

Last update: May 22, 2019

Lawson, Inc.

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<http://www.lawson.co.jp/company/e/>

The current status of Lawson's corporate governance is as follows:

## **I Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information**

### **1. Basic Approach**

We place great importance on stakeholder under corporate philosophy "Creating Happiness and Harmony in Our Communities," and strive to maximize enterprise value by making Lawson stores a place where -

1. the customer is always made to feel welcome
2. franchised store owners can feel that they are realizing their full potential
3. part-time staff and workers on short-term contracts can develop their skills and grow as a result of their own efforts
4. suppliers and service providers see their dreams take shape
5. employees can take pride in their work and really feel a sense of being useful to the society
6. shareholders can contribute indirectly to society and invest in their dreams for the future, and
7. members of customer communities can feel welcome and safe.

These are our goals, and the realization of these objectives will contribute to the maximization of enterprise value. To this end, we will continue to ensure that laws and regulations are strictly observed, and social codes of conduct are honored. In accordance with Lawson's corporate philosophy and the Lawson's Code of Ethics, we will give attention to people requiring support. Moreover, we believe it is important to increase management soundness and transparency as well as to raise corporate governance standards through compliance and rigorous disclosure.

Based on the above basic approach, regarding basic views on composition of Board of Directors and policies in the appointment of officer, please refer to section I.1 "Basic views on composition of Board of Directors and policies in the appointment of officers" in "Basic Approach" in this report.

Lawson became a subsidiary of Mitsubishi Corporation on February 15, 2017. However, from the viewpoint of minority shareholder protection, we will continue to strive to build appropriate governance as an independent listed company.

#### **[Reasons for not implementing all the principles of the Corporate Governance Code]**

The Company is implementing all the principles of the Corporate Governance Code.

#### **[Disclosures based on each principle of the Corporate Governance Code]**

The Company's initiatives in the area of corporate governance are described not only this report, but also in convocation

notices for shareholders' meetings, annual securities reports, integrated reports, and so on.

Details of the disclosure components of each principle of the Corporate Governance Code are as follows:

<Principle 1-3 Basic Strategy for Capital Policy>

The Company has declared ROE (return on equity: consolidated profit as a percentage of owners' equity) as a key performance indicator and conducts business with an emphasis on that.

Regarding measures to return value to shareholders, our basic policy is to return value in an appropriate manner based on performance and while maintaining financial soundness. We are also flexible about acquiring and retiring our own shares when necessary as another means, alongside profit distributions, of serving the interests of shareholders.

Note that we endeavor to employ retained reserves to raise our corporate value by allocating them to essential business investments such as opening new stores, refurbishing existing stores, and launching new businesses.

<Principle 1-4 Policy on Strategic Holdings and Standards Concerning the Exercise of Voting Rights in the Case of Strategically-Held Shares>

The Company sometimes holds listed shares strategically for the purposes of raising its value over the medium to long term, but we endeavor to keep such holdings to the minimum required. When acquiring such holdings, we perform a detailed investigation for each individual issue to ascertain whether the purpose of holding is appropriate, whether the benefits and risks associated with holding are commensurate with the cost of capital, etc. Furthermore, each year the Board of Directors reviews the appropriateness of holdings, and as of the end of February 2019, we held six different listed stocks. From time to time we review the reasons for these strategic shareholdings, taking into account, for example, their impact on increasing our corporate value. Furthermore, when acquiring or disposing of listed shares, we ensure compliance with insider trading rules.

Regarding voting rights in the case of strategically-held shares, given that our primary goal is to raise the Company's value, we examine each proposal from the standpoint of whether it will increase the shareholder value of the investee company over the medium to long term, after which we exercise our voting rights accordingly. Regarding the exercise of voting rights, based on internal rules, the department in charge examines each proposal, such as the use of surplus funds, the appointment of officers, and changes to officer compensation, taking into account both quantitative and qualitative aspects of the condition and performance of the company concerned (operating results, capital efficiency, etc.), after which we exercise our voting rights in an appropriate manner. Furthermore, if we need to confirm, for example, the purpose of a proposal, we engage in dialog with the investee company before deciding how to exercise our voting rights.

<Principle 1-7 Framework for Confirmation of Related Party Transactions>

In its rules for the Board of Directors, the Company has designated competitive transactions, personal transactions, and conflict-of-interest transactions by directors as requiring Board approval, and ensures that directors are aware of this. Furthermore, the same rules also stipulate that transactions executed with the approval of the Board be reported to the Board once every three months. Moreover, a system is in place to ensure that transactions with major shareholders do not

compromise the interests of the Company or its shareholders.

<Principle 2-6 Demonstration of Function as a Corporate Pension Asset Owner>

The Company has introduced a defined-contribution pension plan that is administered and managed by a trust bank. In addition to endeavoring to mitigate future risk from a business account perspective, we are committed to enabling each and every one of our employees to invest their assets in a way that matches their respective life plans. To that end, we consult with the trust bank before selecting products and offering them to our employees. Furthermore, to prevent employees being disadvantaged if they forget to select investment products when enrolling in the scheme, we have prescribed specified investment methods.

<Principle 3-1 Voluntary Information Distribution>

(1) Company business principles, business strategies and business plans

The Company has formulated its corporate philosophy as a basis for all its corporate activities.

[Corporate Philosophy]

“Creating Happiness and Harmony in Our Communities”

Furthermore, under this corporate philosophy, the Company has set a new vision in order to clarify its goal and orient all business activities toward these goals.

[Vision]

“To be a leading company in execution.

Think through customers’ needs and changes, execute with speed and become an essential part of our communities.”

At the same time, in order to succeed this vision, we also have revised code of conducts to clarify the actions required for the individual and to move forward with everyone united.

[Code of Conduct]

1. Think as customers, communities and stores
2. Master the basics and strive to innovate.
3. Improve the quality and speed of the Plan-Do-Check-Act cycle.
4. Act with discipline, take initiative and succeed as a team.
5. Grow as individuals and support the growth of our team members.

For details of our business strategy, please refer to our website.

<http://www.lawson.co.jp/company/corporate/strategy/strategy/>

(2) Basic views and guidelines on corporate governance

For our basic views and guidelines on corporate governance, please refer to I.1 “Basic Approach” in this report.

(3) Board policies and procedures in determining the remuneration of directors

For the Company's policies concerning remuneration for directors and corporate auditors, please refer to section II.1 "Matters Related to Compensation for Directors" in "Disclosure of the Policy on Deciding the Amount of Remuneration or its Calculation Method," in this report.

(4) Basic views on composition of Board of Directors and policies in the appointment of officers

The Company has established Officer Selection Standards to serve as criteria when appointing director and corporate auditor candidates, and we have appointed persons who have different expertise and experience as director candidates so as to ensure the diversity of the Board of Directors as a whole as well as appropriate decision making and supervision. Furthermore, in addition to "Independence Standards" determined by the Tokyo Stock Exchange, Inc., we have established "Criteria for Determining Independence" and appointed several independent officers who are unlikely to develop conflicts of interests with ordinary shareholders in order to strive to make clear about the transparency and fairness of management.

Regarding the number of directors, the number of directors is limited to eleven persons in our company, and we will establish a framework that allows both the adequate consideration at the Board of Directors and the maintenance of the mobility of the inquiries while by introducing the executive officer system, we can categorize management decision-making and supervision and business execution and establish a system that enables quick decision making and business execution.

Regarding Corporate Auditors, we appoint persons with knowledge and expertise such as finance, accounting, risk management, law necessary for audit duties.

<Officer Selection Standards and Procedures>

Based on the above policy, we have set up an "Officer Appointment Standard" and "Criteria for Determining Independence" as follows. In addition, we established "Nomination and Compensation Advisory Committee" as an advisory committee to declare candidates for director and representative director to the Board of Directors. Currently, all 6 members of the committee are non-executive directors or part-time outside corporate auditors, and 5 of them are independent officers. Under a system with a high degree of independence, they advise the Board of Directors on director candidates, representative director candidates, and posts. If, after taking up their post, a director or representative director has seriously damaged the value of the Company or no longer meets the Officer Selection Standards, the committee is consulted on whether to dismiss the officer concerned.

<Officer Selection Standards>

- Have a strong affinity with the Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities"
- Have the ability to contribute to delivering sustainable growth to the Group and increasing its corporate value
- An absence of mental or physical health problems that would hinder their ability to perform their duties
- Popularity, dignity, and impeccable ethics

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- Have objective decision-making abilities and gifted with both foresight and insight
- Have extensive experience and insight in such as corporate management and specialized fields
- Be able to secure enough time to do the job line
- An absence of interests or business relationships that would have a material effect on the performance of their duties
- Not disqualified under the Companies Act
- Regarding independent officers, not conflict with “Criteria for Determining Independence”

## &lt;Criteria for Determining Independence&gt;

- A person or person who works for a party for whom the Group is an important business partner

Refers to the case of a business-partner group that supplies products or services to the Group where the amount of business conducted between the Group and the business-partner group in the preceding business year was 2% or more of the business-partner group’s consolidated sales

- A person who is an important business partner of the Group or person who works for a party that is an important business partner of the Group

Refers to the case of a business-partner group to which the Group supplies products or services where the amount of business conducted between the Group and the business-partner group in the preceding business year was 2% or more of the Group’s consolidated sales (gross operating revenue)

- A consultant, accounting specialist, or legal specialist who receives large amounts of money or other assets other than officer compensation from the Group

Refers to a consultant, accounting specialist such as a certified public accountant, or legal specialist such as an attorney who receives money or other assets other than officer compensation from the Group and has received 5 million yen or more per year in each of the past two years from the Group

- A major shareholder of the Company (if the shareholder is a corporation, a person who works for that corporation)
- A close relative of the person works for the Group
- A close relative of the person is a non-executive director or an accounting advisor of the Group (if the independent officer is an outside corporate auditor)
- A person who, at the time of reappointment, has served for a total of more than eight years as an outside director or 12 years as an outside corporate auditor. Even if any of the above apply, if the person concerned is deemed by the Board of Directors to be effectively independent, that person may be selected as an independent outside-officer candidate. In such a case, the reasons shall be explained and disclosed at the time of their appointment as an outside officer.

(5) Explanations of each appointment/nomination when the Board of Directors appoints nominates director and corporate auditor candidates based on (4) above

The Company includes the reasons for selecting director and corporate auditor candidates in convocation notices for shareholders’ meetings

## &lt;Supplementary Principle 4-1 (1): Overview of Scope of Matters Delegated to Management by the Board of Directors&gt;

The Company specifies matters that require a resolution of the Board of Directors in its rules for the Board of Directors, guidelines for the Board of Directors, and so on, and has also deemed that matters prescribed by law or in its articles of incorporation, as well as important matters concerning the Company and Group companies, be decided by Board resolution. Furthermore, with the aim of clarifying management responsibilities and speeding up decision-making through the delegation of authority, in 2002 we introduced an executive officer system. Under this system, matters concerning business execution other than those stipulated in the rules for the Board of Directors are delegated to the Executive Committee, which comprises personnel who are generally of senior executive officer level or above.

## &lt;Supplementary Principle 4-1 (3): Chief Executive Officer Succession Planning&gt;

The Company regards succession planning for the chief executive officer as an important management task, and with the aim of making the procedures more objective, timely, and transparent, this matter is discussed by the Nomination and Compensation Advisory Committee, an advisory organ to the Board of Directors that comprises only part-time officers (there are 6 members, 5 of whom are independent officers). The representative director and president makes suggestions to the committee concerning the qualities and attributes required for the Company's chief executive officer, the method of nomination, etc., and the committee discusses them.

## &lt;Principle 4-9: Independence of Independent Outside Directors and Criteria for Determining Independence in Practice&gt;

Described in “(4) Basic views on composition of Board of Directors and policies in the appointment of officers” above.

## &lt;Supplementary Principle 4-11(1): Views on the Balance of Knowledge, Experience, and Skills of the Board of Directors as a Whole and the Diversity and Size of the Board of Directors&gt;

Regarding “Views on the Balance of Knowledge, Experience, and Skills of the Board of Directors as a Whole and the Diversity and Size of the Board of Directors” of the Company, please refer to “Basic views on composition of Board of Directors and policies in the appointment of officers.” As of May 22, 2019 there are 8 directors (of which 3 are independent directors) and 4 corporate auditors (of which 3 are independent corporate auditors). Furthermore, we are aggressively promoting women to officer positions, and as of May 22, 2019, there are 5 female officers (3 directors, 2 corporate auditors).

## &lt;Supplementary Principle 4-11(2): Concurrent Service by Directors and Corporate Auditors&gt;

We disclose information on directors and corporate auditors of the Company who hold concurrent posts as officers of other listed companies in convocation notices for shareholders' meetings.

Information on directors and corporate auditors of the Company who held important concurrent posts as of the date this report was updated is presented in “Matters Related to Directors” and “Matters Related to Corporate Auditors” in section II.1 of this report.

<Supplementary Principle 4-11(3): Overview of Analysis/Evaluation of the Effectiveness of the Board of Directors as a Whole>

With the aim of ensuring the effectiveness and enhancing the functions of the Board of Directors, the Company had each of its non-executive directors and part-time outside corporate auditors perform a “self-evaluation of the effectiveness of the Board of Directors.” After receiving responses from all 7 officers, including 2 outside audit & supervisory board members (part-time) and 5 non-executive directors, we compiled and analyzed them, and the Board discussed the results. Following these discussions, it was concluded that the current Board of Directors of the Company is operating effectively in making resolutions concerning important business matters and in supervising business execution in an appropriate fashion. On the other hand, constructive opinions were also offered and shared with the Board. These included the view that to make the Board function even more effectively, the information provided to outside directors and reports prepared for the purpose of monitoring the Board could be expanded. Going forward, we will be taking these opinions into account to make improvements that will lead to the Board becoming even more effective.

<Supplementary Principle 4-14(2): Policy on Training for Directors and Corporate Auditors>

The Company provides directors and corporate auditors with opportunities to undertake the training they need to perform their roles and duties. We also provide directors and corporate auditors with internal and external training opportunities relating to the roles, responsibilities, etc. required for the Company to make decisions as necessary. Non-executive directors and outside audit & supervisory board member (part-time), meanwhile, are provided with opportunities to acquire essential knowledge concerning the operations, finances, organization, etc. of the Company. Furthermore, to enable them to deepen their understanding of the Group’s business, they are given the opportunity to participate in key events such as conferences to announce Company policy and to tour Group-related facilities. The Company pays the cost of all these activities.

<Principle 5-1: Policy for Systems and Initiatives for Promoting Constructive Dialog with Shareholders>

The Company’s Policy for Systems and Initiatives for Promoting Constructive Dialog with Shareholders is as follows.

(1) Basic approach

The Company acknowledges that to deliver sustainable growth and medium- to long-term increases in corporate value through value creation, it is essential to obtain the understanding and support of shareholders and investors.

To that end, we endeavor to disclose information in an appropriate, timely, and fair manner, and intend to engage in constructive dialog with shareholders and investors in order to build long-term trust with them.

(2) IR structure

The President is responsible for dialog with shareholders and investors, which is handled by a dedicated IR department under the purview of the CFO, which works with related departments to proactively disclose information in a highly transparent fashion.

(3) Methods of dialog

The Company regards shareholders' meetings as providing important and valuable opportunities for dialog with shareholders, and ensures that there is adequate time at these meetings for questions and answers. We also hold earnings briefings twice a year. At these meetings we provide analysts and institutional investors with information on matters such as our operating results and business strategy. Furthermore, our website contains a dedicated IR section, where we provide individual investors and overseas investors with easy-to-understand information on our operating performance, businesses, management policies, monthly performance, and so on. We also operate an inquiries desk solely for IR-related inquiries, through which we respond to questions from shareholders and investors. Moreover, the President, CFO, and IR department proactively visit institutional investors both in Japan and overseas and respond to individual requests from journalists for information.

(4) Feedback to Company executives

When necessary, details of dialogs with shareholders and investors are provided to the President and other executives.

(5) Inside information and quiet periods

In our dialogs with shareholders and investors, we do not reveal inside information (important matters that have yet to have been announced publicly). With the aim of ensuring fairness and preventing the leakage of operating results, we have a quiet period each quarter.

## 2. Capital Structure

**Proportion of Lawson's shares held by non-residents**

**10% or more and less than 20%**

### [Status of Major Shareholders]

Name	Number of Shares Held	Ratio (%)
Mitsubishi Corporation	50,150,100	50.12
The Master Trust Bank of Japan, Ltd. (Trust account)	4,200,000	4.20
Japan Trustee Services Bank, Ltd. (Trust account)	3,392,800	3.39
NTT DOCOMO, INC.	2,092,000	2.09
STATE STREET BANK WEST CLIENT — TREATY 505234	1,739,688	1.74
JP MORGAN CHASE BANK 380655	1,287,026	1.29
Japan Trustee Services Bank, Ltd. (Trust account 5)	977,800	0.98
Japan Securities Finance Co., Ltd.	952,200	0.95
Japan Trustee Services Bank, Ltd. (Trust account 9)	917,700	0.92
Japan Trustee Services Bank, Ltd. (Trust account 7)	906,000	0.91

**Controlling Shareholder (Exclude Parent Company)**

**None**

**Parent Company**

**Mitsubishi Corporation**  
**(Stock Listings: Tokyo, Nagoya) (Securities Code) 8058**

### Supplementary Explanation

Nothing to report

## 3. Corporate Attributes

<b>Stock Exchange Listings</b>	<b>Tokyo Stock Exchange (First Section)</b>
<b>Accounting Settlement</b>	<b>February</b>
<b>Business Type</b>	<b>Retail business</b>
<b>(Consolidated) Number of Employees at End of Last Fiscal Year</b>	<b>Over 1,000</b>
<b>(Consolidated) Sales for Last Fiscal Year</b>	<b>Over 100 billion yen and less than 1 trillion yen</b>
<b>Number of Consolidated Subsidiaries at End of Last Fiscal Year</b>	<b>Over 10 companies and less than 50 companies</b>

#### **4. Policy Concerning Measures to Protect Minority Shareholders upon Conducting Transactions with Controlling Shareholder**

As a listed company, we ensure certain independence. Even in transactions with parent company, Mitsubishi Corporation, and its group companies, we have determined their terms and conditions like other general transactions after considering prices of other companies and actual prices of the market to not give disadvantages to minority shareholders.

#### **5. Other Special Circumstances that May Critically Impact Corporate Governance**

Mitsubishi Corporation, acquired Lawson's common stock during the period via a tender offer from December 22, 2016 to February 9, 2017, is its parent company that currently holds 50.1% of its total voting rights (50,150 thousand shares). Although we have a business alliance with Mitsubishi Corporation, we independently make decisions on management and overall business activities by our institution, conduct business management and ensure independence as a listed company. Under the business alliance agreement signed with Mitsubishi Corporation, a business alliance that respects Lawson's independence and subjectivity is agreed, and remain of independence from its parent company is also recognized.

## II Business Management Organizations Associated with Management Decision-making, Execution and Supervision, and Status of Other Corporate Governance Systems

### 1. Matters Relating to Organizational Structure/Operation

Type of Organization	Company with Corporate Auditors
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[Matters Related to Directors]

Number of Directors under the Articles of Incorporation	11
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Term of Directors under the Articles of Incorporation	1 year
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Chairperson of the Board of Directors	President
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Number of Directors	8
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Election of Outside Directors	Yes
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Number of Outside Directors	3
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Number of Outside Directors that are Appointed as Independent Directors	3
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#### Relationship with Lawson (1)

Name	Attribute	Relationship with Lawson (*)										
		a	b	c	d	e	f	g	h	i	j	k
Emi Osono	Scholar											
Keiko Hayashi	Originally from another company											
Miki Iwamura	Originally from another company											

\* Conditions met regarding the relationship with Lawson

\* ○ denotes that an item currently applies to the person, and △ denotes that it applied in the past

\* ● denotes that an item currently applies to a close relative of the person, and ▲ denotes that it applied in the past

- Executive officer of the listed company or subsidiary thereof
- Executive officer or non-executive director of parent company of the listed company
- Executive officer of a fellow subsidiary of the listed company
- A person for whom the listed company is a key business partner, or an executive officer thereof
- A key business partner of the listed company, or an executive officer thereof
- A consultant, accounting expert or legal expert who receives substantial money or other property from the listed company other than officer compensation
- A major shareholder of the listed company (if the major shareholder is a corporation, an executive officer of the corporation)
- An executive officer (only the actual person) of a business partner of the listed company (which does not fall under d,e or f)
- An executive officer of a company with a relationship of mutual appointment of external directors (only the

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- actual person)
- j. An executive officer of a party to which the listed company makes donations (only the actual person)
- k. Others

## Relationship with Lawson (2)

Name	Independent Director	Supplementary Explanation to Corresponding Item	Reason for Selection as Outside Director
Emi Osono	○	Professor, Graduate School of Business Administration, Department of International Corporate Strategy, Hitotsubashi University	Possesses extensive knowledge as an academic in global corporate management, managerial strategy, and is currently conducting appropriate supervision of Lawson's management. Furthermore, she is highly independent, as she doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. She has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.
Keiko Hayashi	○	President and CEO, DoCLASSE the Store, Co., Ltd. President and CEO, DoCLASSE Co., Ltd. President and CEO, IMA Holdings President and CEO, fitfit Co., Ltd. President and CEO, IMA People Co., Ltd.	Possesses extensive experience and knowledge as a corporate manager, and is currently conducting appropriate supervision of Lawson's management. Furthermore, she is highly independent, as she doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. She has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.
Miki Iwamura	○	Managing Director APAC Brand & Marketing, CMO, Google Japan LLC	Possesses extensive experience and knowledge as a managing director at a global IT company, and is currently conducting appropriate supervision of Lawson's management. Furthermore, she is highly independent, as she doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. She has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.

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**The presence or absence of any committee, which corresponds to the Nomination Committee or the Compensation Committee**

**Yes**

#### Establishment Conditions of Committee, Committee Structure and Attribute of Committee Chairperson

	Name of Committee	All Members	Full-time Members	Internal Directors	Outside Directors	Outside Employed Person	Other	Committee Chairperson
Committee Corresponds to Nomination Committee	Nomination and Compensation Committee	6	0	1	3	0	2	Other
Committee Corresponds to Compensation Committee	Nomination and Compensation Committee	6	0	1	3	0	2	Other

#### Supplementary Explanation

The nomination and compensation committee were held 5 times. In which, it made a proposal to Board of Directors regarding to compensation for Board of Directors and nomination of executive officers.

#### [Matters Related to Corporate Auditors]

<b>Establishment of the Board of Corporate Auditors</b>	<b>Yes</b>
<b>Number of Corporate Auditors under the Articles of Incorporation</b>	<b>4</b>
<b>Number of Corporate Auditors</b>	<b>4</b>

#### Cooperation between Corporate Auditors, the Certified Public Accountant and Internal

##### Auditing Division

Lawson's corporate auditors cooperate closely with the certified public accountant, Deloitte Touche Tohmatsu through the following communication and information exchange:

- |   |                               |
|---|-------------------------------|
| 1. Briefing of the audit plan by the certified public accountant  | Once per year                 |
| 2. Receipt of audit reports (including reviews) and explanation materials for the interim period and the end of the term by the certified public accountant | 25 times per year             |
| 3. Monitoring of the independence of the certified public accountant  | As required                   |
| 4. Observation of audit by the certified public accountant  | As required during each audit |
| 5. Other meetings to exchange information and opinions  | As required                   |

Lawson's corporate auditors cooperate closely with the Internal Audit & Correction Office through the following

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communication and information exchange:

- |  |  |
|--|--|
| 1. Briefing on the internal auditing division's plan for the fiscal year   | Once per year                          |
| 2. Exchange of opinions regarding the content of the internal audit report | For each internal audit report         |
| 3. Exchange of information regarding the status of internal controls       | As required<br>(nearly once per month) |

<b>Election of Outside Corporate Auditors</b>	<b>Yes</b>
<b>Number of Outside Corporate Auditors</b>	<b>3</b>
<b>Number of Outside Corporate Auditors that are Appointed as Independent Corporate Auditors</b>	<b>3</b>

## Partnership with Lawson (1)

Name	Attribute	Relationship with Lawson (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Toshio Takahashi	Originally from another company							△						
Eiko Tsujiyama	Scholar													
Yuko Gomi	Lawyer													

\* Conditions met regarding the relationship with Lawson

\* ○ denotes that an item currently applies to the person, and △ denotes that it applied in the past

\* ● denotes that an item currently applies to a close relative of the person, and ▲ denotes that it applied in the past

- Executive officer of the listed company or subsidiary thereof
- Non-executive director or accounting advisor of the list company or subsidiary thereof
- Executive officer or non-executive director of parent company of the listed company
- Auditor of the parent company of the listed company
- Executive officer of a fellow subsidiary of the listed company
- A person for whom the listed company is a key business partner, or an executive officer thereof
- A key business partner of the listed company, or an executive officer thereof
- A consultant, accounting expert or legal expert who receives substantial money or other property from the listed company other than officer compensation
- A major shareholder of the listed company (if the major shareholder is a corporation, an executive officer of the corporation)
- An executive officer (only the actual person) of a business partner of the listed company (which does not fall under f,g or h)
- An executive officer of a company with a relationship of mutual appointment of external directors (only the actual person)
- An executive officer of a party to which the listed company makes donations (only the actual person)
- Others

## Partnership with Lawson (2)

Name	Independent Director	Supplementary Explanation to Corresponding Item	Reason for Selection as Outside Corporate Auditor
Takahashi Toshio	○	—	<p>Possesses such qualifications as U.S. certified public accountant (USCPA), labor and social security attorney, and certified internal auditor (CIA), works at a city bank in money exchange operations, risk management, internal audit, etc., and also serves as a full-time corporate auditor at a Japanese subsidiary of a major foreign IT company. He possesses considerable knowledge of finance and accounting, and is currently conducting appropriate audits of the roles and responsibilities of directors.</p> <p>Furthermore, he is highly independent, as he doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. He has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.</p>
Eiko Tsujiyama	○	Professor Emeritus, Waseda University	<p>Possesses a CPA (Certified Public Accountant) qualification and serves as a member of the National Tax Council of the National Tax Agency and the Business Accounting Council of the Financial Services Agency as an academic; has a considerable degree of knowledge of finance and accounting as an emeritus professor of accounting; and is currently conducting appropriate audits of the roles and responsibilities of directors.</p> <p>Furthermore, she is highly independent, as she doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. She has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.</p>
Yuko Gomi	○	Lawyer with no business relationship with Lawson	<p>Possesses a qualification as a lawyer, is involved in legal and risk management duties, mainly in the field of corporate law, and she is expected to adequately perform the role of a corporate auditor.</p> <p>Furthermore, she is highly independent, as she doesn't violate any of the independence standards prescribed in the Guidelines for Managing Listings etc. or any of the Company's Criteria for Determining Independence. She has therefore been designated by the Company's Board of Directors as an independent officer who is unlikely to have a conflict of interest with ordinary shareholders and who will supervise the Company's management from an independent standpoint.</p>

**[Matters Related to Independent Directors and Corporate Auditors]****Number of Independent Directors and Corporate Auditors****6****Other Matters Related to Independent Directors and Corporate Auditors**

Nothing to report

**[Matters Related to Incentives]****Status of Implementation of Measures for the Granting of Incentives to Directors****Introduction of Stock Options Program  
Introduction of Performance Pay System****Supplementary Explanation Associated with the Relevant Item**

Please refer to section II.1 [Matters Related to Compensation for Directors] “Disclosure of the Policy on Deciding the Amount of Remuneration or its Calculation Method” in this report.

**Recipient of Stock Options****In-house directors, outside directors, others****Supplementary Explanation Associated with the Relevant Items**

Stock options are granted to in-house directors, outside directors and senior vice presidents to share not only the merit of the rise in stock price but also the risk of decline in stock price with shareholders in order to raise the motivation and morale to raise stock prices and improve performance.

**[Matters Related to Compensation for Directors]****Scope of Disclosure (of Individual Compensation for Directors)****Only partial individual disclosure****Supplementary Explanation Associated with the Relevant Item**

In total 9 directors received paid compensation in FY2018 of 220 million yen, including 4 outside directors who received 34 million yen.

The above compensation amount consists of the following remuneration in relation to FY2018:

(1) Basic compensation paid in FY2018

166 million yen to 9 directors (4 of which were outside directors who received 30 million yen)

(2) Stock option remuneration

53 million yen to 7 directors (2 of which were outside directors who received 4 million yen)

Furthermore, the total compensation of which consolidated compensation is over 100 million yen is individually disclosed in the Annual Securities Report.

**Policy on Deciding the Amount of Remuneration or its Calculation Method**

Yes

**Disclosure of the Policy on Deciding the Amount of Remuneration or its Calculation Method**

Decision-making process and policy for 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 non-executive directors and corporate auditors (5 out of 6 are independent directors).

Members of the Nomination and Compensation Committee:

Outside Director	Emi Osono	Director	Yutaka Kyoya
Outside Director	Keiko Hayashi (Vice Committee Chairperson)	Outside Director	Miki Iwamura
Outside Corporate Auditor	Eiko Tsujiyama (Committee Chairperson)	Outside Corporate Auditor	Yuko Gomi

## (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.

## 1) Fixed compensation

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

## 2) 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 5 non-executive directors, Emi Osono, Yutaka Kyoya and Keiko Hayashi, Kazunori Nishio and Miki Iwamura 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.

1) Amount of remuneration paid to directors

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

2) Amount of stock options granted to directors

Resolutions at the general meeting of shareholders as of May 27, 2014: 300 million yen or less per year

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

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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 yen or less per year

**[Support System for Outside Directors (Outside Corporate Auditors)]**

The staff of the Board of Directors is in charge of administrative tasks and communicating with the outside directors. Further, in the event of any incident or accident, the staff submits a report to the directors in each case. The Corporate Auditors Office supports the corporate auditors and 2 full-time staffs are assigned. The staff members are in charge of assisting audit operations, administrative tasks and communicating with outside corporate auditors.

**[Details of Persons Who Have Stepped down as Representative Director and President etc.]**

**Name etc. of Consultant, Advisor etc. Who Is Former Representative Director and President etc.**

Name	Post/Status	Description	Form/Conditions of Employment (Full-time or Part-time, Compensated or Not, etc.)	Date of Stepping down	Term of Office
—	—	—	—	—	—

**Total Number of Consultants, Advisors, etc.**

**None**

**Other Matters**

Not applicable.

**2. Matters Relating to Execution of the Business, Audit/Supervision, Designation, Compensation Decisions, etc.**

The Company's Board of Directors is made up of 8 directors, including 5 males and 3 females, 3 of whom are independent directors. The Board of Directors not only decides important management matters such as issues stipulated by laws and regulations and the Articles of Incorporation, but also monitors the conduct of business operations by its directors. The Board met 14 times in FY2018. Furthermore, the Company has adopted an executive officer system and entrusts authority to executive officers to expedite business execution. Moreover, the Company holds management council meetings (Executive Committee meetings, Management Strategy meetings) as a supplementary decision-making body to the Board of Directors. The Management Council is made up of persons who are generally directors, executive

officers and divisional officers (and met 14 times in FY2018).

To ensure the effectiveness of the compliance system and risk management system, the Company has a Compliance and Risk Management Committee. Meanwhile, the Financial Reporting Internal Control Committee oversees enhancement of internal controls around financial reporting.

Furthermore, in fiscal year 2018 the Compensation Advisory Committee headed by committee chairperson Tetsuo Ozawa, an outside corporate auditor, and vice committee chairperson Emi Osono, an outside director, consisting 5 independent directors out of 6 members was convened 2 times. The committee reported to the Board of Directors on methods for deciding the compensation of directors and company executive officers.

The Internal Audit & Correction Office, which has 16 members, serves as the Company's internal audit division and reports directly to the president of the Company. This office conducts business audits, including audits of affiliated companies, to identify problems and also provides guidance for improvements.

The Company has 4 corporate auditors, including 2 males and 2 females, 3 of whom are independent corporate auditors. Corporate auditors attend meetings of the Board of Directors and other important meetings where they also express their opinions. They also inspect important documents and conduct other activities in auditing the conduct of duties by directors (The Board of Corporate Auditors' meeting was held 16 times in FY2018).

The Company has signed an audit contract with Deloitte Touche Tohmatsu to conduct financial audits. The Company is subject to audits in accordance with the Japanese Company Law and the Financial Instruments and Exchange Act. There are no special relationships involving mutual interests between the certified public accountant (independent auditor) and the Company. In close liaison with Lawson's corporate auditors and Lawson, the certified public accountant issues a report on its planned auditing work for each business period, and subsequently issues regular reports on the progress of the auditing. During each business period, Lawson's corporate auditors and the certified public accountant exchange information and opinions wherever deemed necessary to ensure the efficiency and accuracy of the auditing process.

### **3. Reason for Choosing the Current Corporate Governance System**

Lawson adopts a corporate auditor system, with 4 corporate auditors, including 3 outside corporate auditors (3 of whom are Independent Corporate Auditors), auditing the roles and responsibilities of directors. The Company has 8 directors, including 5 in-house directors and 3 outside directors, 3 of whom are independent directors. The number of Board members has been kept to a minimum to speed up the decision-making process. We also appoint outside directors who are independent officers in order to enable the Company to incorporate insights and knowledge from a broader perspective where the Company is unlikely to have a conflict of interest with general shareholders, as well as to make appropriate judgments on important matters related to Company management.

### **III Implementation of Measures Associated with Shareholders and Other Stakeholders**

#### **1. Approach for Improving Notification regarding the Convening of the General Meeting of Shareholders and Facilitating the Exercise of Voting Rights**

	<b>Supplementary Explanation</b>
<b>Early Dispatch of Notice of Ordinary General Meeting of Shareholders</b>	For the 44th Ordinary General Meeting of Shareholders, in addition to distributing the Notice of the Ordinary General Meeting of Shareholders 25 days prior to the meeting, a Notice of Ordinary General Meeting of Shareholders is posted on Lawson's website (an English version is also posted) prior to the date of shipment.
<b>Exercising Voting Rights by Electronic Means</b>	Company shareholders are able to exercise voting rights by electronic means, beginning from the 34th Ordinary General Meeting of Shareholders held in 2009 and thereafter.
<b>Participation in Electronic Voting Platform for Institutional and Foreign Investors and Other Measures to Enhance</b>	Lawson is using the electronic platform for exercising voting rights offered by ICJ, beginning from the 34th Ordinary General Meeting of Shareholders held in 2009 and thereafter.
<b>Availability of Notice of General Meeting of Shareholders (or Summary) in English</b>	An English version of the Notice of Ordinary General Meeting of Shareholders has been prepared and published on the website, beginning from the 26th Ordinary General Meeting of Shareholders held in 2001 and thereafter.
<b>Others</b>	Lawson endeavors to create a friendly atmosphere at ordinary general meetings of shareholders, such as by having reception personnel wear the easily recognizable Lawson store uniform. Furthermore, following the completion of meetings, Lawson provides details of business reports on its corporate website, as well as releases the results of voting.

**2. Activities Related to IR**

	<b>Supplementary Explanation</b>	<b>Explanation Provided Directly by the Representative</b>
<b>Regular explanatory meeting for analysts/institutional investors</b>	In addition to the explanatory meeting at the time of full-year account settlement and interim-term account settlement, our directors hold a telephone conference at the time of quarterly account settlement to ensure timely disclosure is provided directly by the representative.	Yes
<b>Posting of IR documents on Lawson's Website</b>	In the interest of fairness of disclosure, we publish the disclosure information, important information and materials of the explanatory meeting on our website as soon as is possible. We also actively provide disclosure in English for the benefit of foreign investment institutions and foreign private investors.	None
<b>Establishment of division to handle IR (representatives)</b>	We assign IR representatives in charge of Financial Administration Division.	—

### 3. Approach for Respecting the Position of Stakeholders

	Supplementary Explanation
<p><b>Internal Charter That Respects Stakeholders</b></p>	<p>Lawson’s corporate philosophy is “Creating Happiness and Harmony in Our Communities.” In order to make this the corporate philosophy of the entire Group and bring this philosophy to reality, Lawson has set out its basic stance on all stakeholders in the Lawson Corporate Conduct Charter and this is made available on the Company’s website.</p>
<p><b>Environmental Protection and CSR Activities</b></p>	<p>Based on our corporate philosophy, and with the aim of achieving the Sustainable Development Goals (SDGs), we have made “three promises,” namely “Most delicious taste,” “Human kindness,” and “Environmental (Machi) friendliness.” By keeping these promises, we will be endeavoring to achieve sustainable growth. And in the areas of environmental conservation and social contribution, we are implementing a variety of initiatives for “Human kindness” and “Environmental (Machi) friendliness.”</p> <ul style="list-style-type: none"> <li>• Achieving “Environmental (Machi) friendliness”</li> </ul> <p>To reduce our impact on the environment, we have been taking steps to save energy and resources and reduce waste, not only at Lawson stores, but across the entire supply chain. Most notably, with the aim of reducing the amount of electricity used at stores, we are introducing the latest energy-efficient equipment, such as a chlorofluorocarbon-free (CO2 coolant) freezer/refrigeration system. We are aiming to leverage this system to put the energy-saving package model into practical use, and thereby use 20% less energy per store by fiscal 2020 compared to the fiscal 2010 level.</p> <p>As for resource conservation, we are working to reduce our use of plastics by producing and distributing reusable bags, making use of bioplastics, promoting recycling, reviewing product containers and packaging, etc. At Natural Lawson stores, meanwhile, we have begun using carrier bags that are partially made from polyethylene sourced from sugarcane. We are also working with the Yamanashi prefectural government to test the introduction of paper straws. In addition, we are conducting experiments on whether the cups containing fresh iced coffee served via our in-store “MACHI Café” service can be changed from plastic to paper. Plastics have become an issue recently, so we will be endeavoring to substantially reduce our use of them. Through these initiatives, we are aiming, by 2030, the target year for SDGs, to reduce total plastic use by 30% and carrier bag use by 50% compared to fiscal 2017 levels.</p> <p>To reduce waste, meanwhile, we are endeavoring to recycle unsold food and used cooking oil that would normally be thrown away, with unsold food being recycled for animal feed and fertilizer and used cooking oil being recycled for biodiesel fuel. We are also experimenting with new initiatives to reduce the amount of food wasted.</p> <ul style="list-style-type: none"> <li>• Achieving “human kindness”</li> </ul> <p>In the realm of social contribution, our main activities are designed to promote greenery and support children. At stores we collect money for the Lawson Group’s “Happiness in Communities” fundraising scheme, and the money is used to plant trees at elementary and middle schools nationwide and to provide scholarships to children of single parents to help them achieve their dreams.</p> <p>On April 1, 2019, we launched a new fundraising scheme called “Dream Classroom,” which is aimed at getting elementary and middle-school students to have dreams and</p>

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	<p>to work toward making those dreams come true. We also carried our fundraising in the wake of disasters such as the torrential rains that occurred in western Japan in July, the typhoon (Jebi) that hit the Kansai region, and the earthquake that struck eastern Iburi in Hokkaido.</p> <p>On March 1, 2019, we established a “SDGs Committee.” Going forward, we are committed to working with our franchisees, customers, and business partners to take action to tackle social and environmental issues and thereby promote achievement of the SDGs and sustainable growth.</p>
<p><b>Development of Policies, etc. for Providing Information to Stakeholders</b></p>	<p>The company published “Basic Principles for Information Disclosure” and the basic ideas of the disclosure of information to stakeholders in company’s website based on “Basic rules for Information Disclosure” established by Board of Directors and relevant rules. Furthermore, to comply with relevant regulations, the company promotes initiatives to stakeholders at Corporate Strategy and Planning Division, Corporate Communications Division, Franchisee Business Support Division and Financial Administration Division.</p>
<p><b>Others</b></p>	<p>[Diversity Policy]</p> <p>Lawson’s corporate philosophy is “Creating Happiness and Harmony in Our Communities.” This corporate philosophy means contributing to towns and growing in happiness with them by acknowledging the diverse nature of society, and creating new products and services that correspond to environmental changes.</p> <p>According to the differences in background factors such as gender, sexual orientation, sexual recognition, nationality, age, people are engendered with a myriad of ways of thinking, and in society itself there exist a huge variety of schools of thought. Furthermore, in order to grow as a member of the global community and aim for improved corporate value we have to intercommunicate with an array of people not just in Japan but across the globe. We will therefore cast off all our stereotyped views, ensure the capabilities and potential of all employees including women and those of other nationalities are maximized, launch new innovations, and try to achieve an improvement in our corporate value. This is what we at Lawson mean by the term ‘diversity.’ Diversity is a strength that is irreplaceable for Lawson’s growth, and a concept that we will wholeheartedly promote.</p> <p>[Targets for the promotion of action by women]</p> <p>With the qualitative goal of ‘A society where women can bring up children while continuing to work,’ we have set the numerical target of making 30% of our managerial staff women by the year 2020.</p> <p>We have also declared a goal of getting 80% of eligible male employees to take childcare leave, and after surpassing 80% for two straight years in fiscal 2016 and 2017, the figure reached 90% in fiscal 2018.</p> <p>[Initiatives and numerical targets concerning women in action]</p> <p>From the perspective of diversity, we have appointed a total of five women to directorial or auditing posts, meaning that women now account for 41.7% of the directorship. With regard to the percentage of personnel accounted for by women, in 2005 we set the target of ensuring 50% of those hired during our regular intake of newly graduated employees were women, and their number has steadily risen year after year. (As of fiscal year 2018, 17.9% of our total personnel were female.) As initiatives to promote women in action we have implemented female executive training, set up the “Committee for Promoting Diversity” as a discussion forum between management and the workforce, and arranged many opportunities for both training and dialogue. And in July 2014 we established the “Happy Lawson Nursery” within one of our business sites, thus supporting employees to continue working while simultaneously bringing up children.</p>

## IV Matters Relating to the Internal Control System

### 1. Basic approach to internal control system and status of system development

Based on the improved and operating circumstances of the preceding “2018 Basic Policy for Improvement of Internal Control Systems”, which was resolved at the Board of Directors meeting held on February 18, 2019, the Company passed the resolution called the “2019 Basic Policy for Improvement of Internal Control Systems” as indicated below.

#### 2019 Basic Policy for Improvement of Internal Control Systems

Lawson is involved in a broad range of business domains, high-end supermarket business, entertainment-related business, financial services business, e-commerce business, consulting business and advertising business along with its core convenience store business. Lawson provides multifarious products and services through its immense chain of stores in every prefecture in Japan in these wide-ranging business domains. In conjunction with these activities, Lawson is subject to a host of laws and regulations and is also exposed to risks of loss (hereinafter “risks”). Because Lawson’s convenience store business uses a franchise system, there is a need to provide proper guidance and assistance to a large number of franchised stores. In light of the nature of Lawson’s business, an important theme for management is the maintenance and operation of internal control systems that can support sound and continuous business growth. Accordingly, Lawson has established “2019 Basic Policy for Improvement of Internal Control Systems” (hereinafter “Basic Policy”), as outlined below, in accordance with the Japanese Company Law and its enforcement regulations, as well as the Financial Instruments and Exchange Act.

The Basic Policy will ensure that Lawson’s businesses are conducted effectively, efficiently and in a proper manner, ultimately helping to preserve and increase enterprise value.

The Basic Policy is applicable to all company officers (directors, corporate auditors, and other individuals of similar rank; hereinafter the same) and employees (permanent, temporary, contract workers and other staff members; hereinafter the same).

1. Systems to Ensure Compliance of the Execution of Duties by Directors and Employees with Laws and Regulations and the Articles of Incorporation
  - (1) The Board of Directors shall determine the improvement policies and plans for internal control systems, including those for compliance with laws, regulations and the like (hereinafter the “Compliance”), and receive status reports thereof periodically.
  - (2) The Board of Directors shall maintain and improve the supervising function regarding the execution of duties by the Directors by electing outside Directors on an ongoing basis.
  - (3) The Corporate Auditors shall independently audit the execution of duties by the Directors, including the status concerning the improvement of the internal control systems.

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- (4) The Board of Directors shall maintain and raise the awareness of officers and employees regarding compliance by thoroughly disseminating the Lawson Group's Code of Conduct and the Lawson Ethical Mission Statement by measures including, but not limited to, appointing a Chief Compliance and Risk management Officer and establishing a department that oversees compliance, assigning personnel in charge of compliance to each department, streamlining the rules in relation to compliance and providing training on ethics and conducting compliance awareness surveys on a periodic basis.
  - (5) 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. Especially for compliance with "Act on Prohibition of Private Monopolization and Maintenance of Fair Trade" and "The Subcontract Act" and etc, the Company shall strive to disseminate information of applicable laws and regulations to employees.
  - (6) 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.
  - (7) The Company shall establish and upgrade normal reporting routes for reporting any violations of laws, regulations or internal rules, and by establishing consulting and reporting point (internal contact points, a group-wide consulting contact point and a consulting contact point for employees and business counterparties for Lawson's franchised stores) that fully protect informants, the Company shall strive for early detection of violation or possible violation of laws, regulations, etc. across the entire Lawson chain. If a violation of laws, regulations or internal rules is discovered, the Company shall act promptly to rectify the situation and prevent recurrences.
  - (8) The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on and deal with improper demands by consulting with lawyers, the police and the like.
2. Systems to Preserve and Manage Information Pertaining to the Execution of Duties by Directors
- (1) The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the Board of Directors and the Management Council, and authorizing documents, including those approved by the President as well as financial, clerical and risk- and compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing relevant parties to inspect the above information.
  - (2) The Company shall manage and monitor its information systems in a secure manner, in addition to maintaining the system by sufficiently taking into account contingencies.
  - (3) The Company shall establish and maintain rules regarding the storage and 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 regulations regarding the safeguarding of personal information and management

of confidential business information, and shall properly and safely store and manage personal information and important confidential business information.

- (5) The company shall appoint chief information security officer and establish departments to generally control information security. The company also shall strive to establish information security system for Lawson Group in order to promote information security risk management and System Technology Security interactively and comprehensively.
- (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, and improve rules related to risk management and group-wide risk-prevention systems during normal operations. Furthermore, each department shall identify risks that might have adverse effects on the Company's management in connection with its business purposes, analyze the probability of such risk factors materializing and their impact, and evaluate whether intensive countermeasures should be taken as part of measures tailored to the nature of risks.
- (2) To ensure the effectiveness of risk management, the Company shall establish a specialist committee ("Compliance & Risk Management Committee"), and clarify the authority and responsibility of the committee and its chairperson. Furthermore, the Company shall endeavor to increase awareness about risk management by assigning risk management staff to departments and associated companies and conducting risk management training.
- (3) The Company shall develop contingency systems and formulate policy for contingency-response bodies in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events, which might have adverse effects on management of the Company, in order to provide a quick response to any actual occurrence thereof and to take effective measures to prevent a reoccurrence.
- (4) The Company shall work to formulate a business continuity plan (BCP) and establish a business continuity management (BCM) system in order to maintain life infrastructure functions of convenience store and minimize the disruption to operations of events that could have a detrimental impact on the Company, such as a major disaster or outbreak of a new strain of influenza. 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 Manuals".

### 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.

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- (2) The Company shall work to raise operational efficiency by simplifying business processes, streamlining the organization and making appropriate use of IT.
- (3) In order to promote the proper communication of information and communications between officers and employees, the Company shall improve systems by which management guidelines and policies are disseminated to employees by corporate officers, and important field information is properly communicated by employees to corporate officers in a timely manner.
- (4) The company shall endeavor to improve work productivity by promoting changes in ways of working.

### 5. Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and Its Subsidiaries

- (1) Systems for reporting to the Company on matters pertaining to the execution of duties by the subsidiary's directors, etc., and systems for ensuring that the performance of duties by directors etc. of is efficient
  - [1] The Company shall establish rules concerning the management of subsidiaries and affiliated companies (hereinafter "Associated Companies") and endeavor to maintain and enhance the Lawson brand through close collaboration with them. However, with regards to affiliated companies, the Company will work to establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders, difference in laws, regulations and business customs and the like of foreign countries.
  - [2] The Company shall establish a department for supervising Associated Companies, and while respecting the independence of Associated Companies, we shall step up action to optimize a system for supervising Associated Companies by taking into account the reasons that the Company has taken a stake in the Associated Company, engaging in negotiations or providing advice to Associated Companies as necessary, operating a system for receiving reports from them, etc.
- (2) Rules and other systems for risk management by the subsidiary and systems for ensuring that the subsidiary's directors, etc., and employees execute their duties in conformity with laws, ordinances, and the articles of incorporation
  - [1] While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof, and keep the Associated Companies fully informed of the Lawson Group Code of Conduct.
  - [2] The Company shall establish an organization with jurisdiction over Associated Companies (division with responsibility and department in charge), and a dedicated department that can provide support to Associated Companies from technical standpoints, and endeavor to ensure the soundness of operations at Associated Companies.
  - [3] The Company shall appoint designated people at major Associated Companies to be responsible for promoting compliance and risk management. Moreover, Compliance and Risk Management Office of Lawson group also holds meeting with People in charge of Compliance and Risk Management in Associated Companies at a regular basis to check and maintenance development of Associated Companies and give advices if necessary.

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The Company ensures appropriate business operations across the entire Lawson Group.

[4] The Company will establish a system that the people in charge of Compliance and Risk Management in Associated Companies will report immediately to the Company if they are aware of the situation could harm Associated Companies.

[5] 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.

(3) The Company will report immediately to the parent company if they are aware of the situation could harm the company and Associated Companies.

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

(1) The Company shall enhance systems for preparing financial statements according to laws and regulations and accounting standards and disclosing same after they have been discussed, examined and confirmed in accordance with regulations governing information disclosure, in order to report financial information in a proper and timely manner.

(2) The Company shall establish a dedicated internal organization in order to properly implement the internal control reporting system required by the Financial Instruments and Exchange Act, as an internal control for financial reporting. Furthermore, the Company shall establish a system for self- and third-party evaluation and improvement through the identification and recording of business processes at important business bases and the status of Companywide internal controls. The Company shall report regularly to the Board of Directors the results of evaluations and improvements made at the Company and important subsidiaries.

### 7. Matters Concerning Employees Where a Corporate Auditor Requests Employees to Assist With Duties

(1) The Company shall assign appropriate personnel to the Auditors' Office as employees exclusively to assist Corporate Auditors in the execution of their duties (hereinafter "Corporate Auditors' Staff").

(2) Corporate Auditors' Staff may serve concurrently as Corporate Auditors of Associated Companies.

(3) Corporate Auditors' Staff shall have the authority to conduct investigations necessary for audits by Corporate Auditors following the instructions of Corporate Auditors.

### 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 ensuring that directors and employees of the Company and directors etc. and employees of subsidiaries make reports to corporate auditors and other systems concerning reports to 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

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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.
- (4) The Company will establish a system for cross-external consultation and reporting content will be reported to the auditors in a timely manner.

#### 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.
- (5) Legal Department, Risk Management Department, Internal Audit Department, Finance and Accounting Department and others will assist in the necessary audit investigation by the request of the auditor.

#### Present Status of Internal Control Systems

##### 1. Present Status of Compliance System and Risk Management System

Lawson has appointed Compliance and Risk Management to be in charge of the promotion and establishment of compliance and to oversee risk management, and has established a Compliance and Risk Management Office with dedicated staff members. Lawson has also assigned CRO (Corporate Risk and Management Officer) and compliance officers to respective divisions of the head office and Lawson branches nationwide. In addition, the Compliance and Risk Management Committee, a specialist committee consisting of compliance officers as its members, is put in place to ensure compliance with laws and the effectiveness of risk management, the understanding of issues and the preparation and implementation of measures to prevent misconduct.

##### (1) Present Status of Compliance Systems

To continually comply with the law, and always maintain corporate conduct in line with generally accepted morals and societal expectations, Lawson maintains and refines its rules related to compliance and conducts compliance training on a regular basis through e-learning and group training by job type. Also, in March 2014, Lawson revised the Lawson Corporate Conduct Charter, and the Lawson Code of Ethics. Furthermore, Lawson released the Lawson C&R Handbook, which outlines the scope of conduct that the aforementioned documents

cover, and is making efforts to ensure that its employees maintain and improve awareness of compliance through their work.

In addition to the employee awareness survey targeting all our employees, Lawson has sent out questionnaires to its business partners (including the business partners of our major subsidiaries). Through such questionnaires, we have gained an understanding of the problems and issues related to compliance promotion activities and transaction styles, and based on this knowledge, we are reviewing and improving our compliance system from a wide perspective.

Lawson has also established reporting and consulting systems (internal contact points, a group-wide consulting contact point and a consulting contact point for employees and business counterparties for Lawson's franchised stores) to maintain a system for detecting and coping with internal problems at an early stage. The Company endeavors to propagate a culture of integrity within its organization by properly dealing with internal reports of wrongdoings, reviewing systems for preventing recurrences, and raising awareness of specific cases through meetings, training sessions, etc.

## (2) Present Status of Risk Management System

We at Lawson maintain and refine the rules concerning risk management, and place priority on three major risk areas: product quality and hygiene control, data security, and natural and other disasters. We must be prepared for all types of emergencies that may arise, and develop a system by which we can provide a swift response.

Under ordinary circumstances, the Compliance and Risk Management Council meeting is held once every month. The council and its subordinate committees evaluate risks, establish responses to those risks, and aim to prevent those risks from developing into an incident such as by clarifying priorities for resolving problems, formulating and promoting prevention strategies, and managing the processes of problem solving.

If a risk develops into an incident, an emergency risk response committee is established to contain the incident and to minimize damage to operations. The emergency response committee gets to the bottom of what factors caused the incident and from this analysis, takes measures not only to restore any loss of trust and prevent such an incident from occurring again, but also to further improve Lawson's ability to manage risks through feedback to employees in training sessions.

Moreover, we keep Disaster Response Manuals at each of our business establishments (and at each division of the head office). Also disaster response directions are contained in the various store manuals provided to stores. In the case of a large-scale disaster, Lawson will set up a disaster response headquarters to provide a swift response. These manuals are reviewed periodically and updated to address any problems identified through three disaster drills per year.

## 2. Present Status of System Concerning the Storage and Management of Information Relating to the Execution of Duties by Directors

### (1) Present Status of System for Recording, Storing and Managing Information Relating to Decisions Made by the Board of Directors, Executive Committee and other Decision-making Bodies, Information Relating to Decisions Made by Representative Director and Other Important Decisions, and Information Relating to Compliance and

### Risk Matters

#### 1) Storage and Management of Information Relating to Decisions Made by the Board of Directors, Executive Committee and Other Decision-making Bodies

To ensure the accountability of the representative director, written proposals and minutes of meetings are recorded and stored. The original minutes of Board of Directors' meetings for the most recent ten years are properly maintained in a book vault at the executive office of the headquarters, and after ten years the original proposals and minutes of the Board of Directors' meetings are stored permanently in outside storage under strict security. The minutes relating to decisions made by the Executive Committee and other decision-making bodies for the most recent year are properly maintained in the book vault in the executive office of the headquarters, and after one year these minutes are stored permanently in an outside storehouse under strict security.

#### 2) Storage and Management of Approval Documents and Written Contracts

In November 2012, we introduced an electronic approval system, totally eliminating the need to use paper for approval documents including attachments. Information relating to decisions made by the President and other important decisions prior to the introduction of the system is recorded and stored as follows to ensure the accountability of the representative director and other decision-makers:

- A. Approval documents by representative director with attachments for two years are maintained in the executive office of the headquarters. After two years, such documents are stored in an external storehouse under strict security.
- B. Approval documents other than those by representative director, including approval documents for branches are collected by the General Affairs Office, and these documents are transferred after one year to be stored in an external storehouse under strict security.

Written contracts are stored as follows:

- A. Franchise agreements and store lease agreements including any attached memorandums, which constitute the foundation of Lawson's business, are stored in an external storehouse under strict security immediately upon conclusion of the agreement.
- B. Other written contracts are stored in secure locked locations at each responsible division or in an external storehouse under strict security control for seven years after expiration of the contract period.

#### 3) Storage and Management of Information Relating to Compliance and Risk

To ensure the accountability of the Compliance and Risk Management, the written background and minutes of meetings are recorded and stored under strict security. With the approval of the Compliance and Risk Management, the Compliance and Risk Management Office's general manager deals with requests for access to such documents.

#### 4) Storage and Management of Minutes of Meeting Bodies Other Than the Above and Other Important Documents

The staff of responsible divisions store and manage these documents at their own discretion.

#### (2) Present Status of System Concerning Management and Monitoring of Information System as Well as Proper Maintenance of Such Systems for Contingencies

Under Lawson's Information Security Policy, the Information System Management Rules prescribe matters that

should be observed by related divisions for the purpose of maintaining and improving information security and enhancing the reliability, effectiveness and efficiency of our information system. In this way, we maintain the secure management and operation of systems and implement proper preventive measures and procedures in the event of a contingency.

These rules apply to matters relating to the planning, development, maintenance and operation of the information system, information system equipment, and related facilities. They prescribe not only matters to be observed by users, but also management in the event of a failure in the information system, the management of changes in the system, the management of outsourcing, the management of system security, access management, project risk management, business continuity management, compliance and other relevant matters.

### 3. Internal Control by the Certified Public Accountant

Lawson has an audit contract with Deloitte Touche Tohmatsu (“Tohmatsu”). There are no special relationships involving mutual interests between Lawson and Tohmatsu or any of the staff of Tohmatsu engaged in auditing work for Lawson. In close liaison with Lawson’s corporate auditors and Lawson, the certified public accountant issues a report on its planned auditing work for each business period, and subsequently issues regular reports on the progress of the auditing. During each business period, Lawson’s corporate auditors and the certified public accountant exchange information and opinions wherever deemed necessary to the efficiency and accuracy of the auditing process.

The corporate auditors received a notification from the accounting (independent) auditors that they are taking steps to improve the “system for ensuring appropriate execution of duties” (matters specified in the items under Article 131 of Corporate Accounting Rules) in accordance with the “Quality Control Standards Relating to Auditing” (Business Accounting Deliberation Council, October 28, 2005) and other standards, and requested explanations when necessary.

If an accounting (independent) auditor violates or infringes the Corporate Law of Japan, or the Certified Public Accountants Law, and if the Board of Directors deems it necessary, the Board of Directors shall submit a proposal to the General Meeting of Shareholders to dismiss or not reappoint the aforesaid accounting (independent) auditor after receiving the agreement of the Board of Auditors. If it is deemed that the aforesaid accounting (independent) auditor fits any of the circumstances prescribed in any item of Clause 1 of Article 340 of the Corporate Law, the Board of Auditors can dismiss the aforesaid accounting (independent) auditor by unanimous decision.

### 4. Present Status of System to Ensure Appropriate Business Activities in Group Companies

Lawson has designated a compliance and risk management officer at its subsidiaries. Regarding the Compliance and Risk Management, these officers and the person in charge of affiliated companies at Lawson attend bimonthly meetings of Lawson’s Affiliated Company Compliance Officers Committee, where information and knowledge is shared with the Lawson group. In this way, Lawson not only can prevent misconduct and other issues from occurring but also can maintain and implement a system for a swift response to any such incidents.

To support sound management at its affiliated companies, Lawson dispatches or loans directors/corporate auditors and employees to these companies. In this way, Lawson not only helps to ensure the businesses of the affiliated companies operate appropriately and efficiently, and but also communicates and shares information with the affiliated

companies. The Company has established a department for supervising Associated Companies, and a system is in place whereby if a risk emerges at an Associated Company, it is reported to the Company. Furthermore, information relating to risks at the Company and Associated Companies is reported to the parent company in a timely and appropriate manner.

The Company has established an organization with jurisdiction over Associated Companies and a dedicated department that can provide support to Associated Companies from technical standpoints, and is endeavoring to ensure the soundness of operations at Associated Companies.

## **2. Basic Approach towards the Exclusion of Antisocial Forces and its Present Status**

### **1. Basic approach towards the exclusion of antisocial forces**

Lawson, considers the prevention of damage from antisocial forces to be an important part of ensuring proper business activity and in its “2019 Basic Policy for Improvement of Internal Control Systems” it clarifies this by “The Company shall never get involved with antisocial forces or bodies that threaten the order and security of private society, and shall take a firm stance on unjustified demand in cooperation with lawyers, the police and the like.”

### **2. Present status of the exclusion of antisocial forces**

Lawson provides a statement of principle concerning the exclusion of antisocial forces in the Lawson Corporate Conduct Charter and the Lawson’s Code of Ethics and the entire organization takes a collective response to such matters.

With respect to internal controls, the office that integrates the response to a matter concerning an unjustified demand by antisocial forces (hereinafter “office responding to antisocial forces”) provides central control of information relating to antisocial forces. Not only will it give support to organizational frameworks to sever relations with antisocial forces, it will also work in cooperation with the National Police Agency and the prefectural or metropolitan police department. The office responding to antisocial forces will consult the above institutions when responding to an unjustified demand from antisocial forces.

We formulated the “Transaction Policies of the Lawson Group” in September 2010 to deal with this issue across the entire supply chain.

**V Others****1. Matters Related to Defense against Takeover****Matters Related to Defense against Takeover****None****Supplementary Explanation Associated with the Relevant Item**

Nothing to report

**2. Other Matters Related to the Corporate Governance System**

[Outline of the timely disclosure system]

(1) Lawson has assigned the Director of the Corporate Communications Division to be in charge of timely disclosure, with departmental responsibility falling to the Corporate Communications Division. They shall promote understanding of the importance of timely disclosure within the Company.

(2) The Company's employees are required to report to and consult the person in charge of timely disclosure with regard to any information they deem important. Furthermore, the person in charge of timely disclosure passes on such information to the Director of the Financial Administration Division in order to determine whether the information constitutes insider information.

(3) With regard to information regarding which consultation or reporting is made, the person in charge of timely disclosure seeks the advice of the director in charge, the Director of the Corporate Strategy and Planning Division, the Director of the Financial Administration Division and other relevant departments concerning the necessity of disclosing the information in a timely manner, what to disclose, and the timing of disclosure in order to ensure timely disclosure of appropriate information.

(4) Lawson set basic regulations governing information disclosure in August 2006 to establish an internal system for the disclosure of important information. With regard to insider trading, the Company established regulations to prevent insider trading in July 2000 and develop a monitoring system.

[Reference: Organization]

**Corporate Governance and Internal Control Systems**

(As of May 22, 2019)

