

Flash Report on the Consolidated result for the year ended February 29, 2004

April 14, 2004

Listed Company Name: Lawson, Inc.

Code No.: 2651

(URL <http://www.lawson.co.jp>)

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative: Takeshi Niinami, Representative Director, President & CEO

Contact: Kenji Morimoto, Senior Vice President, Financial & Accounting Office Tel.: (03) 5435-1880

Date of the Board of Directors Meeting on the Closing of Accounts: April 14, 2004

Based on US GAAP: Unapplicable

1. Consolidated Performance for the 2004 fiscal year (from March 1, 2003, to February 29, 2004)

(1) Consolidated operating results

Note: Amounts below one million yen are truncated.

	Total operating revenues		Operating income		Ordinary profit	
	¥ Million	%	¥ Million	%	¥ Million	%
2004 fiscal year	245,601	(1.9)	38,087	11.7	36,563	19.3
2003 fiscal year	250,334	(2.3)	34,107	(6.2)	30,656	(12.9)

	Net income		Net income per share	Fully diluted income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenues
	¥ Million	%	¥	¥	%	%	%
2004 fiscal year	18,571	109.6	175.78	-	12.1	10.5	14.9
2003 fiscal year	8,861	(45.0)	82.35	-	5.9	8.9	12.2

Notes: Equity in net income (loss) of affiliates:

2004 fiscal year : (¥1,128million) 2003 fiscal year: (¥2,134million)

Average number of shares outstanding at the beginning and end of the years:

2004 fiscal year : 105,651,228shares 2003 fiscal year: 107,599,576 shares

Change in accounting method: None

Percentages for total operating revenues, operating income, ordinary profit and net income show increase (decrease) from previous year.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per shares
	¥ Million	¥ Million	%	¥
2004 fiscal year	354,831	154,317	43.5	1,479.31
2003 fiscal year	342,599	151,864	44.3	1,411.38

Note: Number of outstanding shares at the end of the respective years:

shares at February 29,2004 104,316,616 shares at February 28,2003 107,599,435

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	¥ Million	¥ Million	¥ Million	¥ Million
2004 fiscal year	37,424	(40,621)	(14,364)	76,389
2003 fiscal year	33,860	(3,787)	(7,247)	93,994

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 5

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 1

(5) Change in the scope of consolidation and application of the equity method

Consolidation (newly included): 0 (Excluded): 0

Equity method (newly applied): 0 (Excluded): 0

2. Forecast Consolidated Performance for 2005 fiscal year (from March 1, 2004, to February 28, 2005)

	Total operating revenue	Ordinary profit	Net income
	¥ Million	¥ Million	¥ Million
2005 interim period	129,000	21,300	10,200
2005 fiscal year	255,000	40,500	20,000

Reference: Forecast net income per share for the 2005 fiscal year: 191.72 yen

Note: The above-mentioned forecast is based on the information, which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecast due to many factors. In addition, please refer to 13th page of appending data about matters, such as precondition of the above-mentioned forecast.

Corporate Group

The major group companies of the Lawson Group in the respective business segments are as follows:

[Convenience store business]

- The Company operates and manages Company-operated and franchised Lawson stores as the headquarters of Lawson chain stores.
- A subsidiary, Shanghai Hualian Lawson Co., Ltd., engages in Lawson's chain-store development operations in Shanghai, China. This subsidiary is a joint venture with Hualian Group Corporation, which has its headquarters in Shanghai, China. By the way, in April 2003, Hualian Group Corporation and the Company entered into an equity transfer contract to the effect that the Company shall transfer 21.0% of the Company's current investment ratio of 70.0% in Hualian Lawson Co., Ltd., to Hualian Group Corporation. As a result of this agreement whose procedure is currently being implemented, the Company's investment ratio will become 49.0%.

[Ticket sales business]

- A subsidiary, Lawson Tickets Co., Ltd., sells tickets for concerts, sporting events, movies and other events through the Loppi multimedia terminals in Lawson stores and other means.

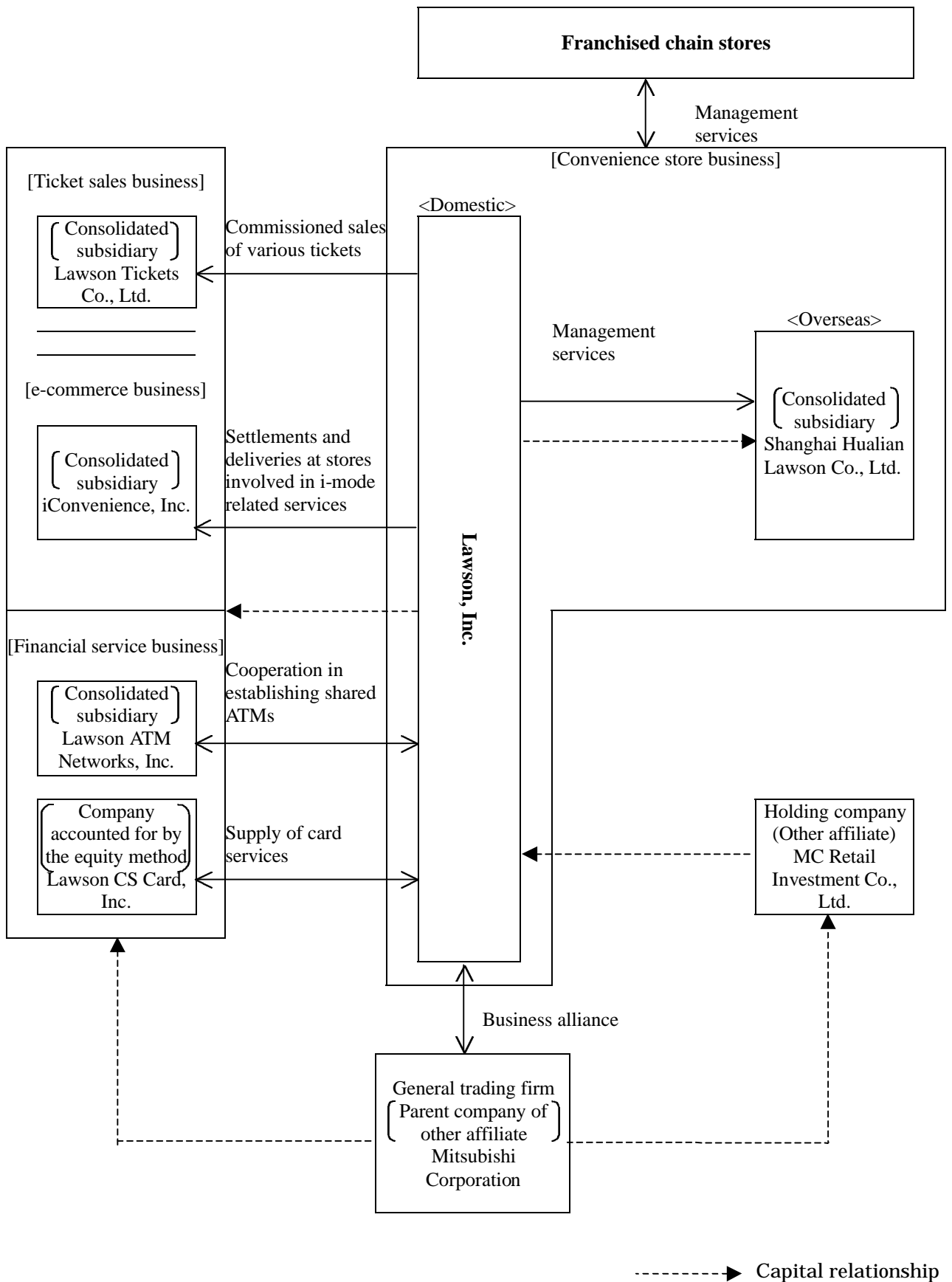
[e-commerce business]

- A subsidiary, iConvenience, Inc., maintains the "iLAWSON" official i-mode site, which allows customers to order various products and services and receive a variety of information via their mobile phones.
- A subsidiary, LAWSON e-Planning, Inc., is currently under a liquidation procedure.

[Financial service business]

- A subsidiary, Lawson ATM Networks, Inc., establishes, maintains and operates ATMs in Lawson stores, and handles outsourced operations involved in the financial services of associated financial institutions such as money crediting/debiting and transfers via the shared ATM network.
- An affiliate, Lawson CS Card, Inc., issues credit cards exclusively to Lawson customers and supplies them with different card services through such infrastructures as "Loppi."

The following diagram schematically shows the relationships of the respective businesses.



Management Policy

1. Business Keynote

(1) Corporate philosophy and action guideline

Under the LAWSON Corporate Philosophy of “Lawson contributes to the convenient lives of customers and the development of local communities with its respectful human services and creative behavior,” our corporate activities are carried out in accordance with the action guidelines that focus on maximally satisfying six major stakeholders—customers, storeowners, partners, shareholders, local communities and our employees. In particular, we focus on improving customer satisfaction as the most important basis of our corporate activities.

(2) Visions and strategic gist

The catchphrase of “the ‘hot’ station in the neighborhood” is widely used in our advertising. It expresses an ideal image to be realized by Lawson stores, that is, as a station where “hot” (up-to-date) products, services and information are supplied to customers, as well as a place of recreation and relaxation. In the medium-term management plan, “Lawson Challenge 2004,” we continue to be committed to further enhancing our “vision” as the community-based convenience store chain.

2. Basic Policy on Profit Distribution

The Company considers one of its most significant management policies to be the maximum distribution of profits to shareholders and maintains a basic policy of paying dividends with due regard for financial position, profitability and the payout ratio while ensuring adequate earnings retention in view of the requirements of future business development.

Compliant with this policy, the Company paid an interim dividend of ¥20 per share and plans to pay a year-end dividend of ¥21 for a total dividend of ¥41 per share for the year under review.

Retained earnings not distributed to shareholders will be allocated to increase the overall corporate value of the Company by reinvesting such funds in new store development, the restoration of existing stores, reinforcement of management foundations and new businesses.

For the next fiscal year, in expectation of future improved operating performance, the Company plans to increase an interim dividend to ¥35 per share and a year-end dividend to ¥35, and a total dividend to ¥70 per share. The Company will endeavor to continue the distribution of profits to shareholders with a target payout ratio of approximately 35%.

3. Intermediate- and Long-Term Management Strategies

With ongoing uncertainty in the economic outlook and poor expectations for a recovery in consumer spending, the business climate surrounding the Company is forecast to be increasingly difficult. Furthermore, competition has intensified not only from industrial competitors but also from new entrants in different business categories. In this difficult environment, we will promote our medium-term management plan, “Lawson Challenge 2004,” in the pursuit of further growth.

Lawson seeks to become “the ‘hot’ station in the neighborhood” satisfying every customer in the community in

response to environmental factors such as the stagnant economy and intensifying competition from entrants in other industrial categories and changes in people's consciousness due to the aging population with the declining birthrate and rising concerns on health and welfare. To this end, we believe our customer satisfaction (CS) capability is critical and we will support storeowners with all-out efforts to provide exciting, customer-focused stores and improve their earnings.

Lawson's CS capability consists of three elements: "Product Development Capability," "Lawson's Three Challenge Practices" (store and sales floor that maximally satisfy customers, cleanup of the store and quarters, and cordial service in receiving visitors) and "Convenient Site Location." We intend to improve the CS capability with the following policies and enhance convenience in view of future changes in the operating environment.

- (1) Strengthening product development capability (promoting "safety, security, health and delicacy" and actively addressing regional characteristics)

With the catchphrase "safety, security, health and delicacy," we intend to aggressively strengthen our product development capability for original products by reviewing the procurement methods of raw materials, consolidating leading suppliers to which the Company's processing of certain items is outsourced and incorporating regional characteristics such as the seasoning of foods. By implementing these measures, we will pursue Lawson's original, higher-added-value development resulting in products that are appealing, genuine and moderately priced.

- (2) Reinforcing store management capability by promoting "Lawson's Three Challenge Practices" at the storefront.

We will promote the "individual store" principle through which storeowners understand customer attributes in their trading area and create familiar sales floor layouts in an easy-to-find presentation. In addition, staff at every store endeavor to clean up inside and outside the store to create a good atmosphere and cordially receive visitors to ensure repeat visits.

- (3) Convenient site location (Profitability-focused store openings)

We intend to stress profitability with storeowners and at the Headquarters by carefully examining it by region and by store, without relying on uniform store opening figures or the total number of stores nationwide. We will promote new openings through closer collaboration in sharing information on site locations between the administration and store development departments and enhanced joint programs with locally influential corporations and others.

- (4) Increase in convenience

We will enhance customers' convenience with a variety of novel store formats based on flexible ideas.

"Hospital Lawson" is a store format located within hospital premises. "Postal Lawson" stores are opened inside post offices through a business tie-up with JAPAN POST. These programs aim to extend and upgrade customer-oriented services. We will provide a variety of services with the "LAWSON PASS" members' card, a business alliance with Culture Convenience Club Co., Ltd.; Loppi multimedia terminals; and installed ATMs.

4. Target Management Indices

As the priority indicators, the Company aims to achieve consolidated operating income of ¥42.1 billion and an ROE of 12.4% for fiscal 2004.

5. Basic Views on Corporate Governance and the Status of Measures Implemented

(1) Basic views on corporate governance

The Company stresses shareholders' viewpoints and its respective stakeholders. Accordingly, we are committed to maximizing corporate value so that all the stakeholders are happy with Lawson: customers thanks to Lawson stores' presence and operations, storeowners owing to their affiliation with the store chain, partners due to our business alliances and employees because of their worthwhile jobs. To that end, the Company believes it is important to raise management soundness and transparency through improved compliance and open disclosure, in other words, strengthened corporate governance.

(2) Status of measures implemented for corporate governance

Corporate governance system in managerial organizations involved in management decision making, administration and supervision of the Company

Pursuant to resolutions adopted at the Ordinary General Shareholders' Meeting and by the Board of Directors, both of which were held in May 2003, the number of directors of the Company totals nine (four in-house directors and five outside counterparts). With this organizational reform, we look for the insight and expertise of the outside directors to result in fairer judgments on important management-related matters including the planning of overall business strategies.

Under the corporate auditor system, the Board of Corporate Auditors consists of four members, including three outside counterparts. Corporate auditors attend important meetings, such as the Board of Directors' meetings, to provide objective and fair opinions on the overall business administration as well as individual matters. The corporate auditors audit the functional duties of the respective directors, including the monitoring of routine business and affairs conducted by the directors and internal controls. The Board of Corporate Auditors typically meets monthly. In addition, the Audit Station continuously audits the propriety of corporate operations in terms of compliance with laws and regulations and social responsibility, including the legal performance of operations and responses to risk management.

The Company has also strengthened its commitment to improving corporate governance by establishing several committees: the Remuneration Advisory Committee chaired by an outside director, Norihiko Kojima; the Private Information Protection Committee chaired by Takeshi Niinami, president and CEO; and the Compliance Promotion Committee headed by Katsuhiko Yamasaki, director, executive vice president and CRO.

Although no dedicated person is staffed on behalf of outside directors, the Corporate Station in charge of the secretariat function for the Board of Directors collects and coordinates internal information. Furthermore, the Company has consulting contracts with several law firms for legal consultation with regard to corporate management and daily business operations. The Company also has a contract with the accounting firm Tohmatsu & Co. for the audit of its accounts.

Summary of interests on personal relations, capital relations, trading relations and other relations with outside directors and outside corporate auditors

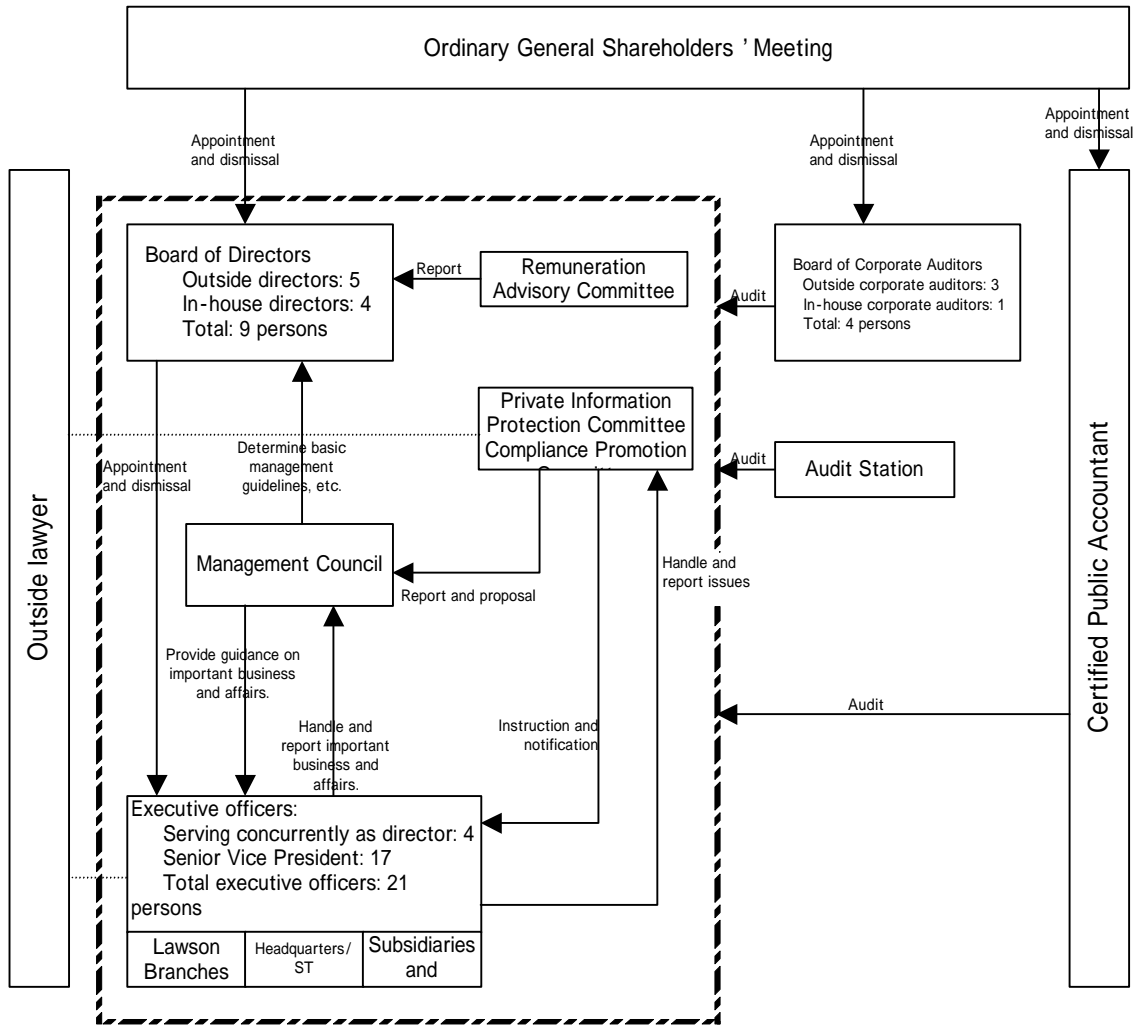
Of the four outside directors, Yorihiro Kojima is a representative director and an executive vice president of Mitsubishi Corporation, Lawson's largest shareholder and most important strategic partner. Masao Ueno also is an executive vice president of Mitsubishi Corporation. Muneaki Masuda is president of Culture Convenience Club Co., Ltd., with which the Company has a strategic alliance to jointly promote a shared shopping point-saving system and other programs. Reiko Okutani is president of The R Co., Ltd., which is entrusted with part of Lawson's training program. None of these outside directors has a personal interest in business relations with the Company. Hiroshi Tasaka is a professor at Tama University and has no business relationship with the Company. Of the three outside corporate auditors, Masaaki Kojima came from and Yoshiuki Sanada is at Mitsubishi Corporation. Tetsuo Ozawa is a lawyer at Tokyo Fuji Legal Office and has no business relationship with the Company.

Measures implemented during the year under review to enhance corporate governance

The Board of Directors has met 14 times in the past year to determine statutory affairs and important management-related matters. The Board of Corporate Auditors supervised the circumstances of business and affairs executed by the directors. The Remuneration Advisory Committee has met five times. It submitted reports on the method for determining remuneration for directors and executive officers and other issues. The Private Information Protection Committee has met 16 times to discuss guidelines for handling private information and specific measures to upgrade information protection systems, including those at subsidiaries and affiliates, and protective actions for customer information at the respective stores. The Compliance Promotion Committee has met seven times, including working committee meetings, to study the development of an internal compliance system in corporate organizations, including training, and to handle various operating issues related to improving compliance. Furthermore, pursuant to the introduction of the Administrative Division System,* the Company has posted a Compliance Officer in each branch as a permanent member of the committee to accelerate compliance adherence.

*Effective March 1, 2003, the Company introduced the Administrative Division System. This system divides the country into seven divisional regions and shifts the function-based vertical organization to regionally divided lateral administration. The Company intends to enhance customer satisfaction with this organizational reform, which allows speedy decision making by managerial staff at posts nearer to the actual store customers and significantly promotes locally oriented store openings, an assortment of display items and quick and responsive store management at franchised Lawson stores.

Corporate Governance and Internal Control Systems (As of February 29, 2004)



6. Basic Policies on Relations with Related Parties

Relationship with Mitsubishi Corporation:

Management regards Mitsubishi Corporation—the mainstay of the Mitsubishi Group—as its most important strategic partner. Accordingly, we will further deepen our business alliance in the fields of new business, store development and product development to enhance Lawson’s corporate value.

Operating Performance and Financial Position

1. Review of Operations

【Overview】

During the year ended February 29, 2004, despite partial favorable signs such as a gradual increase in exports, an increase of private-sector investment and improvement in corporate profits, the outlook for the Japanese economy remained uncertain with the appreciated yen in the foreign exchange market and sluggish consumer spending.

The retail store industry saw a difficult business environment owing to intensified competition with new entries from other industries in recent years and the effect of unusually cool summer weather amid the lingering deflationary trends. Accordingly, we had to develop a more flexible corporate attitude and implement speedy management decision making to cope with the fluctuating market changes.

Under these circumstances, the Company endeavored to realize the concept of truly becoming “the ‘hot’ station in the neighborhood,” which was the original intention of Lawson stores. The Company continued to carry out “Lawson’s Three Challenge Practices” (store and sales floor that maximally satisfy customers, cleanup of the store and quarters, and cordial service in receiving visitors) to create innovative storefronts. Moreover, the Company was committed to fortifying leadership in its franchised chain stores, speedy product development with the catchphrase “safety, security, health and delicacy” and quality-focused store development. The Company also sought to improve its CS level through active tie-ups with partners in other business categories and by newly sharing the shopping point-saving system using the “LAWSON PASS” members’ card.

As a result, net sales throughout the Lawson chain decreased 0.4% year over year to ¥1,288,297 million. Nevertheless, ordinary profit increased ¥5,907 million (up 19.3% year over year) to ¥36,563 million, principally reflecting an increase in royalty received from franchised stores. Net income for the year surged ¥9,710 million (up 109.6% year over year) to ¥18,571 million, mainly due to an improved extraordinary profit-and-loss account as a result of the disposal of corporate assets advanced during the previous fiscal year.

【Sales by product group at Lawson chain stores】

By product category, sales of processed foods rose 4.1% year over year mainly due to steady sales of the ¥100 candy series and cup soups. Sales of fast foods declined 0.2%, reflecting decreased sales of seasonable processed noodle products during the unseasonable cool summer and warm winter (despite favorable sales of hot food products). Sales of daily delivered foods edged up 0.8%, reflecting favorable sales of bakery items (although sales of chilled foods were weak). As a result, sales of total foods improved 2.4% year over year, whereas sales of nonfood products fell 12.3%, considerably affected by the discontinued sales of the high-priced Highway Card series and unfavorable sales of magazines and cosmetics.

Fiscal period Product group	Current fiscal year March 1, 2003, to February 29, 2004		Previous fiscal year March 1, 2002, to February 28, 2003		Year-over-year comparison
	Sales (Millions of yen)	Compositi on ratio (%)	Sales (Millions of yen)	Compositi on ratio (%)	
Processed foods	625,031	48.5	600,508	46.4	104.1
Fast foods	302,568	23.5	303,098	23.4	99.8
Daily delivered foods	139,506	10.8	138,353	10.7	100.8
Total food products	1,067,105	82.8	1,041,959	80.5	102.4
Nonfood products	221,192	17.2	252,083	19.5	87.7
Total	1,288,297	100.0	1,294,042	100.0	99.6

【Store development】

During the year under review, the Company strove to open quality-focused stores especially in the Tokyo, Nagoya and Osaka metropolitan areas and actively pursued a policy of closing or relocating unprofitable stores and those with low daily sales. In addition, the Company opened innovative shops in new business fields, for example, the opening of stores at subway stations in collaboration with the Teito Rapid Transit Authority (currently Tokyo Metro Co., Ltd.); the opening of stores in combination with branches of Hokuriku Bank, Ltd.; and the opening of stores in combination with “ENEOS” self-service gas stations with NIPPON OIL CORPORATION.

Accordingly, during the year 625 new stores were opened and 429 were closed, including those that were relocated, resulting in 7,821 domestic stores, an increase of 196 compared with the end of the previous fiscal year. Overseas stores increased by 50 to 146 for the chain stores operated by Shanghai Hualian Lawson Co., Ltd., in Shanghai, China. Consequently, there were 7,967 stores as of February 29, 2004.

Number of stores by prefecture (As of February 29, 2004)

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	485	Saitama	288	Gifu	78	Tottori	59	Saga	56
Aomori	117	Chiba	259	Shizuoka	160	Shimane	56	Nagasaki	81
Iwate	100	Tokyo	752	Aichi	335	Okayama	111	Kumamoto	80
Miyagi	158	Kanagawa	463	Mie	72	Hiroshima	115	Oita	103
Akita	109	Niigata	108	Shiga	109	Yamaguchi	108	Miyazaki	80
Yamagata	55	Toyama	89	Kyoto	170	Tokushima	104	Kagoshima	107
Fukushima	107	Ishikawa	63	Osaka	814	Kagawa	96	Okinawa	115
Ibaraki	107	Fukui	72	Hyogo	454	Ehime	130	Subtotal	7,821
Tochigi	94	Yamanashi	62	Nara	100	Kochi	48	Shanghai	146
Gunma	65	Nagano	140	Wakayama	109	Fukuoka	278	Total	7,967

Note: For Shanghai Hualian Lawson Co., Ltd., the number of stores as of its closing date (December 31, 2003) is reported.

【Income and expenses】

Consolidated total operating revenue for the year ended February 29, 2004, amounted to ¥245,601 million, down ¥4,733 million (1.9%) year over year. This decline was primarily attributable to decreased sales due to a decline in the number of business days at the Company-operated stores, despite a rise in royalty income due to an increase in

the number of chain stores and the increased fees for the use of ATM machines by Lawson ATM Networks, Inc., a subsidiary of the Company.

Consolidated operating income rose ¥3,980 million (11.7%) year over year to ¥38,087 million, reflecting an increase of ¥5,098 million in operating gross profit, and a restricted increase of only ¥1,118 million in selling, general and administrative expenses including expanded ATM operating expense and the rent for store buildings. Consolidated ordinary profit increased ¥5,907 million (19.3%) year over year to ¥36,563 million, mainly due to a decline in equity in net loss of unconsolidated subsidiaries and affiliates of an affiliate, related to Lawson CS Card, Inc.

Consolidated income before income taxes amounted to ¥32,923 million, up 87.0% year over year. This advance was mainly related to a ¥9,413 million improvement in the extraordinary profit-and-loss account owing to the disposal of corporate assets advanced during the previous fiscal year.

As a result, consolidated net income for the year ended February 29, 2004, increased ¥9,710 million (109.6%) year over year to ¥18,571 million, and net income per share was ¥175.78.

2. Financial Position

【Cash flows】

For the year ended February 29, 2004, net cash provided by operating activities rose ¥3,564 million to ¥37,424 million on a consolidated basis. This increase was due largely to a rise in income before income taxes. Net cash used in investing activities rose ¥36,834 million to ¥40,621 million, reflecting a payment of ¥27,718 million due to capital investments partially offset by the declines in redemption at maturity of marketable securities and gain on sales of investment securities. Net cash used in financing activities was ¥14,364 million, taking into account the acquisition of treasury stock of ¥11,549 million and ¥4,380 million in cash dividends paid.

As a result of these cash flows, cash and cash equivalents at the end of the year ended February 29, 2004, totaled ¥76,389 million, down ¥17,605 million, compared with that at the end of the previous fiscal year.

【Outlook】

Industrial competition together with new entrants from other business categories is expected to intensify and deflationary trends are forecast to continue given the continued uncertain economic conditions.

In such a challenging environment, we will conduct the following measures to become “the ‘hot’ station in the neighborhood.”

1. Reinforce store management capability

We will create attractive, community-based stores by improving product development capability, “Lawson’s Three Challenge Practices” and strengthening leadership in franchised chain stores and convenient site location.

2. Reinforce training programs

We aim to increase the overall CS level by upgrading training programs not only for employees but also for Lawson store staff.

3. Strengthen product development capability

With the catchphrase of “safety, security, health and delicacy,” we strive to improve the quality of original products such as *Bento* lunch-boxes and *Onigiri* rice balls, our mainstay product items. To that end, we intend to extensively install advanced processing machines at the plants.

4. Increase in convenience

We will offer a variety of services with the “LAWSON PASS” members’ card, Loppi multimedia terminals and ATMs, as well as through aggressive business alliance projects.

5. Improve the earnings structure

We will follow a policy of carefully examining profitability for each new store opening. Moreover, we will work to reduce costs by promoting SCM (supply chain management) and reviewing product and distribution costs.

For the year ending February 28, 2005, the Company anticipates nonconsolidated ordinary profit of ¥41 billion with a 9.0% increase over the previous year and consolidated ordinary profit of ¥40.5 billion with a 10.8% increase over the previous year, both on a full-year basis.

(Millions of yen)

	August 2004 interim period (Forecast)	February 2005 fiscal term (Forecast)	February 2004 fiscal term (Actual results)	Year-over-year change (%)
Operating revenue	129,000	255,000	245,601	3.8
Ordinary profit	21,300	40,500	36,563	10.8
Net income	10,200	20,000	18,571	7.7
Net income per share (yen)	97.78	191.72	175.78	—

Average number of shares during the period: 105,651,228 shares for the fiscal year ended February 29, 2004.

*The values are calculated based on the number of shares outstanding of the Company (104,316,616 shares) as of February 29, 2004.

Reference: Forecast nonconsolidated performance

(Millions of yen)

	August 2004 interim period (Forecast)	February 2005 fiscal term (Forecast)	February 2004 fiscal term (Actual results)	Year-over-year change (%)
Operating revenue	122,000	241,000	231,099	4.3
Ordinary profit	21,500	41,000	37,629	9.0
Net income	10,600	20,700	19,018	8.8
Net income per share (yen)	101.61	198.43	180.01	—

Average number of shares during the period: 105,651,228 shares for the fiscal year ended February 29, 2004.

*The values are calculated based on the number of shares outstanding (104,316,616 shares) as of February 29, 2004.

Consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 29, 2004)		Previous fiscal year (As of February 28, 2003)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	76,393		83,144		(6,751)
Accounts receivable—due from franchised stores	18,628		7,039		11,589
Marketable securities	9,244		12,445		(3,201)
Merchandise inventories	1,497		1,492		5
Prepaid expenses	4,341		3,961		380
Short-term loans receivable	6,250		4,362		1,888
Accounts receivable—other	18,028		15,602		2,426
Deferred tax assets	2,818		2,445		373
Other	595		551		44
Allowance for doubtful accounts	(132)		(93)		(39)
Total current assets	137,662	38.8	130,948	38.2	6,714
Fixed assets					
Property and store equipment—at net book value					
Buildings and structures	57,317		51,618		5,699
Furniture, fixtures and equipment	20,517		19,733		784
Land	4,938		6,178		(1,240)
Construction in progress	500		44		456
Total property and store equipment— net	83,272	23.5	77,573	22.6	5,699
Intangible fixed assets					
Software	13,718		15,496		(1,778)
Software development in progress	498		1,088		(590)
Goodwill	8		16		(8)
Other	648		748		(100)
Total intangible fixed assets	14,872	4.2	17,348	5.1	(2,476)
Investments and other					
Investments in securities	1,715		2,754		(1,039)
Long-term loans receivable	13,109		8,958		4,151
Long-term prepaid expense	2,485		2,234		251
Lease deposits	90,496		89,499		997
Deferred tax assets	6,804		8,918		(2,114)
Deferred tax assets for land revaluation	4,808		5,009		(201)
Other	1,359		786		573
Allowance for doubtful accounts	(1,751)		(1,428)		(323)
Total investments and other	119,025	33.5	116,730	34.1	2,295
Total fixed assets	217,169	61.2	211,651	61.8	5,518
Total Assets	354,831	100.0	342,599	100.0	12,232

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 29, 2004)		Previous fiscal year (As of February 28, 2003)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	63,322		63,860		(538)
Accounts payable— due to franchised stores	1,402		4,799		(3,397)
Account payable—other	18,204		15,013		3,191
Income taxes payable	10,009		7,615		2,394
Deposits received	43,745		33,030		10,715
Accrued employees' bonuses	2,689		2,824		(135)
Other	3,227		1,945		1,282
Total current liabilities	142,598	40.2	129,086	37.7	13,512
Long-term liabilities					
Allowance for employees' retirement benefits	1,144		3,786		(2,642)
Allowance for retirement benefits to directors and corporate auditors	218		223		(5)
Deposits received from franchisees and lessees	53,373		54,989		(1,616)
Other	289		421		(132)
Total long-term liabilities	55,024	15.5	59,419	17.3	(4,395)
Total Liabilities	197,622	55.7	188,505	55.0	9,117
(Minority Interest)					
Minority Interest	2,892	0.8	2,230	0.7	662
(Shareholders' Equity)					
Common stock	58,507	16.5	58,507	17.1	-
Additional paid-in capital	41,521	11.7	41,520	12.1	1
Retained earnings	72,769	20.5	58,608	17.1	14,161
Land revaluation difference	(7,067)	(2.0)	(6,917)	(2.0)	(150)
Net unrealized gain on available for sale securities	53	0.0	(2)	(0.0)	55
Foreign currency translation adjustments	68	0.0	150	0.0	(82)
Treasury stock-at cost	(11,534)	(3.2)	(2)	(0.0)	(11,532)
Total Shareholders' Equity	154,317	43.5	151,864	44.3	2,453
Total Liabilities, Minority Interest and Shareholders' Equity	354,831	100.0	342,599	100.0	12,232

Consolidated Statements of Income

(Millions of yen)

Account item	Current fiscal year (From March 1,2003 to February 29, 2004)		Previous fiscal year (From March 1,2002 to February 28, 2003)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	Percentage
Operating revenues	177,216	72.2	168,848	67.4	105.0
Franchise commissions from franchised stores	153,910		149,032		103.3
Net sales reported by franchised stores					
Current fiscal year: ¥1,220,819million					
Previous fiscal year: ¥1,213,088million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥1,288,297million					
Previous fiscal year: ¥1,294,042million					
Other	23,306		19,816		117.6
Net sales	68,385	(100.0)	81,486	(100.0)	83.9
		27.8		32.6	
Total operating revenues	245,601	100.0	250,334	100.0	98.1
Cost of goods sold	50,058	(73.2)	59,889	(73.5)	83.6
Gross profit on sales	18,327	(26.8)	21,597	(26.5)	84.9
Operating gross profit	195,543	79.6	190,445	76.1	102.7
Selling, general and administrative expenses	157,456	64.1	156,338	62.5	100.7
Operating income	38,087	15.5	34,107	13.6	111.7
Non-operating income	1,048	0.4	975	0.4	107.5
Interest received	297		261		
Compensation received for damage	221		227		
Compensation received for removal	204		109		
Other	326		378		
Non-operating expense	2,572	1.0	4,426	1.8	58.1
Interest expense	15		61		
Loss on cancellation of store lease contract	1,139		1,925		
Equity in losses of affiliated companies	1,128		2,134		
Other	290		306		
Ordinary profit	36,563	14.9	30,656	12.2	119.3

Special gains	1,525	0.6	6,400	2.6	23.8
Gain on sales of investments in securities	2		5,778		
Gain on increase in a subsidiary's net equity resulted from its allocation of new shares	574		-		
Special profit on disaffiliation from Group Employees' Pension Fund	812		-		
Other	137		622		
Special losses	5,165	2.1	19,453	7.8	26.6
Loss on disposal of fixed assets	3,950		12,040		
Loss on sales of fixed assets	93		58		
Premium severance benefit	-		4,322		
Other	1,122		3,033		
Income before income taxes	32,923	13.4	17,603	7.0	187.0
Income taxes – current	12,992		7,852		
Deferred income taxes	1,725	6.0	1,339	3.7	128.8
Minority interest in earnings(losses) of consolidated subsidiaries	(365)	0.2	(449)	0.2	81.3
Net income	18,571	7.6	8,861	3.5	209.6

Consolidated Statements of Additional paid-in capital and Retained Earnings

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2003 to February 29, 2004)		Previous fiscal year (From March 1,2002 to February 28, 2003)		Increase (Decrease)	
	Amount		Amount		Amount	
(Additional paid-in capital)						
Balance of paid-in capital at beginning of the period		41,520		41,520		-
Increase in capital surplus						
Gain on disposal of treasury stock	1	1	-	-	1	1
Balance of paid-in capital at end of the period		41,521		41,520		1
(Retained earnings)						
Balance of retained earnings at beginning of the period		58,608		55,649		2,959
Increase in retained earnings						
Net income	18,571	18,571	8,861	8,861	9,710	9,710
Decrease in retained earnings						
Cash dividends	4,380		4,412		(32)	
Reversal of land revaluation difference	30	4,410	1,490	5,902	(1,460)	(1,492)
Balance of retained earnings at end of the period		72,769		58,608		14,161

Consolidated Statements of Cash Flows

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1,2003 to February 29, 2004)	Previous fiscal year (From March 1,2002 to February 28, 2003)	Increase (Decrease)
	Amount	Amount	Amount
Operating activities:			
Income before income taxes	32,923	17,603	15,320
Depreciation of fixed assets	14,212	13,135	1,077
Loss from disposal of fixed assets	2,603	7,842	(5,239)
Amortization of intangible fixed assets	4,287	2,936	1,351
Loss from of intangible fixed assets	305	2,349	(2,044)
Equity in losses of affiliated companies	1,128	2,134	(1,006)
Increase in allowance for retirement benefits to employees	(2,642)	780	(3,422)
Increase in allowance for doubtful accounts	362	508	(146)
Interest and dividend income	(297)	(261)	(36)
Interest expense	15	61	(46)
Loss on sales of fixed assets	93	58	35
Gain on sales of investments in securities	(2)	(5,778)	5,776
Gain on increase in a subsidiary's net equity resulted from it's allocation of new shares	(574)	-	(574)
Other	393	1,489	(1,096)
Increase in accounts receivable due from franchised stores	(11,601)	(857)	(10,744)
Decrease in merchandise inventories	(15)	596	(611)
Increase in accounts receivable—other	(2,432)	(2,208)	(224)
Increase in accounts payable—trade and due to franchised stores	(3,914)	1,593	(5,507)
Increase (decrease) in accounts payable—other	3,212	(1,661)	4,873
increase in deposits received	10,715	5,164	5,551
Increase (decrease) in deposits received from franchisees and lessees	(1,616)	(1,666)	50
Increase in other assets and liabilities—net	587	644	(57)
Subtotal	47,742	44,461	3,281

Interest and dividend income received	295	238	57
Interest expenses paid	(15)	(57)	42
Income taxes paid	(10,598)	(10,782)	184
Net cash provided by operating activities	37,424	33,860	3,564
Investing activities:			
Payment for purchase of marketable securities	(28,270)	(25,532)	(2,738)
Proceeds from redemption of marketable securities	24,471	50,425	(25,954)
Proceeds from sales of investments in securities	3	8,300	(8,297)
Increase in advances to associated company	-	(3,550)	3,550
Increase in short-term loans receivable	(6,250)	-	(6,250)
Payment for acquisition of property and store equipment	(23,832)	(22,543)	(1,289)
Increase in intangible fixed assets	(2,128)	(9,563)	7,435
Increase in lease deposits—net	(1,002)	(1,382)	380
Increase in Long-term prepaid expenses	(756)	(674)	(82)
Other—net	(2,857)	732	(3,589)
Net cash used in investing activities	(40,621)	(3,787)	(36,834)
Financing activities:			
Repayment of long-term borrowings	-	(3,140)	3,140
Proceeds from minority shareholders	1,547	306	1,241
Payment for acquisition of treasury stock - at cost	(11,549)	(1)	(11,548)
Cash dividends paid	(4,380)	(4,412)	32
Other	18	-	18
Net cash (used in) provided by financing activities	(14,364)	(7,247)	(7,117)
Effects of exchange rate changes on cash and cash equivalents	(44)	(101)	57
Net (decrease) increase in cash and cash equivalents	(17,605)	22,725	(40,330)
Cash and cash equivalents, beginning of year	93,994	71,269	22,725
Cash and cash equivalents, end of year	76,389	93,994	(17,605)

《Basis of Presenting the Consolidated Financial Statements》

1. Scope of consolidation

Consolidated subsidiaries:5

Lawson Tickets Co., Ltd.

Shanghai Hualian Lawson Co., Ltd.

LAWSON e-Planning, Inc.

i-Convenience, Inc.

LAWSON ATM Networks, Inc.

All the subsidiaries are consolidated.

2. Application of the equity method

Affiliated companies to which the equity method is applied: 1

LAWSON CS Card, Inc.

3. Closing day for settlement of accounts of consolidated subsidiaries

Of the consolidated subsidiaries, Shanghai Hualian Lawson Co., Ltd., has a year-end closing date of December 31, different from the consolidation closing date, which is February-end. In preparing the consolidated financial statements, those as of December 31 are used with regard to Shanghai Hualian Lawson Co., Ltd., but after making necessary adjustments to reflect any material transactions that might take place between its closing date and February-end of each year.

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.

Available-for-sale securities:

Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

Inventories:

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

(2) Depreciation method of depreciable assets

Property and store equipment:

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

Intangible fixed assets:

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

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

(3) Accounting standard for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Allowance for Employees' Retirement Benefits:

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

Allowance for Retirement Benefits to Directors and Corporate Auditors:

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

(4) Foreign Currency Transactions and Foreign Currency Financial Statements

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

(5) Lease

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

(6) Accounting for Consumption Tax

Consumption tax is accounted for using the tax exclusion method.

5. Valuation of assets and liabilities of consolidated subsidiaries

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

6. Amortization of goodwill

The amount of goodwill is amortized over 5 years on a straight-line basis.

7. Treatment of appropriation items of profit

The statements of consolidated retained earnings are based on the distribution of profit finalized during the consolidation fiscal year at the consolidated subsidiaries.

8. Cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows include cash on hand, demand deposits and short-term investments due within three months from the acquired date, which are easily convertible into cash with little risk of value fluctuation.

《Notes to the Consolidated Financial Statements》

Notes to the Consolidated Balance Sheets

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
1. Accumulated depreciation for property and store equipment	78,915	71,986
2. Investment in affiliated companies		
Investments in securities (shares)	651	1,779
3. Issued numbers of common stock	107,600 thousand shares	107,600 thousand shares
4. The numbers of treasury stock in the Company (common stock)	3,283,384 shares	565 shares
5. Revaluation of land used for business	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation.</p> <p>Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.</p> <p>Date of revaluation: February 28, 2002</p> <p>The difference between book value and market value of the revalued land as of balance sheet date.</p> <p style="text-align: right;">¥ 1,005million</p>	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation.</p> <p>Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.</p> <p>Date of revaluation: February 28, 2002</p> <p>The difference between book value and market value of the revalued land as of balance sheet date.</p> <p style="text-align: right;">¥ 461million</p>

Notes to the Consolidated Statements of Income

	(Millions of yen)	
	From March 1, 2003 to February 29, 2004	From March 1, 2002 to February 28, 2003
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	11,188	12,505
Doubtful debt account	438	844
Salary	22,716	23,236
Provision for accrued employees' bonuses	2,689	2,825
Retirement benefit costs	1,272	3,259
Provision for allowance for retirement benefits to directors and corporate auditors	148	137
Amortization of goodwill	8	95
Rent account	42,679	40,035
Depreciation of fixed assets	14,212	13,135
2. Premium severance benefit	-	Premium severance benefit to retirees under a preferential early retirement plan
3. Distribution of loss from disposal of fixed assets		
Buildings and structures	2,506	2,540
Furniture, fixtures and equipment	1,301	7,151
Software	125	2,349
Other	18	-
4. Distribution of loss from sales of fixed assets		
Buildings and structures	51	27
Furniture, fixtures and equipment	-	6
Land	42	25

Notes to the Consolidated Statements of Cash Flows

Relations between the year-end balance of cash and cash equivalents and the accounts listed in the consolidated balance sheets

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
Cash and bank deposits	76,393	83,144
Marketable securities	9,244	12,445
Short-term loans receivable	-	4,362
Time deposits, etc., for which the deposit period exceeds three months	(4)	(150)
Bonds, etc., for which the redemption period exceeds three months	(9,244)	(5,445)
Short-term loans receivable for which the loan period exceeds three months	-	(362)
Cash and cash equivalents	76,389	93,994

Notes to Lease Contracts

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

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

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
Acquisition cost	78,216	77,724
Accumulated depreciation	30,710	24,668
Leased property	47,506	53,056
Obligations under finance leases		
Due within one year	13,663	13,099
Due after one year	34,706	40,615
Total	48,369	53,714
Lease payments, depreciation expense and interest expense		
Lease payments	15,133	13,675
Depreciation expense	14,186	12,775
Interest expense	1,160	1,149

Computation method of depreciation expense

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

Computation method of interest expense

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

- Operating lease contracts

Obligations under operation leases

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
Due within one year	736	954
Due after one year	5,814	6,850
Total	6,550	7,804

Notes to Market Value Information of Securities

(As of February 29, 2004)

- Information regarding marketable held-to-maturity debt securities as of February 29, 2004, was as follows:

	(Millions of yen)		
Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	2,499	2,499	0
Securities with book value per consolidated balance sheets exceeding market value	6,745	6,744	(1)
Total	9,244	9,243	(1)

2. Information regarding marketable available-for-sale securities as of February 29, 2004, was as follows:
(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets	925	1,016	91
Stock			
Subtotal	925	1,016	91
Securities with book value per consolidated balance sheets exceeding cost	10	8	(2)
Stock			
Subtotal	10	8	(2)
Total	935	1,024	89

3. Information regarding available-for-sale securities sold during the year was as follows :
(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
3	2	-

4. Available-for-sale securities whose fair value is not readily determinable as of February 29, 2004, were as follows:

Available-for-sale securities	(Millions of yen)
	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	40
Total	40

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 29, 2004 by contractual maturity were as follows:

Type	(Millions of yen)
	1 year or less
Government and municipal bonds, etc.	5,219
Other bonds	4,025
Total	9,244

(As of February 28, 2003)

1. Information regarding marketable held-to-maturity debt securities as of February 28, 2003, was as follows:
(Millions of yen)

Type	Book value per consolidated balance sheets	Market value	Unrealized gain (loss)
Securities with market value exceeding book value per consolidated balance sheets	2,064	2,065	1
Securities with book value per consolidated balance sheets exceeding market value	10,381	10,379	(2)

Total	12,445	12,444	(1)
-------	--------	--------	-----

2. Information regarding marketable available-for-sale securities as of February 28, 2003, was as follows:
(Millions of yen)

Type	Cost	Book value per consolidated balance sheets	Unrealized gain (loss)
Securities with cost exceeding book value per consolidated balance sheets Stock	1	2	1
Subtotal	1	2	1
Securities with book value per consolidated balance sheets exceeding cost Stock	935	932	(3)
Subtotal	935	932	(3)
Total	936	934	(2)

3. Information regarding available-for-sale securities sold during the year was as follows :
(Millions of yen)

Proceeds from the sale	Total gain from the sale	Total loss from the sale
8,300	5,764	(51)

4. Available-for-sale securities whose fair value is not readily determinable as of February 28, 2003, were as follows:

Available-for-sale securities	(Millions of yen)
	Book value per consolidated balance sheets
Unlisted shares (excluding OTC securities)	41
Total	41

5. Available-for-sale securities with maturities and held-to-maturity debt securities as of February 28, 2003 by contractual maturity were as follows:

Type	(Millions of yen)
	1 year or less
Government and municipal bonds, etc.	7,000
Other bonds	5,445
Total	12,445

Note to Derivative Transactions

None of disclosure is required because no derivative transactions were made by the Lawson Group for either the current or previous consolidated fiscal years.

Note to Retirement Benefits

From March 1, 2003 to February 29, 2004

1. Summary of the retirement benefit plans adopted

The Company participated in a Japanese government welfare pension fund program (the Daiei Employees' Pension Fund) and also has a lump-sum severance indemnified plan, both of which are defined benefit plan.

The Company voluntarily disaffiliated from the Daiei Employees' Pension Fund as of March 31, 2003 and started defined contribution plans system from May, 2003. For a lump-sum severance indemnified plan, the Company sets up trust fund.

2. Projected benefit obligations		(Millions of yen)
a	Projected benefit obligations	(7,247)
b	Plan assets	5,523
c	Projected benefit obligation in excess of plan assets (a + b)	(1,724)
d	Unrecognized actuarial differences	580
f	Reported amount on the consolidated balance sheets, net (c + d)	(1,114)

Notes: 1. Consolidated subsidiaries adopted the simplified method to calculate the projected benefit obligation.

3. Net periodic benefit cost		(Millions of yen)
a	Service cost	870
b	Interest cost	126
c	Amortization of actuarial differences	71
d	Net periodic benefit cost	1,067
e	Contribution to defined contribution plan	205
f	Total (= d + e)	1,272

Notes: 1. Net periodic benefit cost for consolidated subsidiaries which adopted the simplified method are included in "a. Service cost."

When the Company disaffiliated from the Daiei Employees' Pension Fund, the Company recorded special gain of ¥ 811 million by reversing allowance for employees' retirement benefits, which was determined after reflecting recognition of all remaining actuarial loss and prior service cost, and special contribution to the Fund for the purpose of disaffiliation.

4. Basis of calculation of projected benefit obligations

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

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

	(Millions of yen)	
	As of February 29, 2004	
Deferred tax assets		
Enterprise taxes payable	936	
Accrued employees' bonuses	1,005	
Valuation loss on investments in securities	543	
Excess of depreciation	1,868	
Excess of amortization of software	1,059	
Allowance for employees' retirement benefits	2,210	
Tax loss carry forward	1,516	
Other	2,049	
Subtotal of deferred tax assets	11,186	
Valuation allowances	(1,528)	
Total deferred tax assets	9,658	
Deferred tax liabilities		
Net unrealized gain on available-for-sale securities	36	
Total deferred tax liabilities	36	
Deferred tax assets-net	9,622	

2. The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

	From March 1, 2003 to February 29, 2004	
Normal effective statutory tax rate	42.0	%
(Reconciliation items)		
Permanently nondeductible expenses including expenses for entertainment	0.6	%
Inhabitant taxes – per capita	0.7	%
Tax loss carry forward for consolidated subsidiary	1.4	%
Equity in losses of affiliated companies	1.4	%
Gain on increase in a subsidiary's net equity resulted from its allocation of new shares	(0.7)	%
Reduction on deferred tax assets based on the change of enterprise tax rate	0.8	%
Other	(1.5)	%
Actual effective tax rate	44.7	%

In line with a new local tax law enacted and became effective on March 31, 2003 for fiscal years beginning on or after April 1, 2004, the statutory effective tax rate applied on the income taxes on deferred tax assets and liabilities (applicable only for portion taxable or deductible after March 1, 2005) decreased from 42.0% to 40.5%. This reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥ 247 million and corresponding increase in the provision for income taxes of ¥ 248 million, and a decrease in deferred tax assets for land revaluation and corresponding decrease in land revaluation difference of ¥ 180 million, respectively

Segment Information

1. Business segment information

Total operating revenue and operating income of the franchised store business account for more than 90% of the respective consolidated totals at all segments for both current and previous fiscal years, therefore, information by industry segment is omitted.

2. Geographic segment information

Domestic total operating revenue account for more than 90% of the respective consolidated totals at all segments for both current and previous fiscal years, therefore, geographic segment information is omitted.

3. Overseas sales

Overseas sales account for less than 10% of consolidated sales at all segments for both current and previous fiscal years, therefore, overseas sales information is omitted.

Related Party Transactions

(As of February 29, 2004)

Directors and major individual shareholders, etc.

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's posts held concurrently	Business relationship				
Company where majority voting rights are owned by a director	The R Co., Ltd	Chiyoda-ku, Tokyo	125	Human resources solution		One directors of the Company	Outsourcing of employees' training	Employees' training fee	20	Account payable	2
								Payment of commission for introducing non-graduate recruit	3		
								Payment of outsourcing fee	15		

Transaction conditions and the principles on the decision thereof :

1. Employees' training fee is determined by negotiations based on prices already submitted by the company.
2. As for payment of commission for introducing non-graduate recruit, the terms and conditions are determined as the same as those for other general business transactions.
3. Outsourcing fee is determined by taking into account the job contents of operations.

Subsidiaries and affiliates.

Attribute	Company name	Location	Capital stock (Millions of yen)	Business line or profession	Equity ownership percentage	Relationship with the Company		Description of transactions	Transaction amount (Millions of yen)	Account item	Ending balance (Millions of yen)
						Director's posts held concurrently	Business relationship				
Affiliated companies	LAWSON CS Card, Inc	Minato-ku, Tokyo	3,950	Financial service	(Ownership) Direct 50%	One directors of the Company	Outsourcing of a card service etc	Increase in short-term loans receivable	2,250	Short-term loans receivable	6,250
					Indirect						One temporary transfer

Transaction conditions and the principles on the decision thereof :

The interest rates of a short-term loans were determined rationally, referring to the market interest rate.

Overview of the Non-consolidated result for the year ended February 29, 2004

April 14, 2004

Listed Company Name: Lawson, Inc.

Code No.: 2651

(URL <http://www.lawson.co.jp>)

Listing: Tokyo Stock Exchange and Osaka Securities Exchange

Location of Head Office: Metropolis of Tokyo

Company Representative: Takeshi Niinami, Representative Director, President & CEO

Contact: Kenji Morimoto, Senior Vice-President, Financial & Accounting Office Tel.: (03) 5435-1880

Date of the Board of Directors Meeting on the Closing of Accounts: April 14, 2004

Interim Dividend System: Yes

Date of Ordinary General Meeting of Shareholders: May 28, 2004

Unit Stock System: Yes (1 unit; 100 Shares)

1. Non-consolidated Performance for the 2004 Fiscal Year (from March 1, 2003, to February 29, 2004)

(1) Operating results

Note: Amounts below one million yen are truncated

	Total operating revenues (Total net sales of Lawson stores including franchised stores)			Operating income		Ordinary profit	
	¥ Million	%		¥ Million	%	¥ Million	%
2004 fiscal year	231,099	(1,285,018)	-3.4(0.5)	38,039	10.2	37,629	13.3
2003 fiscal year	239,315	(1,291,030)	-3.9(0.7)	34,531	-6.5	33,209	-7.5

	Net income		Net income per share	Fully diluted income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenues
	¥ Million	%	¥	¥	%	%	%
2004 fiscal year	19,018	85.3	180.01	-	12.2	10.9	16.3
2003 fiscal year	10,263	-38.6	95.38	-	6.7	9.8	13.9

Notes Average number of shares during the term 2004 fiscal year: 105,651,228shares 2003 fiscal year: 107,599,576 shares

Changes in accounting methods: None

Percentages for total operating revenues (Total net sales of Lawson stores), operating income, ordinary profit and net income show increase (decrease) from previous year.

(2) Dividends status

	Annual dividends per share			Total dividends for the year	Payout ratio	Ratio of dividends to shareholders' equity
	Interim dividend	Year-end dividend				
	¥	¥	¥	¥ Million	%	%
2004 fiscal year	41.00	20.00	21.00	4,310	22.8	2.7
2003 fiscal year	41.00	20.00	21.00	4,411	43.0	2.8

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
2004 fiscal year	349,328	157,843	45.2	1,513.12
2003 fiscal year	338,221	154,860	45.8	1,439.23

Note Number of outstanding shares at the end of the fiscal year:

2004 fiscal year: 104,316,616 shares

2003 fiscal year: 107,599,435 shares

Number of treasury stock-at cost at the end of the fiscal year:

2004 fiscal year: 3,283,384shares

2003 fiscal year: 565 shares

2.Forecast Nonconsolidated Performance for 2005 Fiscal Year (from March 1, 2004, to February 28, 2005)

	Operating revenue	Ordinary profit	Net income	Annual dividend per share		
				Interim	Year-end	
	¥ Million	¥ Million	¥ Million	¥	¥	¥
2005 interim period	122,000 (683,000)	21,500	10,600	35.00	-	-
2005 fiscal year	241,000 (1,360,000)	41,500	20,700	-	35.00	70.00

Reference: Forecast net income per share for the 2005 fiscal year: 198.43yen

Note: The above-mentioned forecast is based on the information, which is able to get hand at present, and including a potential risk and uncertainty. Therefore, actual achievements may differ from these forecast due to many factors. In addition, please refer to 13th page of appending data about matters, such as precondition of the above-mentioned forecast.

Non-consolidated Balance Sheets

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 29, 2004)		Previous fiscal year (As of February 28, 2003)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Assets)		%		%	
Current assets					
Cash and bank deposits	66,280		75,257		(8,977)
Accounts receivable—due from franchised stores	18,455		6,925		11,530
Marketable securities	9,244		12,445		(3,201)
Merchandise inventories	1,376		1,398		(22)
Prepaid expenses	4,302		4,004		298
Short-term loans receivable	6,250		4,000		2,250
Accounts receivable—other	16,856		14,603		2,252
Deferred tax assets	2,755		2,405		349
Other	580		523		56
Allowance for doubtful accounts	(123)		(90)		(33)
Total current assets	125,977	36.1	121,475	35.9	4,502
Fixed assets					
Property and store equipment—at net book value					
Buildings	47,963		43,394		4,569
Structure	9,311		8,173		1,138
Furniture, fixtures and equipment	20,118		19,344		773
Land	4,937		6,177		(1,240)
Construction in progress	499		44		455
Total property and store equipment— net	82,830	23.7	77,134	22.8	5,696
Intangible fixed assets					
Software	12,768		14,158		(1,390)
Software development in progress	498		1,088		(589)
Other intangible fixed assets	620		701		(81)
Total intangible fixed assets	13,886	4.0	15,948	4.7	(2,062)
Investments and other					
Investments in securities	1,063		973		90
Investment in subsidiaries and affiliated companies	7,786		8,739		(953)
Long-term loans receivable	13,108		8,958		4,150
Long-term prepaid expenses	2,466		2,211		255
Lease deposits	90,400		89,396		1,003
Deferred tax assets	7,391		9,542		(2,151)
Deferred tax assets for land revaluation	4,808		5,008		(200)
Other	1,359		786		572
Allowance for doubtful accounts	(1,751)		(1,428)		(322)
Allowance for impairment of investment	-		(525)		525
Total investments and other	126,633	36.2	123,663	36.6	2,970
Total fixed assets	223,350	63.9	216,746	64.1	6,604
Total Assets	349,328	100.0	338,221	100.0	11,106

(Millions of yen)

Fiscal period Account item	Current fiscal year (As of February 29, 2004)		Previous fiscal year (As of February 28, 2003)		Increase (Decrease)
	Amount	Composition ratio	Amount	Composition ratio	Amount
(Liabilities)		%		%	
Current liabilities					
Accounts payable—trade	63,152		63,720		(567)
Accounts payable—due to franchised stores	1,385		4,777		(3,392)
Short-term borrowings	-		900		(900)
Account payable—other	17,350		14,191		3,158
Income taxes payable	9,922		7,289		2,633
Deposits received	39,201		28,807		10,393
Accrued employees' bonuses	2,630		2,787		(157)
Other	3,137		1,890		1,246
Total current liabilities	136,779	39.1	124,365	36.8	12,414
Long-term liabilities					
Allowance for employees' retirement benefits	1,114		3,769		(2,655)
Liability for retirement benefits to directors and corporate auditors	212		222		(10)
Deposits received from franchisees and lessees	53,378		55,003		(1,624)
	54,704	15.7	58,995	17.4	(4,290)
Total Liabilities	191,484	54.8	183,360	54.2	8,123
(Shareholders' Equity)					
Common stock	58,506	16.7	58,506	17.3	-
Capital surplus					
Additional paid-in capital	41,520		41,520		-
Other capital surplus					
Gain on disposal of treasury stock	1		-		1
Total capital surplus	41,521	11.9	41,520	12.3	1
Retained earnings					
Legal reserve	727		727		-
General reserve	30,000		30,000		-
Unappropriated retained earnings	45,636		31,026		14,609
Total retained earnings	76,363	21.9	61,754	18.2	14,609
Land revaluation difference	(7,066)	(2.0)	(6,917)	(2.0)	(149)
Net unrealized gain on available-for-sale securities	53	0.0	(1)	(0.0)	54
Treasury stock-at cost	(11,534)	(3.3)	(2)	(0.0)	(11,532)
Total Shareholders' Equity	157,843	45.2	154,860	45.8	2,983
Total Liabilities and Shareholders' Equity	349,328	100.0	338,221	100.0	11,106

Non-consolidated Statements of Income

(Millions of yen)

Fiscal period Account item	Current fiscal year (From March 1, 2003 to February 29, 2004)		Previous fiscal year (From March 1, 2002 to February 28, 2003)		Compared with previous fiscal year
	Amount	Percentage	Amount	Percentage	
Operating revenues	165,404	71.6	160,280	67.0	103.2
Franchise commissions from franchised stores	153,788		148,970		103.2
Net sales reported by franchised stores					
Current fiscal year: ¥1,219,323million					
Previous fiscal year: ¥1,211,995 million					
Total net sales of Lawson stores including franchised stores					
Current fiscal year: ¥1,285,018million					
Previous fiscal year: ¥1,291,030million					
Other	11,616	(100.0)	11,309	(100.0)	102.7
Net sales	65,694	28.4	79,034	33.0	83.1
Total operating revenues	231,099	100.0	239,315	100.0	96.6
Cost of goods sold	47,804	(72.8)	57,871	(73.2)	(82.6)
Gross profit on sales	(17,889)	(27.2)	(21,163)	(26.8)	(84.5)
Operating gross profit	183,294	79.3	181,443	75.8	101.0
Selling, general and administrative expenses	145,255	62.8	146,912	61.4	98.9
Operating income	38,039	16.5	34,531	14.4	110.2
Non-operating income	1,003	0.4	948	0.4	105.8
Interest received	264		190		
Interest on securities	15		50		
Compensation received for damage	220		227		
Compensation received for removal	204		109		
Other	298		370		
Non-operating expense	1,412	0.6	2,269	0.9	62.2
Interest expense	8		55		
Loss on cancellation of store lease contract	1,138		1,925		
Other	265		288		
Ordinary profit	37,629	16.3	33,209	13.9	113.3
Special gains	947	0.4	6,272	2.6	15.1
Gain on sales of fixed assets	115		42		
Gain on sales of investments in securities	-		5,763		
Special profit on disaffiliation from Group Employees' Pension Fund	811		-		
Other	20		466		

Special losses	5,033	2.2	20,966	8.8	24.0
Loss on disposal of fixed assets	3,835		11,824		
Loss on sales of fixed assets	93		52		
Premium severance benefit	-		4,321		
Loss on sales of investments in securities	-		51		
Reversal of write-off of investments in subsidiary	337		910		
Other	765		3,806		
Income before income taxes	33,543	14.5	18,516	7.7	181.2
Income taxes—current	12,738		7,530		
Deferred income taxes	1,785	6.3	722	3.4	176.0
Net income	19,018	8.2	10,263	4.3	185.3
Unappropriated retained earnings—carried forward	28,767		24,406		
Reversal of land revaluation difference	30		1,490		
Interim cash dividends	2,120		2,151		
Unappropriated retained earnings—at end of year	45,636		31,026		147.1

《Summary of Significant Accounting Policies》

1. Marketable Securities and investments in securities:

Held-to-maturity debt securities: Carried at amortized cost.

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

Available-for-sale securities:

Securities whose market value is readily determinable: Reported at market value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average method.

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

2. Inventories:

Merchandise inventories Retail method applied on an annual average cost basis

3. Depreciation method of depreciable assets

Property and store equipment:

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

Intangible fixed assets:

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

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

4. Accounting standard for important reserves

Allowance for Doubtful Accounts:

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

Accrued Employees' Bonuses:

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

Allowance for Employees' Retirement Benefits:

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

Allowance for retirement benefits to directors and corporate auditors:

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

5. Lease

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

6. Accounting for consumption tax

Consumption tax is accounted for using the tax exclusion method.

《Notes to Non-consolidated Financial Statements》

Notes to the Non-consolidated Balance Sheets

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
1. Accumulated depreciation for property and store equipment	78,328	71,451
2. Total number of shares authorized to be issued by the Company (common stock)	412,300,000 shares	412,300,000 shares
Number of shares issued (common stock)	107,600,000 shares	107,600,000 shares
3. The numbers of treasury stock in the company (common stock)	3,283,384 shares	565 shares
4. Revaluation of land used for business	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation.</p> <p>Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.</p> <p>Date of revaluation: February 28, 2002</p> <p>The difference between book value and market value of the revalued land as of balance sheet date.</p>	<p>Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). Revaluation difference resulted has been included in stockholders' equity as land revaluation difference, net of the related tax which is included in deferred tax assets for land revaluation.</p> <p>Revaluation method: The value of land is determined based on the road-based prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same Ordinance.</p> <p>Date of revaluation: February 28, 2002</p> <p>The difference between book value and market value of the revalued land as of balance sheet date.</p>
5. Limitation on dividend	¥1,004million Increase in net assets stipulated in Article 124, Item 3 of the Commercial Code Enforcement Regulation, which is valued at market price. ¥53 million	¥460million -

Notes to Non-consolidated Statements of Income

	From March 1, 2003 to February 29, 2004	From March 1, 2002 to February 28, 2003
1. Main account of selling, general and administrative expenses		
Sales promotion and advertising	11,416	12,978
Doubtful debt account	429	838
Salary	21,961	22,459
Provision for accrued employees' bonuses	2,630	2,787
Retirement benefit costs		
Provision for allowance for employees' retirement benefits	1,256	3,244
Provision for allowance for retirement benefits to directors and corporate auditors	142	137
Rent account	42,410	39,731
Depreciation	14,074	13,018
2. Distribution of gain on sales of fixed assets		
Buildings	0	7
Furniture, fixtures and equipment	0	1
Land	114	33
3. Distribution of loss on disposal of fixed assets		
Buildings	2,201	2,308
Structures	289	223
Furniture, fixtures and equipment	1,294	7,143
Software	49	2,148
4. Distribution of loss on sales of fixed assets		
Buildings	50	25
Land	42	26

Notes to Lease Contracts

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

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

	(Millions of yen)	
	As of February 29, 2004	As of February 28, 2003
Acquisition cost	69,239	69,390
Accumulated depreciation	27,418	22,813
Leased property	41,821	46,576
Obligations under finance leases		
Due within one year	11,895	11,488
Due after one year	30,774	35,735
Total	42,670	47,223
Lease payments, depreciation expense and interest expense		
Lease payments	13,434	12,187
Depreciation expense	12,500	11,304
Interest expense	1,143	1,127

Computation method of depreciation expense

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

Computation method of interest expense

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

2. Operating lease contracts

Obligations under operation leases

	(Millions of yen)	
	<u>As of February 29, 2004</u>	<u>As of February 28, 2003</u>
Due within one year	735	954
Due after one year	5,813	6,849
Total	6,549	7,803

Notes to Marketable Securities and Investments in Securities

Notes to Marketable Securities and Investments in Securities (excluding investments in subsidiaries or affiliated companies whose fair value is readily determinable) as of February 29, 2004 and Notes to Market Value Information of Securities as of February 28, 2003 are presented as items in the notes to the consolidated financial statements. As of February 29, 2004, fair value is not readily determinable for any of the investments in subsidiaries or affiliated companies.

Notes to Accounting for income taxes

1. Deferred tax assets and liabilities were described as follows:

	(Millions of yen)	
	<u>As of February 29, 2004</u>	
Deferred tax assets		
Enterprise taxes payable	924	
Accrued employees' bonuses	982	
Reversal of write-off investments in securities	543	
Reversal of write-off of investments subsidiary	715	
Excess of depreciation	1,866	
Excess of amortization of software	1,059	
Allowance for employees' retirement benefits	2,197	
Other	1,893	
Total deferred tax assets	10,182	
Deferred tax liabilities		
Net unrealized gain on available-for-sale securities	36	
Total deferred tax liabilities	36	
Deferred tax assets-net	10,146	

2. The difference between the normal effective statutory tax rate and the actual effective tax rate is reconciled as follows:

The reconciliation between the statutory tax rate and the effective tax rate has not been disclosed because the difference is less than 5%

3. Tax - rates change

In line with a new local tax law enacted and became effective on March 31, 2003 for fiscal years beginning on or after April 1,2004, the statutory effective tax rate applied on the income taxes on deferred tax assets and liabilities (applicable only for portion taxable or deductible after March 1,2005) decreased from 42.0% to 40.5%. This reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥264 million and corresponding increase in the provision for income taxes of ¥266 million, and a decrease in deferred tax assets for land revaluation and corresponding decrease in land revaluation difference of ¥179million, respectively.

Statement of Appropriation of Retained Earnings

(Millions of yen)

Fiscal period	Current fiscal year ended February 29, 2004	Previous fiscal year ended February 28, 2003	Year-on-Year Change
Account item			
<u>Appropriation of retained earnings</u>			
Unappropriated retained earnings—At end of year	45,636	31,026	14,609
Total	45,636	31,026	14,609
To be appropriated as follows:			
Year-end dividends	2,190 (¥21per share)	2,259 (¥21per share)	(68)
General reserve	20,000	-	20,000
Retained earnings to be carried forward	23,445	28,767	(5,321)
<u>Appropriation of other capital surplus</u>			
Other capital surplus	1	-	1
To be appropriated as follows:			
Other capital surplus to be carried forward	1	-	1

Note:

1. On November 10, 2003, the company made an interim cash dividend of ¥ 2,120,003,500 (common dividend of ¥20 per share).

Breakdown of dividend per share

	Current fiscal year ended February 29, 2004			Previous fiscal year ended February 28, 2003		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common dividend	¥ 41.00	¥ 20.00	¥ 21.00	¥ 41.00	¥ 20.00	¥ 21.00

Transfers of Officers

(From May 28, 2004)

(1) Change in representative directors

Nothing concerned.

(2) Nominees for new directors

Director

Koji Hukukawa
(currently Member of the Board, Senior Executive Vice
President, Mitsubishi Corporation)

Director

Hiroshi Mino
(currently Division COO, Consumer Business Division, New
Business Initiative Group, Mitsubishi Corporation)

(3) Nominee for new corporate auditors

Corporate Auditor

Kenji Yamakawa
(currently Senior Vice President General Affairs)

(4) Retiring director

Director

Yorihiko Kojima

Director

Yukio Ueno

*The two persons above are outside directors stipulated in Article 188, Paragraph 2, Item 7-2, of the Commercial Code.

(5) Retiring corporate auditor

Corporate Auditor

Sadao Suzuki
*Special Corporate advisor