(TRANSLATION ONLY)

May 6, 2003

To Those Shareholders with Voting Rights

Takeshi Niinami
Representative Director
President and CEO
Lawson, Inc.
9-1, Toyotsu-cho, Suita, Osaka

NOTICE OF THE 28TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 28th Ordinary General Meeting of Shareholders to be held as follows:

If you are unable to attend the meeting, please read the attached Reference Documents for the Exercise of Voting Rights and return the Voting Rights Exercise Form with your vote of approval or disapproval and registered seal so that it will reach us by May 26, 2003.

1. Date: 10 a.m., Tuesday, May 27, 2003
2. Place: Melpark Hall (OsakaYubin-Chokin Hall),
2-1, Miyahara 4-chome, Yodogawa-ku, Osaka
(Please refer to the attached guide map for the location of the meeting.)

3. Objectives of the Meeting:

Reports:

Balance Sheet as of February 28, 2003, and the Business Report and Statement of Income for the 28th Fiscal Term (from March 1, 2002 to February 28, 2003)

Agenda:
Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 28th Fiscal Term
Proposal No. 2: Establishment of a limit for acquisition of treasury stock
Proposal No. 3: Partial amendment to the Articles of Incorporation
Proposal No. 4: Election of three (3) directors
Proposal No. 5: Election of two (2) corporate auditors
Proposal No. 6: Issuance of stock options as an incentive for directors and executive officers
Proposal No. 7: Presentation of retirement benefits to resigned directors and a retiring corporate auditor

Proposal Nos. 2, 3 and 6 are summarized in the REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS on pages 22, 22–24 and 26–28, respectively.

For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Given the likelihood of congestion at the reception desk, please plan to come early.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(TRANSLATION ONLY)

(Appendix to the Notice of the 28th Ordinary General Meeting of Shareholders)

BUSINESS REPORT

(March 1, 2002 through February 28, 2003)

1. SUMMARY OF OPERATIONS

(1) Process and Results of Operations

During fiscal 2003, the year ended February 28, 2003, despite partial favorable signs such as an incipient increase in exports and a rally in manufacturing production, the Japanese economy revealed the negative undertone of a clear setback due to depressive factors in demand including the uncertainty in the U.S. economy and the effect of sluggish stock prices in the second half, as reflected by a decline in consumer spending.

The retail store industry saw an accelerated industrial reorganization represented by the entry of leading foreign-affiliated enterprises to the Japanese market. Accordingly, we are requested to have a more flexible corporate attitude toward market changes, as well as speedy management decisions to address fluctuating trends and properly meet customer needs.

Under these harsh circumstances, the Company endeavored to realize the concept of becoming "the truly 'hot' station in the neighborhood" as the original intention of Lawson stores with measures including fortified leadership in franchised chain stores, quality-focused store development and product development in pursuit of good-selling standard articles and locally featured items. In this process, the Company promoted "Lawson's Three Challenge Practices" (perfect execution of the "individual store" principle, cleanup of the store and quarters, and cordial service in receiving visitors) to create innovative storefronts to satisfy customers.

In terms of store management, we increased the number of store supervisors to reduce the average number of stores for which each supervisor is in charge from eight to seven to enhance their ability to give good advice to their respective stores.

In terms of products, the Company newly marketed a basic item, that is, "*Onigiriya*" series in our mainstay rice ball products under our powerful brand strategy. We successfully attained our target sales for rice-based products in November 2002 by exceeding the preceding year's figure thanks to our efforts to step up our new product development capability, such as the thorough review of a procurement system for raw materials and careful selection of rice, assorted ingredients and the processing method. Moreover, for *bento*-box products, we developed and released "Area *Ichioshi* Product," in which many requests from customers and storeowners such as local seasoning preferences are incorporated. This product series continues to sell well in every area. Our product development and assortment of items focus on "safety, security and health," at the experimental novel store format of "NATURAL LAWSON." NATURAL LAWSON has an antenna shop function because the products in demand there are quickly extended to the shelves of other ordinary Lawson chain stores. We are actively committed not only to the development of original products through tie-ups with food manufacturers, such as the "*Onoda Soba*" instant noodle series, "Petit Plie" cosmetic series and "*Manzoku Kobo*" apparel series, but also to regionally limited sale products with local preferences in cooperation with local TV broadcasters.

In terms of services, the number of companies and institutions for which agency services for public charges and other transaction settlements are conducted increased to 245, with annual transactions of more than 100 million for a total value of ¥810 billion per year. The number of ATMs, for which substantial installation started in October 2001, increased to 2,712 units in 13 prefectures (i.e., Hokkaido, Aomori, Saitama, Chiba, Tokyo, Kanagawa, Niigata, Nagano, Aichi, Osaka, Hyogo, Nara and Nagasaki). Furthermore, our dedicated card service company, Lawson CS Card, Inc., established in February 2002, started operation in August 2002 and has successfully gained approximately 1.1 million card members. In the future, this company intends to supply its card users with a more attractive point accumulation program.

Net sales at all Lawson chain stores were as follows:

Product group	Sales (Millions of yen)	Composition ratio (%)	Year-on-year change (%)
Processed foods	598,558	46.4	102.9
Fast foods	302,649	23.4	102.1
Daily delivered foods	138,110	10.7	91.8
Non-food products	251,713	19.5	99.3
Total	1,291,030	100.0	100.7

Note: Effective from this fiscal year, certain products have been reclassified. The figures in "Year-on-year comparison" are calculated with the values converted into those under the new classification standard for the current fiscal year.

During the year under review, the Company strove to open new stores based on the new store-opening standard by region that focuses on profitability. At the same time, we actively followed a policy of closing or relocating unprofitable stores or stores with low daily sales and shifting unprofitable Company-operated stores to franchised ones. Accordingly, despite the opening of 502 new stores, 611 stores (of which 211 were Company-operated), including relocated stores, were closed during the year principally due to the drastic closure of unprofitable Company-operated ones, resulting in a total of 7,625 domestic stores, a decline of 109 stores compared with the end of the previous fiscal year.

In terms of environmental preservation and social contribution activities, under the fundamental philosophy of "harmony between business activities and environment, and symbiosis between people and nature through active social contribution," the Company actively worked to support preservation of forests through the Green Fund, as a step-by-step practice under the motto of "One by One What You Can." In addition, the Company, as an ISO 14001–certified company, has actively promoted its commitment to resource-saving and energy conservation by, for example, adopting common shopping bags together with other companies. About 350 stores in the Osaka area are participating in the "Adopt Road Program" sponsored by Osaka Prefecture to play a key role in building of clean community that is loved by local people. Lawson was the first recipient of this municipal support program in the convenience store industry because our local cleaning activity in store neighborhoods, including roads and sidewalks, which has been carried out since 1997 as part of Lawson's "One Store, One Role" campaign, corresponds with the goals of the program.

As a result, net sales throughout the entire Lawson chain increased 0.7% year over year to ¥1,291,030 million. Ordinary profit declined ¥2,688 million (7.5%) to ¥33,209 million, influenced by such factors as the year-over-year sales decline at existing stores, an increase in store rental fees and the expanded expense related to the introduction of a new information system, partly offset by the enhanced companywide effort to curtail purchasing costs via the Cost-Cutting Committee newly established in November 2002. Net income for the year decreased 38.6% year over year to ¥10,263 million, mainly due to an increase in the special loss resulting from the disposal of corporate properties.

In view of the harsh operating results for the year ended February 28, 2003, the Company in March 2003 introduced a "Regional Division System" according to which seven regional divisions are delegated considerable power from the head office with the aim of swifter decision-making and business-executing capabilities to quickly respond to the volatile consumption environment.

(2) Capital Expenditures and Financing

(Millions of yen)

Investment	Amount
New construction of stores	10,010
Refurbishment of existing stores and others	12,027
Deposits and guarantees for rental space	8,839
Improvement of information systems	8,344
Total	39,221

The Company's own funds were applied to all the capital expenditures required for capital investments during the year ended February 28, 2003.

(3) Our Challenge for Future Success

The Japanese economy is expected to continuously suffer from difficult economic conditions reflecting unstable international situations and lingering deflation tendencies. In the Japanese retail store industry, harsh competition is expected to intensify beyond business and industrial barriers in a business climate where the autonomous recovery of consumer spending is hardly anticipated in view of the difficult employment and income environments.

In such a challenging environment, the Company introduced the "Regional Division System" in March 2003 to raise earnings power by pursing the goal of being "the truly 'hot' station in the neighborhood." This policy focuses on customer satisfaction in terms of all judgment criteria to achieve the "CS first" principle and efficient use of the company's management resources. Specifically, the Company intends to exert greater leadership for its chain stores with enhanced supervisor training and strengthen its new product development capability focused on priority items such as rice-based products to recover stronger selling power. Moreover, we intend to improve convenience by encouraging new business projects to properly meet diversified customer needs such as an

alliance project with Culture Convenience Club Co., Ltd., in addition to the ATM business and our joint services with tie-up partners such as the Postal Services Agency (currently JAPAN POST) and the card service business.
In addition to performing these operational measures, we will endeavor to improve our profitability structure by further cost reduction through a radical review of indirect, product and distribution costs.
We will spare no pain in practicing "Lawson's Three Challenge Practices" in the pursuit of becoming "the truly 'hot' station in the neighborhood" through companywide efforts with storeowners throughout the country.
We look forward to your continued support and guidance.

(4) Financial Summary

Item	Fiscal 2000 25th Term	Fiscal 2001 26th Term	Fiscal 2002 27th Term	Fiscal 2003 28th Term
Net Sales of Lawson Stores including Franchised Stores (¥ million)	1,221,205	1,275,358	1,282,369	1,291,030
Operating Revenue (¥ million)	280,418	274,839	249,050	239,315
Ordinary Profit (¥ million)	38,037	39,465	35,898	33,209
Net Income (¥ million)	15,355	16,172	16,714	10,263
Net Income per Share (¥)	7,319.21	145.87	150.87	95.38
Total Assets (¥ million)	337,955	384,994	338,518	338,221
Shareholders' Equity (¥ million)	97,280	179,601	151,333	154,860
Shareholders' Equity per Share (¥)	46,368	1,563	1,406	1,439

Notes:
1. Net Income per Share for the 26th fiscal term and before was computed based on the average total number of shares issued and outstanding during each year. Net Income per Share for the 27th fiscal term and later has been computed based on the average total number of shares issued and outstanding during each year after deducting the number of treasury stock. Net Income per Share for fiscal 2001, the year ended February 28, 2001, was computed based on the weighted average number of shares issued and outstanding of 110,872,603, which was calculated by assuming that the stock split on April 14, 2000, which split one common share with a par value of ¥500 into fifty of those with a par value of ¥50, was effected as of the beginning of the year and adjusting per diem for the public stock offering of 10,000,000 shares for which the subscription payment was due July 25, 2000.
2. Shareholders' Equity per Share for the 26th fiscal term and before was computed based on the total number of shares issued and outstanding at the end of the year. Shareholders' Equity per Share for the 27th fiscal term and later has been computed based on the total number of shares issued and outstanding at the end of the year after deducting the number of treasury stock.
3. The increase in Shareholders' Equity for fiscal 2001, the year ended February 28, 2001, was mainly due to the public offering of the Company's stock.
4. The decrease in Ordinary Profit for fiscal 2002, the year ended February 28, 2002, was mainly related to a year-over-year sales decline at existing stores relative to the previous fiscal year.
5. The explanation of operating results and financial position for fiscal 2003, the year ended February 28, 2003, is discussed in "(1) Process and Results of Operations" in "1. SUMMARY OF OPERATIONS" above.

2. CURRENT STATUS OF THE COMPANY (As of February 28, 2003)

(1) Principal Business Activities

The Company provides its member shops with a variety of services and advice regarding managerial or technical know-how and research, training and advertising on the operation of convenience stores under a franchise system. It earns royalty fees in consideration of such services. In addition to member chain stores, the Company has its Company-operated stores, which sell such products as food, daily necessities and fast food.

(2) Principal Offices and Stores

1) Head Office (Registered location): 9-1, Toyotsu-cho, Suita, Osaka

2) Major Offices

Name	Location
Tokyo Head Office	Minato-ku, Tokyo
Hokkaido Div.	Chuo-ku, Sapporo
Tohoku No. 1 Div.	Aoba-ku, Sendai
Tohoku No. 2 Div.	Aoba-ku, Sendai
Kanto No. 1 Div.	Taito-ku, Tokyo
Kanto No. 2 Div.	Taito-ku, Tokyo
Kanto No. 3 Div.	Taito-ku, Tokyo
Kanto No. 4 Div.	Taito-ku, Tokyo
Kanto No. 5 Div.	Kanagawa-ku, Yokohama
Kanto No. 6 Div.	Kanagawa-ku, Yokohama
Chubu No. 1 Div.	Naka-ku, Nagoya
Chubu No. 2 Div.	Naka-ku, Nagoya
Kinki No. 1 Div.	Nakagyo-ku, Kyoto
Kinki No. 2 Div.	Suita, Osaka
Kinki No. 3 Div.	Suita, Osaka
Kinki No. 4 Div.	Chuo-ku, Kobe
Kinki No. 5 Div.	Nakagyo-ku, Kyoto
Chugoku Div.	Okayama, Okayama
Shikoku Div.	Okayama, Okayama
Kyushu No. 1 Div.	Hakata-ku, Fukuoka
Kyushu No. 2 Div.	Hakata-ku, Fukuoka

Note: In addition to the above sites, the Company has a total of 127 offices throughout Japan as District Offices and FC Support Stations.

3) Stores

Prefecture	Number of Stores	Prefecture	Number of Stores
Hokkaido	475	Shiga	104
Aomori	108	Kyoto	170
Iwate	103	Osaka	801
Miyagi	166	Hyogo	445
Akita	103	Nara	108
Yamagata	55	Wakayama	107
Fukushima	106	Tottori	58
Ibaraki	102	Shimane	55
Tochigi	92	Okayama	109
Gumma	63	Hiroshima	122
Saitama	275	Yamaguchi	104
Chiba	242	Tokushima	102
Tokyo	703	Kagawa	97
Kanagawa	447	Ehime	124
Niigata	113	Kochi	44
Toyama	88	Fukuoka	266
Ishikawa	67	Saga	53
Fukui	69	Nagasaki	78
Yamanashi	64	Kumamoto	75
Nagano	138	Oita	100
Gifu	78	Miyazaki	79
Shizuoka	167	Kagoshima	107
Aichi	316	Okinawa	112
Mie	65	Total	7,625

(3) Shares

1) Total Number of Shares Authorized to Be Issued: 412,300,000 shares
2) Total Number of Shares Issued and Outstanding: 107,600,000 shares
3) Number of Shareholders: 53,091 persons

4) Major Shareholders:

Name	Investment in the Company Number of Shares (Ratio of Voting Rights)		The Company's Investment in Major Shareholders Number of Shares (Ratio of Voting Rights)	
	(Thousand Shares)	(%)	(Thousand Shares)	(%)
MC Retail Investment Co., Ltd.	32,089	29.8	—	—
Japan Trustee Services Bank, Ltd. (trust account)	8,618	8.0	—	—
Marubeni Foods Investment, Co., Ltd.	5,939	5.5	—	—
The Master Trust Bank of Japan, Ltd.	4,755	4.4	—	—

Nomura Securities Co., Ltd.	3,551	3.3	—	—
Nintendo Co., Ltd.	3,447	3.2	—	—
Company Trust Account: Mitsui Asset Trust and Banking Company, Limited	3,219	3.0	—	—

Notes: 1. The number of shares in the above table is based on the register of shareholders.
2. All the shares held by Japan Trustee Services Bank, Ltd., The Master Trust Bank of Japan, Ltd., and the Company Trust Account: Mitsui Asset Trust and Banking Company, Limited, are related to fiduciary business.

(4) Acquisition, Disposal and Holding of Treasury Stock

1) Shares through Acquisition

Acquisition from purchases of less-than-unit *(tangen)* of shares

Common shares 394 shares

Total acquisition price ¥1,351,790

2) Shares Held at the Balance Sheet Date

Common shares 565 shares

Subsequent to the balance sheet date, to secure flexibility of our capital procurement and to pursue further efficiency improvements, the Company acquired its treasury stock within the purchase limit (seven million common shares for a total acquisition price of ¥28 billion), which had been approved by the Ordinary General Meeting of Shareholders held on May 29, 2002.

1) Shares through Acquisition

Acquisition by the resolution under Article 210, Paragraph 1, of the Commercial Code:

Common shares 1,349,000 shares

Total acquisition price ¥4,388,425,500

2) Shares Held as of March 31, 2003

Common shares 1,349,565 shares

(5) Employees

Number of Employees (Decrease from the Preceding Fiscal Year)	Average Age	Average Years of Service
3,200 (348)	35.3	9.9

Notes: 1. In addition to the above, the number of part-timers (computed by dividing total hours that part-timers worked for this fiscal year by 8 hours) was 3,489.
2. The above numbers do not include 89 employees seconded to other companies.
3. The decrease from the preceding fiscal year partly resulted from the application by employees to the solicitation for early retirement.

(6) Major Creditors

Name	Balance of Borrowings	Number of Common Shares of the Company Held by Creditors (Ratio of Voting Rights)	
	(Millions of Yen)	(Thousand Shares)	(%)
i-Convenience, Inc.	800	—	—
Lawson ATM Networks, Inc.	100	—	—

(7) Status of Major Business Combinations

1) Important Subsidiaries

Name	Common Stock	The Company's Ratio of Voting Rights (%)	Business
LAWSON e-Planning, Inc.	¥ 98 million	100.0	Consultation of e-business
Shanghai Hualian Lawson Co., Ltd.	CNY165,899 thousand	70.0	Franchiser of convenience stores
Lawson Tickets Co., Ltd.	¥ 1,852 million	69.5	Ticket sales
Lawson ATM Networks, Inc.	¥ 3,000 million	62.0	Financial services–related business
i-Convenience, Inc.	¥ 2,000 million	51.0	e-business

2) Other Important Business Combinations

Name	Common Stock	The Company's Ratio of Voting Rights (%)	Business
Lawson CS Card, Inc.	¥ 3,950 million	50.0	Credit card business

3) Changes in Business Combinations

1. LAWSON e-Planning, Inc., a subsidiary that had been engaged in the areas of business planning for e-business, etc., suspended operations as of August 31, 2002, because its intended purpose of incorporation was achieved. This subsidiary became a wholly owned subsidiary in August 2002 through the transfer of its shares to the Company.
2. The Company's ratio of voting rights in Lawson Tickets Co., Ltd., became 69.5% through a stock transfer in January 2003 and the allocation of new shares to third parties in February 2003.
3. Lawson CS Card, Inc., increased its capital stock by a total of ¥3,550 million through the allocation of new shares to existing shareholders in June and November 2002.
4. The Company's ratio of voting rights in ECONTEXT, Inc., decreased to 13.9% through a decline in capital stock in January 2003 (a reverse split of eight shares into one) and the allocation of new shares to third parties in January and February 2003. As a result, ECONTEXT, Inc., does not qualify as an affiliate now.

4) Status and Results of Business Combinations

The consolidated subsidiaries are the above-listed five subsidiaries. One company is accounted for by the equity method. Consolidated operating results for the current fiscal year are as follows:

(Rounded to the nearest million yen or 0.1%)

Operating Revenue (Compared with the Previous Fiscal Year)	Ordinary Profit (Compared with the Previous Fiscal Year)	Net Income (Compared with the Previous Fiscal Year)
¥250,334 million (97.7%)	¥30,656 million (87.1%)	¥8,861 million (55.0%)

5) Important Business Alliance

Mitsubishi Corporation indirectly holds voting rights corresponding to 30.1% of the total number of shares outstanding of the Company. Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into extensive business tie-ups with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

(8) The Company's Directors and Corporate Auditors in This Fiscal Year

Position and Assignment in the Company or Principal Occupation	Name
Representative Director (Chairman of the Board)	Kenji Fujiwara
Representative Director (President & CEO)	Takeshi Niinami
Director and Senior Executive Vice President (General Manager, New Business Development Division; President and CEO, Lawson CS Card, Inc.)	Teruo Aoki
Director and Executive Vice President (Director, Corporate Planning Office)	Eiichi Tanabe
Director and Executive Vice President (Director, General Affairs Office)	Sumiya Nakajima
Director (Professor, Postgraduate Dept., Tama University)	Hiroshi Tasaka
Director (President, The R Co., Ltd.)	Reiko Okutani
Director (Vice President and Representative Director, Executive Vice President; Group CEO, New Function Group, Mitsubishi Corporation)	Yorihiko Kojima
Standing Corporate Auditor (full-time)	Masaaki Kojima
Standing Corporate Auditor (full-time)	Sadao Suzuki
Corporate Auditor (Professor—University of Marketing and Distribution, Faculty of Commercial Science)	Itsuo Jitosho
Corporate Auditor (Controller—New Function Business Group, Mitsubishi Corporation)	Yoshiyuki Sanada

Notes: 1. Standing Corporate Auditor Masaaki Kojima and Corporate Auditors Itsuo Jitosho and Yoshiyuki Sanada are outside corporate auditors stipulated in Article 18, Paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" in Japan.

2. Changes in directors and corporate auditors during the current fiscal year are as follows:

(1) Change in director's post as of March 31, 2002

Resigned	Director	Yoshinori Harigae

(2) Changes in posts as approved at the 27th Ordinary General Meeting of Shareholders and at the meeting of the Board of Directors Shareholders, both of which were held on May 29, 2002

Appointed	Representative Director and Chairman of the Board	Kenji Fujiwara
	Representative Director and President and CEO	Takeshi Niinami
	Director and Executive Vice President	Sumiya Nakajima
	Director	Reiko Okutani
	Director	Yorihiko Kojima
Retired	Representative Director and Chairman of the Board	Koji Wada

(3) Change in director's post as of February 28, 2003

Resigned	Representative Director and Director	Kenji Fujiwara

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

Vice Chairman	Koji Wada	Senior Vice President	Sadayuki Nobayashi
Executive Vice President	Susumu Hasegawa	Senior Vice President	Shoji Shiba
Executive Vice President	Katsuhiko Yamasaki	Senior Vice President	Takatoshi Kawamura
Senior Vice President	Kenji Yamakawa	Senior Vice President	Manabu Asano
Senior Vice President	Shigeru Kiyota	Senior Vice President	Yoshimitsu Futai
Senior Vice President	Ichiro Okuda	Senior Vice President	Minoru Okada
Senior Vice President	Isamu Ochiai	Senior Vice President	Josuke Kishimoto
Senior Vice President	Yoshio Shinozaki	Senior Vice President	Shigeaki Kawahara
Senior Vice President	Kiyoteru Suzuki		

(9) Stock Options Issued to Those Other than Shareholders under Advantageous Conditions

1. Number of stock options
   3,039 units (100 shares per each stock option)

2. Class and number of the shares subject to stock options
   303,900 common shares of Lawson, Inc.

3. Issue price of the stock options
   Without charge

4. Amount to be subscribed in exercising the stock options
   ¥3,680

5. Exercisable period of the stock options
   From December 1, 2002 to May 31, 2007

6. Exercise conditions of the stock options
   1) The persons to whom the stock option is granted shall be limited to those who have positions as directors, corporate auditors, executive officers or employees of the Company at the time of exercising the right, or those who have concluded a corporate advisor agreement with the Company.
   2) In case of the death of a person who has stock options, the succession of this right by his or her heir is not authorized.
   3) A person who has stock options may apply to exercise his or her right to the Company only when the Company's stock price at the Tokyo Stock Exchange exceeds the amount set forth in 4. above by 10% or more.
   4) No pledging or any other disposal of stock option is authorized.
   5) Other applicable conditions shall be as prescribed by the "Stock Option Granting Agreement."

7. Cancellation of the stock options
   1) In case a consolidation agreement that determines the Company is to cease to exist is approved, or if a proposal on approval of a stock swap agreement to the effect that the Company would become a fully owned company of another corporation, or a proposal on stock transfer is approved by a general meeting of shareholders, then the Company may cancel these stock options without charge.
   2) The Company may cancel the stock options without charge if a qualified person who has been allocated the right loses this right because he or she no longer meets the conditions set forth in paragraph 6. 1), or due to the reason set forth in paragraph 6. 2) above. Provided that the Company may, in such a case, take the cancellation procedure collectively after the exercisable period of the rights has expired.

8. Restriction on transfer of stock options
   The transfer of stock options shall require the approval of the Board of Directors.

9. Content of advantageous conditions for stock options
   The Company issued the stock options without charge to directors, executive officers and certain employees at managerial posts.

10. Name and number of stock option units granted

Name	Stock options (units)
Kenji Fujiwara*	80
Takeshi Niinami	100
Teruo Aoki	50
Eiichi Tanabe	40
Sumiya Nakajima	40
Hiroshi Tasaka	30
Reiko Okutani	30
Yorihiko Kojima	30

Note: *Kenji Fujiwara, who was entitled to stock options as an incentive, resigned the posts of Representative Director and Director as of February 28, 2003.

Executive Officers

Name	Stock options (units)
Susumu Hasegawa	40
Katsuhiko Yamasaki	40
Kenji Yamakawa	30
Shigeru Kiyota	30
Ichiro Okuda	30
Yoshio Shinozaki	30
Kiyoteru Suzuki	30
Sadayuki Nobayashi	30
Shoji Shiba	30
Takatoshi Kawamura	30
Manabu Asano	30
Yoshimitsu Futai	30
Minoru Okada	30
Josuke Kishimoto	30

Employees at managerial posts (upper 10 persons)

Name	Stock options (units)
Kenji Goto	7
Hiroshi Maeno	7
Hironobu Ueno	6
Toshinori Ushijima	6
Atsuhiko Seki	6
Toshio Nomura	6
Akira Hida	6
Shuzo Fujita	6
Tomochika Yamaguchi	6
Fumio Yamazaki	6

3. Significant Subsequent Events after the Closing of Accounts

The Company voluntarily disaffiliated from the Daiei Employees' Pension Fund as of March 31, 2003. The possible effects of this event on the results of operations for the next fiscal year are not stated because the computation of a financial shortfall in a lump-sum payment related to this disaffiliation has not yet been completed.

The above amounts and the number of shares in this Business Report are rounded down to the nearest units (excluding (7) Status of Major Business Combinations, 4) Status and Results of Business Combinations in 2. CURRENT STATUS OF THE COMPANY.), and the ratios are rounded to the nearest whole number.

Non-consolidated Balance Sheet (As of February 28, 2003)

(Millions of yen)

Assets		Liabilities and Shareholders' Equity	
Account item	Amount	Account item	Amount
(Assets)	(338,221)	(Liabilities)	(183,360)
Current assets	121,475	Current liabilities	124,365
Cash and bank deposits	75,257	Accounts payable—trade	63,720
Accounts receivable—due from franchised stores	6,925	Accounts payable—due to franchised stores	4,777
Marketable securities	12,445	Short-term borrowings	900
Merchandise inventories	1,398	Accounts payable—other	14,511
Prepaid expenses	4,004	Income taxes payable	7,289
Short-term loans receivable	4,000	Accrued expenses	1,468
Accounts receivable—other	14,603	Deposits received	28,812
Deferred tax assets	2,405	Accrued employees' bonuses	2,787
Other	523	Other	97
Allowance for doubtful accounts	(90)	Long-term liabilities	58,995
Fixed assets	216,746	Liability for employees' retirement benefits	3,769
Property and store equipment at net book value	77,134	Liability for retirement benefits to directors and corporate auditors	222
Buildings	43,394	Deposits received from franchisees and lessees	55,003
Structures	8,173		
Furniture, fixtures and equipment	19,344		
Land	6,177	(Shareholders' Equity)	(154,860)
Construction in progress	44	Common stock	58,506
Intangible fixed assets	15,948	Capital surplus	41,520
Leasehold rights	5	Additional paid-in capital	41,520
Trademarks	73	Retained earnings	61,754
Telephone rights	278	Legal reserve	727
Goodwill	341	Voluntary reserve	30,000
Software	14,158	General reserve	30,000
Software development in progress	1,088	Unappropriated retained earnings	31,026
Other	2	(Including net income for the current year)	(10,263)
Investments and other	123,663		
Investments in securities	4,723		
Investments in subsidiaries	4,989		
Other equity investments	79		
Long-term loans receivable	8,958		
Long-term prepaid expenses	2,211	Land revaluation difference	(6,917)
Lease deposits	89,396	Net unrealized gain on available-for-sale securities	(1)
Deferred tax assets	9,542	Treasury stock-at cost	(2)
Deferred tax assets for land revaluation	5,008		
Other	707		
Allowance for doubtful accounts	(1,428)		
Allowance for impairment of investment	(525)		
Total Assets	338,221	Total Liabilities and Shareholders' Equity	338,221

Non-consolidated Statement of Income
(From March 1, 2002 to February 28, 2003)

(Millions of yen)

Account item	Amount	
(Ordinary Profit and Loss Section)		
Operating income or loss		
Operating revenues		
Net sales	79,034	
Franchise commissions from franchised stores	148,970	
Other	11,309	239,315
Costs and operating expenses		
Cost of goods sold	57,871	
Selling, general and administrative expenses	146,912	204,783
Operating income		34,531
Non-operating income or loss		
Non-operating income		
Interest and dividend income	241	
Other	707	948
Non-operating expenses		
Loss on cancellation of store lease contract	1,925	
Other	344	2,269
Ordinary profit		33,209
(Special Profit and Loss Section)		
Special gains		
Gain on sales of investments in securities	5,763	
Other	509	6,272
Special losses		
Loss on disposal of fixed assets	11,824	
Premium severance benefit	4,321	
Reversal of write-off of investments in subsidiary	910	
Provision for allowance for impairment of investment	525	
Charge for compensation payment	1,150	
Other	2,234	20,966
Income before corporate, inhabitant and enterprise taxes		18,516
Corporate, inhabitant and enterprise taxes	7,530	
Deferred income taxes	722	8,253
Net income		10,263
Unappropriated retained earnings—carried forward		24,406
Reversal of land revaluation difference		1,490
Interim cash dividends		2,151
Unappropriated retained earnings—at end of year		31,026

(Significant Accounting Policies)

1.Valuation of Securities

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

Available-for-sale securities:

Securities whose market value is readily determinable: Stated at the market value, based on market quotation. Unrealized gains and losses are reported, with net of applicable taxes, in a separate component of shareholders' equity. 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: Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment:

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

Intangible fixed assets:

Amortization of intangible assets is computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the internal useful life.

4. Accounting policies for important reserves

Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectable receivables based on the actual rate of losses from bad debt for ordinary receivables, and on estimated recoverability for specific doubtful receivables.

Allowance for impairment of investment:

Allowance for impairment of investment to subsidiaries is provided at an amount equal to the decrease in the fair value of the investee's financial position.

Accrued employees' bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

Liability for employees' retirement benefits:

Liability for employees' retirement benefits is provided at the amount calculated based on the projected benefit obligations and plan assets at the balance sheet date. Actuarial differences will be amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence. Prior service cost is amortized from the current fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Liability for retirement benefits to directors and corporate auditors:

Liability for retirement benefits to directors and corporate auditors (including executive officers) is calculated to state the liability at 100% of the amount that would be required if all directors and corporate auditors terminate their services with the Company at the balance sheet date.

This liability is categorized as reserve stipulated in Article, 287-2 of the Commercial Code of Japan.

5. Lease

Finance leases that do not transfer ownership of leased property to the lessee are accounted in the same manner as operating leases.

6. Accounting for consumption tax

Consumption tax is excluded from income and expense.

(Additional information)

1. Shareholder's equity

The company adopted a new provision on additional clause No.3 of the “Commercial Code Enforcement Regulation”(Ministerial Ordinance No.22 of the Ministry of Justice of March 29, 2002), effective this year, and shareholders' equity includes common stock, capital surplus, retained earnings, and others. Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

2. Accounting Standard of Treasury Stock and Reduction of Legal Reserves

The Company adopted " Accounting Standard for Treasury Stock and Reduction of Legal Reserves " (Accounting standard No.1) effective this fiscal year. The adoption of the standard did not have a significant impact on the Company's result of operations.

(Notes to the Non-consolidated Balance Sheets)

1. Due from / to subsidiaries

Short-term	receivables due from subsidiaries	¥ 308	million
Short-term	payables due to subsidiaries	¥ 3,034	million
Long-term	payables due to subsidiaries	¥ 21	million

2. Accumulated depreciation for property and store equipment: ¥ 71,451 million

3. Major leased fixed assets under lease arrangements

In addition to the fixed assets presented on the balance sheet, the Company uses leased store equipment in its business.

4. Major assets denominated in foreign currencies

Investment in subsidiary : CNY43,221 thousand (¥626 million)

5. Income taxes

Deferred tax assets and liability were described as follows:

(Millions of yen)

Accrued enterprise taxes	¥	705
Accrued employees' bonuses		918
Valuation loss on investments in securities		582
Reversal of write-off of investments subsidiary		382
Excess of depreciation		1,419
Excess of amortization of software		1,038
Allowance for employees’ retirement benefits		5,745
Other		1,917
Total deferred tax assets	¥	12,710
Gain on securities contributed to employees’ retirement benefit trusts	¥	748
Other		13
Total deferred tax liabilities		762
Deferred tax assets-net	¥	11,948

On March 31 2003, a new local tax law was enacted and became effective for fiscal years beginning on or after April 1, 2004. The new local tax law decreased the local tax rate and introduced a new tax levied based on paid-in capital (Shihon wari). As a result, the statutory effective tax rate applied on the deferred income taxes and liabilities have been decreased from 42.0% to 40.5%. With regard to the transitional differences that are expected to be resolved in the business year that starts on and after April 1, 2004. This reduction of the statutory effective tax rate will result in a decrease in deferred tax assets of ¥194 million, decrease in deferred tax assets for land revaluation of ¥180 million, and a charge to income taxes of ¥194 million for the fiscal year ending February 28, 2004, respectively.

6.Accounting for retirement benefits

Summary of the retirement benefit plans adopted:

The Company participates in a group employees' welfare pension fund plan and also has unfunded retirement benefit plan for employees both of which are defined benefit plans.

Funded status of the these plans are as follows;

	(Millions of yen)
a. Projected benefit obligations	¥ (23,518)
b. Plan assets	14,111
c. Projected benefit obligations in excess of plan assets (= a + b)	(9,407)
d. Unrecognized prior service cost	(954)
e. Unrecognized actuarial differences	6,592
f. Liability for employees' retirement benefits (= c + d + e)	¥ (3,769)

Note: Amounts include those related to substitutive portion for Japanese government welfare pension fund.

Net periodic benefit cost

	(Millions of yen)
a. Service cost	¥ 2,507
b. Interest cost	502
c. Expected return on plan assets	(214)
d. Amortization of unrecognized prior service costs	(106)
e. Amortization of actuarial differences	554
f. Premium severance benefit	4,321
g. Net periodic benefit cost	¥ 7,566

Note: Amounts exclude employees' contributions to group employees' welfare pension fund.

Basis of calculation of projected benefit obligations

a. Discount rate	2.0% and 2.5%
b. Expected rate of return on plan assets	4.5%
c. Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period)

7. Stock options as an incentive granted to directors, executive officers and employees stipulated by Article 280-20 and Article 280-21 of the Commercial Code

Date approved by the shareholders' meeting	May 29, 2002
Class of shares subject to the rights:	Common shares
Total number of subjected shares:	303 thousands
Issuance (exercise) price of new shares:	¥3,680 per share
Exercise period:	December 1, 2002 to May 31, 2007

Preemptive rights granted to directors and employees stipulated by Article 280-19, paragraph 1 of the Commercial Code

Date approved by the shareholders' meeting	May 26, 2000
Class of shares subject to the rights:	Common shares
Total number of subjected shares:	1,170 thousands
Issuance (exercise) price of new shares:	¥7,500 per share
Exercise period:	May 27, 2002 to May 25, 2007

8.Revaluation of land used for business

The Company revalued the land used for its business on the basis prescribed by the Law Concerning Revaluation of Land (Law No.34, March 31,1998).

The revaluation difference has been included in shareholders' equity as land revaluation difference, net of the related tax which is included in assets as deferred tax assets for land revaluation.

Revaluation method:

The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.

Date of revaluation: February 28, 2002

As at February 28, 2003, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥460 million.

9. Net income per share		95.38	yen

(Note to the Non-consolidated Statement of income)

Transactions with subsidiaries

Operating transactions with subsidiaries:	¥	3,829	million
Transactions other than operating transactions:	¥	4	million

(The above statement amounts are rounded down to the nearest ¥ million.)

Proposal of Appropriation of Retained Earnings

(Yen)

Unappropriated retained earnings—At end of year	31,026,999,319
To be appropriated as follows:	
Year-end dividends (¥21 per share)	2,259,588,135
Retained earnings to be carried forward	28,767,411,184

Note: The Company paid an interim cash dividends of ¥2,151,992,500 (¥20 per share) on November 11, 2002.

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

April 9, 2003

Mr. Takeshi Niinami, Representative Director and President and CEO
Lawson, Inc.

Tohmatsu & Co.
Representative Partner, Engagement Partner,
Certified Public Accountant: Shinichi Yamada
Representative Partner, Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya
Engagement Partner, Certified Public Accountant: Seiji Harada

Pursuant to Article 2 of the “Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-Kaisha)” of Japan, we have examined the non-consolidated balance sheet, the non-consolidated statement of income, the business report (with respect to accounting matters only), the proposal of appropriation of retained earnings and the supplementary schedules (with respect to accounting matters only) of Lawson, Inc. (the “Company”), for the 28th fiscal term from March 1, 2002, to February 28, 2003. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account.

Our examination was made in accordance with auditing standards generally accepted in Japan and was performed based on such auditing procedures as are normally required, which include auditing procedures applied to subsidiaries as considered necessary.

As a result of our examination, in our opinion,

(1) The non-consolidated balance sheet and the non-consolidated statement of income present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Company’s Articles of Incorporation.

(2) The business report (with respect to accounting matters only) presents fairly the Company’s affairs in conformity with the applicable laws and regulations of Japan and the Company’s Articles of Incorporation,

(3) The proposal of appropriation of retained earnings is in conformity with the applicable laws and regulations of Japan and the Company’s Articles of Incorporation, and

(4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

The subsequent event stated in the business report will have a material effect on the financial position and the results of operations of the Company for the next fiscal year and subsequent years.

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 Law.

The above report represents a translation, for convenience only, of the original report issued in the Japanese language, and the “Supplementary Schedules” referred to in this report are not included in the attached financial documents.

(TRANSLATION)

CORPORATE AUDITORS' REPORT

The Board of Corporate Auditors of Lawson, Inc. (the "Company"), has received reports from all of the corporate auditors of the Company that summarize the methods and results of the audit conducted by them regarding the execution of their duties as the Company's directors for the year ended February 28, 2003 (the 28th fiscal term).

We, the members of the Board of Corporate Auditors, have discussed the reports and hereby report our audit opinion as follows:

1. SUMMARY OF THE METHOD OF AUDIT

Each corporate auditor, in accordance with audit policies and planning established by the Board of Corporate Auditors, has attended the Board of Directors' meetings and other important meetings of the Company, made necessary inquiries of the Company's officers regarding the Company's operations, reviewed important internal documents with appropriate approvals, made reviews of operations and conditions of assets of major business offices, and made necessary inquiries of the officers of the subsidiaries of the Company regarding their operations. We have received reports from and made necessary inquiries of the independent auditors of the Company and reviewed the financial statements and supplementary schedules of the Company.

To determine if there are any transactions by the directors that compete with the business of the Company, any transactions between the Company and the directors against the interests of the Company, any services or benefits provided free of charge, any unusual transactions with subsidiaries or shareholders, and any acquisition or disposal of treasury stock, we have employed other audit procedures, in addition to the above stated audit procedures, including receiving special reports from directors and officers related to the transactions and scrutinizing the details of the relevant transactions.

2. RESULT OF AUDIT

(1) We have found that the methods and results of the audit by the independent auditors are adequate;

(2) We have found that the business report presents fairly, in conformity with the applicable laws and regulations and the Company's Articles of Incorporation, the status of the Company;

(3) We have found that the proposal of appropriation of retained earnings is fairly presented considering the Company's financial position and other circumstances;

(4) We have found that the supplementary schedules present the required information fairly;

(5) With regard to the execution of the duties of the directors, we have found that there have been no misconduct or material matters that would be in contradiction with any laws or the Company's Articles of Incorporation.

We have also found that there have been no misconduct or material matters that would be in contradiction with any laws or the Company's Articles of Incorporation regarding any transactions by the directors that compete with the business of the Company, any transactions between the Company and the directors against the interests of the Company, any services or benefits provided free of charge, any unusual transactions with subsidiaries or shareholders, and any acquisition or disposal of treasury stock; and

(6) We have found that there have been no misconduct or material matters with regard to the execution of the duties of the directors as a result of the examination of the subsidiaries.

April 11, 2003

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor	Masaaki Kojima
Standing Corporate Auditor	Sadao Suzuki
Corporate Auditor	Itsuo Jitosho
Corporate Auditor	Yoshiyuki Sanada

Note: Standing Corporate Auditor Masaaki Kojima and Corporate Auditors Itsuo Jitosho and Yoshiyuki Sanada are outside corporate auditors as stipulated in Article 18, Paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporation (Kabushiki-Kaisha)" in Japan.

REFERENCE DOCUMENTS FOR THE EXERCISE OF VOTING RIGHTS

1. Total number of voting rights held by all shareholders: 1,075,781

2. Proposals and references

Proposal No. 1: Approval of the Proposal of Appropriation of Retained Earnings for the 28th Fiscal Term

The Proposal of Appropriation of Retained Earnings for the 28th Fiscal Term is shown in the attached The 28th Fiscal Year's Report for Shareholders (Page 18).
We propose that the year-end dividend be ¥21 per share based on performance, in view of the Company's return on equity and payout ratio for the year while ensuring the internal reserve fund required for future business development. As a result, the annual dividend, consisting of an interim dividend of ¥20 and a year-end dividend of ¥21 per share, would be ¥41 per share, unchanged from that for the previous fiscal term.

Proposal No. 2: Establishment of a limit for acquisition of treasury stock

In conformance with the provision of Article 210 of the Commercial Code, we propose to acquire the treasury stock of the Company within a limit of 10 million common shares and of total acquisition value of ¥38 billion for the period from the conclusion of this 28th Ordinary General Meeting of Shareholders to the conclusion of the next Ordinary General Meeting of Shareholders for the purpose of securing higher flexibility and mobility in its capital procurement strategy.

Proposal No. 3: Partial amendment to the Articles of Incorporation

We propose to partially amend the existing Articles of Incorporation.
1. Reasons for the amendments

1) To clarify the extended services of the franchise business and business objectives, we would like to add the respective expressions of "to issue and handle prepaid cards," "to operate pharmacies" and "to sell sports promotion voting vouchers" to ARTICLE 2: Purposes of Incorporation.

2) Pursuant to the extended term of office of corporate auditors, as described "The term of office of corporate auditors shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year within four (4) years following the assumption of office.", as a result of the enforcement of the "Law for Partial Amendment to the Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" (Law No. 149, 2001) on May 1, 2002, we would like to amend the current term of office in the existing ARTICLE 22: Term of Office of Corporate Auditors. In addition, we would like to newly establish ARTICLE 20: Agreement on Limitation of Outside Directors' Liability, which would enable the Company to enter into an agreement with outside directors with regard to advance limitation of their liability so as to widely recruit talented human resources.

   The Board of Corporate Auditors has given its unanimous accord to the proposed ARTICLE 20.

3) Pursuant to the newly created invalidation system of share certificates and the mitigated quorum requirement for special resolutions at general meetings of shareholders as a result of the enforcement of the "Law Concerning Partial Amendment to the Commercial Code, etc." (Law No. 44, 2002) on April 1, 2003, we would like to amend the current expressions, as required, of the existing ARTICLE 7: Transfer Agent and add Paragraph 2 to ARTICLE 12: Method of Adopting Resolutions, for more flexible adoption of special resolutions, and thereby amend the related wording of these Articles.

4) In line with the above amendments, the numbers of relevant Chapters, Articles and others shall be appropriately adjusted.

2. Summary draft of this proposal

(Amendments shown by underlines.)

Existing Articles	Proposed Amendments
ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. to (The related provisions omitted) 13. (New establishment) 14. (The related provision omitted) (New establishment) 15. to (The related provisions omitted) 21. 22. To sell award-carrying vouchers under the Award-Carrying Vouchers Act (*Tosenkintsukishohyoho*); 23. to (The related provisions omitted) 27.	ARTICLE 2: Purposes of Incorporation The Company shall be organized for the purpose of operating the following businesses: 1. to (The same as the existing ones) 13. 14. To issue and handle prepaid cards; 15. (The same as the existing one) 16. To operate pharmacies; 17. to (The same as the existing ones) 23. 24. To sell award-carrying vouchers and sports promotion voting vouchers under the Award-Carrying Vouchers Act *(Tosenkintsukishohyoho)* ; 25. to 29. (The same as the existing one)
ARTICLE 7: Transfer Agent (The related provision omitted) 2) (The related provision omitted) 3) The register of shareholders (including the register of beneficial shareholders, hereinafter the same is applicable) and the register of stock options of the Company shall be kept at the share handling office of the transfer agent, and the transfer agent shall handle transfer of titles of shares and stock options and other related businesses, including registration of pledges on shares, declaration of trust assets, issuance of share certificates, acceptance of notifications and handling of applications for a purchase of shares of less than one (1) unit (*tangen*). The Company shall not handle such matters.	ARTICLE 7: Transfer Agent (The same as the existing one) 2) (The same as the existing one) 3) The register of shareholders (including the register of beneficial shareholders, hereinafter the same is applicable), the register of lost share certificates and the register of stock options of the Company shall be kept at the share handling office of the transfer agent, and the transfer agent shall handle transfer of titles of shares and stock options and other related businesses, including registration of pledges on shares, declaration of trust assets, issuance of share certificates, acceptance of notifications, handling of applications for a purchase of shares of less than one (1) unit *(tangen)*, and procedures related to lost share certificates. The Company shall not handle such matters.
ARTICLE 12: Method of Adopting Resolutions A general meeting of shareholders shall adopt resolutions by a majority of votes of the shareholders present, unless otherwise provided in the law, regulations or provisions of these Articles of Incorporation. (New establishment)	ARTICLE 12: Method of Adopting Resolutions A general meeting of shareholders shall adopt resolutions by a majority of votes of the shareholders present, unless otherwise provided in the law, regulations or provisions of these Articles of Incorporation. 2) Adoption of a special resolution set forth in Article 343 of the Commercial Code and of any other resolutions to which such method of adopting resolutions applies mutatis mutandis at a general meeting of shareholders under the provisions of the Commercial Code or any other laws shall be made by the affirmative vote of not less than two-thirds (2/3) of the voting rights held by shareholders who present not less than one-third (1/3) of voting rights of all shareholders.

(New establishment)	ARTICLE 20: Agreement on Limitation of Outside Directors’ Liability Pursuant to the provision of Article 266, Paragraph 19, of the Commercial Code, the Company may enter into an agreement with outside directors to limit their liability with regard to the indemnification resulting from any of the acts set forth in Article 266, Paragraph 1, Item 5, of the said Code, to within the total sum of the amounts set forth in the respective Items of Article 266, Paragraph 19 of the said Code.
ARTICLE 20 to (The related provisions omitted) ARTICLE 21	ARTICLE 21 to (The same as the existing ones) ARTICLE 22
ARTICLE 22: Term of Office of Corporate Auditors The term of office of corporate auditors shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year within three (3) years following the assumption of office.	ARTICLE 23: Term of Office of Corporate Auditors The term of office of corporate auditors shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the last fiscal year within four (4) years following the assumption of office.
ARTICLE 23 to (The related provisions omitted) ARTICLE 30	ARTICLE 24 to (The same as the existing ones) ARTICLE 31

Proposal No. 4: Election of three (3) directors

To reinforce our management team, we propose that you elect three (3) directors.

The nominees for the new directors are as follows:

No.	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Katsuhiko Yamasaki (November 18, 1943)	April 1968	Joined Shufu-no-Mise Daiei Co., Ltd.	1,900
		May 1995	Director; General Manager, Internal Audit Office, Lawson, Inc.	
		March 1996	Director; General Manager, Education and Personnel Planning Office, Lawson, Inc.	
		March 1999	Director; General Manager, Store Operation Division, Lawson, Inc.	
		December 2000	Director; General Manager, Logistics Division, Lawson, Inc.	
		January 2002	Senior Executive Vice President; EVP, General Affairs/FC Communication; General Manager, General Affairs & Planning Office Lawson, Inc.	
		June 2002	Senior Executive Vice President; Director, Line Support Office, Lawson, Inc.	
		March 2003	Senior Executive Vice President; General Manager, Line Support Office, Lawson, Inc. (Current position)	
2	Muneaki Masuda (January 20, 1951)	September 1985	Founder and President, Culture Convenience Club Co., Ltd.	0
		October 1996	Chairman and Representative Director, Culture Convenience Club Co., Ltd.	
		April 1999	President and Representative Director, Culture Convenience Club Co., Ltd. (Current position) (Representative positions in other companies) President, Masuda & Partners Co., Ltd.	
3	Yukio Ueno (June 20, 1945)	April 1968	Joined Mitsubishi Corporation	0
		April 1998	General Manager, Secretariat Division, President's Office, Mitsubishi Corporation	
		June 1998	Director; General Manager, Secretariat Division, Directors' and President's Office, Mitsubishi Corporation	
		April 2000	Director; General Manager, Corporate Planning Office, Mitsubishi Corporation	
		April 2001	Executive Director; General Manager, Corporate Planning Office, Mitsubishi Corporation	
		June 2001	Executive Vice President; General Manager, Corporate Planning Office, Mitsubishi Corporation	
		October 2001	Executive Vice President; EVP & General Manager, Corporate Planning Office, Mitsubishi Corporation (Current position)	

Notes:

1. Of these nominees, two candidates, Muneaki Masuda and Yukio Ueno, satisfy the requirements of outside directors as stipulated in Article 188, Paragraph 2, Item 7-2, of the Commercial Code.
2. There is a basic business agreement between Culture Convenience Club Co., Ltd., in which the candidate Muneaki Masuda assumes the post of President, and the Company, with regard to marketing, product development, promotion, new service development and so forth. Other candidates do not have any special interest in the Company.
3. The term of office of the newly appointed directors will be by the expiry of the tenure for other directors currently in office pursuant to the provision of the Articles of Incorporation.

Proposal No. 5: Election of two (2) corporate auditors

The term of office of the current corporate auditors, Itsuo Jitosho and Yoshiyuki Sanada, expires at the conclusion of this 28th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) corporate auditors.

The nominees for the new corporate auditors are as follows:

No.	Name (Date of birth)	Brief personal history and representative positions in other companies		Number of the Company's shares held
1	Yoshiyuki Sanada (May 23, 1954)	April 1978 January 1999 April 2001 April 2001 May 2001	Joined Mitsubishi Corporation General Manager, Portfolio Management Office, Risk Management Division, Mitsubishi Corporation Group CEO, New Function Group, Mitsubishi Corporation (Current position) Counselor, Lawson, Inc. Corporate Auditor, Lawson, Inc. (Current position)	0
2	Tetsuo Ozawa (June 28, 1947)	April 1973	Registered as lawyer and joined Tokyo-Fuji Law Firm (Current position)	0

Notes:

1. Yoshiyuki Sanada and Tetsuo Ozawa are candidates for outside corporate auditors as stipulated in Article 18, Paragraph 1, of the "Law Concerning Special Measures under the Commercial Code with Respect to Audit, etc. of Corporations (Kabushiki-Kaisha) in Japan."
2. The Board of Corporate Auditors has given its accord to proposal No. 5.
3. The above candidates do not have any special interest in the Company.

Proposal No. 6: Issuance of stock options as an incentive for directors and executive officers

Pursuant to the provisions of Article 280-20 and Article 280-21 of the Commercial Code of Japan, we request that you approve our issuance of stock options as an incentive for directors and executive officers in the following manner.

1. Reason for issuing stock options at advantageous conditions

The Company intends to issue the stock options without charge to directors and executive officers in the manner described in Item 3. below for the purpose of enhancing the motivation and morale of employees toward improved performance of the Company and to encourage further business deployment focusing on shareholders' interests.

2. Persons qualified for the allocation of stock options

The Company shall allocate up to the upper limit of 1,200 units of stock options to our directors and executive officers.

3. Procedure of issuing the stock options

(1) Class and number of the shares subject to stock options

120,000 common shares of Lawson, Inc.

In case of a stock split or a reverse stock split by the Company, the number of shares subject to stock options shall be adjusted according to the following formula. Provided that such adjustment shall be done only for the number of shares being subject to the stock options that have not been exercised as of the day of the stock split/reverse stock split, within all the stock options. The resulting fraction of shares below one (1) share shall be discarded.

Number of shares after adjustment = Number of shares before adjustment × Stock split/reverse stock split ratio

If the stock options are succeeded as a result of a merger or a consolidation of another corporation by the Company, or if a part of the Company is succeeded by a new corporation or an existing corporation due to a spin-off, the Company shall adjust the number of shares accordingly.

(2) Total number of stock options

1,200 units (100 shares per each stock option. However, similar adjustment shall be made if the adjustment set forth in Item (1) above is adopted.)

(3) Issue price of the stock options

To be issued without charge.

(4) Amount to be subscribed in exercising stock options

The amount to be subscribed by a qualified person in exercising stock option shall be determined by multiplying an amount to be paid per share determined in the following manner (hereinafter referred to as "exercise price") by the number of shares subject to such stock option set forth in Item (2) above.

The exercise price shall be the average amount (with fractions below one (1) yen to be rounded up) of the closing stock prices for ordinary transactions of the Company's common stock at the Tokyo Stock Exchange on all the trading days (excluding those on which no transactions were established) in the month preceding the month to which the issue date of the stock options belongs.

However, such amount to be subscribed shall be the closing price of the Company's common stock at the Tokyo Stock Exchange on the day preceding the issue date (or the closing price of the nearest day with transactions if such closing price was not established on the preceding day) of the stock options if such an amount to be subscribed is below the closing price.

When the Company conducts a stock split/reverse stock split, the exercise price shall be adjusted by applying the following formula, and the resulting fractions below one (1) yen due to the adjustment shall be rounded up.

Exercise price after adjustment = Exercise price before adjustment × 1/Stock split/reverse stock split ratio

When the Company issues new shares at a price lower than the market price or disposes of its treasury stock (excluding the stock issuance through the exercise of stock options), the exercise price shall be adjusted by applying the following formula, and the resulting fractions below one (1) yen due to the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares newly issued} \times \text{Amount to be paid per share}}{\text{Stock price before new stock issuance}}}{\text{Number of shares outstanding} + \text{Number of shares increased due to new stock issuance}}$$

In the above formula, "Number of shares outstanding" shall exclude the number of treasury stock held by the Company from the Company's common shares issued and outstanding. In case of the disposal of the Company's treasury stock , "new stock issuance" shall be read as "disposal of treasury stock" and "amount to be paid per share" as "disposal value per share," respectively.

Moreover, if any of the stock options are succeeded as a result of a merger or a consolidation of another corporation by the Company, or if a part of the Company is succeeded by a new corporation or an existing corporation due to a spin-off, the Company shall adjust the exercise price accordingly.

(5) Exercisable period of the stock options

From June 1, 2005, to December 31, 2008

(6) Exercise conditions of the stock options

1) The persons to whom the stock options are allocated shall be limited to those who have positions as directors, corporate auditors, executive officers or employees of the Company at the time of exercising the right, or those who have concluded a corporate advisor agreement with the Company. Provided, however, that this clause does not apply to cases where a qualified person retires from any post of the Company due to the expiry of term of office or when a person retires from the Company because of any such reasons as age-limit retirement that the Board of Directors deems reasonable.
2) In case of the death of a person who has stock options, the succession of such stock options by his or her heir is not authorized.
3) A person who has stock options may apply to exercise his or her right to the Company only when the Company's common stock price at the Tokyo Stock Exchange exceeds the amount set forth in Item (4) above by 20% or more.
4) Other applicable conditions shall be as prescribed by the "Stock Option Subscription Certificate" and "Stock Option Granting Agreement," which shall be entered into by and between the subjected directors and executive officers and the Company, based on a resolution at this 28th Ordinary General Meeting of Shareholders and a resolution at the Board of Directors.

   In granting stock options, the Company may enter into the "Stock Option Granting Agreement," which has integrated the provisions of the above conditions 1) to 3) are upgraded.

(7) Cancellation of the stock options

1) In case a consolidation agreement that determines the Company is to cease to exist is approved, or if a proposal

on approval of a stock swap agreement to the effect that the Company would become a fully owned subsidiary of another corporation, or a proposal on stock transfer is approved by a general meeting of shareholders, then the Company may cancel these stock options without charge.

2) The Company may cancel the stock options without charge if a qualified person who has been allocated with the stock option loses such option because he or she no longer meets the conditions set forth in paragraph (6) 1), or in case of paragraph (6) 2) above. Provided that the Company may, in such a case, take the cancellation procedure for relevant stock options collectively after the exercisable period of the rights has expired.

(8) Restriction on transfer of stock options

The transfer of stock options shall require approval of the Board of Directors.

Proposal No. 7: Presentation of retirement benefits to resigned directors and a retiring corporate auditor

To Kenji Fujiwara, who resigned from his position as director as of February 28, 2003, to Sumiya Nakajima, who resigned from his position as director as of April 15, 2003, and to Itsuo Jitosho, who is retiring from his position as corporate auditor at the conclusion of this 28th Ordinary General Meeting of Shareholders, we propose to present retirement benefits within the upper limit of ¥145 million for the two resigned directors and of ¥5 million for the retiring corporate auditor, respectively, to provide compensation for services rendered during their tenure.

We propose that the actual amount, timing and method of presentation to each be left to the determination of the Board of Directors for the resigned directors and to the determination of the Board of Corporate Auditors for the retiring corporate auditor.

The brief history of the resigned directors and the retiring corporate auditor in the Company is as follows:

Name	Brief personal history	
Kenji Fujiwara	May 1994 June 1994 May 2002 February 2003	Director Representative Director and President and CEO Representative Director and Chairman of the Board Resigned
Sumiya Nakajima	May 2002 April 2003	Director Resigned
Itsuo Jitosho	May 2000	Corporate Auditor (Current position)