

May 2, 2014

To All Shareholders with Voting Rights

Takeshi Niinami
Representative Director
Lawson, Inc.
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo

NOTICE OF THE 39th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 39th Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting, please exercise your voting rights using either of the methods described below after reading the attached REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS.

[Voting in Writing (by Mail)]

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Monday, May 26, 2014.

[Voting by Electronic Means (Internet, etc.)]

Please exercise your voting rights by 5:45 p.m. on Monday, May 26, 2014 after reading the attached document “Exercising Voting Rights via the Internet, etc.”

1. Date and Time: 10:00 a.m., Tuesday, May 27, 2014

2. Venue: Tokyo International Forum, Hall C, 5-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Objectives of the Meeting

Reports:

The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 39th Fiscal Term (from March 1, 2013 to February 28, 2014), and the Audit Reports Thereof

Matters to Be Resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Election of Nine (9) Directors

Proposal No. 3: Revision to the Amount and Substance of Stock Options for Directors

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- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. The reception desk will open at 9:00 a.m. Please arrive a little early because the reception desk can be congested immediately before the meeting begins.
 - If you wish to exercise your voting rights by proxy, your proxy is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in the proxy’s own name at the reception desk. (The qualified proxy is limited to one shareholder having voting rights for this meeting as per the relevant provision in the Articles of Incorporation.)

BUSINESS REPORT

(March 1, 2013 through February 28, 2014)

I. CURRENT STATUS OF THE CORPORATE GROUP**1. Summary of Operations****(1) Business Developments and Results of Operations**

During the consolidated fiscal year under review, or the fiscal 2013 ended February 28, 2014, the Lawson Group (hereinafter, the “Group”) implemented measures to reinforce its social infrastructure function that provides essential items and services at the local level with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in our Communities.” Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM) ^{*1} and supply chain management (SCM) ^{*2} in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

In terms of operating results for the fiscal year under review, gross operating revenue decreased year on year by ¥2,197 million to ¥485,247 million (down 0.5%). This was attributable to a decrease of ¥24,782 million in net sales despite an increase of ¥22,584 million in operating revenue, resulting from an increase in the number of franchised stores and a decrease in the number of Company-operated stores. Although cost of sales fell ¥18,247 million owing to a decrease in the number of Company-operated stores, selling, general and administrative expenses climbed ¥14,169 million to ¥290,483 million (up 5.1%) due to increases in rents and depreciation. As a result, operating income grew ¥1,880 million to ¥68,126 million (up 2.8%), ordinary income rose ¥2,954 million to ¥68,880 million (up 4.5%), and net income increased ¥4,782 million to ¥37,965 million (up 14.4%).

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

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

Operating results by business segment were as follows:

[Domestic Convenience Store Business]**(Merchandise Strategy)**

On the merchandise front, we strengthened our evening and nighttime merchandise assortment throughout the year by expanding our lineup of ready-made meals, including carbohydrate-based foods such as lunch boxes, rice balls and sandwiches, and over-the-counter fast foods, in order to enhance satisfaction of customers visiting our stores, especially in and after evening hours.

In our mainstay rice category, our Furusato-no-umai! line offering lunch boxes and rice balls was tremendously popular for its high-value-added products using ingredients specific to different regions across Japan. We also strengthened our merchandise assortment of fresh foods centered on pre-cut vegetables and processed foods that tend to be purchased in combination with fresh foods.

In the over-the-counter fast foods category, new products such as “Genkotsumenchi” (fried minced meat balls) and “Ohgon-Chicken” (tender and juicy fried chicken with a golden crispy crust) were highly received, achieving robust sales. In addition, we expanded the number of stores equipped with MACHI café, an in-store café first launched in fiscal 2011 offering freshly ground and brewed coffee, to 7,776 as of the end of the fiscal year under review, successfully increasing profitability while deepening communication with customers and improving customer service. We have also steadily installed an in-store kitchen facility Machikado Chubo in more stores, aiming to offer freshly prepared dishes such as “Katsu sandwiches.” The number of stores with Machikado Chubo has reached 2,076 as of the end of the fiscal year under review, and they are becoming increasingly popular among customers. In the dessert category, we launched pancakes and waffle-cone ice cream products under our UCHI café SWEETS brand, as well as the Frozen Sweets series frozen cupped dessert served by thawing in the microwave oven, all of which were extremely popular.

In May 2013, we strengthened product development with the aim of not only responding to customers' health concerns, but also promoting health. Of note, bran^{*3} bread, a low-carbohydrate product we began to fully promote this fiscal year ended February 2014, has been well received by many customers who are health conscious or need to limit their intake of carbohydrates. We have also expanded our merchandise assortment of pre cut vegetables made with vegetables produced based on the Nakashima Farming Method^{*4}, one of the most prominent mineral farming methods in Japan. By thus highlighting health consciousness in our products and in-store presentation, we have boosted Group's corporate brand image as a health-promoting convenience store. Furthermore, we have been implementing rigorous initiatives to manage the health condition of our employees since last year as part of our corporate drive to promote good health. Our focus on health will be further strengthened as an approach adopted throughout the entire Lawson chain including franchised stores.

As of the end of February 2014, we are now operating 15 Lawson Farms. The farms were established with the aim of supplying the Group's stores with fruits and vegetables as fresh food products on a stable basis as well as providing produce for use as ingredients in Lawson's original products. In sales promotions, we implemented a point-reward campaign targeting Ponta members to encourage purchasing with the aim of increasing the rate of repeat visits.

Total Ponta members reached 60 million as of the end of February 2014, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 49%.

^{*3} Bran: Known as "Fusuma". The external layer of wheat contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrate.

^{*4} Nakashima Farming Method: A cultivation method that supplies appropriate nutrients in accordance with the growth status of crops and the nutritional balance of the soil (mineral balance). Use techniques for developing healthy soil based on diagnosis of soil conditions in conjunction with techniques to control the growth process of crops to maintain healthy growth. In August 2013, Lawson, Inc. acquired a 70% stake in Eisai Co., Ltd. (currently, Seikaken Inc.), which owns soil condition diagnosis techniques and manufactures and supplies soil fertilizers that optimize mineral balance in soil and crops.

(Store Operations)

In store operations, we continued to reinforce adherence to the Three Essential Practices, which emphasizes (1) serving customer courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our store and communities clean, in addition to expanding our lineup of health-conscious products that are safe, reliable, and delicious. Notably, with the increasing number of stores equipped with MACHI café, store employees are more capable of offering products and services in a caring manner through better communication with customers. We strived to further improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them.

In store operations, by using the store-by-store analysis reports formulated based on Ponta members' data, which we started distributing to franchised stores in March, we encouraged sharing of initiatives and knowledge among all stores and continued striving to achieve merchandise assortment and store features tailored to each store.

Furthermore, we have also continued implementing measures to streamline our order placement procedures and reduce lost opportunities. Going forward, we will further push forward with our efforts to achieve merchandise assortment that suits customers visiting each store by leveraging Ponta members' data and implementing shelf allocation tailored to the locational characteristics of each store.

(Store Development and Store Format Strategy)

In opening new stores, the Group prioritized profitability based on its proprietary return on investment (ROI)-focused store development standard. As a result, the total number of stores operated by the Group reached 11,337 as of the end of the fiscal year under review. With regard to store format strategy, in addition to LAWSON and NATURAL LAWSON, we opened our first LAWSON MART store in February 2014. Developed based on LAWSON STORE 100, LAWSON MART is a convenience store tailored more closely to each locality. We will make maximum use of these store formats and promote a store format strategy that responds specifically to the needs of customers in each neighborhood.

As of February 1, 2014, Lawson, Inc. (the Company) acquired Ninety-nine Plus, Inc., along with its store-related assets including its franchise agreements with LAWSON STORE 100 fresh foods convenience stores. As a result, the Group centralized all Lawson chain store administrative functions, including store asset management and franchise promotion, thus enabling it to further advance its efficient area-targeted strategies tailored more closely to the needs of local customers. As of the same day, the operational functions of Ninety-nine Plus, Inc., including store management and product development, were succeeded by Lawson Mart, Inc. based on an absorption-type company split. The functions that were succeeded will be further enhanced going forward.

In an effort to reinforce stores that cater to healthcare needs, we increased the number of Pharmacy LAWSON (pharmaceutical convenience stores), a store format that integrates drug-dispensing pharmacies operated by Qol Co., Ltd. with LAWSON and NATURAL LAWSON, to 36, and the number of stores offering over-the-counter pharmaceuticals to 87 as of the end of February 2014.

In May 2013, the Company established Lawson Minamikyushu, Inc. with the aim of reinforcing store operations in Kagoshima Prefecture. The number of Lawson chain stores operated in Kagoshima Prefecture by Lawson Minamikyushu, Inc. reached 82 as of the end of February 2014. Lawson Kumamoto, Inc. was also established in May 2013, with the number of Lawson chain stores operated in Kumamoto Prefecture by the Company climbing to 24 as of the end of February 2014. Lawson Kumamoto, Inc. is scheduled to be merged into the Company effective March 1, 2014. The number of Lawson chain stores operated in Okinawa Prefecture by Lawson Okinawa, Inc. as of the end of February 2014 totaled 163.

[Change in Total Number of Stores]

	Total stores as of February 28, 2013	Change during fiscal year	Total stores as of February 28, 2014
LAWSON	9,642	388	10,030
NATURAL LAWSON	110	(5)	105
LAWSON STORE 100/ LAWSON MART	1,224	(22)	1,202
Total	10,976	361	11,337

[Total Operating Revenues in the Domestic Convenience Store Business]

Total Operating Revenues (¥ millions)	Year on Year (%)
410,323	97.9

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

Fiscal period Product group	Current fiscal year March 1, 2013 to February 28, 2014		YOY percentage change (%)
	Sales (Millions of yen)	Percentage of total (%)	
Processed foods	1,060,455	54.7	99.7
Fast foods	408,672	21.1	109.6
Daily delivered foods	275,437	14.2	101.3
Nonfood products	196,726	10.0	98.1
Total	1,937,292	100.0	101.7

[Other Businesses]

In addition to domestic convenience store business, the Group is involved in overseas business, Entertainment and Home Convenience Business, Financial services related business, and other businesses.

With regards to overseas business, the Group's operating companies, shown in the following table, opened stores in Shanghai, Chongqing, Dalian, and Beijing in the People's Republic of China.

In May 2013, we established Beijing Lawson, Inc. which opened two stores in August. In Indonesia, PT MIDI UTAMA INDONESIA Tbk, in which Lawson Asia Pacific Holdings Pte. Ltd. (hereinafter, LAP), our Asian umbrella subsidiary in Singapore, holds a 30% stake, operates Lawson stores.

In Thailand, Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON 108.

[Distribution of Lawson Brand Stores Overseas by Region (As of February 28, 2014)]

Company	Country/region	Number of stores (As of February 28, 2013)	Change during fiscal year	Number of stores (As of February 28, 2014)
Shanghai Hualian Lawson, Inc.	Shanghai, China	305	(16)	289
Chongqing Lawson, Inc.	Chongqing, China	49	28	77
Dalian Lawson, Inc.	Dalian, China	8	10	18
Beijing Lawson, Inc.	Beijing, China	–	5	5
Saha Lawson Co., Ltd.	Bangkok, Thailand	–	29	29
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	83	(22)	61
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	2	2	4
Total		447	36	483

*1 Saha Lawson Co., Ltd. operates 219 stores under store brands other than LAWSON 108.

*2 PT MIDI UTAMA INDONESIA Tbk operates 670 stores under store brands other than Lawson.

In the Group's entertainment/home convenience business, Lawson HMV Entertainment, Inc. posted a solid performance led by an increase in ticket sales of concerts, events and leisure activities. Revenue from the entire Group's ticketing services continued to secure top position in the ticketing industry. The number of HMV stores that sell music CDs and DVDs totaled 50 as of the end of February 2014. The Group also promoted its regular food delivery service through Smart Kitchen, Inc., and undertook collaborative initiatives with Daichi Wo Mamoru Kai, Co., Ltd. and Radishbo-ya Co., Ltd. through capital/business alliances.

Lawson ATM Networks, Inc., which operates a financial services-related business, posted a solid performance owing to an increase in the number of ATMs installed, along with a rise in the number of transactions. We started providing financial services for 7 new banks as their business partner, bringing the total number of our financial institution partners to 65 nationwide, including online banks, and the number of ATMs installed nationwide to 10,118 (up 446 year on year) as of the end of February 2014.

[Total Operating Revenues in Other Businesses]

Total Operating Revenues (¥ millions)	Year on Year (%)
79,735	109.2

[Environmental and Social Contribution Activities]

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

In response to the launch of the Feed-in Tariff Scheme for Renewable Energy, a measure taken by the government against global warming, we started introducing solar power generation systems at our stores in October 2012 as our own initiative to tackle domestic energy issues. The systems have been installed at a total of 1,581 stores as of the end of February 2014. Also, in February 2014, we opened a next-generation pilot convenience store in Moriguchi-shi, Osaka, jointly with Panasonic Corporation. By harnessing Panasonic's technologies, the store aims to reduce its electricity consumption by 50% from the fiscal 2010 level, provide convenient services based on Information and communication technology, and propose health-oriented products and services. In addition, the Group introduced refrigerator/freezer systems using CO₂ refrigerant, which has high heat transfer efficiency and uses less electricity, at 136 stores by the end of February 2014. As a result, these stores not only consumed less electricity, but also achieved a 50% reduction in annual CO₂ emissions per store compared with stores that adopted conventional systems using alternatives to chlorofluorocarbons. In recognition of these energy-saving and energy-generating initiatives that contribute to reducing CO₂ emissions, the Group received Japan's 2013 Minister of the Environment Award for the Promotion of Measures to Cope with Global Warming, its second consecutive award. We will strive to make improvements by verifying the outcome at these stores, and apply our accumulated expertise and knowhow to Lawson stores nationwide. Furthermore, as part of our initiative to reduce environmental impact on the entire supply chain, we started calculating CO₂ emissions at each stage of the supply chain ranging from procurement of ingredients to disposal of merchandise. We will endeavor to save energy and resources not only at Lawson stores but also throughout the entire supply chain.

In our efforts to undertake social contribution activities at our stores, we have been hosting the Lawson Green Fund, a donation project active since 1992; the Support for Dreams Fund, a scholarship program for students in three Tohoku prefectures that were affected by the 2011 Great East Japan Earthquake; and the TOMODACHI Fund, which aims to support education of students in Tohoku mainly through a US-Japan exchange endeavor. For all these initiatives, we launched a group-wide fund-raising activity named Happiness in Communities in June 2013.

Starting from the fiscal year under review, the Group has combined its *Annual Report* and *Corporate Citizenship Report* to issue the *Lawson Integrated Report 2013* in September 2013, which incorporates both financial and nonfinancial information for all stakeholders.

As a member of society, the Group will continue to make unified group-wide efforts to implement initiatives that aim to address social and environmental issues together with its customers and business partners.

(2) Capital Expenditures and Financing

Capital expenditures of the Group during the year totaled ¥46,735 million, of which ¥39,552 million was primarily for store facility investment in land and buildings, and ¥5,361 million was for the upgrading of information systems.

Furthermore, capital expenditures required for facility investments and others carried out in the current period are devoted from shareholders' equity.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2010 36 th Term	Fiscal 2011 37 th Term	Fiscal 2012 38 th Term	Fiscal 2013 39 th Term
Total operating revenues (¥ millions)	441,277	478,957	487,445	485,247
Ordinary profit (¥ millions)	54,594	61,728	65,926	68,880
Net income (¥ millions)	25,386	24,885	33,182	37,965
Net income per share (¥)	254.61	249.17	332.20	380.04
Total assets (¥ millions)	476,036	531,453	579,809	620,992
Net assets (¥ millions)	208,466	214,662	230,181	250,497
Net assets per share (¥)	2,037.50	2,144.00	2,267.17	2,455.25

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

Category/Fiscal Term	Fiscal 2010 36 th Term	Fiscal 2011 37 th Term	Fiscal 2012 38 th Term	Fiscal 2013 39 th Term
Total net sales of Lawson stores, including franchised stores (¥ millions)	1,502,754	1,621,328	1,693,435	1,758,656
Total operating revenues (¥ millions)	263,209	272,498	282,752	298,778
Ordinary profit (¥ millions)	49,312	56,110	59,459	62,171
Net income (¥ millions)	24,643	22,462	30,314	33,625
Net income per share (¥)	247.15	224.91	303.49	336.59
Total assets (¥ millions)	444,821	500,667	532,619	589,793
Net assets (¥ millions)	211,448	216,826	227,974	240,648
Net assets per share (¥)	2,113.24	2,166.35	2,277.90	2,403.21

(4) Pressing Issues

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

(i) Strengthen measures to promote health

In response to changes in social structure brought about by an aging population and declining birth rates, the Group will aim to offer convenience stores that support the lives of customers by expanding their assortment of health-related products and sales of pharmaceuticals.

(ii) Reinforce offerings of fresh foods at stores located in residential areas

The need to enjoy home-cooked meals is high among customers in the neighborhoods of stores in residential areas. To meet such needs, the Group will focus on creating stores that offer an extensive assortment of fruits and vegetables and other fresh foods packaged in small portions, daily delivered foods, and frozen foods. We will strive to expand our senior and homemaker customer bases through this initiative.

(iii) Develop overseas business

Not being bound by Japanese-style business models or store formats, the Group will pursue hospitable customer service, a signature feature of Japanese convenience stores, while respecting local cultures with the aim of disseminating the Lawson brand in the countries it conducts business in.

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

The Group will offer customers the luxury of convenience store shopping from the comfort of their own homes by expanding its home convenience service including home delivery and online shopping.

(v) Promote internal control systems and address operating risks

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

The Group will aim to increase its corporate value by striving to improve customer satisfaction on an ongoing basis.

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

2. Current Status at the End of February 2014

(1) Major Business Operations and Principal Offices

[Domestic Convenience Store Business]

[1] Lawson, Inc.

Major Business: Lawson, Inc. primarily operates the Lawson-brand franchise system as well as undertaking management of company-operated stores as the headquarter of LAWSON, NATURAL LAWSON, LAWSON STORE 100 and LAWSON MART convenience store chains

Head Office: Shinagawa-ku, Tokyo

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

Note: In addition to the above sites, the Company has 85 offices throughout Japan, including branches.

[2] Lawson Mart, Inc.

Major Business: Lawson Mart, Inc. operates LAWSON MART and LAWSON STORE 100 stores, provides guidance to them, and engages in merchandise-related businesses.

Head Office: Shinagawa-ku, Tokyo

Note: Lawson Mart, Inc. was established as a wholly owned subsidiary of the Company in November.

[3] SCI, Inc.

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

Head Office: Shinagawa-ku, Tokyo

[Stores]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	595	Tokyo	1,552	Nara	99	Fukuoka	411
Aomori	199	Kanagawa	826	Wakayama	114	Saga	62
Akita	179	Shizuoka	213	Osaka	1,006	Nagasaki	100
Iwate	160	Yamanashi	101	Hyogo	611	Oita	157
Miyagi	215	Nagano	149	Okayama	138	Kumamoto	108
Yamagata	69	Aichi	535	Hiroshima	167	Miyazaki	95
Fukushima	93	Gifu	141	Yamaguchi	118	Kagoshima	120
Niigata	122	Mie	106	Tottori	105	Total(domestic)	11,337
Tochigi	134	Ishikawa	100	Shimane	110		
Gunma	89	Toyama	182	Kagawa	113		
Saitama	488	Fukui	104	Ehime	176		
Chiba	451	Kyoto	268	Tokushima	115		
Ibaraki	134	Shiga	140	Kochi	67		

[Other Business]

(Overseas Business)

[1] Lawson (China) Holdings, Inc.

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

Head Office: Shanghai, China

[2] Shanghai Hualian Lawson, Inc.

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

Head Office: Shanghai, China

[3] Chongqing Lawson, Inc.

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

Head Office: Chongqing, China

[4] Dalian Lawson, Inc.

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

Head Office: Dalian, China

[5] Lawson Asia Pacific Holdings Pte. Ltd.

Major Business: Lawson Asia Pacific Holdings Pte. Ltd. controls the Company's subsidiaries and affiliates that operate overseas businesses (excluding China).

Head Office: Singapore

[6] Saha Lawson, Co., Ltd.

Major Business: Saha Lawson, Co., Ltd. operates stores under the store brand of LAWSON 108. and 108SHOP.

Head Office: Bangkok, Thailand

Note: Saha Lawson Co., Ltd. was established as a joint venture of SAHA Group in Thailand in November, 2012.

(Entertainment and Home Convenience Store Business)

[1] Lawson HMV Entertainment, Inc.

Major Business: Sells tickets for various events and music/video software inside LAWSON stores, etc.

Head Office: Shinagawa-ku, Tokyo

[2] Smart Kitchen, Inc.

Major Business: Operates a regular home delivery service for foods and daily necessities using the Internet

Head Office: Shinagawa-ku, Tokyo

(Financial services-related business)

Lawson ATM Networks, Inc.

Major Business: Installs jointly operated ATMs in LAWSON stores, etc.

Head Office: Shinagawa-ku, Tokyo

(Consulting business)

BestPractice Inc.

Major Business: Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores

Head Office: Shinagawa-ku, Tokyo

(2) Employees

[1] Employees of the Corporate Group

Designation of Business Segment	Number of Employees	YoY Change
Domestic Convenience store business	4,540	(211)
Overseas business	793	133
Entertainment/Home convenience business	829	12
Financial services-related business	24	0
Consulting business	150	(2)
Total	6,336	(68)

[2] Employees of the Company

Number of Employees	YoY Change	Average Age	Average Years of Service
3,544	62	39.5	12.9

(3) Status of Major Business Combinations

[1] Important Subsidiaries

Company Name	Common Stock	Shareholding (%)	Major Business
Lawson Mart, Inc.	¥99 million	100.0	Domestic Convenience store business
SCI, Inc.	¥10 million	100.0	Domestic Convenience store business
Lawson (China) Holdings, Inc.	CNY800 million	100.0	Overseas business
Shanghai Hualian Lawson, Inc.	CNY353 million	94.0	Overseas business
Chongqing Lawson, Inc.	CNY190 million	100.0	Overseas business
Dalian Lawson, Inc.	CNY66 million	98.3	Overseas business
Lawson Asia Pacific Holdings Pte. Ltd.	S\$82 million	100.0	Overseas business
Saha Lawson, Co., Ltd.	THB697 million	49.0	Overseas business
Lawson HMV Entertainment, Inc.	¥100 million	100.0	Entertainment/Home convenience business
Smart Kitchen, Inc.	¥490 million	100.0	Entertainment/Home convenience business
Lawson ATM Networks, Inc.	¥3,000 million	76.5	Financial services-related business
BestPractice Inc.	¥10 million	100.0	Consulting business

Notes:

1. The shareholder percentage includes indirectly held shares.
2. Lawson Mart, Inc. was established in November 2013 as a wholly owned subsidiary of Ninety-nine Plus, Inc., the Company's wholly owned subsidiary at the time, and was made the Company's consolidated subsidiary. Ninety-nine Plus, Inc., which was the Company's consolidated subsidiary in the previous fiscal year, was merged into the Company in February 2014.
3. Saha Lawson, Co., Ltd. was made the Company's consolidated subsidiary as a result of its increased monetary importance following its placement under the substantial control of Lawson Asia Pacific Holdings Pte. Ltd.,

the Company's wholly owned subsidiary.

[2] Other Important Business Combinations

1) Important Affiliated Companies

Company Name	Common Stock	Shareholding (%)	Major Business
Lawson Okinawa, Inc.	¥10 million	49.0	Domestic Convenience store business
PT MIDI UTAMA INDONESIA Tbk	Rp. 288,235 million	30.0	Overseas business

2) Important Business Alliances

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

II. CURRENT STATUS OF THE COMPANY

1. Shares at the End of the Year

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

(2) Total Number of Shares Issued and Outstanding: 100,300,000 shares (Including 395,953 shares of treasury shares)

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

(4) Number of Shareholders: 30,527

(5) Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of shares held (Thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.1
The Master Trust Bank of Japan, Ltd. (Trust account)	3,105	3.1
STATE STREET BANK AND TRUST COMPANY 505223	2,964	3.0
Japan Trustee Services Bank, Ltd. (Trust account)	2,746	2.7
NTT DOCOMO, INC.	2,092	2.1
National mutual Insurance Federation of Agricultural cooperatives	1,646	1.6
STATE STREET BANK AND TRUST COMPANY	1,573	1.6
Nomura Securities Co., Ltd.	1,471	1.5
BBH FOR MATTHEWS ASIAN GROWTH AND INCOME FUND	1,333	1.3
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMUNIBUS US PENSION	1,276	1.3

Notes:

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

2. Status of stock acquisition rights

Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2014

	5 th Stock Acquisition Rights	6 th (a) Stock Acquisition Rights	7 th (a) Stock Acquisition Rights	8 th (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (Excluding outside directors)	1 person (112 units)	1 persons (99 units)	2 persons (119 units)	2 persons (171 units)
Outside directors	2 persons (10 units)	2 persons (8 units)	2 persons (8 units)	2 persons (12 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 12,200	Common stock of Lawson, Inc. 10,700	Common stock of Lawson, Inc. 12,700	Common stock of Lawson, Inc. 18,300
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	September 6, 2007 through August 20, 2027	January 17, 2009 through December 15, 2028
Main exercise conditions	Note 1	Note 2	Note 2	Note 2

	9 th Stock Acquisition Rights	10 th Stock Acquisition Rights	11 th Stock Acquisition Rights	12 th (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (Excluding outside directors)	2 persons (163 units)	2 persons (139 units)	2 persons (210 units)	3 persons (249 units)
Outside directors	2 persons (10 units)	2 persons (10 units)	2 persons (10 units)	3 persons (15 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 17,300	Common stock of Lawson, Inc. 14,900	Common stock of Lawson, Inc. 22,000	Common stock of Lawson, Inc. 26,400
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	February 18, 2010 through February 1, 2030	February 26, 2011 through February 10, 2031	February 18, 2012 through February 1, 2032	April 12, 2013 through March 26, 2033
Main exercise conditions	Note 2	Note 2	Note 2	Note 2

Notes:

1. A stock acquisition rights holder may exercise his or her rights only for a period of 5 years from the day after losing his or her position as a director of the Company.
2. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of 5 years from the day after losing his or her position as either director and/or executive officer of the Company.
The total number of shares subject to stock acquisition rights that remain unexercised as of February 28, 2014, is 175,000 shares, accounting for 0.2% of the total number of shares issued and outstanding.

3. Directors and Corporate Auditors

(1) Positions, Names and Assignments

Name	Position	Assignments and Important Concurrent Positions Note: Important concurrent positions of outside directors given later in (5) Outside Directors and Outside Corporate Auditors
Takeshi Niinami	Representative Director	CEO, ORIX Corporation Outside Director and ACCESS Corporation Outside Director
Genichi Tamatsuka	Director	Representative Executive Officer COO, CVS Company President and Overseas Company President
Yoshiyuki Yahagi	Director	Representative Executive Officer CCO
Reiko Yonezawa	Director	
Takehiko Kakiuchi	Director	
Emi Osono	Director	
Yutaka Kyoya	Director	
Atsuhiko Seki	Standing Corporate Auditor	
Shinichi Hokari	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Eiko Tsujiyama	Corporate Auditor	

Notes:

- Directors Reiko Yonezawa, Takehiko Kakiuchi, Emi Osono and Yutaka Kyoya are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
- Standing Corporate Auditor Shinichi Hokari and Corporate Auditors Tetsuo Ozawa and Eiko Tsujiyama are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Standing Corporate Auditor Shinichi Hokari has assumed responsible posts for many years on the Board of Audit of Japan and therefore has considerable expertise in finance and accounting.
Corporate Auditor Tetsuo Ozawa, lawyer, has practiced law and advised on legal matters and risk management mainly in relation to the legal affairs of companies and therefore has considerable expertise in finance and accounting.
Corporate Auditor Eiko Tsujiyama has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.
- Changes in appointment, approved with resolutions by the 38th Ordinary General Meeting of Shareholders held on May 21, 2013 are as follows:

Appointment	Director	Yutaka Kyoya
Resignation from office	Director	Toru Moriyama

- Executive officers who are not directors are as follows:

Senior Executive Vice President	Takatoshi Kawamura	Senior Vice President	Tatsushi Sato
Executive Vice President	Masaharu Kamo	Senior Vice President	Kenji Goto
Executive Vice President	Masahiro Oyama	Senior Vice President	Masakatsu Gonai
Executive Vice President	Katsuyuki Imada	Senior Vice President	Hajime Nakai
Senior Vice President	Masayuki Sawada	Senior Vice President	Motonobu Miyake
Senior Vice President	Norikazu Nishiguchi	Senior Vice President	Akira Ushijima
Senior Vice President	Shuichi Imagawa	Senior Vice President	Kei Murayama
Senior Vice President	Takaki Mizuno	Senior Vice President	Hajime Kawamura
Senior Vice President	Jun Miyazaki	Senior Vice President	Yasuhiko Hirokane
Senior Vice President	Masaki Yamamoto	Senior Vice President	Kazuo Togasa
Senior Vice President	Ichiro Kijima	Senior Vice President	Shigeaki Kawahara
Senior Vice President	Tetsu Yamada	Senior Vice President	Yuichi Wada
Senior Vice President	Kenichi Kato	Senior Vice President	Hiroyuki Endo
Senior Vice President	Hisashi Yasuhira	Senior Vice President	Atsushi Maeda
		Senior Vice President	Kazuya Nobe

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

1) Remuneration paid to officers

Category	Total Compensation Paid (Millions of Yen)	Total Compensation Paid by Type (Millions of Yen)			Number of Directors and Corporate Auditors Applicable
		Basic Compensation	Stock Options	Retirement Benefit	
Directors (Including outside directors)	365	217	148	–	8
(Outside directors)	(37)	(28)	(8)	(–)	(4)
Corporate Auditors (Including outside corporate auditors)	70	70	–	–	4
(Outside corporate auditors)	(46)	(46)	(–)	(–)	(3)
Total	436	287	148	–	12

Notes:

1. As of February 28, 2014, the number of directors in office was 7 and that of corporate auditors was 4.
2. The above figures include remuneration paid to 1 directors and 1 corporate auditor who resigned at the conclusion of the 38th Ordinary General Meeting of Shareholders held on May 21, 2013.

2) Remuneration paid to representative directors

Name	Officer Category	Company Category	Total Compensation Paid by Type		Consolidated Total Amount of Compensation
			Basic Compensation	Stock Options	
Takeshi Niinami	Representative Director	Lawson, Inc.	¥113 million	¥82 million	¥195 million

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

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

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

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

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

Members of the Compensation Committee

Outside Director:	Takehiko Kakiuchi (chairperson)
Outside Director:	Reiko Yonezawa
Outside Director:	Emi Osono
Outside Corporate Auditor:	Tetsuo Ozawa

3) Details of remuneration paid to directors

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

[Basic compensation]

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

i) Fixed compensation

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

ii) Variable compensation

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

Variable compensation is paid in accordance with earnings indicators such as EPS (consolidated net income per share). Regarding nonexecutive directors, including Reiko Yoneyama, Takehiko Kakiuchi Emi Osono and

Yutaka Kyoya variable compensation is not applicable as they are focused on their supervisory and advisory roles as the Company's representative directors and in the board of directors meetings.

[Stock price-linked compensation]

Stock options as stock-based compensation

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

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

4) Limit on the amount of remuneration paid to directors

The limit on the amount of remuneration paid to the Company's directors is determined at the general meeting of shareholders in accordance with laws and regulations.

i) Amount of remuneration paid to directors

Resolutions at the general meeting of shareholders as of May 24, 2001: ¥400 million or less per year

ii) Amount of stock options granted to directors

Resolutions at the general meeting of shareholders as of May 26, 2006: ¥200 million or less per year

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

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

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

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

The amount of remuneration paid to corporate auditors is determined based on discussions among corporate auditors and is within the remuneration amount limit resolved at the general meeting of shareholders.

3) Details of remuneration paid to corporate auditors

The Company's corporate auditors receive basic compensation (fixed compensation) in cash.

The amount of basic compensation is decided based on discussions among corporate auditors, taking into consideration whether or not they are working on a full-time basis, and segregation of auditing duties. Regarding retirement benefits, the system itself was abolished.

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

The limit of the amount of remuneration paid to the Company's corporate auditors is determined at the general meeting of shareholders in accordance with laws and regulations.

Amount of remuneration paid to corporate auditors

Resolutions at the general meeting of shareholders as of May 29, 2012: ¥80 million or less per year

(5) Outside Directors and Outside Corporate Auditors

1) Relationship between Major Positions Concurrently Held and the Company

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Director	Reiko Yonezawa	The R Co., Ltd.	President	The Company and The R Co., Ltd. (President Reiko Yonezawa), have a business relationship consisting of reception services for the Company's head office provided by the latter. The Company entrusted The R Co., Ltd. to provide services after receiving bids from several suitable companies and verifying their economic efficiency.
Director	Takehiko Kakiuchi	Mitsubishi Corporation Mitsubishi Shokuhin Co., Ltd	Executive Vice President, Group CEO, Living Essentials Group, Outside director	The Company and Mitsubishi Corporation, of which Mr. Kakiuchi is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.
Director	Emi Osono	Hitotsubashi University Graduate School of International Corporate Strategy Resona Holdings, Inc.	Professor Outside director	
Director	Yutaka Kyoya	Mitsubishi Corporation	Division COO, Foods (Commodity) Div.	The Company and Mitsubishi Corporation, of which Mr. Kyoya is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.
Corporate auditor	Shinichi Hokari			
Corporate auditor	Tetsuo Ozawa	Tokyo Fuji Law Office CEMEDINE CO., LTD.	Lawyer (Partner) Outside corporate auditor	

Corporate auditor	Eiko Tsujiyama	<p>Waseda University School of Commerce and Graduate School of Commerce</p> <p>Mitsubishi Corporation</p> <p>ORIX Corporation</p> <p>NTT DOCOMO, INC.</p> <p>Shiseido Company, Limited</p>	<p>Professor</p> <p>Outside corporate auditor</p> <p>Outside director</p> <p>Outside corporate auditor</p> <p>Outside corporate auditor</p>	<p>Mitsubishi Corporation, for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship between the two companies based on a comprehensive business alliance agreement.</p> <p>NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship in the telecommunications field between the two companies based on a comprehensive business alliance agreement.</p>
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Note: Where nothing is written in the column Relationship between the Company and company Where Position Concurrently Held, it means that the Company has no important business or other relationship with that company.

2) Major Activities during the Year

Position in the Company	Name	Major Activities
Director	Reiko Yonezawa (Independent director)	Ms. Yonezawa attended 14 of 15 board of directors' meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive. Ms. Yonezawa is also a member of the Company's Compensation Committee.
Director	Takehiko Kakiuchi	Mr. Kakiuchi attended 13 of 15 board of directors' meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about the consumer lifestyles industry and was also responsible for smooth operations of the board of directors as its Chairman. Mr. Kakiuchi is also a member of the Company's Compensation Committee.
Director	Emi Osono (Independent director)	Ms. Osono attended 13 of 15 board of directors' meetings held throughout the year during her term in office and, as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Osono is also a member of the Company's Compensation Committee.
Director	Yutaka Kyoya	Mr. Kyoya attended all 11 board of directors' meetings held throughout the year during his term in office, and appropriately questioned and/or remarked based on his abundant knowledge of fields related to the daily lives of consumers.
Corporate auditor	Shinichi Hokari (Independent corporate auditor)	As a standing corporate auditor, Mr. Hokari examined financial documents and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Hokari monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Hokari attended all 15 board of directors' meetings and all 16 board of corporate auditors' meetings held throughout the year during his term in office and appropriately questioned and/or remarked based on his deep knowledge finance and accounting and using his experience of assuming responsible posts for many years on the board of audit of Japan.
Corporate auditor	Tetsuo Ozawa (Independent corporate auditor)	Mr. Ozawa attended 14 of 15 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer. Mr. Ozawa is also a member of the Company's Compensation Committee.
Corporate auditor	Eiko Tsujiyama (Independent corporate auditor)	Ms. Tsujiyama attended 14 of 15 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on her deep knowledge of accounting as a university professor in this field.

(6) Judgment Criteria Concerning Independence

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

- 1) Those who are engaged in business operations of the Company's parent company
- 2) Those who are engaged in business operations of the Company's sister companies
- 3) Those who conduct business transactions with the Group as a major business partner or those who are engaged in such business operations

Business partner groups that provide the Group with products and/or services and whose total amount of business transactions with the Group during the latest fiscal year account for 2% or more of their consolidated net sales

- 4) The Group's major business partners or those who are engaged in such business operations

Business partner groups to which the Group provides its products and/or services and for which the Group's total amount of business transactions during the latest fiscal year accounted for 2% or more of the Company's consolidated net sales (total operating revenues)

- 5) Consultants, accounting professionals, and legal professionals who have received any monetary or property benefits from the Group other than remuneration paid to officers

Consultants, accounting professionals such as certified accountants, and legal professionals such as lawyers who have received any monetary or property benefits from the Group other than remuneration paid to officers and who have received remuneration totaling ¥5 million or more per year

- 6) The Company's major shareholders (those who are engaged in business operations of applicable corporations in cases where major shareholders are corporations)
- 7) Those with close family members who are engaged in business operations of the Group
- 8) Those with close family members who are nonexecutive directors or accounting advisors of the Company (in cases where independent directors are outside corporate auditors)

(7) Outline of Liability Limitation Agreements with Outside Directors and Outside Corporate Auditors

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

4. Independent Auditor

(1) Independent Auditor

Deloitte Touche Tohmatsu LLC

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

1) Remuneration to be paid by the Company to the independent auditor	¥84 million
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	¥133 million

Note:

1. The audit agreement entered into by the independent auditor and the Company does not clearly distinguish the amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1) above indicates the total for the two audits.
2. Five of the important subsidiaries of Lawson overseas are subject to audit by an independent auditor other than Lawson's independent auditor.

(3) Nonaudit Services

The Company entrusts the following services, which do not come under the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Act (nonaudit services), to the independent auditor:

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

(4) Policy on Decisions Concerning Dismissal or Nonreappointment of the Independent Auditor

If the independent auditor violates or infringes the Companies Act, the Certified Public Accountant Act, or other laws or regulations, or the Company considers it necessary to do so, the board of directors shall, after obtaining the agreement of the Board of Corporate Auditors, submit a proposal for dismissal or nonreappointment of the independent auditor to a general meeting of shareholders. In addition, the board of corporate auditors can dismiss the independent auditor with a unanimous resolution if it determines that any act or circumstance of the independent auditor falls under any items of Article 340, Paragraph 1, of the Companies Act.

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

At the board of directors' meeting held on February 18, 2014, based on improvements and the operation of the preceding "2013 Basic Policy for Improvement of Internal Control Systems," which was approved at the board of directors' meeting held on February 18, 2014, the Company passed a resolution called the "2014 Basic Policy for Improvement of Internal Control Systems," as indicated below.

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

- 1) The board of directors shall determine the improvement policies and plans for internal control systems, including those for compliance with laws, regulations and the like (the "Compliance"), and receive status reports thereof periodically.
- 2) The board of directors shall maintain and improve the supervising function regarding the execution of duties by the directors by electing outside Directors on an ongoing basis.
- 3) The corporate auditors shall independently audit the execution of duties by the directors, including the status concerning the improvement of the internal control systems.
- 4) The Internal Audit Department, which is independent from the business-executing bodies, shall audit the status concerning the improvement of the internal control systems and recommend improvements thereof, as required.
- 5) The board of directors shall maintain and raise the awareness of officers and employees regarding compliance by thoroughly disseminating the Group Code of Conduct and the Lawson Ethical Mission Statement by such measures as, including, but not limited to, appointing a Chief Compliance Officer, establishing a department to oversee compliance, assigning personnel in charge of compliance at each department, streamlining the rules in relation to compliance, and providing periodic training on ethics and awareness surveys on compliance.
- 6) The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company's businesses and communicating the content thereof to the relevant departments and sections.
- 7) With the aim to strive for the early detection of violations or possible violations of laws, regulations, etc. across the Group and the entire chain, the Company shall establish and upgrade normal reporting routes for reporting any violations of laws, regulations or internal rules. It shall establish reporting and consulting systems (internal consulting contact points, group-wide outside consulting contact points and consulting contact points for employees and business counterparties for Lawson's franchised stores) that fully protect those who make such reports.
- 8) The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on, and deal with, improper demands by consulting with lawyers the police and the like.

(2) Systems to Preserve and Manage Information Pertaining to the Execution of Duties by Directors

- 1) The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the board of directors and the management council, and authorizing documents, including those approved by the president, as well as financial, clerical and risk- and compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing relevant parties to inspect the above information.
- 2) The Company shall manage and monitor its information systems in a secure manner, in addition to maintaining the systems, by sufficiently taking into account contingencies.
- 3) The Company shall establish and maintain rules regarding the management of documents (including electromagnetic recording media), keep everyone informed about the responsibility and authority for document management, document storage periods and management methods, and periodically monitor the status of document storage and management.

- 4) The Company shall establish and maintain rules regarding the protection of personal information and the management of trade secrets, and appropriately and safely store and manage personal information and important trade secrets.
- 5) The Company shall establish and maintain an information security system for the Group by putting in place a Chief Information Security Officer and a division that oversees information security with the aim of promoting information security in a consolidated and unified manner in view of both risk management and system technology security.
- 6) The Company shall establish and maintain rules regarding the disclosure of important Company information, and upgrade the system for disclosing information that must be disclosed according to the requirements of laws, regulations and stock exchanges, in an appropriate, timely and fair manner.

(3) Rules and Other Systems Regarding Risk Management

- 1) The Company shall establish a department to oversee risk management, improve rules related to risk management, and improve group-wide risk prevention systems during normal operations. Moreover, the Company shall respond according to the characteristics of risks by identifying risks that might have adverse effects on the Company's management in connection with its business purposes in each department, analyzing the probability of such risk factors materializing and their impact, and evaluating whether intensive countermeasures should be taken.
- 2) To ensure the effectiveness of risk management, the Company shall establish a specialist committee ("Compliance & Risk Management Committee") and clarify the authority and responsibility of the committee and its chairperson. Furthermore, the Company shall endeavor to increase awareness about risk management by assigning risk management staff to departments and associated companies and conducting risk management training.
- 3) The Company shall develop contingency systems and formulate policy for contingency response bodies in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events, which might have adverse effects on management of the Company, in order to provide a quick response to any actual occurrence thereof and to take effective measures to prevent a reoccurrence. In particular, the Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management system to minimize the business interruption in the event of the occurrence of situations or events inflicting substantial damage on the Company such as a large-scale natural disaster or an epidemic of a new-type influenza.
- 4) In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to improve effectiveness of the "Disaster Countermeasure Manuals" and the "BCP" system.

(4) Systems to Ensure the Efficient Execution of Duties by Directors

- 1) The Company shall clarify the functional authority and responsibility of corporate officers and employees for decision making and execution of business affairs. The Company shall also improve rules for the division of duties to ensure and encourage more appropriate division of duties and collaboration among organizational bodies.
- 2) The Company shall work to raise operational efficiency by simplifying business processes, streamlining the organization and making appropriate use of IT.
- 3) In order to promote the proper communication of information and communications between officers and employees, the Company shall improve systems so that management guidelines and policies are disseminated to employees by corporate officers and important field information is properly communicated by employees to corporate officers in a timely manner.

(5) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and its Subsidiaries

- 1) The Company shall endeavor to maintain and enhance the Lawson brand through close collaboration with subsidiaries and affiliated companies ("Associated Companies"). However, with regard to affiliated companies, the Company will work to appropriately establish and maintain systems through phased

implementation, taking into account such factors as relations with other leading shareholders differences in laws, regulations and business customs and the like of foreign countries.

- 2) While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof, and keep the Associated Companies fully informed of the Group Code of Conduct.
- 3) The Company shall appoint designated persons at major Associated Companies to be responsible for promoting compliance and risk management and promote communications between the Company and major subsidiaries with a view to ensuring appropriate business operations across the entire Group.
- 4) The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies and promote improvements based on the results of audits.

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

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

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

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

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

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

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

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

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

- 1) The representative directors and corporate auditors shall have regular meetings to enhance smooth

communications with each other.

- 2) Directors shall cooperate with the corporate auditors with regards to communications, the collection and exchange of information and so on between the corporate auditors and the corporate directors and the like of Associated Companies so that the corporate auditors can perform their duties appropriately.
- 3) Directors shall also cooperate in conducting surveys of significant business partners, which the corporate auditors deem necessary.
- 4) Directors shall enable the corporate auditors to collaborate with outside experts such as lawyers and certified public accountants, if any corporate auditor deems it necessary in executing his/her duties.

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

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2013 (for reference)	As of February 28, 2014	Account item	As of February 28, 2013 (for reference)	As of February 28, 2014
Current assets	180,296	195,784	Current liabilities	239,794	246,706
Cash and deposits	84,770	76,763	Accounts payable—trade	11,169	9,726
Accounts receivable—due from franchised stores	25,374	32,186	Accounts payable—trade for franchised stores	76,018	79,444
Merchandise	8,963	9,596	Due to franchised stores	1,403	1,405
Prepaid expenses	8,793	10,716	Short-term loans payable	1,431	680
Accounts receivable—other	46,008	54,193	Lease obligations	14,489	16,585
Deferred tax assets	4,656	4,481	Accounts payable—other	26,105	29,344
Other	3,011	10,240	Income taxes payable	14,474	14,330
Allowance for doubtful accounts	(1,281)	(2,393)	Deposits received	87,529	87,585
			Provision for bonuses	2,544	2,372
Non-current assets	399,513	425,208	Provision for point card certificates	215	132
Property and store equipment	209,138	233,436	Other	4,412	5,100
Buildings and structures	118,372	128,835	Non-current liabilities	109,833	123,788
Furniture, fixtures, and equipment	14,761	12,083	Long-term loans payable	148	—
Land	8,295	8,773	Lease obligations	47,207	61,666
Lease assets	65,799	80,767	Provision for retirement benefits	9,898	11,082
Construction in progress	1,910	2,977	Provision for retirement benefits to executive officers and audits & supervisory board members	332	408
Intangible assets	34,089	28,480	Long-term guarantee deposited	34,804	32,252
Software	22,255	14,902	Asset retirement obligations	16,682	17,874
Software in progress	1,659	3,360	Other	758	502
Goodwill	9,683	9,719	Total liabilities	349,627	370,494
Other	491	497	Net Assets		
Investments and other assets	156,285	163,291	Shareholders' equity	225,785	242,832
Investment securities	10,098	12,821	Capital stock	58,506	58,506
Long-term loans receivable	34,580	33,727	Capital surplus	47,718	47,741
Long-term prepaid expenses	9,130	8,260	Retained earnings	121,154	138,141
Guarantee deposits	86,109	86,150	Treasury shares	(1,593)	(1,556)
Deferred tax assets	16,215	21,627	Accumulated other comprehensive income	690	2,456
Other	1,368	1,669	Valuation difference on available-for-sale securities	78	(93)
Allowance for doubtful accounts	(1,217)	(965)	Revaluation reserve for land	(567)	(567)
			Foreign currency translation adjustment	1,179	3,118
			Subscription rights to shares	427	557
			Minority interests	3,279	4,650
			Total net assets	230,181	250,497
Total Assets	579,809	620,992	Total Liabilities and Net Assets	579,809	620,992

Note: Figures as of February 28, 2013, are included in the table above for comparative purposes only.

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2012 to February 28, 2013 (for reference)		From March 1, 2013 to February 28, 2014	
Operating revenue				
Income from franchised stores	230,002		242,078	
Other operating revenue	64,500	294,503	75,009	317,088
Net sales				
Net sales	(192,942)	192,942	(168,159)	168,159
Gross operating revenue		487,445		485,247
Cost of sales	(144,885)	144,885	(126,637)	126,637
Gross profit	(48,056)		(41,521)	
Operating gross profit		342,560		358,610
Selling, general and administrative expenses		276,313		290,483
Operating income		66,246		68,126
Non-operating income				
Interest income	756		860	
Compensation income	161		794	
Share of profit of entities accounted for using equity method	394		393	
Other	898	2,211	1,147	3,195
Non-operating expenses				
Interest expenses	1,231		1,294	
Loss on cancellation of store lease contract	534		570	
Other	765	2,531	577	2,442
Ordinary income		65,926		68,880
Extraordinary income				
Gain on sales of non-current assets	0		51	
Gain on sales of investment securities	145		403	
Gain on bargain purchase	153		—	
Compensation income	71		—	
Other	10	381	11	466
Extraordinary losses				
Loss on retirement of non-current assets	1,641		2,648	
Impairment loss	2,929		5,744	
Other	2,146	6,717	1,168	9,560
Income before income taxes and minority interests		59,589		59,785
Income taxes-current	25,345		26,758	
Income taxes-deferred	748	26,094	(5,136)	21,622
Income before minority interests		33,494		38,163
Minority interests in income		311		197
Net income		33,182		37,965

Note: Figures from March 1, 2012 to February 28, 2013, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity
(From March 1, 2013 to February 28, 2014)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	58,506	47,718	121,154	(1,593)	225,785	78	(567)	1,179	690	427	3,279	230,181
Changes of items during period												
Dividends of surplus			(20,978)		(20,978)							(20,978)
Net income			37,965		37,965							37,965
Purchase of treasury shares				(11)	(11)							(11)
Disposal of treasury shares		0		0	0							0
Exercise of subscription rights to shares (delivery of treasury shares)		22		48	70							70
Net changes of items other than shareholders' equity						(171)		1,938	1,766	130	1,371	3,268
Total changes of items during period	–	22	16,987	37	17,047	(171)	–	1,938	1,766	130	1,371	20,315
Balance at end of current period	58,506	47,741	138,141	(1,556)	242,832	(93)	(567)	3,118	2,456	557	4,650	250,497

(Notes to the Consolidated Financial Statements)**1. Scope of consolidation****(1) Number of Consolidated subsidiaries: 12**

- (Domestic) Lawson HMV Entertainment, Inc.
 Lawson ATM Networks, Inc.
 BestPractice, Inc.
 Smart Kitchen, Inc.
 SCI, Inc.
 Lawson Mart, Inc
- (Foreign) Chongqing Lawson, Inc.
 Shanghai Hualian Lawson, Inc.
 Dalian Lawson, Inc.
 Lawson (China) Holdings, Inc.
 Lawson Asia Pacific Holdings Pte. Ltd.
 Saha Lawson, Co., Ltd.

Among companies mentioned above, Lawson Mart, Inc., which was established during the fiscal year under review, has been included in the scope of consolidation. Saha Lawson, Co., Ltd. has also been included in the scope of consolidation as a result of its increased financial materiality following its placement under the substantial control of Lawson Asia Pacific Holdings Pte. Ltd., the Company's wholly owned subsidiary.

Ninety-nine Plus, Inc. was excluded from the scope of consolidation because it was dissolved after an absorption-type merger on February 1, 2014, with the Company as the surviving company.

(2) Names of major nonconsolidated subsidiaries, etc.

- (Domestic) LAWSONWILL, Inc.
 HATS UNLIMITED CO., LTD.
 Food Marketing Japan, Inc.
 Lawson Minami Kyushu, Inc.
 Lawson Kumamoto, Inc.
 Seikaken, Inc.
- (Foreign) Lawson USA Hawaii, Inc.
 Shanghai Le Song Trading Co., Ltd.
 Hangzhou Lawson, Inc.
 Beijing Lawson, Inc.

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

2. Application of the equity method**(1) Number of unconsolidated subsidiaries and affiliated companies to which the equity method is applied: 2**

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

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

The Company excluded from the scope of the equity-method affiliate nonconsolidated subsidiaries LAWSONWILL, Inc.; HATS UNLIMITED CO., LTD.; Food Marketing Japan, Inc.; Lawson Minamikyushu, Inc.; Lawson Kumamoto, Inc.; Seikaken Inc.; Lawson USA Hawaii, Inc.; Shang Hai Le Song Trading Co., Ltd.; Hangzhou Lawson, Inc.; Beijing Lawson, Inc. and affiliated companies Herushiru, Inc.; Double Culture Partners Co., Ltd.; Daichi Wo Mamoru Kai, Co., Ltd.; Shang Hai Gong Hui Trading Co., Ltd.; Lawson Farm and others because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these nonconsolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

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

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

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of Chongqing Lawson, Inc.; Shanghai Hualian Lawson, Inc.; Dalian Lawson, Inc.; Lawson (China) Holdings, Inc. and Saha Lawson, Co., Ltd. is December 31. In order to prepare for the consolidated financial statements, the Company used these companies' financial information prepared as of such closing date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date, are adjusted as required for consolidation. The fiscal year end date for the other consolidated subsidiaries corresponds with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

Marketable securities and investments in securities:

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

Available-for-sale securities:

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

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

Merchandise inventories:

Inventories are stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability).

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

(2) Depreciation

Property and store equipment (except for lease assets):

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

Intangible assets (except for lease assets):

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

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

Lease assets:

In terms of the depreciation method for leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value of 0.

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

Long-term prepaid expenses:

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

(3) Accounting policies for important reserves

Allowance for Doubtful Accounts:

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

Provision for Bonuses:

Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.

Provision for Point Card Certificates:

The Company provides to MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Provision for point card certificates is recorded at the amount that is expected to be used as of the consolidated balance sheet date.

Provision for Retirement Benefits:

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

Provision for Retirement Benefits to Executive Officers and Audits & Supervisory Board Members:

Provision for retirement benefits to executive officers of the Company and audits & supervisory board members of a consolidated subsidiary is recorded as a liability at 100% of the amount that would be required if all audits & supervisory board members, executive officers, and directors terminated their services with the Company at the consolidated balance sheet date.

(4) Foreign Currency Translation and Foreign Currency Financial Statements

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

(5) Amortization of Goodwill

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

(6) Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

5. Changes in Accounting Method

(Change of accounting policy which is not easily distinguished from change of accounting estimation)

The Company and its domestic consolidated subsidiaries have changed their depreciation method for property and store equipment acquired on or after March 1, 2013 to the method stipulated under the revised corporate tax law from this fiscal year as a result of the revision of Japanese corporate tax law. The effects of this change on operating income, ordinary income and income before income taxes and minority interests were immaterial.

(Changes in Method of Presentation)

1. In the "Current liabilities" section, "Asset retirement obligations" were separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, "Asset retirement obligations" (¥10 million for the fiscal year under review) are included in "Other" for the fiscal year under review.
2. In the "Non-operating income" section, "Compensation income" (¥161 million for the previous fiscal year) was included in "Other" before. Due to an increase in financial materiality, "Compensation income" (¥794 million for the fiscal year under review) is separately presented for the fiscal year under review.
3. In the "Non-operating income" section, "Penalty income" was separately listed in the consolidated statement

of income before. Due to a decline in financial materiality, “Penalty income” (¥142 million for the fiscal year under review) is included in “Other” for the fiscal year under review.

4. In the “Extraordinary income” section, “Gain on sales of non-current assets” (¥0 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Gain on sales of noncurrent assets” (¥51 million for the fiscal year under review) is separately presented for the fiscal year under review.
5. In the “Extraordinary losses” section, “Provision of allowance for doubtful accounts” was separately listed in the consolidated statement of income before. Due to a decline in financial materiality, “Provision of allowance for doubtful accounts” (¥840 million for the fiscal year under review) is included in “Other” for the fiscal year under review.

(Notes to the Consolidated Balance Sheet)

1. **Accumulated depreciation of property and store equipment:** ¥236,268 million
2. **Revaluation of land used for business**

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the consolidated balance sheet date was ¥319 million.

(Notes to the Consolidated Statement of Income)

Long-lived assets

The Company and the consolidated subsidiaries (together, the “Group”) identified mainly for each store as the smallest cash-generating unit.

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

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures	729
		Furniture, fixtures, equipment, and others	
	Osaka	Buildings and structures	598
	Furniture, fixtures, equipment, and others		
Other	—	Buildings and structures	607
		Furniture, fixtures, equipment, and others	
	—	Software	1,236
		Other	7
Total	—	—	5,744

Category by fixed assets	(Millions of yen)
Buildings and structures	2,868
Furniture, fixtures, and equipment	359
Lease assets	1,251
Software	1,236
Other	29

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

(Notes to the Consolidated Statement of Changes in Equity)**1. Number of issued shares and treasury shares.**

	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)
Issued shares				
Common stock	100,300	–	–	100,300
Treasury shares				
Common stock (notes)	406	1	12	395

Notes:

1. Of common stock, the increase of 1 thousand shares in treasury shares is attributable to purchase of stock less than one share unit.
2. Of common stock, the 12 thousand share decrease in treasury shares resulted from the 12 thousand-share decrease due to the exercise of stock option rights and a 0-thousand share purchase request of stock less than one share unit.

2. Dividend**(1) Dividend payment**

Date of resolution	Class of shares	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Date attributable to dividend	Effective date
The General Meeting of Shareholders (May 21, 2013)	Common stock	9,989	100	As of February 28, 2013	As of May 22, 2013
Meeting of Board of Directors (October 8, 2013)	Common stock	10,988	110	As of August 31, 2013	As of November 11, 2013

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

Date of resolution	Class of shares	Reserve of Dividend	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Date attributable to dividend	Effective date
The General Meeting of Shareholders (May 27, 2014)	Common stock	Retained Earnings	10,989	110	As of February 28, 2014	As of May 28, 2014

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

Common stock 175,000 shares

(Notes regarding financial instruments)

1. Matters relating to the status of financial instruments

(1) Policy for financial instruments

The LAWSON Group primarily uses short-term deposits, etc., to manage its funds and raises funds as necessary through borrowings from financial institutions and leasing according to the financing plan.

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

Trade receivables, such as accounts receivable-due from franchised stores and accounts receivable-other are exposed to credit risk from business counterparties.

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

Investment securities are primarily shares of companies with business relationships and listed shares of which are exposed to the risk of market price fluctuations. With regard to this risk, the Company monitors the financial conditions of business counterparties on a regular basis.

Among trade payables, most of the accounts payable-trade and accounts payable-trade for franchised stores and deposits held as a result of bill settlement services have payment due dates within one month, while most deposits held as a result of ticket sales transactions have payment due dates within six months. The primary purpose of lease obligations related to finance lease transactions is securing the funds required for capital investments and the maximum redemption dates is 10 years after the consolidated balance sheet date, respectively.

Long-term guarantee deposited which are primarily operational deposits received from franchised stores based on franchise contracts are returned to franchised stores after the expiry of the franchise contract term (contract term is 10 years in principle).

With regard to the liquidity risk associated with fundraising (risk that payments cannot be executed on the payment due dates), the Company prepares and updates financial plans on a timely basis and manages liquidity risk by measures including maintaining adequate liquidity on hand.

(3) Fair values of financial instruments

Fair values of financial instruments are based on the quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Since estimation of the fair values considers multiple factors, the results of the estimation might differ if other valuation techniques were used.

2. Matters relating to the fair values of financial instruments

The carrying amount, fair values, and difference as of February 28, 2014, are as follows: (Financial instruments whose fair value cannot be reliably determined are not included as described in “(Note 2) Financial instruments whose fair values cannot be reliably determined.”)

	(Millions of yen)		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	76,763	76,763	–
(2) Accounts receivable—due from franchised stores	32,186 (83)		
Allowance for doubtful accounts (*1)	32,102	32,102	–
(3) Accounts receivable—other	54,193		
Allowance for doubtful accounts (*1)	(2,270)		
	51,922	51,922	–
(4) Investment securities			
(i) Available-for-sale securities	916	916	–
(ii) Investment in subsidiaries and affiliated companies	3,875	3,880	5
(5) Long-term loans receivable	33,727		
Allowance for doubtful accounts (*1)	(67)		
	33,660	33,701	41
(6) Guarantee deposits	86,150		
Allowance for doubtful accounts (*1)	(451)		
	85,699	81,026	(4,673)
Total assets	284,940	280,314	(4,626)
(1) Accounts payable—trade and Accounts payable—trade for franchised stores	89,171	89,171	–
(2) Deposits received	87,585	87,585	–
(3) Lease obligations (*2)	78,252	78,579	326
(4) Long-term guarantee deposited	32,252	30,435	(1,817)
Total liabilities	287,262	285,771	(1,490)

(*1) Allowance for doubtful accounts related to accounts receivable—due from franchised stores, accounts receivable—other, long-term loans receivable and guarantee deposits have been deducted.

(*2) Lease obligations include liabilities maturing within one year.

(Note 1) Method of calculating the fair values of financial instruments**Assets****(1) Cash and deposits (2) Accounts receivable—due from franchised stores (3) Accounts receivable—other**

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

(4) Investment securities

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

(5) Long-term loans receivable

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

(6) Guarantee deposits

The fair values of guarantee deposits are determined by discounting future cash flows, which reflect the collectability, using the yield rate of government bonds for the remaining period.

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

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

(3) Lease obligations

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

(4) Long-term guarantee deposited

The fair values of long-term guarantee deposited are determined by discounting future cash flows based on the estimated repayment amount with the yield rate of government bonds during the remaining period.

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

Category	Carrying amount (Millions of Yen)
Unlisted equity securities	971
Investments in subsidiaries and affiliated companies	6,669
Others	388

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined, they are not included in "(4) Investment securities."

(Accounting for income taxes)**1. Components of deferred tax assets and liabilities were as follows:**

(Millions of yen)

Enterprise taxes payable	1,253
Accrued employees' bonuses	880
Excess of depreciation	12,163
Excess of amortization of software	808
Provision for retirement benefits	6,018
Allowance for doubtful accounts	1,055
Impairment loss	3,071
Tax loss carry forwards	7,260
Other	3,189
Subtotal of deferred tax assets	35,702
Less valuation allowances	(9,593)
Total deferred tax assets	26,108
Deferred tax assets-net	26,108

2. Change of corporate tax rates after the consolidated balance sheet date

On March 31, 2014, a tax reform law was enacted in Japan by which the Special Income Tax for Reconstruction became less effective from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences in the fiscal years beginning on or after March 1, 2015, changed from 38.01% to 35.64%.

The effect of this change is immaterial.

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

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

Projected benefit obligations	(Millions of yen)
a. Projected benefit obligations	(17,416)
b. Plan assets	5,588
<hr/>	
c. Projected benefit obligations in excess of plan assets (= a + b)	(11,827)
d. Unrecognized prior-service cost	-
e. Unrecognized actuarial differences	744
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f. Provision for retirement benefits (=c + d + e)	(11,082)

Net periodic benefit cost	(Millions of yen)
a. Service cost	1,382
b. Interest cost	199
c. Amortization of prior-service cost	178
d. Amortization of actuarial differences	136
<hr/>	
e. Net periodic benefit cost (= a + b +c + d)	1,898
f. Contribution to defined contribution plan	294
<hr/>	
g. Total (= e + f)	2,192

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

Basis of calculation of projected benefit obligations

a. Discount rate	1.2% (mainly)
b. Expected rate of return on plan assets	0%
c. Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to the respective periods in the employee's whole service period)

(Per-Share data)

1. Net assets per share	2,455.25 yen
2. Net income per share	380.04 yen

(Notes to Business Combinations, etc.)

Common control transactions, etc.

(1) Absorption-type company split of Ninety-nine Plus, Inc. with Lawson Mart, Inc. as the successor company

(1) Outline of transaction

(i) Name of the absorbed business and its outline

Name of business: A part of fresh foods convenience store business

Business outline: Store operation, merchandising function, product supply, etc. of "LAWSON MART" and "LAWSON STORE 100".

(ii) Date of business combination

February 1, 2014

(iii) Legal form of business combination

Absorption-type company split with Ninety-nine Plus, Inc. as the split company and Lawson Mart, Inc. as the successor company (spin-off type)

(iv) Name of company after the business combination

Lawson Mart, Inc.

(v) Other matters concerning the transaction

The operational functions of Ninety-nine Plus, Inc., including store management and product development, were succeeded by Lawson Mart, Inc., and will be further enhanced to lead the Group's fresh foods business.

(2) Outline of the accounting process applied

The business combination was processed as a common control transaction pursuant to the Accounting Standard for Business Combinations (Accounting Standards Board of Japan ("ASBJ") Statement No. 21 of December 26, 2008) and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of December 26, 2008).

(2) Absorption-type merger between Ninety-nine Plus, Inc. and the Company

(1) Outline of transaction

(i) Name of the merged company and its line of business

Name of the business combination: Lawson, Inc.

Business outline: Convenience store business

Name of combined company: Ninety-nine Plus, Inc.

Business outline: Fresh foods convenience store business

(ii) Date of business combination

February 1, 2014

(iii) Legal form of business combination

Absorption-type merger with Lawson, Inc. as the surviving company

(iv) Name of the company after the business combination

Lawson, Inc.

(v) Other matters concerning the transaction

By allowing the Company to acquire store-related assets including the franchise agreements of LAWSON STORE 100 and centralizing all Lawson chain store administrative functions including store asset management and franchise promotion, the business combination aims to enable the Group to implement efficient area-targeted strategies.

(2) Outline of the accounting process applied

The business combination was processed as a common control transaction pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21 of December 26, 2008) and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of December 26, 2008).

Nonconsolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2013 (for reference)	As of February 28, 2014	Account item	As of February 28, 2013 (for reference)	As of February 28, 2014
Current assets	137,523	154,456	Current liabilities	205,548	228,549
Cash and deposits	67,420	61,026	Accounts payable—trade	1,443	1,566
Accounts receivable—due from franchised stores	23,544	33,273	Accounts payable—trade for franchised stores	71,283	83,889
Merchandise	763	852	Due to franchised stores	1,062	1,007
Prepaid expenses	7,761	10,278	Short-term loans payable to subsidiaries and associates	23,550	23,270
Short-term loans receivable	2,039	7,446	Lease obligations	11,526	15,140
Accounts receivable—other	30,613	35,743	Accounts payable—other	12,758	15,232
Deferred tax assets	3,097	3,644	Income taxes payable	13,614	12,093
Other	2,369	2,849	Accrued expenses	1,665	1,800
Allowance for doubtful accounts	(85)	(658)	Deposits received	65,443	70,566
			Provision for bonuses	2,365	2,122
Non-current assets	395,096	435,337	Provision for point card certificates	215	132
Property and store equipment	187,341	225,091	Other	619	1,727
Buildings	96,686	112,115	Non-current liabilities	99,097	120,595
Structures	12,514	15,019	Lease obligations	41,026	59,755
Furniture, fixtures, and equipment	12,312	10,543	Provision for retirement benefits	9,108	10,090
Land	8,295	8,773	Provision for retirement benefits to executive officers	298	365
Lease assets	55,705	75,754	Long-term guarantee deposited	34,958	32,430
Construction in progress	1,826	2,885	Asset retirement obligations	12,999	17,476
Intangible assets	24,546	21,565	Other	705	477
Software	20,934	13,441	Total liabilities	304,645	349,144
Software in progress	1,072	1,627	Net assets		
Goodwill	2,076	6,027	Shareholders' equity	228,068	240,775
Other	463	469	Capital stock	58,506	58,506
Investments and other assets	183,208	188,679	Capital surplus	47,718	47,741
Investments securities	2,620	2,275	Legal capital surplus	47,696	47,696
Shares of subsidiaries and associates	28,140	26,146	Other capital surplus	21	44
Investments in capital of subsidiaries and associates	9,203	11,936	Retained earnings	123,437	136,084
Long-term loans receivable	37,277	33,725	Legal retained earnings	727	727
Long-term prepaid expenses	8,705	7,763	Other retained earnings		
Guarantee deposits	81,299	85,264	General reserve	50,000	50,000
Deferred tax assets	15,845	21,313	Retained earnings brought forward	72,709	85,356
Other	1,275	1,218	Treasury shares	(1,593)	(1,556)
Allowance for doubtful accounts	(1,159)	(963)	Valuation and translation adjustments	(520)	(684)
			Valuation difference on available-for-sale securities	46	(116)
			Revaluation reserve for land	(567)	(567)
			Subscription rights to shares	427	557
			Total net assets	227,974	240,648
Total Assets	532,619	589,793	Total Liabilities and Net Assets	532,619	589,793

Note: Figures as of February 28, 2013, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Nonconsolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2012 to February 28, 2013 (for reference)		From March 1, 2013 to February 28, 2014	
Operating revenue				
Income from franchised stores	221,442		234,454	
Other operating revenue	26,645	248,087	31,568	266,023
Net sales				
Net sales	(34,665)	34,665	(32,755)	32,755
Gross operating revenue		282,752		298,778
Cost of sales	(24,691)	24,691	(23,336)	23,336
Gross profit	(9,974)		(9,418)	
Operating gross profit		258,061		275,441
Selling, general and administrative expenses		198,730		213,998
Operating income		59,331		61,443
Non-operating income				
Interest and dividend income	1,164		1,114	
Compensation income	161		594	
Foreign exchange gains	182		276	
Other	593	2,101	729	2,714
Non-operating expenses				
Interest expenses	907		1,042	
Loss on cancellation of store lease contract	523		542	
Other	542	1,973	401	1,986
Ordinary income		59,459		62,171
Extraordinary income				
Gain on sales of investments in capital of subsidiaries and associates	—		586	
Gain on sales of investment securities	—		403	
Other	323	323	157	1,148
Extraordinary losses				
Loss on retirement of non-current assets	1,547		2,494	
Impairment loss	2,382		5,212	
Loss on debt waiver of subsidiaries and associates	160		2,400	
Loss on valuation of shares of subsidiaries and associates	129		499	
Loss on valuation of bonds of subsidiaries and associates	—		203	
Provision of allowance for doubtful accounts for subsidiaries and associates	—		600	
Other	1,905	6,125	101	11,511
Income before income taxes		53,658		51,807
Income taxes – current	23,740		23,553	
Income taxes – deferred	(396)	23,343	(5,370)	18,182
Net income		30,314		33,625

Note: Figures from March 1, 2012 to February 28, 2013, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Nonconsolidated Statement of Changes in Equity
(From March 1, 2013 to February 28, 2014)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal retained earnings	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	58,506	47,696	21	47,718	727	50,000	72,709	123,437	(1,593)	228,068
Changes of items during period										
Dividends of surplus							(20,978)	(20,978)		(20,978)
Net income							33,625	33,625		33,625
Purchase of treasury shares									(11)	(11)
Disposal of treasury shares			0	0					0	0
Exercise of subscription rights to shares (delivery of treasury shares)			22	22					48	70
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	22	22	–	–	12,646	12,646	37	12,707
Balance at end of current period	58,506	47,696	44	47,741	727	50,000	85,356	136,084	(1,556)	240,775

(TRANSLATION ONLY)

(Millions of yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at beginning of current period	46	(567)	(520)	427	227,974
Changes of items during period					
Dividends of surplus					(20,978)
Net income					33,625
Purchase of treasury shares					(11)
Disposal of treasury shares					0
Exercise of subscription rights to shares (delivery of treasury shares)					70
Net changes of items other than shareholders' equity	(163)		(163)	130	(33)
Total changes of items during period	(163)	–	(163)	130	12,673
Balance at end of current period	(116)	(567)	(684)	557	240,648

Notes to the Nonconsolidated Financial Statements

(Significant Accounting Policies)

1. Valuation of Securities

Marketable securities and investments in securities:

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

Available-for-sale securities:

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

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

Investments in subsidiaries and affiliated companies:

Stated at cost determined by the moving-average method.

2. Valuation of Inventories

Merchandise inventories:

Inventories are stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability).

3. Depreciation

Property and store equipment (except for lease assets):

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

Intangible assets (except for lease assets):

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

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

Lease assets:

In terms of the depreciation method for leased assets related to finance leases that do not transfer ownership of leased property, the Company applies the straight-line method using the lease term as the useful life and a residual value of ¥0.

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

Long-term prepaid expenses:

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

4. Accounting Policies for Important Reserves

Allowance for Doubtful Accounts:

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

Provision for Bonuses:

Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.

Provision for Point Card Certificates:

The Company provides to MY LAWSON POINT holders and LAWSON PASS holders when purchasing goods, an entitlement to certain points that the holder can redeem for a discount on subsequent purchases from LAWSON stores. Provision for point card certificates is recorded to state the liability at the amount that is expected to be used as of the balance sheet date.

Provision for Retirement Benefits:

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

the fiscal year when it was incurred, on a straight-line basis over a certain period (10 years) within the average remaining service period of employees.

Provision for Retirement Benefits to Executive Officers:

Provision for retirement benefits to executive officers of the Company is recorded as a liability at 100% of the amount that would be required if all executive officers terminated their services with the Company at the balance sheet date.

5. Accounting for Consumption Tax

Consumption tax is excluded from income and expense.

6. Changes in Accounting Method

(Change of accounting policy which is not easily distinguished from change of accounting estimation)

The Company has changed its depreciation method for property and store equipment acquired on or after March 1, 2013 to the method stipulated under the revised corporate tax law from fiscal year as a result of the revision of Japanese corporate tax law. The effects of this change on operating income, ordinary income and income before income taxes were immaterial.

(Changes in Method of Presentation)

1. In the “Current assets” section, “Short-term loan receivable” (¥2,039 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Short-term loan receivable” (¥7,446 million for the fiscal year under review) is separately presented for the fiscal year under review.
2. In the “Non-operating income” section, “Compensation income” (¥161 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Compensation income” (¥594 million for the fiscal year under review) is separately presented for the fiscal year under review.
3. In the “Non-operating income” section, “Foreign exchange gains” (¥182 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Foreign exchange gains” (¥276 million for the fiscal year under review) is separately presented for the fiscal year under review.
4. In the “Non-operating income” section, “Penalty income” was separately listed in the balance sheet before. Due to a decline in financial materiality, “Penalty income” (¥142 million for the fiscal year under review) is included in “Other” for the fiscal year under review.
5. In the “Extraordinary income” section, “Gain on extinguishment of tie-in shares” was separately listed in the balance sheet before. Due to a decline in financial materiality, “Gain on extinguishment of tie-in shares” (¥95 million for the fiscal year under review) is included in “Other” for the fiscal year under review.
6. In the “Extraordinary loss” section, “Loss on debt waiver of subsidiaries and associates” (¥160 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Loss on Debt waiver of subsidiaries and affiliates” (¥2,400 million for the fiscal year under review) is separately presented for the fiscal year under review.
7. In the “Extraordinary loss” section, “Loss on valuation of shares of subsidiaries and associates” (¥129 million for the previous fiscal year) was included in “Other” before. Due to an increase in financial materiality, “Loss on valuation of stocks of subsidiaries and affiliates” (¥499 million for the fiscal year under review) is separately presented for the fiscal year under review.
8. In the “Extraordinary loss” section, “Loss on valuation of investments in capital of subsidiaries and associates” was separately listed on the balance sheet before. Due to a decline in financial materiality, “Loss on valuation of investments in capital of subsidiaries and associates” (¥52 million for the fiscal year under review) is included in “Other” for the fiscal year under review.

(Notes to the Nonconsolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: ¥227,065 million

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies ¥9,743 million
 Short-term payables due to subsidiaries and affiliated companies ¥5,133 million
 Long-term payables due to subsidiaries and affiliated companies ¥242 million

3. Revaluation of land used for business

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the balance sheet date was ¥319 million.

(Notes to the Nonconsolidated Statement of Income)**1. Transactions with subsidiaries and affiliated companies**

Operating transactions
 Operating revenues ¥4,689 million
 Goods purchased ¥2,254 million
 Selling, general and administrative expenses ¥14,327 million
 Transactions other than operating transactions ¥358 million

2. Long-lived assets

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

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

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures	516
		Furniture, fixtures, equipment, and others	
	Osaka	Buildings and structures	536
	Furniture, fixtures, equipment, and others		
Other	—	Buildings and structures	1,785
		Furniture, fixtures, equipment, and others	
	—	Buildings and structures	605
—	Furniture, fixtures, equipment, and others		
Total	—	Software	1,219
	—	Goodwill	550
	—	—	5,212

Category by fixed assets (Millions of yen)

Buildings 1,986
 Structures 107
 Furniture, fixtures, and equipment 240
 Lease assets 1,092
 Software 1,219
 Goodwill 550
 Other 16

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

(Notes to the Nonconsolidated Statement of Changes in Equity)

Number of treasury shares

Common stock 395,953 shares

(Accounting for income taxes)**1. Components of deferred tax assets and liabilities were described as follows:**

(Millions of yen)

Enterprise taxes payable	1,073
Accrued employees' bonuses	806
Loss on write-down of investments in affiliated companies	1,106
Excess of depreciation	11,405
Excess of amortization of software	757
Provision for retirement benefits	5,628
Allowance for doubtful accounts	467
Impairment loss	3,071
Other	2,743
Subtotal of deferred tax assets	27,061
Less valuation allowances	(2,103)
Total deferred tax assets	24,957
Deferred tax assets-net	24,957

2. Change of corporate tax rates after the balance sheet date

On March 31, 2014, a tax reform law was enacted in Japan by which the Special Income Tax for Reconstruction became less effective from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences in the fiscal years beginning on or after March 1, 2015, changed from 38.01% to 35.64%. The effect of this change is immaterial.

(Accounting for retirement benefits)

Summary of the retirement benefit plans:

The Company has defined benefit lump-sum severance indemnity plans. The Company established a trust fund for its lump-sum severance indemnity plan. In addition, the Company has a defined contribution plan for severance payments.

Projected benefit obligations	(Millions of yen)
a. Projected benefit obligations	(16,421)
b. Plan assets	5,588
c. Projected benefit obligations in excess of plan assets (= a + b)	(10,832)
d. Unrecognized prior-service cost	-
e. Unrecognized actuarial differences	741
f. Provision for retirement benefits (=c + d + e)	(10,090)
Net periodic benefit cost	(Millions of yen)
a. Service cost	1,126
b. Interest cost	190
c. Amortization of prior-service cost	175
d. Amortization of actuarial differences	129
e. Net periodic benefit cost (= a + b + c + d)	1,621
f. Contribution to defined contribution plan	294
g. Total (= e + f)	1,916

Basis of calculation of projected benefit obligations

a. Discount rate	1.2%
b. Expected rate of return on plan assets	0%
c. Allocation method of estimated total retirement benefits	Straight-line basis (a method to allocate estimated total retirement benefits equally to the respective periods in the employee's whole service period)

(Leases)

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

(1) Pro forma information related to acquisition cost, accumulated depreciation, and net leased property
(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Furniture, fixtures, and equipment	13,767	11,489	672	1,605

(2) Obligations under finance leases

(Millions of yen)

Due within one year	1,791
Due after one year	627
Total	2,418
Allowance for impairment loss on leased property	374

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

(Millions of yen)

Lease payments	2,280
Transfer from allowance for impairment loss on leased property	177
Depreciation expense	2,097
Interest expense	92
Impairment loss	32

(4) Computation method of depreciation expense

Depreciation expense which is not reflected in the accompanying nonconsolidated statement of income is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

(5) Computation method of interest expense

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

(Related-Party Transactions)

Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business Relationship	Director's posts held concurrently				
Subsidiary	SCI Inc.	Domestic Convenience store business	Direct holding 100.0%	SCM	Yes	Repayment of funds Borrowing of funds Borrowing interest	10,600 11,100 0	Short-term loans payable	500
	Lawson ATM Networks, Inc.	Financial services-related business	Direct holding 76.5%	Placement of ATMs in the LAWSON stores	No	Repayment of funds Borrowing of funds Borrowing interest	3,00 4,200 5	Short-term loans payable	13,800
	Lawson HMV Entertainment, Inc.	Entertainment/Home convenience business	Direct holding 100%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	18,000 12,700 5	Short-term loans payable	7,700

Transaction conditions and the policies for determining those conditions:

1. The Company manages the funds of some subsidiaries centrally and there are lending and borrowing transactions between the Company and its subsidiaries.
2. The interest rates for loans and borrowings are determined rationally taking into account market interest rates.

Subsidiaries of an affiliated company of the Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Director's posts held concurrently				
Subsidiaries of an affiliated company of the Company	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	Reverse-Holds 0.3% ownership in the company	Vendor	No	Purchases for the Company-operated stores (purchases for the franchised stores)	11,695 (490,648)	Accounts payable-trade Accounts payable-trade for franchised stores	886 43,074

Transaction conditions and the principles on the decision thereof:

The terms and conditions for purchase transactions are determined to be same as those for other general business transactions. Except for purchases made for the franchised stores, the Company acts as an alternative payer, not as a direct party for the purchase.

(Per-Share data)

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 2,403.21 yen |
| 2. Net income per share | 336.59 yen |

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

<Copy of the Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 3, 2014

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kinya Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Junichi Fujii

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 28, 2014 of Lawson, Inc. (the "Company") and consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from March 1, 2013 to February 28, 2014, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawson, Inc. and its consolidated subsidiaries as of February 28, 2014, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

<Copy of the Independent Auditors' Report>

INDEPENDENT AUDITORS' REPORT

April 3, 2014

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kinya Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Junichi Fujii

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of February 28, 2014 of Lawson, Inc. (the "Company"), and the related statements of income and changes in net assets for the 39th fiscal year from March 1, 2013 to February 28, 2014, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 28, 2014, and the results of its

operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(TRANSLATION ONLY)

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

AUDIT REPORT

Regarding the execution of duties by the Directors for the 39th business term from March 1, 2013 to February 28, 2014, 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, CEO meetings, Compliance & Risk management meetings, Internal Control over Financial Reporting committee meetings and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the execution of their duties, asked for explanations whenever necessary, reviewed important authorized documents and the like, and investigated the status of operations and assets at the head office, branches, and other principal offices and stores.

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

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

2. Result of Audit

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

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

(2) Result of Audit of Consolidated Financial Statements

We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are adequate.

(3) Result of Audit of Non-consolidated Financial Statements and Supplementary Schedules thereof.

We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are adequate.

April 09, 2014

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor	Atsuhiko Seki
Standing Corporate Auditor (Outside Corporate Auditor)	Shinichi Hokari
Corporate Auditor (Outside Corporate Auditor)	Tetsuo Ozawa
Corporate Auditor (Outside Corporate Auditor)	Eiko Tsujiyama

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1: Appropriation of Surplus

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

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

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

Year-end dividends:

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

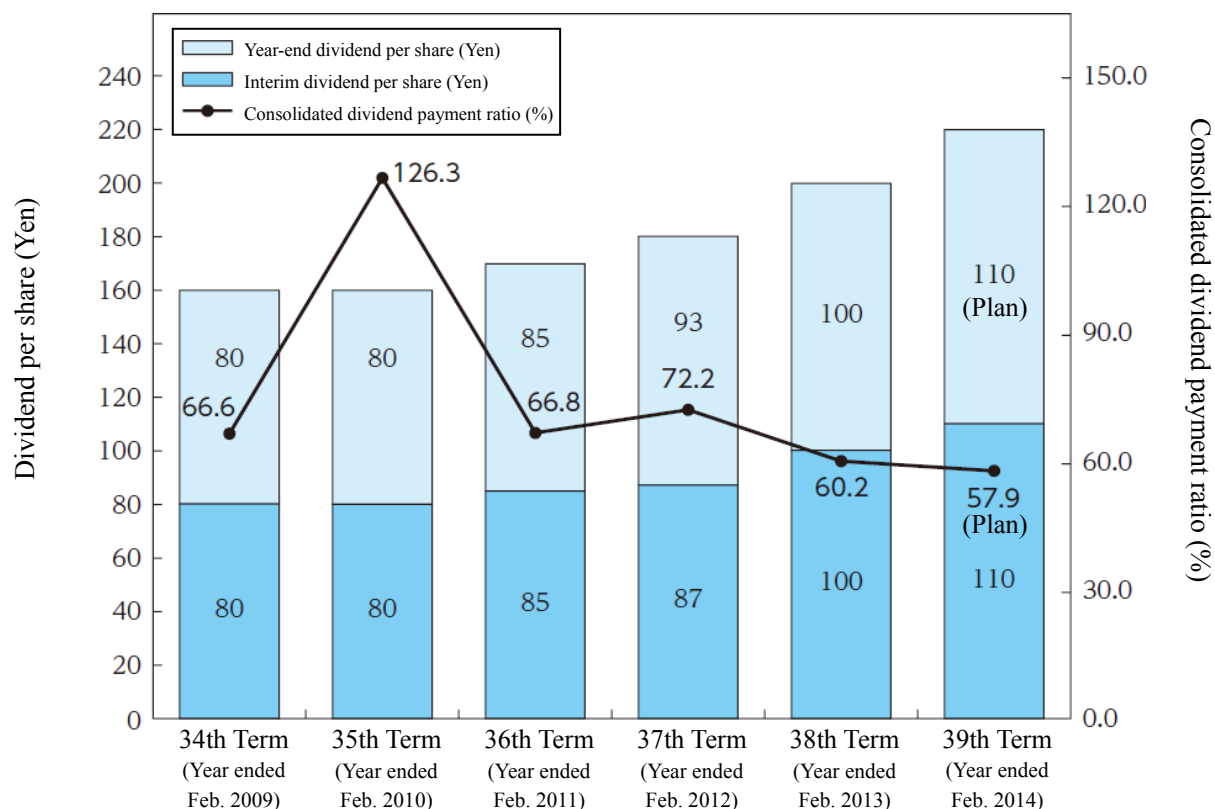
¥110 per share of the Company's common stock to a total of ¥10,989,445,170

Note: The annual dividend per share will be ¥220, an increase of ¥20 from the previous period, including an interim dividend per share of ¥110.

(2) Effective date of the dividends from surplus:

Wednesday, May 28, 2014

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



	34th Term	35th Term	36th Term	37th Term	38th Term	39th Term (Current Period)
Interim dividend per share	¥80	¥80	¥85	¥87	¥100	¥110
Year-end dividend per share	¥80	¥80	¥85	¥93	¥100	(Plan) ¥110
Annual dividend per share	¥160	¥160	¥170	¥180	¥200	(Plan) ¥220
Consolidated net income per share	¥240.10	¥126.67	¥254.61	¥249.17	¥332.20	¥380.04
Consolidated dividend payment ratio	66.6%	126.3%	66.8%	72.2%	60.2%	(Plan) 57.9%
ROE	12.5%	6.5%	12.8%	12.0%	15.2%	16.1%

(Notes)


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

Proposal No. 2: Election of Nine (9) Directors



The terms of office of seven (7) current directors expire at the conclusion of this 39th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect nine (9) directors, including two (2) additional seats, to strengthen our business management structure.


If this proposal is approved and passed, there will be nine (9) directors of the Company after the meeting of shareholders, of which five (5) will be outside directors, including three (3) “independent directors/auditor”.

The nominees for directors are as follows


No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
1	 Takeshi Niinami (January 30, 1959)	April 1981 June 1995 July 1999 April 2000 April 2001 March 2002 May 2002 March 2005 April 2006 June 2010 May 2013	Joined Mitsubishi Corporation Representative Director, Sodex Corporation (Currently LEOC Co., Ltd.) General Manager, Restaurant Business Team, Living Essentials Logistics Planning Department, Mitsubishi Corporation General Manager, LAWSON Project Integration Office; General Manager, Restaurant Business Office, Mitsubishi Corporation Manager, LAWSON Business Unit; Manager, Restaurant Business Unit, Consumer Business Division, Mitsubishi Corporation Corporate Advisor, Lawson, Inc. President, Representative Director and Executive Officer, Lawson, Inc. President, Representative Director and CEO, Lawson, Inc. Outside Director, ACCESS, CO., LTD (Current position) Outside Director, ORIX Corporation (Current position) Representative Director and CEO, Lawson, Inc. (Current position)	9,900


No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
2	 Genichi Tamatsuka (May 23, 1962)	April 1985 July 1998 December 1998 November 2002 September 2005 November 2010 March 2011 April 2012 May 2012 May 2013 April 2014	Joined Asahi Glass Co., Ltd. Joined IBM, Japan Joined Fast Retailing Co., Ltd. President, Representative Director and COO, Fast Retailing Co., Ltd. Established Revamp Corporation President, Representative Director and COO, Revamp Corporation Corporate Advisor, Lawson, Inc. Senior Executive Vice President and COO, Group CEO, CVS Operating Group and Division Director, Fast Food Division, Lawson, Inc. Senior Executive Vice President and COO, Group CEO, CVS Operating Group and Division Director, CRM Promotion Office and Marketing Office, Lawson, Inc. Member of the Board, Senior Executive Vice President, COO, and Group CEO, CVS Operating Group and Division Director, CRM Promotion Office and Marketing Office, Lawson, Inc. Member of the Board, Representative Executive Officer, COO, and President of CVS Company and Overseas Operations Company, Lawson, Inc. Member of the Board, Representative Executive Officer, COO, and President of CVS Company, Lawson, Inc. (Current position)	3,300


No.	Name (Date of birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
3	[Candidate for New Director]  Sadanobu Takemasu (August 12, 1969)	April 1993 June 2002 April 2005 April 2010 June 2010	Joined Mitsubishi Corporation Transferred to Indiana Packers Corporation Indiana, U.S.A. Corporate Communications Department, Mitsubishi Corporation Executive Assistant to Senior Executive Vice President, Corporate Administration Department and Corporate Strategy & Planning Department, Mitsubishi Corporation Executive Assistant to President & Chief Executive Officer, Corporate Administration Department and Corporate Strategy & Planning Department, Mitsubishi Corporation (Current position)	0
4	[Candidate for New Director]  Masakatsu Gonai (May 24, 1961)	April 1980 March 1998 September 2001 October 2002 June 2005 September 2007 March 2010 March 2012 May 2012 March 2014 April 2014	Joined Lawson, Inc. General Manager, Third Kanto Department, Operations Division, Lawson, Inc. General Manager, Sales Support Section, Operations Division, Lawson, Inc. General Manager of Sales Planning Dept., Marketing Division, Lawson, Inc. Division Director of Marketing Division, and General Manager of Advertising and Sales Promotion Dept., Lawson, Inc. Region Director, Kanto LAWSON Office, Deputy Senior Vice President, Lawson, Inc. Division Director, Natural Health Care Business Division, Deputy Senior Vice President, Lawson, Inc. Executive Officer, Assistant to Chief Compliance Officer (CCO), Lawson, Inc. Executive Officer, CCO in charge of CSR Division, Director of Compliance & Risk Management Office, Lawson, Inc. Executive Officer, Compliance and Risk, Lawson, Inc. Senior Vice President, Compliance and Risk, Lawson, Inc. (Current position)	1,100

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
5	<p data-bbox="252 275 456 331">[Candidate for Outside Director]</p>  <p data-bbox="276 589 448 645">Reiko Yonezawa (April 3, 1950)</p>	<p data-bbox="496 275 632 365">April 1974 March 1982 May 2002</p>	<p data-bbox="727 275 1222 398">Joined Japan Airlines International Co., Ltd. President, The R Co., Ltd. (Current position) Outside Director, Lawson, Inc. (Current position)</p>	0
<p data-bbox="252 656 1422 712">[Reasons for nomination as Outside Director and reasons behind our judgment that the person would be able to perform obligations of Outside Director appropriately]</p> <p data-bbox="252 712 1422 891">Ms. Reiko Yonezawa has been nominated as a candidate for Outside Director, as she has a wealth of experience and knowledge regarding corporate management, human resources and labor-related matters, having served as President of The R Co., Ltd., a human resources education and temporary staffing company. At the Board of Directors' meetings she attended, Ms. Yonezawa proactively expressed her opinions and suggestions on the Company's management, and we would like to continue to benefit from her supervision on the Company's management by leveraging her experiences.</p> <p data-bbox="252 891 1422 1167">Ms. Yonezawa also serves as a member of the Company's Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors. The Company and The R Co., Ltd. have executed service contracts relating to the reception services of the Company. However, the transaction value under the contracts is negligible at less than 0.1% of the consolidated net sales (gross operating revenue) of the Group, demonstrating no particular conflicts of interest between the two companies. Decisions for such transactions have been made upon tenders participated by several companies and confirmation that economic rationality can be ensured sufficiently. In addition, Ms. Yonezawa has been registered as an Independent Director/Corporate Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.</p>				
<p data-bbox="252 1178 711 1200">[Term of Outside Director of Lawson, Inc.]</p> <p data-bbox="252 1200 1422 1256">Ms. Yonezawa has served as Outside Director of the Company since 2002 and her term will be twelve years as of the end of this General Meeting of Shareholders.</p>				
<p data-bbox="252 1267 1031 1290">[Particular conflicts of interest between the Candidate and Lawson, Inc.]</p> <p data-bbox="252 1290 1158 1323">There are no particular conflicts of interest between the Candidate and Lawson, Inc.</p>				
<p data-bbox="252 1335 743 1357">[Attendance at Board of Directors' Meetings]</p> <p data-bbox="252 1357 1158 1379">Out of a total of 15 meetings, Ms. Yonezawa attended 14. (Attendance rate: 93.3%)</p>				

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
6	<p data-bbox="252 275 456 331">[Candidate for Outside Director]</p>  <p data-bbox="256 591 464 647">Takehiko Kakiuchi (July 31, 1955)</p>	<p data-bbox="496 275 616 297">April 1979</p> <p data-bbox="496 309 616 331">April 2001</p> <p data-bbox="496 365 616 387">May 2005</p> <p data-bbox="496 432 616 454">April 2006</p> <p data-bbox="496 499 616 521">April 2008</p> <p data-bbox="496 566 616 589">April 2010</p> <p data-bbox="496 678 616 701">April 2013</p> <p data-bbox="496 768 616 790">June 2013</p>	<p data-bbox="727 275 1054 297">Joined Mitsubishi Corporation</p> <p data-bbox="727 309 1214 365">Unit Manager, Foods (Commodity) Division, Mitsubishi Corporation</p> <p data-bbox="727 376 1158 432">Outside Director, Lawson, Inc. (Current position)</p> <p data-bbox="727 443 1190 499">General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation</p> <p data-bbox="727 510 1222 566">Division COO, Foods (Commodity) Division, Mitsubishi Corporation</p> <p data-bbox="727 577 1206 656">Senior Vice President, Division COO, Foods (Commodity) Division, Mitsubishi Corporation</p> <p data-bbox="727 678 1222 768">Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation (Current position)</p> <p data-bbox="727 779 1222 824">Outside Director, Mitsubishi Shokuhin Co., Ltd. (Current position)</p>	200
[Reasons for nomination as Outside Director and reasons behind our judgment that the person would be able to perform obligations of Outside Director appropriately]				
Mr. Takehiko Kakiuchi has been nominated as a candidate for Outside Director of the Company, as he has deep knowledge regarding the living essentials field with a focus on foods through his duties at Mitsubishi Corporation, one of the Company's key business partners. At the Board of Directors' meetings he attended, Mr. Kakiuchi proactively expressed his opinions and suggestions on the Company's management, and we would like to continue to benefit from his supervision of the Company's management by leveraging his experiences.				
Mr. Kakiuchi also serves as Chairperson of the Company's Board of Directors Meetings and the Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors.				
[Term of Outside Director of Lawson, Inc.]				
Mr. Kakiuchi has served as Outside Director of the Company since 2005 and his term will be nine years as of the end of this General Meeting of Shareholders.				
[Particular conflicts of interest between the Candidate and Lawson, Inc.]				
There are no particular conflicts of interest between the Candidate and Lawson, Inc.				
[Attendance at Board of Directors' Meetings]				
Out of a total of 15 meetings, Mr. Kakiuchi attended 13. (Attendance rate: 86.7%)				

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
7	<p data-bbox="252 275 456 331">[Candidate for Outside Director]</p>  <p data-bbox="268 591 456 651">Emi Osono (August 8, 1965)</p>	<p data-bbox="496 275 616 304">April 1988</p> <p data-bbox="496 338 616 367">April 1998</p> <p data-bbox="496 400 616 430">April 2000</p> <p data-bbox="496 486 644 515">October 2002</p> <p data-bbox="496 571 616 600">April 2010</p> <p data-bbox="496 656 616 685">June 2011</p> <p data-bbox="496 719 616 748">May 2012</p>	<p data-bbox="719 275 1222 331">Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)</p> <p data-bbox="719 342 1222 398">Assistant Professor, Institute of Asia-Pacific Studies, Waseda University</p> <p data-bbox="719 409 1222 488">Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p data-bbox="719 499 1222 577">Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p data-bbox="719 589 1222 678">Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (Current position)</p> <p data-bbox="719 689 1222 745">Outside Director, Resona Holdings, Inc. (Current position)</p> <p data-bbox="719 757 1222 801">Outside Director, Lawson, Inc. (Current position)</p>	100
[Reasons for nomination as Outside Director and reasons behind our judgment that the person would be able to perform obligations of Outside Director appropriately]				
Ms. Emi Osono has been nominated as a candidate for Outside Director of the Company, as she has a wealth of academic knowledge on global corporate management, operational strategies, and organizational behavior. We have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue benefitting from her supervision of the Company's management by leveraging her experiences.				
Ms. Osono serves as a member of the Company's Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors. She has also been registered as an Independent Director/Corporate Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.				
[Term of Outside Director of Lawson, Inc.]				
Ms. Osono has served as Outside Director of the Company since 2012 and her term will be two years as of the end of this General Meeting of Shareholders.				
[Particular conflicts of interest between the Candidate and Lawson, Inc.]				
There are no particular conflicts of interest between the Candidate and Lawson, Inc.				
[Attendance at Board of Directors' Meetings]				
Out of a total of 15 meetings, Ms. Osono attended 13. (Attendance rate: 86.7%)				

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
8	<p>[Candidate for Outside Director]</p>  <p>Yutaka Kyoya (January 7, 1962)</p>	<p>April 1984</p> <p>April 2008</p> <p>April 2011</p> <p>April 2012</p> <p>April 2013</p> <p>May 2013</p> <p>April 2014</p>	<p>Joined Mitsubishi Corporation</p> <p>General Manager, Grain Unit, Foods (Commodity) Div., Mitsubishi Corporation</p> <p>Deputy General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation</p> <p>General Manager, Global Consumer Business Development Unit, Mitsubishi Corporation</p> <p>Division COO, Foods (Commodity) Div., Mitsubishi Corporation</p> <p>Outside Director, Lawson, Inc. (Current position)</p> <p>Senior Vice President, Division COO, Living Essential Resources Division, Mitsubishi Corporation (Current position)</p>	0
<p>[Reasons for nomination as Outside Director and reasons behind our judgment that the person would be able to perform obligations of Outside Director appropriately]</p> <p>Mr. Yutaka Kyoya has been nominated as a candidate for Outside Director because he possesses a deep knowledge of consumer goods industries centering on food through his work at Mitsubishi Corporation, one of the Company's important business partners. We have been receiving his proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue benefitting from his supervision of the Company's management by leveraging his experiences.</p>				
<p>[Term of Outside Director of Lawson, Inc.]</p> <p>Mr. Kyoya has served as Outside Director of the Company since 2013 and his term will be one year as of the end of this General Meeting of Shareholders.</p>				
<p>[Particular conflicts of interest between the Candidate and Lawson, Inc.]</p> <p>There are no particular conflicts of interest between the Candidate and Lawson, Inc.</p>				
<p>[Attendance at Board of Directors' Meetings]</p> <p>Out of a total of 11 meetings, Mr. Kyoya attended 11. (Attendance rate: 100%)</p>				

No.	Name (Date of Birth)	Brief Personal History, Position, Assignment and Important Concurrent Positions		Number of the Company's Shares Held
9	<p>[Candidate for New Director] [Candidate for Outside Director]</p>  <p>Sakie Akiyama (December 1, 1962)</p>	<p>April 1987</p> <p>April 1994</p> <p>January 2013</p> <p>January 2013</p>	<p>Joined Arthur Andersen & Co.</p> <p>Founded Saki Corporation and assumed the position of Representative Director and CEO (Current position)</p> <p>Member of the Fiscal System Committee, Fiscal System Council, Ministry of Finance (Current position)</p> <p>Private-sector Member of the Industrial Competitiveness Council, Headquarters for Japan's Economic Revitalization (Current position)</p>	0
<p>[Reasons for nomination as Outside Director and reasons behind our judgment that the person would be able to perform obligations of Outside Director appropriately]</p> <p>Following her career at a foreign consultant firm, Ms. Sakie Akiyama founded Saki Corporation, which develops, manufactures, and sells automated optical inspection (AOI) machines for printed circuit boards and X-Ray automated inspection machines. As the CEO of the company, she has extensive experience and expertise in corporate management, based on which she has assumed a wide range of important roles including serving as a private-sector member of the Industrial Competitiveness Council of the Headquarters for Japan's Economic Revitalization. She has been nominated as a candidate for Outside Director of the Company, as we would like to receive her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and benefit from her supervision of the Company's management by leveraging her experiences.</p> <p>Ms. Akiyama will be appointed as a member of the Company's Compensation Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors. In addition, the Company has reported to the Tokyo Stock Exchange, Inc. that she will be appointed as an Independent Director/ Corporate Auditor pursuant to the rules specified by the exchange.</p>				
<p>[Term of Outside Director of Lawson, Inc.]</p> <p>There are no relevant items, as Ms. Akiyama is a candidate for a new Outside Director position.</p>				
<p>[Particular conflicts of interest between the Candidate and Lawson, Inc.]</p> <p>There are no particular conflicts of interest between the Candidate and Lawson, Inc.</p>				
<p>[Attendance at Board of Directors' Meetings]</p> <p>There are no relevant items, as Ms. Akiyama is a candidate for a new Outside Director position.</p>				

Notes:

- In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with Ms. Reiko Yonezawa, Mr. Takehiko Kakiuchi, Ms. Emi Osono, and Mr. Yutaka Kyoya. Under the liability limitation agreement concluded with the Company, Outside Directors assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence. The Company is also planning to conclude a similar agreement with Ms. Sakie Akiyama.
- The appointment of the Independent Directors/Auditors is based on "(6) Criteria for Independence" on page 23.
- The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 10, 2014.

Proposal No. 3: Revision to the Amount and Substance of Stock Options for Directors

At the 31st Ordinary General Meeting of Shareholders on May 26, 2006, it was approved that the upper limit of annual stock option remuneration to directors of the Company (including outside directors) should be ¥200 million under a separate framework from the maximum total annual remuneration of ¥400 million to directors approved at the 26th Ordinary General Meeting of Shareholders on May 24, 2001.

For the purpose of allowing directors to share with shareholders not only the merits of a higher stock price of the Company's stock but also the risks that might arise from a declining stock price and enhancing the directors' motivation and morale toward a higher stock price and further improvement in operating performance, the Company abolished the conventional retirement benefit system for directors in 2005, and instead introduced stock options (stock options of which the amount to be paid per share (hereinafter referred to as the "Exercise Price") for shares to be issued upon exercising such rights is ¥1; hereinafter referred to as "Stock Compensation-Type Stock Option") that allow qualified persons to which the rights are granted to receive economic value similar to that of the former retirement benefits.

Furthermore, effective from the 26th term (2000), the Company has issued another kind of stock option (hereinafter referred to as "Ordinary Stock Options") of which the Exercise Price is, in principle, the fair market value of the Company's stock at the time of the options being granted to enhance the motivation and morale of directors to further improve operating performance while emphasizing shareholders' interests.

We propose to revise the stock option remuneration system for directors by abolishing the Ordinary Stock Options system (number of shares subject to stock options: 50,000 shares; total number of stock options: 500 units) and exclusively offering Stock Compensation-Type Stock Option. If Proposal No. 2 is approved and passes in its original form, the number of directors will be increased from seven (7) (of which four (4) are outside directors) to nine (9) (of which five (5) are outside directors). In addition, remuneration to directors may increase as a result of ongoing improvement in financial performance. In view of these circumstances, and for the purpose of further improving operating performance while emphasizing shareholders' interests, we request that the upper limit of annual stock option remuneration to directors should be revised to ¥300 million (of which annual stock option remuneration to outside directors will be within ¥30 million).

Along with the said revision in the amount of remuneration, we request that the details of the stock options to be granted as Stock Compensation-Type Stock Option, which were approved and passed at the 31st Ordinary General Meeting of Shareholders held on May 26, 2006, should be as follows. Specifically, we request that: (1) the number of shares subject to stock options be revised from 27,000 shares to 50,000 shares (of which 5,000 shares are for outside directors); and (2) the total number of stock options be revised from 270 units to 500 units (of which 50 units are for outside directors).

Stock Compensation-Type Stock Option(1) Class and number of the shares subject to stock options

The upper limit of shares for which issuance will be available to qualified directors by exercising their stock options to be issued within one (1) year following the date of the ordinary general meeting of shareholders pertaining to each business year shall be 50,000 shares of the Company's common stock (of which 5,000 shares shall be for outside directors). In case it is considered appropriate to change the number of shares as the Company conducts a stock split (including gratis allocation of shares; hereinafter the same regarding a "stock split"), a reverse stock split or a reduction of capital stock, the Company shall make adjustments as deemed necessary.

(2) Total number of stock options

The upper limit of stock options to be issued within one (1) year following the date of the ordinary general meeting of shareholders pertaining to each business year shall be 500 units (of which 50 units shall be for outside directors). The number of shares subject to each stock option shall be 100 shares.

In case it is considered appropriate to change the number of shares as the Company conducts a stock split, a reverse stock split or a reduction of capital stock, the Company shall make adjustments as deemed necessary.

(3) Value to be invested upon the exercise of stock options

The value to be invested in exercising each stock option shall be determined as a product of the Exercise Price (¥1) multiplied by the number of shares subject to each stock option.

(4) Exercisable period of the stock options

The exercisable period of the stock options shall be 20 years computed from the day following the date when the stock options are granted (hereinafter referred to as the "Date for Granting").

(5) Restriction on the acquisition of the stock options via transfer

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

(6) Exercise conditions of the stock options

Regardless of the preceding item (4), a stock option holder may exercise his/her stock options on and after the day following the date when he or she steps down from a director's position. Other applicable conditions shall be as prescribed by the Board of Directors, when it determines the guidelines for offering of the stock options.