	Common stock	9,988	100	As of August 31, 2012	As of November 9, 2012

(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 21, 2013)	Common stock	Retained earnings	9,989	100	As of February 28, 2013	As of May 22, 2013

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

Common stock 179,500 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 landowners when a store opens and loans to franchised stores) and lease deposits are exposed to credit risk from the landowners, 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.

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 accounts payable-trade for franchised stores 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 lease obligations related to finance lease transactions is securing the funds required for capital investments, and the maximum redemption date is 10 years after the consolidated balance sheet date.

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 28, 2013, 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	84,770	84,770	–
(2) Accounts receivable—other	46,008		
Allowance for doubtful accounts (*1)	(1,188)		
	44,819	44,819	–
(3) Investment securities			
(i) Available-for-sale securities	1,190	1,190	–
(ii) Investment in subsidiaries and affiliated companies	4,227	6,658	2,430
(4) Long-term loans receivable	34,580		
Allowance for doubtful accounts (*1)	(96)		
	34,484	34,536	52
(5) Lease deposits	86,109		
Allowance for doubtful accounts (*1)	(560)		
	85,548	79,141	(6,407)
Total assets	255,041	251,116	(3,924)
(1) Accounts payable—trade and Accounts payable—trade for franchised stores	87,187	87,187	–
(2) Deposits received	87,529	87,529	–
(3) Lease obligations (*2)	61,696	62,113	417
(4) Deposits received from franchisees and lessees	34,804	32,115	(2,689)
Total liabilities	271,218	268,945	(2,272)

(*1) Allowances for doubtful accounts related to accounts receivable—other, long-term loans receivable and lease deposits have been deducted.
(*2) Lease obligations 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) Investment securities

The fair values of investment securities are measured at the quoted market price on the stock exchange for the equity 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.

Liabilities

(1) Accounts payable—trade and Accounts payable—trade for franchised stores (2) Deposits received

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

(3) 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.

(4) 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 (millions of yen)
Unlisted equity securities	1,038
Investments in subsidiaries and affiliated companies	3,179
Others	461

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined, they are not included in “(3) Investment securities.”

(Accounting for income taxes)
Components of deferred tax assets and liabilities were as follows:

	(Millions of yen)
Enterprise taxes payable	1,132
Accrued employees' bonuses	968
Excess of depreciation	10,022
Excess of amortization of software	566
Allowance for employees' retirement benefits	5,602
Allowance for doubtful accounts	673
Impairment loss	3,123
Tax loss carryforwards	7,095
Other	2,782
Subtotal of deferred tax assets	31,966
Less valuation allowances	(9,044)
Total deferred tax assets	22,922
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,050)
Total deferred tax liabilities	(2,050)
Deferred tax assets-net	20,872

(Accounting for retirement benefits)
Summary of the retirement benefit plans:
The Company and domestic subsidiaries have defined benefit lump-sum severance indemnity plans. These companies established a trust fund for its lump-sum severance indemnity plan. In addition, these companies have a defined contribution plan for severance payments.

Projected benefit obligations	(Millions of yen)
a. Projected benefit obligations	(16,659)
b. Plan assets	5,578
c. Projected benefit obligations in excess of plan assets (= a + b)	(11,081)
d. Unrecognized prior-service cost	175
e. Unrecognized actuarial differences	1,007
f. Allowance for employees' retirement benefits (=c + d + e)	(9,898)

Net periodic benefit cost	(Millions of yen)
a. Service cost	1,273
b. Interest cost	290
c. Amortization of prior-service cost	170
d. Amortization of actuarial differences	54
e. Net periodic benefit cost (= a + b +c + d)	1,789
f. Contribution to defined contribution plan	289
g. Total (= e + f)	2,078

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	1.2% (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 entire service period)

(Per-Share data)
1. Net assets per share 2,267.17 yen
2. Net income per share 332.20 yen

(TRANSLATION ONLY)

Nonconsolidated Balance Sheets

(Millions of yen)

Assets			Liabilities		
Account item	As of February 29, 2012 (for reference)	As of February 28, 2013	Account item	As of February 29, 2012 (for reference)	As of February 28, 2013
Current assets	137,840	137,523	Current liabilities	196,405	205,548
Cash and bank deposits	75,389	67,420	Accounts payable—trade	1,796	1,443
Accounts receivable—due from franchised stores	18,064	23,544	Accounts payable—trade for franchised stores	70,955	71,283
Marketable securities	4,999	—	Due to franchised stores	1,006	1,062
Merchandise inventories	807	763	Short-term loans payable to subsidiaries and affiliates	15,830	23,550
Prepaid expenses	7,070	7,761	Lease obligations	8,545	11,526
Accounts receivable—other	26,212	30,613	Accounts payable—other	13,902	12,758
Deferred tax assets	3,122	3,097	Income taxes payable	14,259	13,614
Other	2,245	4,409	Accrued expenses	1,757	1,665
Allowance for doubtful accounts	(73)	(85)	Deposits received	63,587	65,443
			Accrued employees' bonuses	3,012	2,365
Fixed assets	362,826	395,096	Provision for use of points granted	556	215
Property and store equipment	162,075	187,341	Other	1,194	619
Buildings	86,686	96,686	Long-term liabilities	87,435	99,097
Structures	11,126	12,514	Long-term lease obligations	30,699	41,026
Furniture, fixtures, and equipment	11,884	12,312	Allowance for employees' retirement benefits	8,188	9,108
Land	6,815	8,295	Allowance for retirement benefits to executive officers	289	298
Lease assets	43,787	55,705	Deposits received from franchisees and lessees	35,718	34,958
Construction in progress	1,776	1,826	Asset retirement obligations	11,642	12,999
Intangible assets	27,413	24,546	Other	897	705
Software	17,891	20,934	Total liabilities	283,840	304,645
Software in progress	8,194	1,072	Net assets		
Goodwill	871	2,076	Shareholders' equity	216,986	228,068
Other	455	463	Common stock	58,506	58,506
Investments and other	173,337	183,208	Capital surplus	47,707	47,718
Investments in securities	460	2,620	Additional paid-in capital	47,696	47,696
Investments in subsidiaries and affiliated companies	27,288	28,140	Other capital surplus	10	21
Investments in affiliated private limited company	3,006	9,203	Retained earnings	112,400	123,437
Long-term loans receivable	32,075	34,577	Legal reserve	727	727
Long-term loans receivable from subsidiaries and affiliates	9,907	2,700	Other retained earnings		
Long-term prepaid expenses	7,551	8,705	General reserve	50,000	50,000
Lease deposits	78,450	81,299	Earned surplus brought forward	61,673	72,709
Deferred tax assets	14,475	15,845	Treasury stock	(1,627)	(1,593)
Other	1,502	1,275	Valuation and translation adjustments	(602)	(520)
Allowance for doubtful accounts	(1,380)	(1,159)	Net unrealized gain (loss) on available-for-sale securities	(35)	46
			Land revaluation difference	(567)	(567)
			Stock acquisition rights	442	427
			Total net assets	216,826	227,974
Total Assets	500,667	532,619	Total Liabilities and Total Net Assets	500,667	532,619

Note: Figures as of February 29, 2012, are included in the table above for comparative purposes only.

Nonconsolidated Statements of Income

(Millions of yen)

Account item	From March 1, 2011 to February 29, 2012 (for reference)		From March 1, 2012 to February 28, 2013	
Operating revenues				
Franchise commissions from franchised stores	209,045		221,442	
Other	24,035	233,080	26,645	248,087
Net sales				
Net sales	(39,417)	39,417	(34,665)	34,665
Total operating revenues		272,498		282,752
Cost of goods sold	(28,035)	28,035	(24,691)	24,691
Gross profit on sales	(11,382)		(9,974)	
Operating gross profit		244,462		258,061
Selling, general, and administrative expenses		188,199		198,730
Operating income		56,263		59,331
Nonoperating income				
Interest and dividend income	837		1,164	
Penalty income	44		258	
Other	756	1,638	678	2,101
Nonoperating expenses				
Interest expense	850		907	
Loss on cancellation of store lease contract	579		523	
Other	361	1,791	542	1,973
Recurring profit		56,110		59,459
Extraordinary gains				
Gain on sales of subsidiaries and affiliates' stocks	2		202	
Compensation income	—		71	
Gain on extinguishment of tie-in shares	—		38	
Other	94	97	10	323
Extraordinary losses				
Loss on disposal of fixed assets	1,888		1,547	
Loss on impairment of long-lived assets	2,764		2,382	
Loss on disaster	3,229		—	
Loss on adjustment for changes of accounting standard for asset retirement obligations	6,823		—	
Loss on valuation of investments in capital of subsidiaries and affiliates	—		1,813	
Other	369	15,074	381	6,125
Income before income taxes		41,133		53,658
Income taxes – current	21,216		23,740	
Income taxes – deferred	(2,545)	18,670	(396)	23,343
Net income		22,462		30,314

Note: Figures from March 1, 2011 to February 29, 2012, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Nonconsolidated Statement of Changes in Net Assets
(From March 1, 2012 to February 28, 2013)

(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 shareholders' equity
Balance at the beginning of the current period	58,506	47,696	10	47,707	727	50,000	61,673	112,400	(1,627)	216,986
Changes of items during the period										
Dividends from surplus							(19,278)	(19,278)		(19,278)
Net income							30,314	30,314		30,314
Purchase of treasury stock – at cost									(7)	(7)
Disposal of treasury stock			0	0					0	0
Exercise of subscription rights to shares (delivery of treasury stock)			11	11					41	52
Net changes of items other than shareholders' equity										
Total changes of items during the period	–	–	11	11	–	–	11,036	11,036	33	11,081
Balance at the end of the current period	58,506	47,696	21	47,718	727	50,000	72,709	123,437	(1,593)	228,068

(Millions of yen)

	Valuation and translation adjustments			Stock acquisition rights	Total net assets
	Net unrealized gain (loss) on available-for-sale securities	Land revaluation difference	Total valuation and translation adjustments		
Balance at the beginning of the current period	(35)	(567)	(602)	442	216,826
Changes of items during the period					
Dividends from surplus					(19,278)
Net income					30,314
Purchase of treasury stock – at cost					(7)
Disposal of treasury stock					0
Exercise of subscription rights to shares (delivery of treasury stock)					52
Net changes of items other than shareholders' equity	82		82	(15)	66
Total changes of items during the period	82	–	82	(15)	11,148
Balance at the end of the current period	46	(567)	(520)	427	227,974

(Notes to the Nonconsolidated Financial Statements)
(Significant Accounting Policies)

1. Valuation of Securities

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.

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 in the nonconsolidated 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.

ASBJ Statement No.13 “Accounting Standard for Lease Transactions” requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the nonconsolidated balance sheet. However, the ASBJ Statement No.13 permits leases that do not transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, to be accounted for as operating lease transactions. The Company applied the ASBJ Statement No.13 effective March 1, 2009 and continued to account for such leases as operating lease transactions.

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, 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 is recorded to state the liability at the amount that is expected to be used as of the nonconsolidated balance sheet date.

Allowance for Employees' Retirement Benefits:

Allowance for employees' retirement benefits is provided at the amount calculated based on the projected benefit obligations and plan assets at the nonconsolidated 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:

Allowance for retirement benefits to executive officers 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 nonconsolidated balance sheet date.

5. Accounting for consumption tax

Consumption tax is excluded from income and expense.

(Changes in Method of Presentation)

1. In the "Current liabilities" section, "Accounts payable-trade for franchised stores" (¥70,955 million for the previous fiscal year) were included in "Accounts payable-trade" before. From the standpoint of clarity, "Accounts payable-trade for franchised stores" (¥71,283 million for the fiscal year under review) are separately presented from the fiscal year under review.
2. In the "Current liabilities" section, "Consumption taxes payable" were separately presented before. Due to a decline in financial materiality, "Consumption taxes payable" (¥484 million for the fiscal year under review) are included in "Other" from the fiscal year under review.
3. In the "Long-term liabilities" section, "Accumulated impairment loss on long-term leased assets" was separately presented before. Due to a decline in financial materiality, "Accumulated impairment loss on long-term leased assets" (¥533 million for the fiscal year under review) is included in "Other" from the fiscal year under review.
4. In the "Nonoperating income" section, "Penalty income" (¥44 million for the previous fiscal year) was included in "Other" before. Due to an increase in financial materiality, "Penalty income" (¥258 million for the fiscal year under review) is separately presented from the fiscal year under review.
5. In the "Nonoperating income" section, "Compensation income" was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, "Compensation income" (¥161 million for the fiscal year under review) is included in "Other" from the fiscal year under review.
6. In the "Extraordinary gains" section, "Gain on sales of subsidiaries and affiliates' stocks" (¥2 million for the previous fiscal year) was included in "Other" before. Due to an increase in financial materiality, "Gain on sales of subsidiaries and affiliates' stocks" (¥202 million for the fiscal year under review) is separately presented from the fiscal year under review.
7. In the "Extraordinary gains" section, "Gain on sales of fixed assets" was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, "Gain on sales of fixed assets" (¥0 million for the fiscal year under review) is included in "Other" from the fiscal year under review.
8. In the "Extraordinary gains" section, "Gain on reversal of subscription rights to shares" was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, "Gain on reversal of subscription rights to shares" (¥10 million for the fiscal year under review) is included in "Other" from the fiscal year under review.
9. In the "Extraordinary losses" section, "Loss on sales of fixed assets" was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, "Loss on sales of fixed assets" (¥36 million for the fiscal year under review) is included in "Other" from the fiscal year under review.

(Additional information)

For the accounting changes and error corrections made after the beginning of the fiscal year under review, the Company has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 of December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24 of December 4, 2009).

(Notes to the Nonconsolidated Balance Sheet)

1. **Accumulated depreciation of property and store equipment:** ¥186,065 million

2. **Contingent Liabilities**

The Company is contingently liable for guarantees for accounts payable-trade of Ninety-nine Plus, Inc. ¥1,076 million

The Company is contingently liable for guarantees for loans payable of Shanghai Hualian Lawson, Inc. ¥1,337 million

3. **Due from/to subsidiaries and affiliated companies**

Short-term receivables due from subsidiaries and affiliated companies	¥7,120 million
Short-term payables due to subsidiaries and affiliated companies	¥2,079 million
Long-term payables due to subsidiaries and affiliated companies	¥192 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 nonconsolidated balance sheet date was ¥307 million.

(Notes to the Nonconsolidated Statement of Income)

1. **Transactions with subsidiaries and affiliated companies**

Operating transactions	
Operating revenues	¥2,966 million
Goods purchased	¥1,759 million
Selling, general, and administrative expenses	¥9,689 million
Transactions other than operating transactions	¥596 million

2. **Loss on impairment of long-lived assets**

The Company generally identified each store as the smallest cash-generating unit.

The Company recognized an impairment loss on the following assets that declined in value mainly due to continuous operating losses. The carrying amounts 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	236
	Osaka	Buildings and structures Furniture, fixtures, equipment, and others	447
	Others	Buildings and structures Furniture, fixtures, equipment, and others	1,698
Total	–	–	2,382

By category of fixed assets	(Millions of yen)
Buildings	1,398
Structures	159
Furniture, fixtures, and equipment	152
Lease assets	656
Other	15

The 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 4.0% was applied.

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

Number of shares and kind of treasury stock

Common stock	406,853 shares

(Accounting for income taxes)

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

(Millions of yen)

Enterprise taxes payable	1,050
Accrued employees' bonuses	898
Loss on write-down of investments in affiliated companies	2,357
Excess of depreciation	9,068
Excess of amortization of software	509
Allowance for employees' retirement benefits	5,294
Allowance for doubtful accounts	340
Impairment loss	2,960
Other	1,877
Subtotal of deferred tax assets	24,357
Less valuation allowances	(3,364)
Total deferred tax assets	20,992
Investments in subsidiaries and affiliated companies (paid-in capital decrease)	(2,050)
Total deferred tax liabilities	(2,050)
Deferred tax assets-net	18,942

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

The Company has defined benefit lump-sum severance indemnity plans. 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	(15,864)
b. Plan assets	5,578
c. Projected benefit obligations in excess of plan assets (= a + b)	(10,285)
d. Unrecognized prior-service cost	175
e. Unrecognized actuarial differences	1,001
f. Allowance for employees' retirement benefits (=c + d + e)	(9,108)

Net periodic benefit cost	(Millions of yen)
a. Service cost	1,004
b. Interest cost	286
c. Amortization of prior-service cost	175
d. Amortization of actuarial differences	45
e. Net periodic benefit cost (= a + b +c + d)	1,511
f. Contribution to defined contribution plan	289
g. Total (= e + f)	1,801

Basis of calculation of projected benefit obligations:

a. Discount rate	1.2%
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 entire 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, accumulated impairment loss, and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Furniture, fixtures, and equipment	14,528	10,219	649	3,660

(2) Obligations under finance leases

	(Millions of yen)
Due within one year	2,179
Due after one year	2,368
Total	4,547
Allowance for impairment loss on leased property	533

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

	(Millions of yen)
Lease payments	2,330
Transfer from allowance for impairment loss on leased property	173
Depreciation expense	2,302
Interest expense	152
Impairment loss	69

(4) Computation method of depreciation expense

Depreciation expense which is not reflected in the accompanying nonconsolidated 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	Lawson (China) Holdings, Inc.	Overseas business	Direct holding 100.0%	Investment in China	Yes	Investment and capital increase	7,660	–	–
	Lawson ATM Networks, Inc.	Financial services-related business	Direct holding 76.5%	Placement of ATMs in LAWSON stores	No	Repayment of funds	1,800	Short-term loans payable	9,900
						Borrowing of funds	3,900	Accounts payable	3
						Borrowing interest	4	–	–
	Lawson HMV Entertainment, Inc.	Entertainment/ Home convenience business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds	6,000	Short-term loans payable	13,000
						Borrowing of funds	11,500	Accounts payable	2
						Borrowing interest	4	–	–

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.
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)	11,561 (416,780)	Accounts payable-trade Accounts payable-trade for franchised stores	929 35,440

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 2,277.90 yen
2. Net income per share 303.49 yen

The above figures and the number of shares in these balance sheets, statements of income, and related notes are rounded down to the nearest unit and the ratios are rounded to the nearest whole number.

<Copy of the Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 3, 2013

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 28, 2013 of Lawson, Inc. (the "Company") and consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from March 1, 2012 to February 28, 2013, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of February 28, 2013, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

<Copy of the Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 3, 2013

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 28, 2013 of Lawson, Inc. (the "Company"), and the related statements of income and changes in net assets for the 38th fiscal year from March 1, 2012 to February 28, 2013, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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.

(TRANSLATION ONLY)

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

AUDIT REPORT

Regarding the execution of duties by the Directors for the 38th business term from March 1, 2012 to February 28, 2013, 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 stockholder's equity, and notes to consolidated financial statements)" and "non-consolidated financial statements (balance sheet, statement of income, non-consolidated statements of changes in stockholder's equity, and notes to non-consolidated financial statements) and supplementary schedules thereof" for this term.

2. Result of Audit

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

1. We have found that business report and the supplementary schedules thereof fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
2. Regarding the execution of duties by the Directors, we have found no misconduct or material matter that violates applicable laws and regulations or the Articles of Incorporation.
3. We have found that the content of the resolution of the Board of Directors regarding the Internal Control System is adequate. In addition, we have found no matters on which to give remarks in regard to the 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 9, 2013

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor Atsuhiko Seki

Standing Corporate Auditor Shinichi Hokari
(Outside Corporate Auditor)

Corporate Auditor Tetsuo Ozawa
(Outside Corporate Auditor)

Corporate Auditor Eiko Tsujiyama
(Outside Corporate Auditor)

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-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.

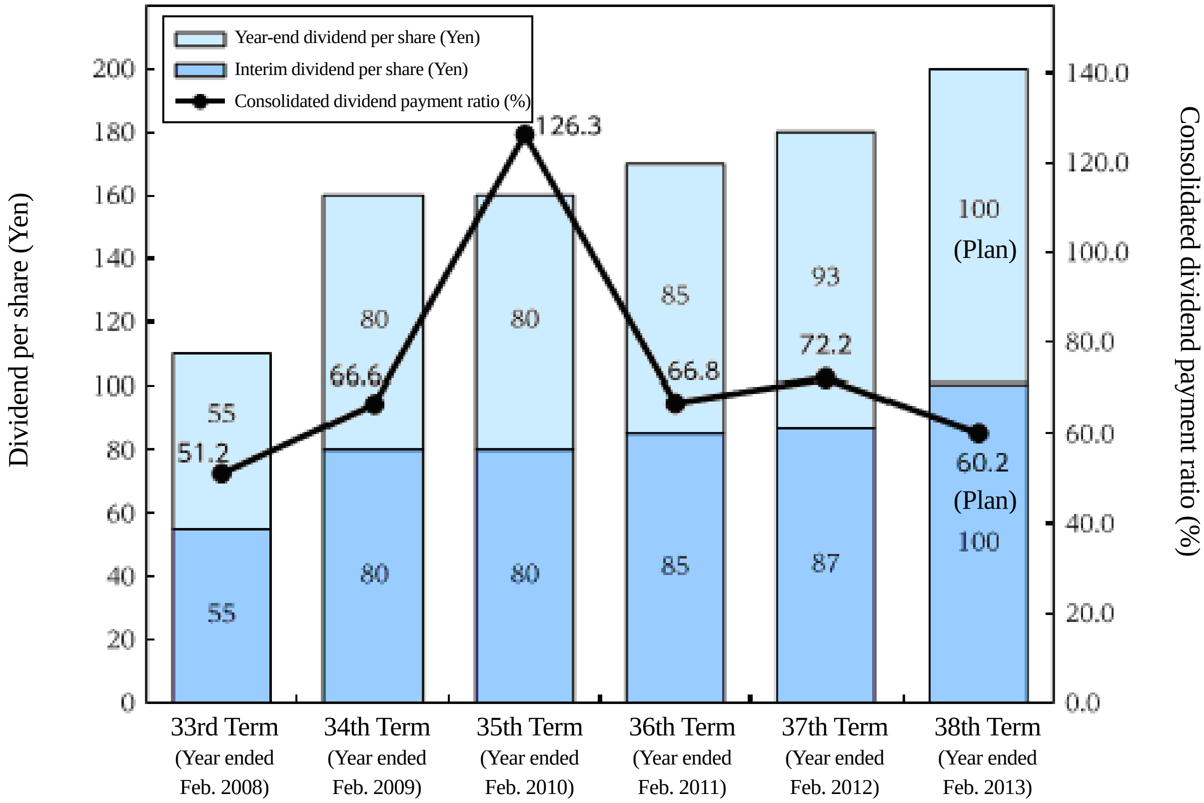
It is our policy to continue to work actively on the distribution of profit to shareholders into the future.

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:
¥100 per share of the Company’s common stock to a total of ¥9,989,314,700
Note: The annual dividend per share will be ¥200, an increase of ¥20 from the previous period, including an interim dividend per share of ¥100.

(2) Effective date of the dividends from surplus:
Wednesday, May 22, 2013

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



	33rd Term	34th Term	35th Term	36th Term	37th Term	38th Term (Current Period)
Interim dividend per share	¥55	¥80	¥80	¥85	¥87	¥100
Year-end dividend per share	¥55	¥80	¥80	¥85	¥93	(Plan) ¥100
Annual dividend per share	¥110	¥160	¥160	¥170	¥180	(Plan) ¥200
Consolidated net income per share	¥214.69	¥240.10	¥126.67	¥254.61	¥249.17	¥332.20
Consolidated dividend payment ratio	51.2%	66.6%	126.3%	66.8%	72.2%	(Plan) 60.2%
ROE	11.6%	12.5%	6.5%	12.8%	12.0%	15.2%

(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 Amendment to the Articles of Incorporation

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

1. Reasons for amendment

   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 SCM (supply chain management)* reforms with the aim of becoming a business operator that combines manufacturing and retail, covering upstream to downstream commercial distribution. The Group has also focused its efforts on its home convenience business, a service providing our customers with convenience as if they were shopping at a convenience store while staying home. For these purposes, we will strive to further improve customer satisfaction by operating distribution centers that are exclusive to our group, and thereby establishing an efficient logistics system. Accordingly, we propose that "Warehousing business" be added to Article 2 (Purpose of Incorporation), paragraph 11 of the current Articles of Incorporation.

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 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. ⟆ (Omitted) 10. 11. Transportation business 12. ⟆ (Omitted) 23.	ARTICLE 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. ⟆ (No change) 10. 11. Transportation business <u>and warehousing business</u> 12. ⟆ (No change) 23.

*SCM: A business management method to improve the efficiency of and optimize all processes through comprehensive process management, from procurement to sales.

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

Mr. Toru Moriyama, Director, is to resign at the conclusion of this 38th Ordinary General Meeting of Shareholders. Accordingly, we propose that one (1) director be elected.

The nominee for director is as follows.

<table>
<tr><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="6">[Candidate for New Director]
[Candidate for Outside Director]

Yutaka Kyoya
(January 7, 1962)</td><td>April 1984</td><td>Mitsubishi Corporation</td><td rowspan="6">Nil</td></tr>
<tr><td>April 2008</td><td>General Manager, Grain Unit, Foods (Commodity) Div., Mitsubishi Corporation</td></tr>
<tr><td>June 2010</td><td>Outside Auditor, Kadoya Sesami Mills Incorporated (Current position)</td></tr>
<tr><td>April 2011</td><td>Deputy General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation</td></tr>
<tr><td>April 2012</td><td>General Manager, Global Consumer Business Development Unit, Mitsubishi Corporation</td></tr>
<tr><td>April 2013</td><td>Division COO, Foods (Commodity) Div., Mitsubishi Corporation (Current position)</td></tr>
<tr><td colspan="4">[Reason for Selection of the Nominee Above for Outside Director, and Reason for Determining that He Is Capable of Executing the Duties of Outside Director Properly]
Mr. Yutaka Kyoya has been nominated as a candidate because he possesses a deep knowledge of consumer goods industries centering on food through his work at Mitsubishi Corporation, one of the Company’s important business partners. The Company expects him to provide actively his opinions and suggestions to its management at the Board of Directors, etc., as well as to apply his experiences to the supervision of the Company’s management.</td></tr>
<tr><td colspan="4">[Term of Outside Director of LAWSON, INC.]
There are no relevant items, as Mr. Kyoya is a candidate for a new Outside Director 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]
There are no relevant items, as Mr. Kyoya is a candidate for a new Outside Director position.</td></tr>
</table>

Notes:

1. Pursuant to Article 24 of the current Articles of Incorporation, the Company is to enter into an agreement with Mr. Yutaka Kyoya to limit his liability with regard to the damages set out under Article 423, Paragraph 1 of the Companies Act, to within the sum of the amounts set forth in the relevant laws and regulations as far as he has been in good faith and without gross negligence in executing the duties as an outside director that were ascribed as the cause of the claim for damage concerned.
2. The nominee, Mr. Yutaka Kyoya, has been selected as a substitute for Mr. Toru Moriyama. Accordingly, his term of office will expire at the expiration of his predecessor’s term of office.
3. The nominees’ Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 10, 2013.
4. The number of directors of the Company, if this proposal is approved and resolved, will be seven after the Ordinary General Meeting of Shareholders, including four outside directors. Of these four outside directors, two are independent directors/auditors (‘*dokuritsu yakuin’* under the respective rules of the Tokyo Stock Exchange and the Osaka Securities Exchange).

(TRANSLATION ONLY)

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

The term of office of Mr. Atsuhiko Seki, Corporate Auditor, expires at the conclusion of this 38th Ordinary General Meeting of Shareholders. Accordingly, we propose that one (1) corporate auditor be elected.
The Board of Corporate Auditors has given prior consent to this proposal.
The nominee for corporate auditor is as follows.

Name (Date of Birth)	Brief Personal History, Position, and Important Concurrent Positions		Number of the Company's Shares Held
 Atsuhiko Seki (October 4, 1954)	April 1977	Joined The Daiei, Inc.	1,200
	July 1999	Joined LAWSON, INC.	
	April 2000	General Manager, General Affairs Dept., Office of Business Planning, LAWSON, INC.	
	January 2002	Deputy General Manager, General Affairs Office, LAWSON, INC.	
	March 2004	General Manager, General Affairs Office, LAWSON, INC.	
	September 2007	Executive Officer (Other), General Manager, Line Support Division, LAWSON, INC.	
	May 2010	Corporate Auditors Office, LAWSON, INC. (Current position)	

Notes:
1. There are no particular conflicts of interest between the Candidate and LAWSON, INC.
2. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 10, 2013.
3. The number of corporate auditors of the Company, if this proposal is approved and resolved, will be four after the Ordinary General Meeting of Shareholders, including three outside corporate auditors. All three of these outside corporate auditors are independent directors/auditors ('*dokuritsu yakuin*' under the respective rules of the Tokyo Stock Exchange and the Osaka Securities Exchange).