(TRANSLATION ONLY)
Securities code: 2651

May 8, 2009

To Those Shareholders With Voting Rights

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

# NOTICE OF THE 34th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 34th 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 DOCUMENT 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 25, 2009.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 25, 2009 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 26, 2009
2. Place: Melpark Hall, 5-20, Shiba-Koen 2-chome, Minato-ku, Tokyo
3. Objectives of the Meeting

Reports
The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 34th Fiscal Term (from March 1, 2008 to February 28, 2009), as well as 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) Corporate Auditor

---

- For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. Please arrive a little early because the reception desk can be congested immediately before the meeting begins.
- If you wish to exercise your voting rights by proxy, your proxy is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in the proxy's own name at the reception desk. (The qualified proxy is limited to one shareholder having voting rights for this meeting as per the relevant provision in the Articles of Incorporation.)
- If any amendment is made to this notice, such amendment will be posted on the Company's Web site. Results of resolutions will also be posted on the Company's Web site, but not sent by mail as in the past. (http://www.lawson.co.jp/company/ir/index.html)

(TRANSLATION ONLY)

BUSINESS REPORT
(March 1, 2008 through February 28, 2009)

# I. CURRENT STATUS OF THE CORPORATE GROUP

## 1. Summary of Operations

### (1) Business Developments and Results of Operations

During fiscal 2008, the year ended February 28, 2009, the Japanese economy faced an increasingly uncertain outlook. This was due to climbing prices for daily necessities amid rising prices for crude oil and raw materials since the previous fiscal year, as well as to the increasing severity of the global financial crisis from the third quarter. In annualized terms, Japan's GDP for the October-December quarter of 2008 contracted at the fastest rate since the first oil shock in 1973. As economic conditions worsened, consumers increasingly tightened their belts mainly due to concerns over job security and falling personal income that were prompted by sluggish corporate results in the wake of plummeting exports.

In Japan's retail industry, major developments included growth in sales of PB (private brand) goods in response to increasingly conservative consumer spending patterns and capital alliances and operational tie-ups between major GMS (General Merchandise Store) chains and drugstores against the backdrop of the amendments to the Pharmaceutical Affairs Act that come into effect in 2009.

In the convenience store (CVS) industry, although fierce competition persisted in terms of both store openings and merchandise development, all CVS companies posted strong existing-store sales. Among other factors, more customers visited stores, driven by the introduction of cigarette vending machines that require taspo cards (adult identification IC cards) to make a purchase. Favorable weather conditions were another factor that benefited sales.

In this operating environment, the LAWSON Group (the "Company") took steps with the aims of realizing its corporate philosophy of "Happiness and Harmony in our Community," and improving customer satisfaction in convenience store operations and other businesses.

In terms of our operating results, total operating revenues increased 16.0% to ¥349,476 million, partly due to a ¥9,484 million increase in franchise commissions from franchised stores. Ordinary profit rose ¥2,542 million, or 5.5%, to ¥48,787 million. Net income climbed ¥3,187 million, or 14.4%, year on year to ¥25,306 million.

Operating results by business segment were as follows:

**Convenience Store Operations**

**Merchandise Strategy and Services**

On the merchandise front, in addition to focusing on developing merchandise assortments that appeal to a wide range of customer groups, the Company also developed several dishes with generous servings that are aimed at its traditional core customer base of young men. These dishes included *Genki Na Omori Katsudon* (super-size pork cutlet rice bowl) and *Niku-tappuri Hiyashi Chuka* (cold Chinese egg noodles with extra white meat topping). In sales promotions, the Company conducted campaigns with a stronger emphasis on entertainment based on the "Lawson Genki Plan" (in Japanese *Genki* means to be vibrant, cheerful, and vigorous). The Fall Rilakkuma Fair campaign, which ran from September through November 2008, helped immensely in expanding new customer groups, including women. Furthermore, the Company launched sales of *Lemon Flavor Karaage-kun* to a strong customer response. The launch of this new lemon-seasoned Japanese-style fried chicken was based on the results of a customer survey.

On the services front, the Company's bill settlement services processed more than 156 million transactions for customers, representing a total transaction value of ¥1,506.5 billion. Meanwhile, ATMs (automatic teller machines) were installed in stores in 1 new prefecture, bringing the total number of prefectures with LAWSON stores that have ATMs to 37. Strong subscriber support has enabled the membership cards, LAWSON PASS and MY LAWSON POINT, to enroll approximately 8.5 million members, reflecting aggressive membership promotions.

On December 1, 2008, the Company began allowing LAWSON PASS and MY LAWSON POINT members to exchange shopping points on their cards for discounts on purchases at the check-out counter, at the rate of ¥1 for every shopping point.

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

In specific terms, the Company endeavored to increase ordering accuracy by refining and making greater use of store charts, a decision-making tool created from analyses of marketing and management at the individual store level. The aim is to minimize lost sales opportunities, which result from stores being out of stock when a product is needed by customers, and to reduce product disposal losses, which are incurred by franchise owners when disposing of unsold products.

Furthermore, the Company has commenced store guidance activities designed to promote ordering based on the customer's perspective (via a new ordering system planned for deployment in fiscal 2009).

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

**Store Development**
The Company worked to develop stores that it expects to generate high earnings, by rigorously adhering to proprietary standards for opening stores. This entailed concentrating on opening new stores mainly in major metropolitan areas in the Kanto, Kinki and Chubu regions. As a result, daily sales at new stores grew steadily.

Ninety-nine Plus Inc., which became a consolidated subsidiary on September 5, 2008, is working to achieve further growth as a member of the LAWSON Group, based around a convenience store business specializing in perishable foods that can meet the needs of housewives and middle-aged and elderly customers.
[Change in Total Number of Stores] (March 1, 2008 to February 28, 2009) (Stores)

| | LAWSON | NATURAL LAWSON | LAWSON STORE100 and SHOP99 | Total |
|---|---|---|---|---|
| Total stores as of February 29, 2008 | 8,424 | 91 | 72 | 8,587 |
| Change during fiscal year | 85 | 2 | 853 | 940 |
| Total stores as of February 28, 2009 | 8,509 | 93 | 925 | 9,527 |

As of December 31, 2008, SHANGHAI HUALI AN LAWSON CO., LTD., a Chinese equity-method affiliate operating a convenience store chain in Shanghai, had 300 stores.

**Corporate Social Responsibility (CSR) Activities**

In the CSR field, the CSR Promotion Office, which reports directly to the president, continued to lead environmental protection and social contribution activities, working together with franchise owners and employees. The Company actively took part in disaster restoration and relief activities, including raising disaster relief funds and providing emergency relief supplies to areas affected by typhoons, earthquakes and other disasters. At the fiscal year-end, the total funds raised for the "Green Fund" and disaster relief funds since 1992 amounted to approximately ¥3.6 billion. Turning to waste reduction efforts, by the end of the fiscal year the Company's food recycling rate had reached roughly 24% thanks to waste reductions achieved by recycling cooking oils, promoting the conversion of food waste into animal feed and fertilizers, and using composting machines. Furthermore, in order to make more effective use of limited resources, in March 2007 the Company began a "Carry-It Campaign," which encourages customers to carry regularly their own shopping bags and chopsticks to reduce usage of plastic bags and disposable wooden chopsticks. Since the beginning of the campaign, a total of approximately 2 million "Convenience Store Eco-bags" have been distributed, mainly at stores. In recognition of its actions, LAWSON was awarded the "Minister of Economy, Trade and Industry Award" and the "Minister of the Environment Award for excellence in packaging" at the Achievement in Promoting 3R (Reduce, Reuse, Recycle Activities) Awards. In addition, by the end of the fiscal year, approximately 7,200 tons of $CO_2$ had been offset through the Company's carbon offset program, an initiative launched in April 2008 that allows customers to contribute to reducing $CO_2$ by purchasing carbon credits using their accumulated shopping points or cash, or by purchasing products designated for carbon offset.

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

**Other Activities**

In terms of business alliances, on January 21, 2009 LAWSON reached an agreement with SAN-A CO., LTD., which operates supermarkets and other businesses mainly in Okinawa, for a tie-up in Okinawa Prefecture. Going forward, the two companies will look at collaborating on developing boxed lunches and prepared foods made from local ingredients, new product proposals, and store openings, as well as exchange information on strong-selling products, and conduct joint sales promotions.

Furthermore, on March 13, 2009, LAWSON concluded a transfer agreement with REX Holdings Inc. to purchase all of the shares in and receivables of am/pm convenience store operator am/pm Japan Co., Ltd. owned by REX Holdings. This acquisition was originally scheduled to take place on March 30, but has been postponed because LAWSON decided that continued discussions were necessary regarding terms and conditions of the transfer agreement in order to ensure a seamless acquisition.

During fiscal 2008, the Company continued its efforts to improve internal control systems and instill awareness of compliance issues throughout the entire organization, based on the "2008 Basic Policy for Maintaining Internal Control Systems."

[Total Operating Revenues in the Convenience Store Business]

| Total Operating Revenues (¥ millions) | Year on Year (%) |
|---|---|
| 327,530 | 115.9 |

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

| Product Group | Sales (¥ millions) | Composition Ratio (%) | Year on Year (%) |
|---|---|---|---|
| Processed foods | 844,324 | 54.2 | 116.2 |
| Fast foods | 332,894 | 21.4 | 101.6 |
| Daily delivered foods | 186,109 | 11.9 | 114.4 |
| Non-food products | 195,453 | 12.5 | 98.6 |
| Total | 1,558,781 | 100.0 | 110.2 |

**Other Businesses**

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

LAWSON TICKET INC., which operates the ticket sales business, recorded year-on-year gains in ticket sales and operating profit thanks to robust concert ticket sales, a mainstay of this business.

LAWSON ATM Networks, Inc., which operates a financial services-related business, performed strongly as a result of increases in the number of ATM machines installed nationwide in LAWSON stores and in the number of transactions. As of February 28, 2009, the number of ATMs installed nationwide was 5,970.

[Total Operating Revenues in Other Businesses]

| Total Operating Revenues (¥ millions) | Year on Year (%) |
|---|---|
| 26,265 | 111.8 |

**(2) Capital Expenditures and Financing**

Capital expenditures of the LAWSON Group during the year totaled ¥36,392 million, of which ¥25,153 million was primarily for store facility investment in land and buildings, and ¥11,101 million was for the reinforcement of information systems.

The LAWSON Group's own funds were used for all the capital expenditures during the year ended February 28, 2009.

**(3) Changes in Operating Results and Financial Position**

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

| Category/Fiscal Term | Fiscal 2005 31st Term | Fiscal 2006 32nd Term | Fiscal 2007 33rd Term | Fiscal 2008 34th Term |
|---|---|---|---|---|
| Total operating revenues (¥ millions) | 268,058 | 283,053 | 301,176 | 349,476 |
| Ordinary profit (¥ millions) | 43,940 | 44,646 | 46,244 | 48,787 |
| Net income (¥ millions) | 22,025 | 20,983 | 22,119 | 25,306 |
| Net income per share (¥) | 215.50 | 201.50 | 214.69 | 255.22 |
| Total assets (¥ millions) | 375,106 | 398,258 | 397,107 | 436,171 |
| Net assets (¥ millions) | 175,184 | 199,493 | 188,573 | 203,178 |
| Net assets per share (¥) | 1,712 | 1,868 | 1,867 | 1,983 |

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

| Category/Fiscal Term | Fiscal 2005 31st Term | Fiscal 2006 32nd Term | Fiscal 2007 33rd Term | Fiscal 2008 34th Term |
|---|---|---|---|---|
| Total net sales of LAWSON stores including franchised stores (¥ millions) | 1,360,495 | 1,377,842 | 1,402,786 | 1,506,312 |
| Total operating revenues (¥ millions) | 248,041 | 256,023 | 269,582 | 279,739 |
| Ordinary profit (¥ millions) | 43,639 | 44,526 | 45,298 | 47,321 |
| Net income (¥ millions) | 22,707 | 21,733 | 18,899 | 22,066 |
| Net income per share (¥) | 222.18 | 208.70 | 183.43 | 222.54 |
| Total assets (¥ millions) | 368,276 | 389,109 | 385,335 | 402,117 |
| Net assets (¥ millions) | 179,505 | 200,257 | 187,146 | 195,634 |
| Net assets per share (¥) | 1,754 | 1,917 | 1,886 | 1,969 |

**(4) Pressing Issues**
In fiscal 2009, Japan's economy is expected to continue worsening based on the strong yen resulting from economic stagnation in the U.S. and Europe, and other factors. It is therefore unlikely that we will see any improvement in consumer spending, which has been weakened by concerns about job security and declining personal income due to sluggish corporate results.

Furthermore, the competitive landscape facing the convenience store industry is undergoing increasingly tumultuous change. Conventional convenience store businesses offer merchandise assortments and services principally aimed at the core target of young men in their 20s and 30s whose priority is time saving and convenience. If the Company adheres to this conventional format, it will be unable to avoid a battle of attrition between undifferentiated convenience stores in a mature market. This will in turn make it increasingly difficult to achieve stable and sustainable growth in an aging society with a falling birthrate.

In this environment, the LAWSON Group is pursuing a strategy aimed at creating stores that bring joy to customers, as outlined in the management policy for fiscal 2009 "Your Choice of CVS LAWSON –Cheerful and Happy Communities –". In line with this policy, the Company will carry out the following measures.

(i) Enhance existing customer satisfaction
In order to offer merchandise assortments and develop shopping facilities that suit the needs of customers in each "Machi" (store location), the Company is making use of data gathered from the 8.5 million LAWSON PASS and MY LAWSON POINT card members to create customer-oriented merchandise assortments.

Concerning merchandise, LAWSON will base its product development efforts on market analysis, particularly on data gathered from the card member programs, in order to develop products that reflect customer's opinions. In addition, the Company will pass the benefits of the lower cost of fuel and raw materials and the strong yen on to customers. Moreover, in order to enhance ties with local communities, the Company will work together with local governments to promote initiatives targeting local and non-local consumption of locally produced products.
With regard to sales promotions, the Company will seek to utilize the LAWSON PASS and MY LAWSON POINT membership cards in an effective manner.
These measures are also expected to lead to a greater number of customers and generate higher revenues, thereby raising the satisfaction levels of franchised store owners.

(ii) Improve asset efficiency by opening high-quality new stores and curbing store closures
LAWSON aims to improve asset efficiency as a whole by developing high-quality stores in accordance with proprietary store opening guidelines and reducing extraordinary losses from store closures by reducing store closures.

(iii) Strengthen personnel development
In accordance with its management policy and action guidelines, LAWSON is determined to nurture people who can think for themselves and not rely on direction from the top. In addition, personnel rotations are implemented to prepare future management candidates.

(iv) Introduce next-generation IT systems
LAWSON will introduce next-generation IT systems during fiscal 2009, with a view to revamping merchandise assortments based on customer-generated data. By doing so, the Company expects to reduce lost sales opportunities at stores and losses from product disposals while improving ordering precision and enhancing product development.

(v) Improve internal controls
The Company will follow its "2009 Basic Policy for Maintaining Internal Control Systems," to implement the necessary frameworks for ensuring legal compliance, information storage and control and risk management. In addition, regarding internal controls over financial reporting, effective from fiscal 2009, companies in Japan will be subject to the internal control reporting system stipulated by the Financial Instruments and Exchange Act. LAWSON will establish a dedicated internal organization to ascertain and document the status of internal controls throughout the Company and the various business processes that occur at the major operating bases. Through this process, the Company will put in place internal and third-party evaluation systems and related improvements, and implement them appropriately.

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

## 2. Current Status at the End of February 2009

### (1) Major Business Operations and Principal Offices

**Convenience Store Business**

1) LAWSON, INC.

Major Business: LAWSON, INC. operates the LAWSON-brand franchise system and Company-operated stores as the headquarters of LAWSON and NATURAL LAWSON convenience store chains

Head Office: Shinagawa-ku, Tokyo

Principal Offices: Hokkaido LAWSON Branch (Chuo-ku, Sapporo), Tohoku LAWSON Branch (Aoba-ku, Sendai), Kanto LAWSON Branch (Shinagawa-ku, Tokyo), Chubu LAWSON Branch (Naka-ku, Nagoya), Kinki LAWSON Branch (Suita, Osaka), Chugoku & Shikoku LAWSON Branch (Okayama, Okayama) and Kyushu LAWSON Branch (Hakata-ku, Fukuoka)

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

Stores:

| Prefecture | Number of Stores | Prefecture | Number of Stores | Prefecture | Number of Stores | Prefecture | Number of Stores |
|---|---|---|---|---|---|---|---|
| Hokkaido | 498 | Tokyo | 1,233 | Shiga | 123 | Kagawa | 98 |
| Aomori | 162 | Kanagawa | 640 | Kyoto | 236 | Ehime | 150 |
| Iwate | 166 | Niigata | 100 | Osaka | 935 | Kochi | 60 |
| Miyagi | 183 | Toyama | 106 | Hyogo | 529 | Fukuoka | 331 |
| Akita | 142 | Ishikawa | 78 | Nara | 104 | Saga | 58 |
| Yamagata | 56 | Fukui | 92 | Wakayama | 110 | Nagasaki | 84 |
| Fukushima | 98 | Yamanashi | 66 | Tottori | 87 | Kumamoto | 90 |
| Ibaraki | 106 | Nagano | 133 | Shimane | 82 | Oita | 126 |
| Tochigi | 105 | Gifu | 110 | Okayama | 122 | Miyazaki | 84 |
| Gunma | 68 | Shizuoka | 167 | Hiroshima | 132 | Kagoshima | 106 |
| Saitama | 372 | Aichi | 423 | Yamaguchi | 108 | Okinawa | 133 |
| Chiba | 342 | Mie | 84 | Tokushima | 109 | Total | 9,527 |

2) VALUE LAWSON, Inc.

Major Business: VALUE LAWSON, Inc. operates LAWSON STORE100 stores. The LAWSON STORE100 stores (72) are included in the table above.

Head Office: Shinagawa-ku, Tokyo

3) Ninety-nine Plus Inc.

Major Business: Ninety-nine Plus Inc. operates LAWSON STORE100 and SHOP99 stores. The 853 LAWSON STORE100 and SHOP99 stores operated by Ninety-nine Plus, including those operated by Ninety-nine Plus Kansai, Inc., are included in the table above.

Head Office: Kodaira, Tokyo

4) Ninety-nine Plus Kansai, Inc.

Major Business: Ninety-nine Plus Kansai, Inc. operates LAWSON STORE100 and SHOP99 stores.

Head Office: Osaka-shi, Osaka

**Other Business**

| Company Name | Head Office | Major Business | |
|---|---|---|---|
| LAWSON TICKET, INC. | Shibuya-ku, Tokyo | Ticket sales business | Sells tickets for various events inside LAWSON stores, etc. |
| i-Convenience, Inc | Shinagawa-ku, Tokyo | e-commerce business | Provides merchandise, services and information through its mobile phone site “LAWSON MOBILE” |
| 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 |

**(2) Employees**

1) Employees of the Corporate Group

| Designation of Business Segment | Number of Employees (YoY Increase) |
|---|---|
| Convenience store business | 4,820 (1,398) |
| Ticket sales business | 215 (41) |
| e-commerce business | 35 (2) |
| Financial services-related business | 21 (1) |
| Consulting business | 95 (9) |
| Total | 5,186 (1,451) |

(Note) The number of employees in the convenience store business as of February 28, 2009 includes 1,250 employees of new consolidated subsidiaries Ninety-nine Plus Inc. and Ninety-nine Plus Kansai, Inc.

2) Employees of the Company

| Number of Employees | (YoY Increase) | Average Age | Average Years of Service |
|---|---|---|---|
| 3,459 | (143) | 37.1 | 10.4 |

### (3) Status of Major Business Combinations

1) Important Subsidiaries

| Company Name | Common Stock (¥ millions) | Shareholding (%) | Major Business |
|---|---|---|---|
| VALUE LAWSON, Inc. | 99 | 100.0 | Convenience store business |
| Ninety-nine Plus Inc. | 5,338 | 76.8 | Convenience store business |
| Ninety-nine Plus Kansai, Inc. | 370 | 76.8 | Convenience store business |
| LAWSON TICKET, INC. | 2,892 | 75.1 | Ticket sales business |
| i-Convenience, Inc | 2,000 | 100.0 | e-commerce business |
| LAWSON ATM Networks, Inc | 3,000 | 53.0 | Financial services-related business |
| BestPractice Inc. | 10 | 100.0 | Consulting business |

Notes:

1. Ninety-nine Plus Inc. became a consolidated subsidiary of LAWSON as a result of the Company purchasing an additional 75,175 shares on September 5, 2008 through a public tender for Ninety-nine Plus Inc. shares. This additional share purchase raised LAWSON's equity interest in Ninety-nine Plus Inc. from 34.2% to 76.8%. Ninety-nine Plus Kansai, Inc. is a consolidated subsidiary wholly owned by Ninety-nine Plus Inc.
2. On May 1, 2009, Ninety-nine Plus Inc. and LAWSON subsidiary VALUE LAWSON, Inc. plan to merge. Ninety-nine Plus Inc. will be the surviving company.
3. i-Convenience, Inc merged with LAWSON TICKET, INC. on March 1, 2009. LAWSON TICKET, INC. is the surviving company.

2) Other Important Business Combinations

i) Important Affiliated Companies

| Company Name | Common Stock | Shareholding (%) | Major Business |
|---|---|---|---|
| SHANGHAI HUALIAN LAWSON CO., LTD. | CNY165,898 thousand | 49.0 | Convenience store business |

Notes:

1. On April 30, 2008, LAWSON sold all shares it held in LAWSON CS Card, INC. to Credit Saison Co., Ltd.
2. On December 26, 2008, LAWSON sold 727 of the shares it held in naturalBeat Co., Ltd. to LOTTE Co., Ltd. As this brought LAWSON's shareholding down to 19.9%, naturalBeat Co., Ltd. is no longer included as an equity-method affiliate.

ii) Important Business Alliances

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

On March 13, 2009, LAWSON concluded a comprehensive business alliance agreement with am/pm Japan Co., Ltd.

## II. CURRENT STATUS OF THE COMPANY
### 1. Shares at the End of the Year

(1) Total Number of Shares Authorized to Be Issued: 409,300,000 shares
(2) Total Number of Shares Issued and Outstanding: 99,600,000 shares (Including 432,015 shares of treasury stock)
(3) Number of Unit *(tangen)* Shares: 100 shares
(4) Number of Shareholders: 33,358
(5) Major Shareholders:

| Shareholder's Name | Investment in the Company | |
|---|---|---|
| | Number of shares held (Thousands) | Shareholding (%) |
| Mitsubishi Corporation | 32,089 | 32.4 |
| Japan Trustee Services Bank, Ltd. (Trust account) | 6,613 | 6.7 |
| The Master Trust Bank of Japan, Ltd. (Trust account) | 6,031 | 6.1 |
| Japan Trustee Services Bank, Ltd. (Trust account 4G) | 5,035 | 5.1 |
| Marubeni Foods Investment Co., Ltd. | 4,786 | 4.8 |
| NTT DoCoMo, Inc. | 2,092 | 2.1 |
| Trust & Custody Services Bank, Ltd. (Securities investment trust account) | 1,185 | 1.2 |
| STATE STREET BANK AND TRUST COMPANY 505223 | 1,178 | 1.2 |
| The Nomura Trust & Banking Co., Ltd. (Investment trust account) | 1,038 | 1.0 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 979 | 1.0 |

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

**2. Status of stock acquisition rights**

(1) Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2009

| | 3rd Stock Acquisition Rights | 4th Stock Acquisition Rights | 5th Stock Acquisition Rights | 6th (a) Stock Acquisition Rights |
|---|---|---|---|---|
| Number of option holders and the number of stock acquisition rights (units) | | | | |
| Directors (Excluding outside directors)<br>Outside directors | 2 persons<br>(130 units)<br>2 persons<br>(60 units) | 3 persons<br>(160 units)<br>3 persons<br>(90 units) | 1 person<br>(112 units)<br>3 persons<br>(21 units) | 3 persons<br>(137 units)<br>3 persons<br>(18 units) |
| Class of shares subject to stock acquisition rights | Common stock of LAWSON, INC. | Common stock of LAWSON, INC. | Common stock of LAWSON, INC. | Common stock of LAWSON, INC. |
| Number of shares subject to stock acquisition rights | 19,000 | 25,000 | 13,300 | 15,500 |
| Value of property invested in exercising stock acquisition rights (per share) | ¥4,320 | ¥4,160 | ¥1 | ¥1 |
| Exercise period | June 10, 2006 through June 9, 2009 | October 12, 2007 through December 31, 2010 | October 13, 2005 through May 31, 2025 | October 27, 2006 through May 26, 2026 |
| Main exercise conditions | A stock acquisition rights holder may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock on the Tokyo Stock Exchange exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 20% or more. | A stock acquisition rights holder may apply to the Company to exercise his or her rights only when the stock price of the Company's common stock on the Tokyo Stock Exchange exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more. | A stock acquisition rights holder may exercise his or her rights only for a period of five (5) years from the day after losing his or her position as a director of the Company. | A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of five (5) years from the day after losing his or her position as either director and/or executive officer of the Company. |

| | 6th (b) 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)<br>Outside directors | 3 persons (180 units)<br>3 persons (90 units) | 4 persons (162 units)<br>3 persons (18 units) | 4 persons (239 units)<br>3 persons (25 units) |
| Class of shares subject to stock acquisition rights | Common stock of LAWSON, INC. | Common stock of LAWSON, INC. | Common stock of LAWSON, INC. |
| Number of shares subject to stock acquisition rights | 27,000 | 18,000 | 26,400 |
| Value of property invested in exercising stock acquisition rights (per share) | ¥4,053 | ¥1 | ¥1 |
| Exercise period | October 28, 2008 through October 26, 2011 | September 6, 2007 through August 20, 2027 | January 17, 2009 through December 15, 2028 |
| Main exercise conditions | A stock acquisition rights holder may exercise his or her stock options when the closing price for ordinary transactions of the Company's common stock on the Tokyo Stock Exchange on the day immediately preceding the exercise date (the closing price of the nearest preceding trading day if such closing price was not established on the preceding day) exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more (with a fraction below one (1) yen to be rounded up). | A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of five (5) years from the day after losing his or her position as either director and/or executive officer of the Company. | A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of five (5) years from the day after losing his or her position as either director and/or executive officer of the Company. |

(2) Stock Acquisition Rights Issued to Executive Officers of the Company During the Year

| | |
|---|---|
| Date of resolution adopted by the Board of Directors | December 16, 2008 |
| Number of persons to whom the stock acquisition rights were issued and the number of stock acquisition rights (units): | |
| Executive officers of the Company (Excluding those who concurrently serve as corporate officers of the Company) | 11 persons (360 units) |
| Class of shares subject to stock acquisition rights | Common stock of LAWSON, INC. |
| Number of shares subject to stock acquisition rights | 36,000 |
| Value of property invested in exercising stock acquisition rights (per share) | ¥5,174 |
| Exercise period | January 18, 2011 through December 15, 2013 |
| Main exercise conditions | A stock acquisition rights holder may exercise his or her stock options when the closing price for ordinary transactions of the Company's common stock on the Tokyo Stock Exchange on the day immediately preceding the exercise date (the closing price of the nearest preceding trading day if such closing price was not established on the preceding day) exceeds the amount of the above "Value of property invested in exercising stock acquisition rights (per share)" by 1.1 times or more (with a fraction below one (1) yen to be rounded up). |

**3. Directors and Corporate Auditors**

(1) Positions, Names and Assignments

| Position | Name | Postings, Assignments in the Company or Representative Positions in Other Companies |
|---|---|---|
| Representative Director | Takeshi Niinami | President and CEO |
| Director | Toru Moriyama | Senior Executive Vice President and General Manager; Merchandising & Logistics Division |
| Director | Yoshiyuki Yahagi | Executive Vice President and CFO, General Manager, Management Services Office and Corporate Planning Office |
| Director | Manabu Asano | Executive Vice President and CCO |
| Director | Hiroshi Tasaka | Professor, Graduate School of Tama University |
| Director | Reiko Yonezawa | President, The R Co., Ltd. |
| Director | Takehiko Kakiuchi | Division COO, Foods(Commodity) Div., Mitsubishi Corporation |
| Standing Corporate Auditor | Munehiko Nakano | |
| Standing Corporate Auditor | Kenji Yamakawa | |
| Corporate Auditor | Tetsuo Ozawa | Lawyer |
| Corporate Auditor | Hiroshi Kuwata | General Manager, Risk Management Department, Mitsubishi Corporation |

Notes:

1. Directors Hiroshi Tasaka, Reiko Yonezawa and Takehiko Kakiuchi are outside directors as stipulated in Article 2, Item 15, of the Corporate Law of Japan.
2. Standing Corporate Auditor Munehiko Nakano and Corporate Auditors Tetsuo Ozawa and Hiroshi Kuwata are outside corporate auditors as stipulated in Article 2, Item 16, of the Corporate Law.
3. Standing Corporate Auditor Munehiko Nakano has assumed responsible posts for many years in the accounting and administration departments of Mitsubishi Corporation and therefore has considerable expertise in finance and accounting.
   Standing Corporate Auditor Kenji Yamakawa has assumed responsible posts for many years in the finance and accounting departments of the Company and other companies and therefore has considerable expertise in finance and accounting.
   Corporate Auditor Tetsuo Ozawa, lawyer, has practiced law and advised on legal matters and risk management mainly in relation to the legal affairs of companies and therefore has considerable expertise in finance and accounting.

Corporate Auditor Hiroshi Kuwata has served for many years in the investment management and examination departments and risk management of Mitsubishi Corporation and therefore has considerable expertise in finance and accounting.

4. Director Yoshiyuki Yahagi was promoted from the post of Executive Vice President to the post of Senior Executive Vice President on March 1, 2009.
   Director Toru Moriyama left the post of Senior Executive Vice President on April 1, 2009.
5. Executive officers who are not directors are as follows:

| | | | |
|---|---|---|---|
| Senior Executive Vice President | Takatoshi Kawamura | Senior Vice President | Noriyuki Nobayashi |
| Executive Vice President | Yoichi Yokomizo | Senior Vice President | Hajime Nakai |
| Senior Vice President | Shigeru Niikura | Senior Vice President | Atsushi Maeda |
| Senior Vice President | Norikazu Nishiguchi | | |
| Senior Vice President | Shigeaki Kawahara | | |
| Senior Vice President | Takaki Mizuno | | |
| Senior Vice President | Yoshio Shinozaki | | |
| Senior Vice President | Jun Miyazaki | | |

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

| Category | Number of persons | Amount paid (¥ millions) |
|---|---|---|
| Directors | 7 | 253 |
| Corporate Auditors | 4 | 65 |
| Total | 11 | 319 |

Notes:

1. As of February 28, 2009, the number of directors in office was 7 and that of corporate auditors was 4.
2. Of the above total, the remuneration to 6 outside corporate officers (outside directors and outside corporate auditors) was ¥81 million. In addition to the above, total remuneration received from LAWSON subsidiaries, etc. by outside corporate officers was ¥1 million, which was received by 1 person.
3. The above remuneration figures include amounts corresponding to stock acquisition rights as stock options to directors and the reserve for retirement benefits to corporate auditors for the reporting year.

(3) Outside Directors and Outside Corporate Auditors

1) Hiroshi Tasaka (Director)

Positions concurrently held as an executive director, etc., of other corporations:

- President, SophiaBank Limited
- Director, SBI Holdings, Inc.
- Fellow, The Japan Research Institute, Limited

The Company has no business relationship with SophiaBank Limited, of which Hiroshi Tasaka is President; SBI Holdings, Inc., of which he is a Director; or The Japan Research Institute, Limited, of which he is a Fellow.

Major activities during the year:

(Attendance at Board of Directors' meetings)

Mr. Tasaka attended 12 of 16 Board meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a learned person and a management executive.

2) Reiko Yonezawa (Director)

Position concurrently held as an executive director, etc., of other corporations:

- President, The R Co., Ltd.

The Company and The R Co., Ltd., in which Reiko Yonezawa is President, have a business relationship with regard to the entrustment of reception services and employment agency services.

Positions concurrently held as an outside officer of other corporations:

- Outside director, Japan Post Holdings Co., Ltd.
- Outside director, Culture Convenience Club Co., Ltd.

Major activities during the year:

(Attendance at Board of Directors' meetings)

Ms. Yonezawa attended 15 of 16 Board meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive.

3) Takehiko Kakiuchi (Director)

Position concurrently held as an executive director, etc., of other corporations:

- Division COO, Foods(Commodity) Div., Mitsubishi Corporation

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.

Positions concurrently held as an outside officer of other corporations:

- Outside director, Kentucky Fried Chicken Japan, Ltd.
- Outside director, NIHON SHOKUHIN KAKO CO., Ltd.

Major activities during the year:

(Attendance at Board of Directors' meetings)

Mr. Kakiuchi attended 11 of 16 Board meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about consumer lifestyles.

4) Munehiko Nakano (Standing Corporate Auditor)

Position concurrently held as an outside officer of other corporations:

Outside corporate auditor, Ninety-nine Plus Inc.

Major activities during the year:

As a standing corporate auditor, Mr. Nakano examined financial documents, and visited relevant establishments and business partners to examine business operations and financial positions thereof. Also, while he monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems, he is responsible for smooth operations of the Board of Corporate Auditors as its Chairman.

(Attendance at Board of Directors' and Board of Corporate Auditors' meetings)

Mr. Nakano attended 16 of 16 Board of Directors' meetings and 14 of 14 Board of Corporate Auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant occupational experience in accounting and investment management.

5) Tetsuo Ozawa (Corporate Auditor)

Positions concurrently held as an outside officer of other corporations:

- Outside corporate auditor, Monex Group, Inc.
- Outside corporate auditor, Monex Inc.
- Outside corporate auditor, CEMEDINE CO., LTD.

Major activities during the year:

(Attendance at Board of Directors' and Board of Corporate Auditors' meetings)

He attended 16 of 16 Board of Directors' meetings and 14 of 14 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.

6) Hiroshi Kuwata (Corporate Auditor)

Position concurrently held as an executive director, etc., of other corporations:

- General Manager, Risk Management Department, Mitsubishi Corporation

The Company and Mitsubishi Corporation, of which Mr. Kuwata is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.

Major activities during the year:

(Attendance at Board of Directors' and Board of Corporate Auditors' meetings)

Mr. Kuwata attended 13 of 16 Board of Directors' meetings and 14 of 14 Board of Corporate Auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant occupational experience in risk management.

(4) Outline of Liability Limitation Agreements With Outside Directors and Outside Corporate Auditors

The Company has entered into agreements with the outside directors and outside corporate auditors to limit their liability with regard to the damages outlined under Article 423, Paragraph 1, of the Corporate Law, whereby their liability shall be, at a maximum, the total sum of the amounts set forth in the respective relevant items of Article 425, Paragraph 1, of the Corporate Law.

## 4. Independent Auditor

(1) Independent Auditor

Deloitte Touche Tohmatsu

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

1) Remuneration to be paid by the Company to the Independent Auditor: ¥50 million

2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Auditor: ¥125 million

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

(3) Non-Audit Services

The Company entrusts the following services, which do not come under the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Law (non-audit services), to the Independent Auditor:

1) Consulting on the disclosure of quarterly financial information;

2) Consulting on the preparation of documents translated into English for earnings reports and other various financial documents; and

3) Advice on and guidance on internal controls for financial reporting.

(4) Policy on Decisions Concerning Dismissal or Non-Reappointment of the Independent Auditor

If the Independent Auditor violates or infringes the Corporate Law, the Certified Public Accountant Law, or other laws or regulations, or the Company considers it necessary to do so, the Board of Directors shall, after obtaining the agreement of the Board of Corporate Auditors, submit a proposal for dismissal or non-reappointment of the Independent Auditor to a general meeting of shareholders. In addition, the Board of Corporate Auditors can dismiss the Independent Auditor with a unanimous resolution if it determines that any act or circumstance of the Independent Auditor falls under any items of Article 340, Paragraph 1, of the Corporate Law.

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

At the Board of Directors' meeting held on February 18, 2009, based on improvements and the operation of the preceding "2008 Basic Policy for Improvement of Internal Control Systems," which was approved at the Board of Directors' meeting held on February 19, 2008, the Company passed a resolution called the "2009 Basic Policy for Improvement of Internal Control Systems," as indicated below.

(1) Systems to Ensure Compliance of the Execution of Duties by Directors and Employees with Laws and Regulations and the Articles of Incorporation

1) The Board of Directors shall determine the improvement policies and plans for internal control systems, including those for compliance with laws, regulations and the like (hereinafter the "Compliance"), and receive status reports thereof periodically.

2) The Board of Directors shall maintain and improve the supervising function regarding the execution of duties by the Directors by electing outside Directors on an ongoing basis.

3) The Corporate Auditors shall independently audit the execution of duties by the Directors, including the status concerning the improvement of the internal control systems.

4) The Internal Audit Department, which is independent from the business-executing bodies, shall audit the status concerning the improvement of the internal control systems, and recommend improvements thereof, as required.

5) The Board of Directors shall maintain and raise the awareness of officers and employees regarding compliance by thoroughly disseminating the LAWSON Group Code of Conduct and the LAWSON Ethical Mission Statement by such measures including, but not limited to, as appointing a Chief Compliance Officer (CCO), assigning personnel in charge of compliance, streamlining the rules in relation to compliance and providing periodic training on ethics.

6) The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company's businesses and communicating the content thereof to the relevant departments and sections.

7) The Company shall establish and upgrade reporting and consulting systems (internal and outside contact points and a group-wide consulting contact point) that fully protect informants.
8) The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on and deal with improper demands by consulting with lawyers, the police and the like.

(2) Systems to Preserve and Manage Information Pertaining to the Execution of Duties by Directors
1) The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the Board of Directors and the Management Council, and authorizing documents, including those approved by the President, as well as financial, clerical and risk- and compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing relevant parties to inspect the above information.
2) The Company shall manage and monitor its information systems in a secure manner, in addition to maintaining the system 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.

(3) Rules and Other Systems Regarding Risk Management
1) The Company shall identify risks that might have adverse effects on the Company’s management in connection with its business purposes, analyze the probability of such risk factors materializing and their impact, and evaluate whether intensive countermeasures should be taken. At the same time, the Company shall improve rules related to risk management and group-wide risk-prevention systems during normal operations.
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.

(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 by which management guidelines and policies are disseminated to employees by corporate officers, and important field information is properly communicated by employees to corporate officers in a timely manner.

(5) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and Its Subsidiaries
1) The Company shall endeavor to maintain and enhance the LAWSON brand through close collaboration with subsidiaries and affiliated companies (hereinafter “Associated Companies”). However, with regards to affiliated companies, the Company will work to establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders, difference in laws, regulations and business customs and the like of foreign countries.
2) While respecting the independence of Associated Companies, in view of the purpose of the Company’s equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof to ensure the appropriateness of Group-wide business operations.

3) The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies, and promote improvements based on the results of audits.

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

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

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

1) The Company shall assign appropriate personnel to the Auditors' Office as employees exclusively to assist Corporate Auditors in the execution of their duties (hereinafter "Corporate Auditors' Staff").
2) Corporate Auditors' Staff may serve concurrently as Corporate Auditors of Associated Companies.
3) Corporate Auditors' Staff shall have the authority to conduct investigations necessary for audits by Corporate Auditors following the instructions of Corporate Auditors.
4) The Legal Affairs, Risk Management and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any Corporate Auditor.

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

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

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

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

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

1) The Representative Directors and Corporate Auditors shall have regular meetings to enhance smooth communications with each other.
2) Directors shall cooperate with the Corporate Auditors with regards to communications, the collection and exchange of information and so on between the Corporate Auditors and the corporate directors and the like of Associated Companies so that the Corporate Auditors can perform their duties appropriately.
3) Directors shall also cooperate in conducting surveys of significant business partners, which the Corporate Auditors deem necessary.
4) Directors shall enable the Corporate Auditors to collaborate with outside experts such as lawyers and certified public accountants, if any Corporate Auditor deems it necessary in executing his/her duties.

---

The above amounts and the number of shares in this Business Report are rounded down to the nearest unit and the ratios are rounded to the nearest whole number.

**Consolidated Balance Sheet** **(As of February 28, 2009)**

(Millions of yen)

| Assets | | Liabilities | |
|---|---|---|---|
| Account item | Amount | Account item | Amount |
| Current assets | 154,760 | Current liabilities | 181,804 |
| Cash and bank deposits | 82,486 | Accounts payable —trade | 77,215 |
| Accounts receivable—due from franchised stores | 21,376 | Accounts payable— due to franchised stores | 822 |
| Marketable securities | 5,299 | Long-term debt due within one year | 816 |
| Merchandise inventories | 5,292 | Accounts payable—other | 26,641 |
| Prepaid expenses | 7,010 | Income taxes payable | 9,455 |
| Short-term loans receivable | 300 | Deposits received | 58,844 |
| Accounts receivable—other | 26,692 | Accrued employees' bonuses | 3,199 |
| Deferred tax assets | 4,061 | Provision for use of points granted | 933 |
| Other | 2,382 | Other | 3,876 |
| Allowance for doubtful accounts | (140) | Long-term liabilities | 51,188 |
| Fixed assets | 281,410 | Long-term debt | 1,152 |
| Property and store equipment | 114,999 | Allowance for employees' retirement benefits | 5,050 |
| Buildings and structures | 94,321 | Allowance for retirement benefits to executive officers and corporate auditors | 201 |
| Furniture, fixtures and equipment | 13,458 | Deposits received from franchisees and lessees | 42,440 |
| Land | 6,899 | Allowance for impairment loss on leased property | 480 |
| Construction in progress | 320 | Other | 1,863 |
| Intangible assets | 31,902 | Total liabilities | 232,992 |
| Software | 12,014 | Net assets | 58,506 |
| Software development in progress | 14,571 | Owners' equity | 197,624 |
| Goodwill | 4,851 | Common stock | 58,506 |
| Other | 464 | Capital surplus | 41,520 |
| Investments and other | 134,509 | Retained earnings | 99,310 |
| Investments in securities | 750 | Treasury stock | (1,712) |
| Long-term loans receivable | 27,422 | Valuation and translation adjustments | (937) |
| Long-term prepaid expenses | 6,049 | Net unrealized loss on available-for-sale securities | (28) |
| Lease deposits | 85,357 | Land revaluation difference | (969) |
| Deferred tax assets | 14,544 | Foreign currency translation adjustments | 59 |
| Deferred tax assets for land revaluation | 180 | Stock acquisition rights | 274 |
| Other | 2,610 | Minority interests | 6,217 |
| Allowance for doubtful accounts | (2,406) | Total net assets | 203,178 |
| Total Assets | 436,171 | Total Liabilities, and total net assets | 436,171 |

**Consolidated Statement of Income**
**(From March 1, 2008 to February 28, 2009)**

(Millions of yen)

| Account item | Amount | |
|---|---|---|
| Operating revenues | | |
| Franchise commissions from franchised stores | 186,927 | |
| Other | 42,604 | 229,532 |
| Net sales | | |
| Net sales | (119,943) | 119,943 |
| Total operating revenues | | 349,476 |
| Cost of goods sold | (88,358) | 88,358 |
| Gross profit on sales | (31,585) | |
| Operating gross profit | | 261,117 |
| Selling, general and administrative expenses | | 211,931 |
| Operating income | | 49,186 |
| Non-operating income | | |
| Interest received | 943 | |
| Compensation received for removal | 646 | |
| Other | 467 | 2,056 |
| Non-operating expenses | | |
| Loss on cancellation of store lease contract | 1,493 | |
| Equity in losses of affiliated companies | 631 | |
| Other | 331 | 2,456 |
| Ordinary profit | | 48,787 |
| Special gains | | |
| Gain on sales of fixed assets | 3 | |
| Gain on sales of investment in securities | 91 | 94 |
| Special losses | | |
| Loss on disposal of fixed assets | 4,053 | |
| Loss on impairment of long-lived assets | 2,013 | |
| Other | 606 | 6,674 |
| Income before income taxes and minority interests | | 42,207 |
| Income taxes －current | 17,675 | |
| Income taxes – deferred | (1,183) | 16,492 |
| Minority interests in net income | | 409 |
| Net income | | 25,306 |

**Consolidated Statement of Changes in Net Assets**
**(From March 1, 2008 to February 28, 2009)**

(Millions of yen)

| | Owners' equity | | | | | Valuation and translation adjustments | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total owners' equity | Net unrealized loss on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Land revaluation difference | Foreign currency translation adjustments | Total valuation and translation adjustments | Stock acquisition rights | Minority interests | Total net assets |
| Balance at the end of previous period | 58,506 | 41,520 | 87,390 | (1,837) | 185,579 | 134 | (1) | (682) | 140 | (408) | 159 | 3,242 | 188,573 |
| Changes of items during the period | | | | | | | | | | | | | |
| Dividends from surplus | | | (13,385) | | (13,385) | | | | | | | | (13,385) |
| Net income | | | 25,306 | | 25,306 | | | | | | | | 25,306 |
| Purchase of treasury stock – at cost | | | | (1) | (1) | | | | | | | | (1) |
| Exercise of stock acquisition rights (treasury stock allotment) | | | (1) | 126 | 125 | | | | | | | | 125 |
| Net changes of items other than owners' equity – net | | | | | | (162) | 1 | (287) | (81) | (529) | 114 | 2,975 | 2,561 |
| Total changes of items during the period | — | — | 11,919 | 125 | 12,044 | (162) | 1 | (287) | (81) | (529) | 114 | 2,975 | 14,605 |
| Balance at the end of the current period | 58,506 | 41,520 | 99,310 | (1,712) | 197,624 | (28) | — | (969) | 59 | (937) | 274 | 6,217 | 203,178 |

(Notes to the Consolidated Financial Statement)

1. Scope of consolidation

Consolidated subsidiaries: 7

(Domestic) LAWSON TICKET, INC.
i-Convenience, Inc
LAWSON ATM Networks, Inc
BestPractice Inc.
VALUE LAWSON, Inc
Ninety-nine Plus Inc.
Ninety-nine Plus Kansai, Inc.

Ninety-nine Plus became a consolidated subsidiary from an affiliated company effective this fiscal year, after increase in shares by public tender finalized on September 5, 2008.

2. Application of the equity method

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

(Foreign) SHANGHAI HUALIAN LAWSON CO., LTD.

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

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

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

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

By sales of shares of LAWSON CS Card, INC and naturalBeat Co., Ltd.. respectively, these two companies are no more group companies.

3. Fiscal year end of the consolidated subsidiaries

Among equity method application companies, the closing date is March 31 for Ninety-nine Plus Inc. and Ninety-nine Plus Kansai, Inc. When preparing the consolidated financial statements, the Company used these companies' financial information prepared based on the financial data at the end of the most recently fiscal quarter and, as required, made certain adjustments for significant transactions that subsequently occurred in the intervening period until the end of the consolidation fiscal year. The closing date of consolidated subsidiaries except these companies is the same as the Company closing 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 the market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

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

Inventories:

Merchandise inventories: Principally, retail method applied on an annual average cost basis.

(2) Depreciation

Property and store equipment:

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

Intangible assets:

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.

Long-term prepaid expenses:

Amortization of long-term prepaid expenses is computed by the straight-line method.

(3) Accounting policies for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Provision for use of points granted:

The Company provides LAWSON PASS holders and MY LAWSON POINT holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees' Retirement Benefits:

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

Allowance for Retirement Benefits to Executive officers and Corporate Auditors:

Allowance for retirement benefits to corporate auditors and executive officers of The Company, and to directors and corporate auditors of the certain consolidated subsidiary are calculated to state the liability at 100% of the amount that would be required if all corporate auditors, executive officers and directors resigned their services with the Company at the balance sheet date.

(4) Foreign Currency Translation and Foreign Currency Financial Statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts as well as revenue and expense accounts of foreign affiliated companies are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" in a separate component of Net assets.

(5) Leases

Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

(6) Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

5. Valuation of assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries, including the portion attributable to minority interests, are valued at their fair values at the respective dates when the subsidiaries were initially consolidated.

6. Amortization of Goodwill

Goodwill, or goodwill equivalent in the case of affiliates accounted for by the equity method, is amortized on a straight-line basis over relevant years, depending on the reason for the occurrence of goodwill with maximum of 20 years.

(Notes to the Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥127,887 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 for land used for business that is scheduled to be sold has been included in net assets as land revaluation difference, net of the related tax, which is included in 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

The difference between book value and market value of the revalued land as of the balance sheet date was ¥263million.

(Notes to the Consolidated Statement of Income)

Long-lived assets

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

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

| Category by use | Location | Assets | Millions of yen |
|---|---|---|---|
| Stores | Tokyo | Buildings and structures・Furniture, fixtures and equipment and others | 205 |
| | Osaka | 〃 | 164 |
| | Others | 〃 | 1,644 |
| Total | — | — | 2,013 |

| Category by fixed assets | (Millions of yen) |
|---|---|
| Buildings and structures | 1,457 |
| Furniture, fixtures and equipment | 205 |
| Leased property | 340 |
| Other | 10 |

Recoverable value of the impaired assets is calculated based on the net selling price or value in use. The net selling price of land was calculated based on the appraised value by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which mainly the 5.3% discount rate was applied.

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

1. Number of shares of outstanding stock and treasury stock.

| | Number of shares at the end of previous period (thousand shares) | Increase during the period (thousand shares) | Decrease during the period (thousand shares) | Number of shares at the end of the period (thousand shares) |
|---|---|---|---|---|
| Outstanding stock | | | | |
| Common stock | 99,600 | — | — | 99,600 |
| Treasury stock | | | | |
| Common stock | 463 | 0 | 31 | 432 |

Note: Increase in 0 thousand shares in treasury stock was resulted from purchase of stock less than unit share.
Decrease in 31 thousand shares in treasury stock resulted from provision in relation to exercise of stock option.

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 23, 2008) | Common stock | 5,452 | 55 | As of February, 29, 2008 | As of May, 26, 2008 |
| Directors' meeting (October 14, 2008) | Common stock | 7,933 | 80 | As of August 31, 2008 | As of November, 10, 2008 |

(2) Dividends for which the effective date is after the year - end balance sheet date, while dividends attributed in this period.

| Date of resolution | Class of shares | Reserve of Dividend | Amount of dividend payment (Millions of yen) | Dividend per share (yen) | Date attributable to dividend | Effective date |
|---|---|---|---|---|---|---|
| The General meeting of shareholders (May 26, 2009) | Common stock | Retained Earnings | 7,933 | 80 | As of February, 28, 2009 | As of May, 27, 2009 |

3. Kind and number of stock which can be exercised by outstanding stock acquisition rights (excluding those before exercisable period).
Common stock 352,200 shares

(Accounting for income taxes)

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

| | | (Millions of yen) |
|---|---|---|
| Enterprise taxes payable | ¥ | 901 |
| Accrued employees' bonuses | | 1,301 |
| Excess of depreciation | | 4,969 |
| Excess of amortization of software | | 793 |
| Allowance for employees' retirement benefits | | 4,323 |
| Allowance for doubtful accounts | | 625 |
| Impairment loss | | 2,165 |
| Tax loss carryforward | | 2,215 |
| Loss on replacement of computer system | | 841 |
| Other | | 2,434 |
| Subtotal of deferred tax assets | ¥ | 20,574 |
| Less valuation allowances | | (1,968) |
| Total deferred tax assets | | 18,605 |

(Accounting for retirement benefits)

Summary of the retirement benefit plans:
The Company and a certain domestic subsidiary have defined benefit lump - sum severance indemnity plans which cover substantially all of their employees. The Company established a trust fund for its lump - sum severance indemnity plan.
In addition, the Company has a defined contribution plan for severance payments.

Projected benefit obligations

| | (Millions of yen) |
|---|---|
| a. Projected benefit obligations | (12,226) |
| b. Plan assets | 5,574 |
| c. Projected benefit obligations in excess of plan assets (= a + b) | (6,652) |
| d. Unrecognized prior service cost | 878 |
| e. Unrecognized actuarial differences | 722 |
| f. Allowance for employees' retirement benefits (=c + d + e) | (5,050) |

Net periodic benefit cost

| | | (Millions of yen) |
|---|---|---|
| a. Service cost | ¥ | 872 |
| b. Interest cost | | 222 |
| c. Amortization of prior service cost | | 175 |
| d. Amortization of actuarial differences | | 97 |
| e. Net periodic benefit cost (= a + b +c + d) | ¥ | 1,368 |
| f. Contribution to defined contribution plan | | 265 |
| g. Total (= e + f) | | 1,633 |

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

Basis of calculation of projected benefit obligations

| | |
|---|---|
| a. Discount rate | 2.0% |
| b. Expected rate of return on plan assets | 0% |
| c. Allocation method of estimated total retirement benefits | Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period) |

(Per Share data)

| | | |
|---|---|---|
| 1. Net assets per share | 1,983.36 | yen |
| 2. Net income per share | 255.22 | yen |

**Non-consolidated Balance Sheet** **<u>(As of February 28, 2009)</u>**

(Millions of yen)

| Assets | | Liabilities | |
|---|---|---|---|
| Account item | Amount | Account item | Amount |
| Current assets | 125,134 | Current liabilities | 156,960 |
| Cash and bank deposits | 64,068 | Accounts payable —trade | 66,336 |
| Accounts receivable—due from franchised stores | 21,170 | Accounts payable— due to franchised stores | 764 |
| Marketable securities | 3,000 | Accounts payable—other | 23,072 |
| Merchandise inventories | 1,484 | Income taxes payable | 8,439 |
| Prepaid expenses | 6,142 | Consumption taxes payable | 675 |
| Short-term loans receivable | 3,100 | Accrued expenses | 1,746 |
| Accounts receivable—other | 23,064 | Deposits received | 51,862 |
| Deferred tax assets | 4,590 | Accrued employees' bonuses | 3,065 |
| Other | 1,384 | Provision for use of points granted | 928 |
| Allowance for doubtful accounts | (2,868) | Other | 68 |
| Fixed assets | 276,982 | Long-term liabilities | 49,521 |
| Property and store equipment | 107,477 | Allowance for employees' retirement benefits | 4,963 |
| Buildings | 75,682 | Allowance for retirement benefits to executive officers and corporate auditors | 147 |
| Structures | 12,353 | Deposits received from franchisees and lessees | 42,434 |
| Furniture, fixtures and equipment | 12,222 | Allowance for impairment loss on leased property | 352 |
| Land | 6,899 | Other | 1,623 |
| Construction in progress | 320 | Total liabilities | 206,482 |
| Intangible assets | 24,132 | | |
| Software | 7,990 | Net assets | |
| Software development in progress | 14,552 | Owners' equity | 196,339 |
| Goodwill | 1,148 | Common stock | 58,506 |
| Other | 440 | Capital surplus | 41,520 |
| Investments and other | 145,373 | Additional paid-in capital | 41,520 |
| Investments in securities | 259 | Retained earnings | 98,025 |
| Investments in subsidiaries and affiliated company | 16,843 | Legal reserve | 727 |
| Investments in affiliated limited private company | 438 | Other retained earnings | |
| Long-term loans receivable | 27,355 | General reserve | 50,000 |
| Long-term prepaid expenses | 5,313 | Earned surplus brought forward | 47,298 |
| Lease deposits | 81,489 | Treasury stock | (1,712) |
| Deferred tax assets | 13,746 | Valuation and translation adjustments | (979) |
| Deferred tax assets for land revaluation | 180 | Net unrealized loss on available-for-sale securities | (10) |
| Other | 2,128 | Land revaluation difference | (969) |
| Allowance for doubtful accounts | (2,381) | Stock acquisition rights | 274 |
| | | Total net assets | 195,634 |
| Total Assets | 402,117 | Total Liabilities, and total net assets | 402,117 |

**Non-consolidated Statement of Income**
**(From March 1, 2008 to February 28, 2009)**

(Millions of yen)

| Account item | Amount | |
|---|---|---|
| Operating revenues | | |
| Franchise commissions from franchised stores | 186,548 | |
| Other | 21,045 | 207,593 |
| Net sales | | |
| Net sales | (72,145) | 72,145 |
| Total operating revenues | | 279,739 |
| Cost of goods sold | (51,760) | 51,760 |
| Gross profit on sales | (20,385) | |
| Operating gross profit | | 227,978 |
| Selling, general and administrative expenses | | 181,065 |
| Operating income | | 46,913 |
| Non-operating income | | |
| Interest and dividend income | 1,074 | |
| Compensation received for removal | 646 | |
| Other | 420 | 2,141 |
| Non-operating expenses | | |
| Loss on cancellation of store lease contract | 1,459 | |
| Other | 273 | 1,733 |
| Ordinary profit | | 47,321 |
| Special gains | | |
| Gain on sales of fixed assets | 3 | |
| Gain on sales of investment in securities | 91 | |
| Gain on sales of investment in subsidiary | 25 | 120 |
| Special losses | | |
| Loss on disposal of fixed assets | 3,586 | |
| Provision of allowance for doubtful account | 2,800 | |
| Loss on impairment of long-lived assets | 1,980 | |
| Other | 1,138 | 9,505 |
| Income before income taxes | | 37,936 |
| Income taxes - current | 16,436 | |
| Income taxes - deferred | (566) | 15,869 |
| Net income | | 22,066 |

**Non-consolidated Statement of Changes in Net Assets**
**(From March 1, 2008 to February 28, 2009)**

(Millions of yen)

| | Owners' 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 owners' equity |
| Balance at the end of previous period | 58,506 | 41,520 | - | 41,520 | 727 | 50,000 | 38,618 | 89,345 | (1,837) | 187,534 |
| Changes of items during the period | | | | | | | | | | |
| Dividends from surplus | | | | | | | (13,385) | (13,385) | | (13,385) |
| Net income | | | | | | | 22,066 | 22,066 | | 22,066 |
| Purchase of treasury stock – at cost | | | | | | | | | (1) | (1) |
| Exercise of stock acquisition rights (treasury stock allotment) | | | | | | | (1) | (1) | 126 | 125 |
| Net changes of items other than owners' equity – net | | | | | | | | | | |
| Total changes of items during the period | — | — | — | — | — | — | 8,680 | 8,680 | 125 | 8,805 |
| Balance at the end of the current period | 58,506 | 41,520 | — | 41,520 | 727 | 50,000 | 47,298 | 98,025 | (1,712) | 196,339 |

| | Valuation and translation adjustments | | | Stock acquisition rights | Total net assets |
|---|---|---|---|---|---|
| | Net unrealized loss on available-for-sale securities | Land revaluation difference | Total valuation and translation adjustments | | |
| Balance at the end of previous period | 133 | (682) | (548) | 159 | 187,146 |
| Changes of during the period | | | | | |
| Dividends from surplus | | | | | (13,385) |
| Net income | | | | | 22,066 |
| Purchase of treasury stock – at cost | | | | | (1) |
| Exercise of stock acquisition rights (treasury stock allotment) | | | | | 125 |
| Net changes of items other than owners' equity – net | (144) | (287) | (431) | 114 | (316) |
| Total changes of items during the period | (144) | (287) | (431) | 114 | 8,488 |
| Balance at the end of the current period | (10) | (969) | (979) | 274 | 195,634 |

(Notes to the Non-consolidated Financial Statement)

1. Valuation of Securities

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

Available-for-sale securities:

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

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

Investments in subsidiaries and affiliated companies: Stated at cost determined by the moving-average method.

2. Valuation of Inventories

Merchandise inventories: Retail method applied on an annual average cost basis.

3. Depreciation

Property and store equipment:

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

Intangible assets:

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.

Long-term prepaid expenses:

Amortization of long-term prepaid expenses is computed by the straight-line method

4. Accounting policies for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Provision for use of points granted:

The Company provides LAWSON PASS holders and MY LAWSON POINT holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores.

Allowance for Employees' Retirement Benefits:

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

Allowance for Retirement Benefits to Executive officers and Corporate Auditors:

Allowance for retirement benefits to corporate auditors and executive officers of the Company is calculated to state the liability at 100% of the amount that would be required if all corporate auditors, executive officers resigned their services with the Company at the balance sheet date.

5. Leases
Finance leases that do not transfer ownership of leased property to the lessee are accounted for as rental transactions.

6. Accounting for consumption tax
Consumption tax is excluded from income and expense.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥ 122,671 million

2. Due from / to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies ¥ 3,331 million
Short-term payables due to subsidiaries and affiliated companies ¥ 1,182 million
Long-term payables due to subsidiaries and affiliated companies ¥ 25 million

3. Revaluation of land used for business
Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference for land used for business that is scheduled to be sold has been included in net assets as land revaluation difference, net of the related tax, which is included in 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

The difference between book value and market value of the revalued land as of the balance sheet date was ¥ 263million.

(Notes to the Non-consolidated Statement of Income)

1. Transactions with subsidiaries and affiliated companies

Operating transactions

| | |
|---|---|
| Operating revenues | ¥ 2,271 million |
| Selling, general and administrative expenses | ¥ 2,818 million |
| Transactions other than operating transactions: | ¥ 229 million |

2. Long-lived assets

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

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

| Category by use | Location | Assets | Millions of yen |
|---|---|---|---|
| Stores | Tokyo | Buildings・Furniture, fixtures and equipment and others | 174 |
| | Osaka | 〃 | 163 |
| | Others | 〃 | 1,642 |
| Total | — | — | 1,980 |

| Category by fixed assets | (Millions of yen) |
|---|---|
| Buildings | 1,224 |
| Structures | 203 |
| Furniture, fixtures and equipment | 202 |
| Leased property | 340 |
| Other | 9 |

Recoverable value of the impaired assets is calculated based on the net selling price or value in use. The net selling price of land was calculated based on the appraised value by the real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which the 5.3% discount rate was applied.

3. Provision of allowance for doubtful accounts

Provision of allowance for doubtful accounts has been made for loans receivable to the consolidated subsidiary VALUE LAWSON, Inc.

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

Number of shares and kind of treasury stock

Common stock 432,015 shares

(Accounting for Income taxes)

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

| | | (Millions of yen) |
|---|---|---|
| Enterprise taxes payable | ¥ | 786 |
| Accrued employees' bonuses | | 1,247 |
| Loss on write-down of investments in affiliated companies | | 801 |
| Excess of depreciation | | 4,848 |
| Excess of amortization of software | | 729 |
| Allowance for employees' retirement benefits | | 4,287 |
| Allowance for doubtful accounts | | 1,748 |
| Impairment loss | | 1,870 |
| Loss on replacement of computer system | | 841 |
| Other | | 2,018 |
| Subtotal of deferred tax assets | ¥ | 19,181 |
| Less valuation allowances | | (844) |
| Total deferred tax assets | | 18,336 |

(Accounting for retirement benefits)

Summary of the retirement benefit plans:
The Company has defined benefit lump - sum severance indemnity plans which cover substantially all of their employees. The Company established a trust fund for its lump - sum severance indemnity plan. In addition, the Company has a defined contribution plan for severance payments.

| Projected benefit obligations | (Millions of yen) |
|---|---|
| a. Projected benefit obligations | (12,139) |
| b. Plan assets | 5,574 |
| c. Projected benefit obligations in excess of plan assets (= a + b) | (6,565) |
| d. Unrecognized prior service cost | 878 |
| e. Unrecognized actuarial differences | 722 |
| f. Allowance for employees' retirement benefits (= c + d + e) | (4,963) |

Net periodic benefit cost
(Millions of yen)

| | | |
|---|---|---|
| a. Service cost | ¥ | 823 |
| b. Interest cost | | 222 |
| c. Amortization of prior service cost | | 175 |
| d. Amortization of actuarial differences | | 97 |
| e. Net periodic benefit cost (= a + b + c + d) | ¥ | 1,320 |
| f. Contribution to defined contribution plan | | 265 |
| g. Total (= e + f) | | 1,585 |

Basis of calculation of projected benefit obligations

| | |
|---|---|
| a. Discount rate | 2.0% |
| b. Expected rate of return on plan assets | 0% |
| c. Allocation method of estimated total retirement benefits | Straight-line basis (a method to allocate estimated total retirement benefits equally to respective periods in employee's whole service period) |

(Leases)

Finance lease contracts other than those by which the ownership of the leased property is to be transferred to lessees:

(1) The assumed data as to acquisition cost, accumulated depreciation and net leased property

(Millions of yen)

| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Leased property |
|---|---|---|---|---|
| Furniture, fixtures and equipment | 54,200 | 30,427 | 776 | 22,996 |

(2) Obligations under finance leases

(Millions of yen)

| | |
|---|---|
| Due within one year | 7,123 |
| Due after one year | 17,101 |
| Total | 24,224 |
| Allowance for impairment loss on leased property | 352 |

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

(Millions of yen)

| | |
|---|---|
| Lease payments | 11,112 |
| Transfer from allowance for impairment loss on leased property | 302 |
| Depreciation expense | 10,520 |
| Interest expense | 849 |
| Impairment loss | 340 |

(4) Computation method of depreciation expense

Depreciation expense is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of interest expense

The difference between the total lease contract amount and the acquisition cost is assumed to be interest, and interest expense is computed by the interest method.

(Related Party Transactions)

(1) Subsidiaries and affiliates

| Attribute | Company name | Business line or profession | Equity ownership percentage | Relationship with the Company | | Description of transactions | Transaction amount (Millions of yen) | Account item | Ending balance (Millions of yen) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Directors posts held | Business relationship | | | | |
| Affiliated companies | LAWSON CS Card, Inc | Financial service | — | — | Outsourcing of a card service etc | Decrease in short-term loans receivable<br>Interest received | 20,000<br>37 | — | — |

Transaction conditions and the principles on the decision thereof:
1. The interest rates of short-term loans were determined rationally, referring to the market interest rate.
2. Amounts presented between LAWSON and LAWSON CS Card, INC. are related to transactions from March 1, 2008 through April 30, 2008 because LAWSON sold all shares on April 30, 2008.

(2) Subsidiaries of an affiliated company of the Company

| Attribute | Company name | Business line or profession | Equity ownership percentage | Relationship with the Company | | Description of transactions | Transaction amount (Millions of yen) | Account item | Ending balance (Millions of yen) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Directors posts held concurrently | Business relationship | | | | |
| Subsidiaries of an affiliated company of the Company | RYOSHOKU LIMITED | Sales of processed foods | (Ownership) the company is directly owned 0.3 % | — | Vendor | Purchases for the Company-operated stores (Purchases for the franchised stores) | 5,774<br>(85,856) | Accounts payable-trade | 6,571 |
| | Food Service Network Co, Ltd | Sales of fast foods and daily delivered foods | — | — | Vendor | Purchases for the Company-operated stores (Purchases for the franchised stores) | 14,711<br>(212,886) | Accounts payable-trade | 16,441 |
| | SAN-ESU INC. | Confectionary wholesale business | — | — | Vendor | Purchases for the Company-operated stores (Purchases for the franchised stores) | 2,013<br>(31,452) | Accounts payable-trade | 2,930 |

Transaction conditions and the principles on the decision thereof:
The terms and conditions for purchase transactions are determined as the same as those for other general business transactions, except that regarding the purchases made for the franchised stores, the Company acts as an alternative payer, not as direct party of purchase.

(Per Share data)

| | | |
|---|---|---|
| 1. Net assets per share | 1,969.99 | yen |
| 2. Net income per share | 222.54 | yen |

The above amounts and the number of shares in these consolidated and non-consolidated statements are truncated below the unit, and the ratios are rounded to the nearest whole number.

（TRANSLATION ONLY）

**INDEPENDENT AUDITORS' REPORT**

April 3, 2009

To the Board of Directors of
LAWSON, INC.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya

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

Pursuant to the first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the balance sheet as of February 28, 2009 of LAWSON INC. (the “Company”), and the related statements of income and changes in net assets, and the related notes for the 34th fiscal year from March 1, 2008 to February 28, 2009 and the accompanying supplemental schedules. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements and the accompanying supplemental schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying supplemental schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the accompanying supplemental schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

（TRANSLATION ONLY）

**INDEPENDENT AUDITORS' REPORT**

April 3, 2009

To the Board of Directors of
LAWSON, INC.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Toshihiko Matsumiya

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

Pursuant to the fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 28, 2009 of LAWSON, INC. (the "Company") and consolidated subsidiaries, and the related statements of income and changes in net assets, and the related notes for the 34th fiscal year from March 1, 2008 to February 28, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

(TRANSLATION ONLY)
<Copy of the Audit Report of the Board of Corporate Auditors>

**AUDIT REPORT**

Regarding the execution of duties by the Directors for the 34th business term from March 1, 2008 to February 28,2009, 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, and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the execution of their duties, asked for explanations whenever necessary, reviewed important authorized documents and the like, and investigated the status of operations and assets at the head office, branches, and other principal offices and stores.

In addition, pursuant to the audit items and audit methods established by the Board of the Corporate Auditors, we have monitored and verified the resolution of the Board of Directors regarding the organization of the system as prescribed by item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company. With respect to subsidiaries, we have communicated and exchanged information with the Directors, Corporate Auditors and other relevant personnel of subsidiaries, requested the subsidiaries to report on their business where necessary, and investigated their status of operations and assets. Based on the above methods, we have examined the business report and supplementary schedules thereof for this business term.

Furthermore, we have monitored and verified whether Accounting Auditor maintained its independent position and implemented appropriate audit, and we received reports from Accounting Auditor regarding the status of the execution of its duties and, whenever necessary, asked for explanations. In addition, we have received the notice from the Accounting Auditor that “System for ensuring that the duties are performed properly” (matters set forth in each item of Article 131 of the Company Accounting Regulations) is organized in accordance with the “Quality Control Standards for Audits” (Business Accounting Council, October 28, 2005) and the like, and, when necessary, asked for explanations. Based on the above methods, we have examined the “consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in stockholder’s equity, and notes to consolidated financial statements)” and “non-consolidated financial statements (balance sheet, statement of income, non-consolidated statements of changes in stockholder’s equity, and notes to non-consolidated financial statements) and supplementary schedules thereof” for this term.

2. Result of Audit

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

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

(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, 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, are adequate.

April 13, 2009

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor Munehiko Nakano
(Outside Corporate Auditor)

Standing Corporate Auditor Kenji Yamakawa

Corporate Auditor Tetsuo Ozawa
(Outside Corporate Auditor)

Corporate Auditor Hiroshi Kuwata
(Outside Corporate Auditor)

## REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

**Proposals and references**

**Proposal No. 1: Appropriation of Surplus**

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

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

Year-end dividends:

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

¥80 per share of the Company's common stock for a total of ¥7,933,438,800

Note: The annual dividend per share would be ¥160, including an interim dividend per share of ¥80, representing an increase of ¥50 from the annual dividend applicable to the previous fiscal year.

(2) Effective date of the dividends from surplus

Wednesday, May 27, 2009

**Proposal No. 2: Partial Amendment to the Articles of Incorporation**

We propose partially amending the existing Articles of Incorporation as described below.

**1. Reasons for the amendments**

(1) The Company seeks to clarify the positioning of business objectives by designating convenience store and other franchise businesses, the Company's main operations, as the first item in Article 2: Purposes of Incorporation, so as to enable shareholders and all other stakeholders to better understand the Company's business objectives. Furthermore, given that convenience stores are already a well-established part of the social infrastructure and products and services sold at stores are widely known, the Company proposes streamlining provisions regarding the various products and services handled mainly by convenience stores and methods of providing same in order to provide a detailed response to customers' constantly changing needs. At the same time, the Company proposes the item number adjustments as required.

If, in future, the Company enters new businesses other than its main convenience store and other franchise operations, the Company will seek shareholder approval again for changing the business objectives as necessary after considering the impact on its operating results.

(2) The Company proposes the following changes due to enforcement of the "Law to Amend Part of the Law Concerning Book-Entry Transfer of Bonds, Etc. to Streamline Settlements for Trading in Stocks, Etc." (Law No. 88, 2004, "Settlement Streamlining Law")

1) Because Supplementary Provision paragraph 1 of Article 6 of the Settlement Streamlining Law deems that the Company made a resolution to amend its Articles of Incorporation to abolish provisions for issuing share certificates when the electronic share certificate system took effect in Japan on January 5, 2009, the Company proposes deleting existing paragraphs 2 and 3 of Article 6 (Number of Unit Shares (*Tangen-Kabushiki*) and Issuance of Share Certificates) and text from paragraph 3 of existing Article 9 (Custodian of Shareholders' Register) regarding the register of forfeited share certificates. Furthermore, because Article 221 of the Corporate Law of Japan (the "Corporate Law") requires the creation and retention of a register of forfeited share certificates even after the switch to the electronic share certificate system for one year from the day after the enforcement date of the Settlement Streamlining Law, the Company proposes establishing the required provision in the supplementary provisions.

2) Because Supplementary Provision Article 2 of the Settlement Streamlining Law abolishes the "Law Concerning Depository and Book-Entry Transfer of Share Certificates, Etc." (1984, Law No. 30) and the share certificate custodian and transfer system, the Company proposes deleting the text in existing Article 8: Purchase by Shareholders to Make Up for Less-than-Unit (*tangen*) Shares) and paragraph 3 of Article 9 relating to beneficial shareholders and the register of beneficial shareholders.

(3) The Company proposes partially amending text in accordance with the aforementioned amendments.

## 2. Details of the amendments

Proposed amendments are described below.

(Amendments underlined)

| Existing Articles | Proposed Amendments |
|---|---|
| ARTICLE 2: Purposes of Incorporation<br>The Company shall be organized for the purpose of operating the following businesses: | ARTICLE 2: Purposes of Incorporation<br>The Company shall be organized for the purpose of operating the following businesses: |
| 1. To sell foods, daily necessities, clothing, furniture, bedclothes, electrical appliances, materials for photographic equipment and tools, petroleum products, sporting goods, toys, cosmetics, medical equipment, quasi-drugs and pharmaceuticals; | 1. To conduct businesses relating to the management of convenience stores and other businesses in a franchised chain system; |
| 2. To sell watches, eyeglasses, precious metals and jewelry; | 2. To sell or act as a sales agent for products and services through stores, mainly convenience stores, the Internet and other means and to operate wholesaling, distribution, lease, export and import of same. |
| 3. To sell all kinds of alcoholic beverages, salt, rice, cigarettes and smoking goods; | Deleted |
| 4. To sell post stamps, postcards and fiscal stamps; | Deleted |
| 5. To sell musical instruments and recording media such as, records, video tapes, compact discs, laser discs and DVDs; | Deleted |
| 6. To sell magazines, books, newspapers and works of fine art; | Deleted |
| 7. To sell seeds, bulbs, plants, animals, animal feeds and fertilizer; | Deleted |
| 8. To sell motor vehicles, motorcycles and bicycles; | Deleted |
| 9. To sell computers and computer software; | Deleted |
| 10. To operate the business of catalog-based mail orders; | Deleted |
| 11. To act as an agent for such businesses as courier service, cleaning, and ticket sale; | Deleted |
| 12. To sell gift coupons; | Deleted |
| 13.<br>to (Related provisions omitted)<br>27. | 3.<br>to (The same as existing provisions)<br>17. |

| | |
|---|---|
| 28. To provide of technical support, guidance, research, training, publicity and advertising with regard to the management of convenience stores in a franchised chain system, and publish printed materials therefor; | Deleted |
| 29.<br>to (Related provisions omitted)<br>31. | 18.<br>to (The same as existing provisions)<br>20. |
| 32. To operate wholesaling, distribution, lease, export and import of the products listed in above 1–12; and | Deleted |
| 33. (Related provision omitted) | 21. (The same as the existing provision) |
| ARTICLE 6: Number of Unit Shares *(Tangen-Kabushiki)* and Issuance of Share Certificates<br>1) (Related provision omitted)<br>2) The Company shall issue share certificates with respect to the shares.<br>3) Notwithstanding the preceding paragraph, the Company may not issue share certificates with respect to less-than-unit *(tangen)* shares. | ARTICLE 6: Number of Unit Shares *(Tangen-Kabushiki)*<br>1) (The same as existing provision)<br>Deleted<br>Deleted |
| ARTICLE 8: Purchase by Shareholders to Make Up for Less-than-Unit *(tangen)* Shares<br>The shareholders of the Company (including beneficiary shareholders; hereinafter the same) having less-than-unit *(tangen)* shares may request the Company to sell additional shares to numerically make unit shares *(Tangen-Kabushiki)* together with their own shares | ARTICLE 8: Purchase by Shareholders to Make Up for Less-than-Unit *(tangen)* Shares<br>The shareholders of the Company having less-than-unit *(tangen)* shares may request the Company to sell additional shares to numerically make unit shares *(Tangen-Kabushiki)* together with their own shares |
| ARTICLE 9: Custodian of Shareholders' Register<br>1) (Related provision omitted)<br>2) (Related provision omitted)<br>3) The register of shareholders (including the register of beneficiary shareholders, hereinafter the same), the ledger of stock options and the register of forfeited share certificates of the Company shall be made and kept by the custodian of the shareholders' register, and other administrative services concerning the register of shareholders, the ledger of stock options and the register of forfeited share certificates of the Company shall be delegated to the custodian of the shareholders' register, and such services shall not be handled by the Company. | ARTICLE 9: Custodian of Shareholders' Register<br>1) (The same as existing provision)<br>2) (The same as existing provision)<br>3) The register of shareholders and the ledger of stock options of the Company shall be made and kept by, and other administrative services shall be delegated to, the custodian of the shareholders' register, and such services shall not be handled by the Company. |
| ARTICLE 15: Method of Adopting Resolutions<br>1) (Related provision omitted)<br>2) The adoption of resolutions as prescribed by Article 309, Paragraph 2, of the Corporate Code | ARTICLE 15: Method of Adopting Resolutions<br>1) (The same as existing provision)<br>2) The adoption of resolutions as stipulated by Article 309, Paragraph 2, of the Corporate Code |

| | |
|---|---|
| shall be made by an affirmative vote of not less than two-thirds (2/3) of the voting rights held by shareholders present, where such shareholders present shall hold shares representing not less than one-third (1/3) of the exercisable voting rights of the shareholders.<br>(New establishment) | shall be made by an affirmative vote of not less than two-thirds (2/3) of the voting rights held by shareholders present, where such shareholders present shall hold shares representing not less than one-third (1/3) of the exercisable voting rights of the shareholders.<br>Supplementary Provision<br>The making and keeping of the register of forfeited share certificates of the Company and other administrative services thereof shall be delegated to the custodian of the shareholders' register, and such services shall not be handled by the Company. This supplementary provision will be deleted on January 6, 2010. |

**Proposal No. 3: Election of One (1) Corporate Auditor**

The term of office of current corporate auditor Kenji Yamakawa expires at the conclusion of this 34th Ordinary General Meeting of Shareholders. Accordingly, we propose that shareholders elect one (1) corporate auditor.

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

The nominee for corporate auditor is as follows.

| Name (Date of Birth) | Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies | | Number of the Company's Shares Held |
|---|---|---|---|
| Kenji Yamakawa (September 2, 1947) | April 1970 | Joined The Daiei, Inc. | 3,200 |
| | April 1992 | General Manager, Accounting Division, The Daiei, Inc. | |
| | May 1992 | Corporate Auditor, LAWSON, INC. | |
| | March 1994 | General Manager, Corporate Planning Office, The Daiei, Inc. | |
| | May 1995 | General Manager, Accounting Division, The Daiei, Inc. | |
| | February 1996 | Director, General Manager, Finance & Accounting Office, LAWSON, INC. | |
| | January 2002 | Senior Vice President, General Manager, Internal Audit Office, LAWSON, INC. | |
| | June 2002 | Senior Vice President, Director, Internal Audit Office, LAWSON, INC. | |
| | April 2003 | Senior Vice President, Director, General Affairs Office, LAWSON, INC. | |
| | March 2004 | Senior Vice President, SVP, General Affairs Office, LAWSON, INC. | |
| | May 2004 | Standing Corporate Auditor (Current position), LAWSON, INC. | |
| | May 2006 | Corporate Auditor, LAWSON TICKET INC. (Current position) | |

Notes:

1. The nominee does not have any special interest in the Company.
2. The nominee's Brief Personal History, Assignment and Position in the Company, and Representative Positions in Other Companies are as of April 13, 2009.