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Lawson, Inc.

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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 group 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 group 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.

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

The following Supplementary Principle is described in accordance with the Corporate Governance Code as revised in June 2021.

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 strives to achieve business growth by setting the improvement of return on equity (ROE: consolidated profit as a percentage of owners' equity) and earnings per share (EPS) as its target in order to optimize the use of shareholders' equity and to better share value with shareholders and link this to the Company's operating results.

Furthermore, in the course of achieving sustainable growth for the Group, our basic policy is to pay stable dividends of at least 150 yen per share per year with a target consolidated payout ratio of 50%, while maintaining the retained reserves required for future business expansion.

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 2022, we held two 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.

<Supplementary Principle 2-4(1): Ensuring Diversity in Appointment of Core Human Resources>

(1) Views on ensuring diversity

We believe that maximizing the capabilities and potential of all employees, including female and non-Japanese employees, and creating new innovations will lead to an increase in corporate value, and we position diversity as one of our management strategies.

In order to promote diversity management, a Diversity Promotion Officer has been appointed. Under the direction of the President, the Diversity Promotion Officer is promoting necessary system design, operations, and appointments in cooperation with the Human Resources Division. In addition, we endeavor to actively promote human resources diversity in the appointment of core human resources, such as managers.

[Diversity Policy]

Lawson's group 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.

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. We create equal employment opportunities without discriminating against such differences.

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.

(2) Status of ensuring diversity and voluntary and measurable targets

[Female employees]

In our desire to retain our female employees over the long term, we have introduced such programs as career development training, childcare leave training, and elective leadership training to support young women in their career and life planning. We are also taking steps to develop female management candidates in our Next-Generation Development Committee, which aims to develop the next generation of leaders for senior management roles from among our general managers.

We have been working to boost our hiring efforts with the aim of achieving a 30% ratio of female employees in 2030, and in the recruitment of new graduates since 2005, we have targeted a fifty-fifty ratio of male and female new hires. The ratio of female managers in fiscal 2021 was 11.7%. With the qualitative goal of “A society where women can bring up children while continuing to work,” we have set the numerical target of increasing the ratio of female managers to 30% in 2030.

And in 2014 we established the “Happy Lawson Nursery” within one of our business sites, thus supporting employees to continue working while simultaneously bringing up children. We have also declared a goal of getting 90% of eligible male employees to take childcare leave, and after surpassing 80% in fiscal 2016, the figure reached 90% in fiscal 2018 and 95.7% in fiscal 2021. By encouraging men to play a greater role in raising their children, we aim to become a company that is comfortable to work at for both men and women.

[Non-Japanese employees]

We have been actively hiring non-Japanese employees since 2008. In the recruitment of new graduates, we have continued efforts with the target of increasing the ratio of non-Japanese employees to 10 to 20%, and more than 150 non-Japanese employees are currently employed and taking active roles (ratio of international employees at the end of 2021: 3.3%).

The ratio of non-Japanese managers in fiscal 2021 was 1.4%. While continuing recruitment efforts with the aim of increasing the ratio of international employees among new graduate hires to 15%, we will make ongoing efforts in developing and promoting non-Japanese employees.

[Lateral hires]

In lateral recruitment, we mainly hire individuals with various career backgrounds who have experience in other industries, special skills and know-how, and who are not bound by fixed concepts within the industry or the Company. The ratio of lateral-hire managers in fiscal 2021 was 42.2%, and we will endeavor to maintain a similar ratio in the future.

(3) Human resources development policy aimed at ensuring diversity, internal environment development policy, and current status

The Company has focused on the development of core human resources who are tasked with realizing its Group philosophy and Lawson’s Way (Action Guideline). The kind of talent that we look for at Lawson is people who can create value through collaboration based on teamwork, who can transform themselves in order to constantly generate value, and who can accomplish goals—and the ability to “think and act on their own initiative” is key. We operate a developmental personnel system aimed at encouraging every employee to think and act on their own initiative toward realizing the Group philosophy, including how to act as an employee and how to fulfill their own duties in order to achieve annual missions.

With the aim of creating a corporate culture in which employees act on their own initiative, the personnel system clarifies the scope of responsibility and the roles to be played in accordance with their duties, and a system to evaluate the behavior of individual employees has been introduced. As part of this, we use two evaluation systems to decide compensation and promote personnel development: the Employee Behavior and Skill Level Evaluation, which evaluates the employee

behaviors (processes) that produce positive results; and the Performance Evaluation, which assesses the results of the behavior. In addition, we use Career Development Sheets to help each employee draw a clear picture of his or her future career path. We ask each employee to look back on his or her past career and current position and clearly state where he or she should be in the future. We also support individual growth through interviews.

Lawson promotes diversity with the aim of assembling employees with widely varied values who join together and perform to their full potential to strengthen its franchise chain further. We have constructed systems for promoting diversity and inclusion under the direction of the President, established a special subsidiary to promote employment of people with disabilities, developed childcare facilities in our workplaces, and opened offices for conducting labor management consultations with a focus on improving operating efficiency and work environments. In recruiting activities, we disregard gender, nationality, age, school, and origin, focusing instead on individual suitability, motivation, and ability. To promote active roles for diverse human resources, we introduced a flexible full-time (limited work location) employee system designed for compatibility with obligations such as childcare, long-term care and cancer treatment; established a remote work system for all employees; and introduced an active full-time senior employee system, raising our employee retirement age to 65 effective March 2021. These measures will help transform Lawson into a company whose employees can continue working with satisfaction.

For details of our human resources development policy, internal education policy, etc., including our efforts to ensure diversity, please refer to our website.

<https://www.lawson.jp/en/about/hrs/diversity/>

<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 group philosophy as a basis for all its corporate activities.

[Group Philosophy]

“Creating Happiness and Harmony in Our Communities”

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

[Vision]

“Our goal is to become the hub of refreshment in every community.”

At the same time, in order to succeed this vision, we also have revised Lawson's way (action guideline) to clarify the actions required for the individual and to move forward with everyone united.

[Lawson's Way (Action Guideline)]

1. Create stores filled with the best smile in town.
2. Speak out your ideas to take action.
3. Enjoy your challenge.
4. Value your friends to become one.
5. Act in good faith.

For details of our business strategy, please refer to our integrated report.

https://www.lawson.jp/en/ir/library/annual_report/2021/

(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. More than one-third of the member of Board of Directors shall be independent officers. In addition, a lead independent outside director (Miki Iwamura as of May 26 2022) is elected from among outside directors with the aim of enhancing the system related to the liaison and coordination between outside directors and the senior management as well as the cooperation with corporate auditors and the Board of Corporate Auditors.

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 select candidates for officers in accordance with the following Officer Selection Standards. In addition, candidates for outside directors are those who do not violate the following Criteria for Determining Independence. Furthermore, we established the Nomination and Compensation Advisory Committee to declare candidates for directors and representative directors to the Board of Directors. 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 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
- 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
- Not disqualified under the Companies Act
- Regarding independent officers, not conflict with “Criteria for Determining Independence”

<Criteria for Determining Independence>

- 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 8 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.

<Supplementary Principle 3-1(3): Sustainability Initiatives, etc.>

(Sustainability initiatives)

The Company has been promoting its business activities from the customer's point of view in order to become the hub of refreshment in every community based on its Group philosophy, "Creating Happiness and Harmony in Our Communities." In creating happiness in our communities, it is essential to realize a sustainable society for the future and to coexist synergistically with our stakeholders. In order to create a prosperous future for our children, the Lawson Group has established the Lawson Group Sustainability Policy based on the Lawson Group Corporate Conduct Charter and has been promoting sustainable business activities in collaboration with its stakeholders. On March 1, 2021, we established the position of Chief Sustainability Officer (CSO), which was assumed by the President and CEO and representative director. We also established the SDGs Promotion Office as a dedicated department that reports directly to the president of the Company to further strengthen our initiatives with a new structure. In responding to issues, the SDGs Committee periodically identifies issues that align with the Three Promises and shares the progress of the entire Group, while each division conducts self-directed initiatives in its own business activities. Furthermore, we have established working groups under the SDGs Committee to strengthen our initiatives for primary services related to key issues that require a quick response; namely, CO₂ emissions reduction, food loss reduction, plastic reduction, supply chain expansion, and information disclosure.

For details of sustainability initiatives, please refer to "Environmental Protection and CSR Activities" in section 3 "Approach for Respecting the Position of Stakeholders" in this report.

For details of the Lawson Group Sustainability Policy, please refer to our website.

https://www.lawson.jp/en/csr/policy/sustainability_policy/

To sustain the blessings of the Earth for future generations, the Lawson Group will consider the environment in every aspect of our business activities and strive to achieve sustainable development and coexistence with local communities. We have made coexistence with local communities and striving to achieve sustainable development basic principles of our Lawson Group Environmental Policy. Furthermore, in determining the Group's material issues, we consider the issue of climate change, which is becoming more severe year by year, to be an extremely important issue. As the core company of the Lawson Group, Lawson endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020, and we are following its recommendations to promote disclosure of information on governance, strategy, risk management, and metrics and targets.

For details of the TCFD Proposal Initiatives, please refer to our website.

<https://www.lawson.jp/en/csr/tcfid/>

(Investment in human capital and intellectual property)

In order to realize its Group philosophy, "Creating Happiness and Harmony in Our Communities," the Company upholds the Three Promises: "Superior taste," "Human kindness," and "Environmental (Machi) friendliness." In term of "Human kindness," we will support health promotion and active roles for all people and provide comfortable work environments leading to job satisfaction for everyone who works at Lawson. In addition, while working on the promotion of diversity and realization of a work-life balance to create comfortable workplace for all employees, we have established a rewarding work reformation project under the Lawson Group Sweeping Transformation Executive Committee, which is implementing initiatives for achieving Challenge 2025, to change evaluation systems, support a spirit of challenge, consider job-specific systems, and use remote working. By realizing these initiatives, we will endeavor to achieve sustainable growth for the Company and increase corporate value. In the unified use of the Group data project under the same Lawson Group Sweeping Transformation Executive Committee, we are promoting the utilization of the Group's membership base for enhancing customer satisfaction, such as Ponta membership and Lawson online members, which are the Group's intellectual capital. At the same time, we aggressively invest in digital technology for boosting store productivity, including self-checkout registers, the LAWSON Smartphone Checkout service, and POS cash registers with an automatic change dispenser. We recognize that the maintenance and enhancement of the value of our intellectual property, such as trademarks and brands, is indispensable for the sustainable growth of the Company and the creation of value for society. Accordingly, we will acquire and maintain intellectual property rights in Japan and overseas, and promote the protection of intellectual property by taking prompt and strict measures against counterfeits and other products and services that damage such value. In addition, we will actively disclose our investments in achieving related goals.

<Supplementary Principle 4-1 (1): Overview of Scope of Matters Delegated to Management by the Board of Directors>

The Company specifies matters that require a resolution of the Board of Directors in its rules for the Board of Directors, guidelines for matters that require discussion by 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 resolution of the Board. Furthermore, in 2002, we introduced an executive officer system with

the aim of clarifying management responsibilities and speeding up decision-making through the delegation of authority. 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 executive managing officer level or above and members designated by Representative Director and President.

<Supplementary Principle 4-1 (3): Chief Executive Officer Succession Planning>

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

[Qualities, attributes, etc. required of the President]

(1) Ability to respond to and engineer change

To ensure the continuation of the convenience-store business, which is part of the societal infrastructure, it is essential to respond with a sense of urgency to the constantly changing external environment and needs of society and customers. Furthermore, the ability to unearth new needs among customers and society and to deploy innovation to engineer change is vital.

(2) Strong leadership

To maintain and elevate the chain's brand, the exercise of strong leadership toward not only employees but also to stores throughout the country is critical.

(3) High-level communication skills

The person at the top of the Company needs to provide explanations to shareholders, investors, the media, etc. and to communicate information to the outside world. They also require high-level communication skills in order to ensure that store owners nationwide fully understand our management policy and Group philosophy.

(4) Broad perspectives for viewing the Group as a whole and strong commitment to governance

To contribute to management at the consolidated level, it is essential to maintain a broad perspective for pursuing total optimization for the Group as well as a strong commitment to promoting disciplined Group governance.

(5) Impeccable ethics

As the president of a listed company, which could almost be described as a public institution, and as the top leader of a convenience-store chain, they need to act in good faith and with impeccable ethics in any event that arises.

Note that no hard and fast attributes for successors are specified. For example, they could be people from inside the Company or outside the Company.

<Principle 4-9: Independence of Independent Outside Directors and Criteria for Determining Independence in Practice>

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

<Supplementary Principle 4-10(1): Views on Independence of Nomination and Compensation Advisory Committee and the Committee’s Authority, Roles, etc.>

The voluntarily established Nomination and Compensation Advisory Committee serves as an advisory body that expresses its opinion to the Board of Directors regarding nominations of candidates for the positions of member of the Board and representative director. All 6 of the Committee members are non-executive members of the Board or part-time outside corporate auditors, and 5 of them are independent officers. This ensures that the Committee can express its opinion to the Board of Directors regarding nominations of candidates for the positions of member of the Board and representative director based on a high degree of independence.

<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>

Please refer to “(4) Basic views on composition of Board of Directors and policies in the appointment of officers,” “Officer Selection Standards.”

As of May 26, 2022 there are 5 directors (of which 2 are independent directors) and 5 corporate auditors (of which 3 are independent corporate auditors). Furthermore, we are aggressively promoting women to officer positions, and as of May 26, 2022, there are 5 female officers (2 directors, 3 corporate auditors).

In addition, in order to ensure the optimal composition of the Board of Directors for the Company, we have been disclosing the main areas of experience and expertise of directors and corporate auditors (skills matrix) in the convocation notices for general meetings of shareholders starting in 2021. In August 2021, we reviewed the categories and disclosed the skills matrix in the integrated report.

<https://www.lawson.jp/en/ir/stock/stockholder.html>

https://www.lawson.jp/en/ir/library/annual_report/2021/

<Supplementary Principle 4-11(2): Concurrent Service by Directors and Corporate Auditors>

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 have

all of the Directors and Corporate Auditors perform a “self-evaluation of the effectiveness of the Board of Directors.” After receiving responses from all directors and corporate auditors, the responses are compiled and analyzed accordingly. Based on the self-evaluations in FY2021, there were no comments on material deficiencies and 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, and this view was shared with and discussed by the Board. Constructive improvement requests to ensure further effectiveness of the Board were also presented to and discussed by the Board. Going forward, we will be taking these opinions into account to make improvements that will lead to the Board becoming even more effective. Furthermore, the objectivity of the results of self-evaluation analyses is ensured by making use of an external organization about once every three years.

<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. (However, such time may be reduced in order to prevent the spread of COVID-19 infections.) 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. 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. (However, online meetings may be held in order to prevent the spread of COVID-19 infections.)

(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.

CORPORATE GOVERNANCE

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	50.11
The Master Trust Bank of Japan, Ltd. (Trust account)	7,176,000	7.17
Custody Bank of Japan, Ltd. (Trust account)	2,174,700	2.17
KDDI CORPORATION	2,110,000	2.11
NTT DOCOMO, INC.	2,092,000	2.09
Japan Securities Finance Co., Ltd.	1,522,200	1.52
STATE STREET BANK WEST CLIENT — TREATY 505234	1,456,588	1.46
Employee stockholding association	877,000	0.88
BNYM TREATY DTT 15	869,511	0.87
SMBC Nikko Securities Inc.	797,700	0.80

Controlling Shareholder (Exclude Parent Company)

None

Parent Company

Mitsubishi Corporation
(Stock Listings: Tokyo) (Securities Code) 8058

Supplementary Explanation

Nothing to report

3. Corporate Attributes

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

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. The Company has voluntarily established a special committee to deliberate and consider significant transactions and any conduct involving a conflict of interest between Mitsubishi Corporation, the parent company, and minority shareholders. The committee comprises 5 members including the committee chairperson, all of whom are outside directors and outside corporate auditors independent of the parent company, ensuring a highly independent structure to ascertain the necessity, rationality, appropriateness, and fairness of the significant transactions and conduct in question and report the results to the Board of Directors. At least one-third of the members of the Board of Directors are outside directors elected independently of the Company's controlling shareholders in accordance with Supplementary Principle 4-8(3).

5. Other Special Circumstances that May Critically Impact Corporate Governance

Mitsubishi Corporation is its parent company that currently holds 50.2% 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

[Matters Related to Directors]

Number of Directors under the Articles of Incorporation

11

Term of Directors under the Articles of Incorporation

1 year

Chairperson of the Board of Directors

President

Number of Directors

5

Election of Outside Directors

Yes

Number of Outside Directors

2

Number of Outside Directors that are Appointed as Independent Directors

2

Relationship with Lawson (1)

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

* 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 actual person)

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- 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
Miki Iwamura	○	Vice President, Asia-Pacific, Japan (Marketing), Google Japan LLC	Possesses extensive experience and knowledge as a vice president 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.
Satoko Suzuki	○	Associate Professor, Hitotsubashi ICS	Possesses extensive knowledge as an academic in consumer behavior, marketing, brand management, etc., has served on joint government and private-sector committees that address topics such as "business management based on omotenashi (Japanese-style hospitality)" and "globalization of service industry." She has also published numerous papers, presented at academic conferences on multiple occasions, and received many awards, 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.

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

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	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	2	0	3	Other
Committee Corresponds to Compensation Committee	Nomination and Compensation Committee	6	0	1	2	0	3	Other

Supplementary Explanation

The nomination and compensation committee were held 6 times in FY2021. In which, it made a proposal to Board of Directors regarding to compensation for Board of Directors and nomination of executive officers.

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[Matters Related to Corporate Auditors]

Establishment of the Board of Corporate Auditors	Yes
Number of Corporate Auditors under the Articles of Incorporation	5
Number of Corporate Auditors	5

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 | 16 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 Office through the following 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
(nearly once per month) |

Election of Outside Corporate Auditors	Yes
Number of Outside Corporate Auditors	3
Number of Outside Corporate Auditors that are Appointed as Independent Corporate Auditors	3

Partnership with Lawson (1)

Name	Attribute	Relationship with Lawson (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Eiko Tsujiyama	Scholar													
Yuko Gomi	Lawyer													
Keiko Yoshida	Certified Public Accountant													

* Conditions met regarding the relationship with Lawson

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* ○ 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

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

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Partnership with Lawson (2)

Name	Independent Director	Supplementary Explanation to Corresponding Item	Reason for Selection as Outside Corporate Auditor
Eiko Tsujiyama	○	Professor Emeritus, Waseda University	<p>Possesses a Certified Public Accountant qualification and serves as a member of the Business Accounting Council of the Financial Services Agency and a chairman of the National Tax Council of the National Tax 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 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>
Keiko Yoshida	○	Certified Public Accountant, Certified Public Tax Accountant with no business relationship with Lawson	<p>Possesses a Certified Public Accountant qualification and serves as representative of an accounting firm; has a considerable degree of knowledge of tax, accounting, and business administration; 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>

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

5

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 FY2021 of 258 million yen, including 3 outside directors who received 35 million yen.

The above compensation amount consists of the following remuneration in relation to FY2021:

(1) Basic compensation paid in FY2021

158 million yen (105 million yen of fixed compensation and 53 million yen of variable compensation) to 6 directors

30 million yen (30 million yen of fixed compensation) to 3 outside directors

(2) Stock option remuneration

64 million yen to 6 directors

5 million yen to 3 outside directors

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 outside audit & supervisory board members (part-time).

Based on "interviews on performance evaluation", "interviews on goal setting for next fiscal year" and "discussions on basic compensation and performance evaluation of the Company's directors" which the Company's Compensation Committee conducts, the board of directors meeting determines the amount of individual remuneration paid to directors.

Members of the Nomination and Compensation Committee:

Committee Chairperson	:	Eiko Tsujiyama (Outside Corporate Auditor)
Vice Committee Chairperson	:	Miki Iwamura (Outside Director)
Committee member		Satoko Suzuki (Outside Director)
		Kiyotaka Kikuchi (Director)
		Yuko Gomi (Outside Corporate Auditor)
		Keiko Yoshida (Outside Corporate Auditor)

(3) Details of remuneration paid to directors

Remuneration paid to the Company's directors is composed of basic compensation through monthly 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 (60% of the total)

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

2) Variable compensation (40% of the total)

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.

The amount of variable compensation is determined based on the percentage of budget achievement for EPS (earnings per share) and SDGs targets (CO₂ reduction rate per store, etc.) The final amount of variable compensation is determined after adding a qualitative component (10%) based on an evaluation performed at a meeting with the Nomination and Compensation Committee.

As a result of the review of some KPIs in the 47th term, KPIs will be determined based on the percentage of budget achievement for "EPS" and "SDGs targets (CO₂ reduction rate, etc.)".

The EPS targets are aimed at better sharing value with shareholders and linking this to the Company's operating results, while the SDGs targets are aimed at achieving the Company's environmental vision of "Lawson Blue Challenge 2050!" ((1) reducing CO₂ emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags)). Regarding 3 non-executive directors, Miki Iwamura, Satoko Suzuki, and Kiyotaka Kikuchi, 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 number of units granted, which is determined in accordance with the position of directors, is adjusted up or down by multiplying it by the percentage of the EPS target achieved. 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 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 27, 2020: 100 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. In order for independent outside directors to actively contribute to discussions at the Board of Directors' meetings, the Company holds meetings to exchange opinions with only independent outside directors at least once a year as an opportunity to exchange information and share awareness based on an independent and objective standpoint.

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

The Company's Board of Directors is made up of 5 directors, including 3 males and 2 females, 2 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 15 times in FY2021. 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 15 times in FY2021).

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 FY2021, the Compensation Advisory Committee headed by committee chairperson Eiko Tsujiyama, an outside corporate auditor, and vice committee chairperson Keiko Hayashi, an outside director, consisting 6 independent directors out of 7 members was convened 6 times. The committee reported to the Board of Directors on methods for deciding the compensation of directors and company executive officers.

The Internal Audit Office, which has 18 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 5 corporate auditors, including 2 males and 3 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 FY2021).

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 5 corporate auditors, including 3 outside corporate auditors (3 of whom are Independent Corporate Auditors), auditing the roles and responsibilities of directors. The Company has 5 directors, including 3 in-house directors and 2 outside directors, 2 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 ensure that at least one-third of outside directors appointed 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, including formulation of business strategies.

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

	Supplementary Explanation
Early Dispatch of Notice of Ordinary General Meeting of Shareholders	For the 47th Ordinary General Meeting of Shareholders, in addition to distributing the Notice of the Ordinary General Meeting of Shareholders 23 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.
Exercising Voting Rights by Electronic Means	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.
Participation in Electronic Voting Platform for Institutional and Foreign Investors and Other Measures to Enhance	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.
Availability of Notice of General Meeting of Shareholders (or Summary) in English	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.
Others	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. Beginning from the 47th Ordinary General Meeting of Shareholders held in 2022, Lawson has adopted a virtual shareholder meeting in which shareholders can participate online, with video of the meeting distributed live to shareholders. Lawson also discloses details of business reports on its corporate website following the completion of the meetings.

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2. Activities Related to IR

	Supplementary Explanation	Explanation Provided Directly by the Representative
Formulation and posting of disclosure policy	We publish the “Basic Principles for Information Disclosure,” which are formulated with reference to our “Basic Rules for Information Disclosure,” an internal regulation, on our website (https://www.lawson.jp/en/ir/disclose.html) in order to share our basic approach regarding the disclosure of information.	—
Regular explanatory meeting for analysts/institutional investors	In addition to the explanatory meetings held at the time of full-year account settlement and interim account settlement and the telephone conferences hosted by our directors at the time of quarterly account settlement, we hold small meetings organized by the IR Department.	Yes
Regular explanatory meeting for overseas investors	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
Posting of IR materials on Lawson’s website	We have created a dedicated IR page on our website (https://www.lawson.jp/en/ir/) on which we publish materials related to operating results, earnings briefings, etc.	—
Establishment of division (representatives) to handle IR	As a department specialized in IR, the IR Department has been established under the Financial Administration Division. The CFO serves as an officer in charge of IR.	—

3. Approach for Respecting the Position of Stakeholders

	Supplementary Explanation
<p>Internal Charter That Respects Stakeholders</p>	<p>Lawson's group 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>[Establishment of and compliance with the Lawson Group Human Rights Policy] We established the Lawson Group Human Rights Policy, based on which we respect human rights in our business activities and build relationships of trust with all people involved in our business activities through sincere responses. Anticipating that our customers, business partners, local communities, and other stakeholders who support our business activities will also support this policy, we will continue our efforts to respect human rights through dialogue and consultation with these stakeholders. In addition to remedies and corrective action, education and training, we are committed to building and implementing human rights due diligence. The policy is based on the United Nations Guiding Principles on Business and Human Rights and supports international norms on human rights such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.</p> <p>For details of the Lawson Group Human Rights Policy , please refer to our website. https://www.lawson.jp/en/csr/policy/respect/</p>

Environmental Protection and CSR Activities

With the aim of achieving a sustainable society through Lawson's business activities based on our group philosophy, we have established the SDGs Committee, which has been leading Group-wide efforts to conduct individual initiatives that solve social and environmental issues through our business activities. In addition, in order to actively promote the initiatives for SDGs with growing importance, On March 1, 2021, we established the position of Chief Sustainability Officer (CSO), which was assumed by the President and CEO and representative director. We also established the SDGs Promotion Office as a dedicated department that reports directly to the president of the Company to further strengthen our initiatives with a new structure. Specifically, we identified issues having significant impacts on the environment, society and economy across our business activities including our value chains, selected specific issues that significantly impact society and the Lawson Group, and identified the social issues that should be prioritized. We then linked Lawson's initiatives to the identified social issues, determined our "6 Material Issues", and have been implementing measures.

"6 Material Issues"

1. Providing safety/security-oriented overwhelmingly high value-added products and services friendly to society and the environment
2. Supporting health promotion for all people through products and stores
3. Providing comfortable work environment leading to job satisfaction
4. Supporting women, senior people as well as children's growth
5. Coexisting synergistically with communities by serving as part of social infrastructure
6. Sustainable environment preservation activities toward carbon-free society

We are especially making focused efforts on addressing our sixth material issue, "sustainable environment preservation activities toward carbon-free society," by setting social and environmental key performance indicators (KPIs) as Goals for 2030 in three areas: (1) reducing CO₂ emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags). Furthermore, toward Lawson's Vision 2050, we are taking on difficult challenges to achieve high goals so that we can create a carbon-free society and contribute more to the ideal world that the SDGs aim to realize. To fulfill Lawson's Vision 2050, we are looking back on what we have done so far and examining and discussing what we should do now to steadily proceed with our material issues and KPIs for 2030. In order to carry out these initiatives with a sense of urgency, we have established working groups under the SDGs Committee to strengthen our initiatives on key issues; namely, CO₂ emissions reduction, food loss reduction, plastic reduction, supply chain expansion, and information disclosure.

● Measures for reducing CO₂ emissions

KPI for 2030: reduce CO₂ emissions per store by 50% over 2013

To prevent global warming and reduce electricity consumption at stores, we have been installing chlorofluorocarbon (CFC)-free (CO₂ refrigerant) refrigerator/freezer systems. The number of stores equipped with such systems reached approximately 4,700 as of the end of February 2022, up 500 stores from the end of the previous fiscal year. In addition, in collaboration with Mitsubishi Corporation, we will start supplying renewable energy derived from solar power generation through offsite PPAs at about 3,600 stores in the Kanto and Koshin regions, Gifu Prefecture, Shizuoka Prefecture, Aichi Prefecture, and Mie Prefecture in FY2022. This will lead to a reduction of approximately 19,000 tons of CO₂ per year. Furthermore, Lawson, Inc. endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. To combat worsening climate change issues, we

analyze climate-related risks and opportunities, identify their impact on our business strategies, examine measures to mitigate and adopt to climate change, and endeavor to proactively disclose information. We also disclose information on governance, strategy, risk management, and metrics and targets in accordance with the TCFD recommendations on our website.

<https://www.lawson.jp/en/csr/tcfid/>

● Measures for reducing food waste

KPI for 2030: reduce by 50% over 2018

To reduce food waste, we strive to optimize the number of purchases and offer discounts at stores to sell out all stock by utilizing AI, and reduce unsold leftovers by selling special feature items on a reservation basis. In addition, we also seek to develop more bento box lunches and ready-made dishes with longer shelf lives and expand our frozen foods lineup, while reducing waste by introducing the Machikado Chubo in-store kitchen service at more stores.

● Measures for reducing plastic use

KPI for 2030: reduce by 30% over 2017 (50% of materials used for Lawson's original product containers and packaging are eco-friendly)

To reduce plastic use, we have replaced the plastic cups used for iced coffee and café latte offered at "MACHI café" with paper cups. We started using paper containers for our bento box lunches and cooked noodles, and have adopted thinner plastics and environmentally friendly materials. At about 10 NATURAL LAWSON and LAWSON stores, we sell detergents and dried fruit and nuts by weight, and are looking to expand this sales format. In July 2021, we embarked on a pilot experiment at a store in Yokohama City with the aim of promoting the recycling of used plastic bottles in partnerships with Kirin Holdings Company, Limited and Kirin Beverage Company, Limited by using their infrastructure. Furthermore, timed with the enforcement of the Plastic Resource Circulation Act in April 2022, we will start introducing in phases from April 1 shorter plastic spoons and forks with an opening in the handle, which is expected to reduce plastic by approximately 67 tons.

● Measures for reducing plastic shopping bags

KPI for 2030: reduce by 100%

We started charging fees for plastic shopping bags in response to the mandatory surcharge implemented nationwide from July 2020, and now use plastic bags with a mix of 30% plant-derived materials. As a result of these measures, the percentage of Lawson customers declining single-use plastic shopping bags is currently 73.7% as of the end of February 2022.

We also continued with our scholarship program for children from single-parent families, selecting 400 students to receive scholarships in fiscal 2021. Since August 2019, Lawson has periodically donated original dessert products and processed foods that missed their store delivery deadlines (but were still well within their best-before dates) to the Japan Food Bank Promotion Group and Kodomo Takushoku Oendan, a charity organization that delivers food to children. The donated products are delivered to various bodies across Japan, which then provide them to families who need food aid, children's cafeterias, orphanages, facilities for people with a disability, etc. In fiscal 2021, we donated a total of some 2,400,000 items (about 320 tons) of food products, including Lawson's original items and national-label products developed exclusively for Lawson.

As a member of society, we will continue to contribute to the promotion of SDGs through our measures to address social and environmental issues together with franchise stores, customers and business partners.

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For details of the Lawson Group Sustainability Policy, please refer to our website.
https://www.lawson.jp/en/csr/policy/sustainability_policy/

Development of Policies, etc. for Providing Information to Stakeholders

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.

IV Matters Relating to the Internal Control System

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

Based on the status of development and operation of “2021 Basic Policy for Improvement of Internal Control Systems”, which was resolved at the Board of Directors meeting held on February 16, 2022, the Company passed the resolution called the “2022 Basic Policy for Improvement of Internal Control Systems” as indicated below.

2022 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 support 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 “2022 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, executive committee members 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 Officers 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 raise and maintain the awareness of officers and employees regarding compliance by thoroughly disseminating the Lawson Group's Code of Conduct and the Lawson Ethical Mission Statement as well as measures that shall include, but not be limited to: establishing a specialist committee ("Compliance & Risk Management Committee"), 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 Department establish 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 the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Subcontract Act, Act Against Unjustifiable Premiums and Misleading Representations and other consumer-related laws, the Intellectual Property Act, the Labor Standards Act, etc., the Company shall strive to disseminate information about applicable laws and regulations to employees.
 - (6) The Internal Audit Department, which is independent from the business executing bodies, shall conduct efficient and effective audits of the status concerning the improvement of the internal control systems, and recommend improvements thereof, as required.
 - (7) The Company shall establish and upgrade reporting routes for reporting any violations of laws, regulations, or internal rules as well as any negative impacts on human rights in carrying out the Company's business operations (hereinafter, "Violations of Laws and Regulations, etc."). Moreover, by establishing consulting and reporting points (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 can be used by informants with anonymity and peace of mind and making prospective users aware of such facilities, the Company shall strive for early detection of Violations of Laws and Regulations, etc. across the entire Lawson Group and Lawson chain. If a Violation of Laws and Regulations, etc. is discovered, the Company shall act promptly to rectify the situation and prevent any recurrence.
 - (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.
 - (9) The Company shall rotate personnel periodically to prevent wrongdoings resulting from specific employees monopolizing certain business processes.
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.

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- (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 establish a special committee (Information Security Management Committee), appoint a Chief Information Security Officer and establish departments to generally control information security and allocate appropriate personnel thereto. The Company shall also strive to establish an information security system for the Lawson Group in order to promote information security risk management and System Technology Security in an interactive and comprehensive manner.
- (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, subsidiaries and affiliated companies (hereinafter "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) As a designated public institution, the Company shall work to formulate a business continuity plan (BCP) and establish a business continuity management (BCM) system in order to maintain the essential infrastructure functions of convenience stores and minimize any disruption to operations caused by events that could have a detrimental impact on the Company, including a major disaster or infectious disease outbreak, such as that of a

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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”.

- (5) As for the risk of human rights violations in terms of business-related risks, the Company implements human rights due diligence based on the Lawson Group Human Rights Policy and promotes initiatives to prevent and mitigate any negative impacts on human rights.

4. Systems to Ensure the Efficient Execution of Duties by Directors

- (1) The Company shall clarify the functional authority and responsibility of corporate officers and employees for decision making and execution of business affairs. The Company shall also improve rules for the division of duties to ensure and encourage more appropriate division of duties and collaboration among organizational bodies.
- (2) The Company shall work to raise operational efficiency by simplifying business processes, streamlining the organization and making appropriate use of IT.
- (3) The Company shall promote digital transformation (DX) through the renewal of IT infrastructure.
- (4) In order to promote the proper communication of information and communications between officers and employees, the Company shall improve systems by which management guidelines and policies are disseminated to employees by corporate officers, and important field information is properly communicated by employees to corporate officers in a timely manner.
- (5) 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 Associated Companies’ 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 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] 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 Associated Companies and systems for ensuring that the Associated Companies’ 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, 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 (hereinafter, "People in Charge of Compliance and Risk Management at Associated Companies"). Moreover, the departments that oversee risk management and compliance for the Company also meet with the People in Charge of Compliance and Risk Management at Associated Companies on a regular basis to confirm the status of development of internal rules at Associated Companies and give advice if necessary, and thus strive to ensure 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 at 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").

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- (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
 - (1) 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 and disciplinary action require the prior consent of the Corporate Auditors.
9. Systems for ensuring that directors and employees of the Company and directors etc. and employees of Associated Companies 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 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) Should directors and employees of the Company and directors etc. and employees of Associated Companies become aware of any fact or event that will likely cause the Company or Associated Companies to suffer significant damage or loss, they shall immediately so inform Corporate Auditors of the Company.
 - (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.
 - (5) No person shall be subject to disadvantageous treatment by reason of having made a report to Corporate Auditors.
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.

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- (6) Expenses etc. incurred by Corporate Auditors in the performance of their duties shall be promptly reimbursed, except in cases where the Company has proven that they were unnecessary for said performance of duties.

☐ Present Status of Internal Control Systems

1. Present Status of Compliance System and Risk Management System

Lawson has placed Compliance and Risk Management in charge of the promotion and establishment of compliance, established the Legal Affairs Department to be in charge of compliance, and Risk and Information Security Management Department in charge of risk management, and assigned a Chief Risk Officer (CRO) in each division and region. Lawson has also assigned CRO and compliance officers to respective divisions of the head office, company 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. As for its code of conduct, Lawson has established the Lawson Code of Ethics, the Lawson Corporate Conduct Charter, etc., and included them in the Lawson Group C&R Handbook, which has been distributed and made available to all employees, thus ensuring appropriate operations across the entire Group.

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 head 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: Meanwhile, electronic contracts are also being gradually introduced, and services with high security reliability are selected and appropriately managed.

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 CRO, the written background and minutes of meetings are recorded and stored under strict security. With the approval of the CRO, the Risk and Information Security Management Department'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 major affiliated companies. Regarding CRO, these officers and the person in charge of affiliated companies at Lawson attend Lawson Group Compliance and Risk Management meetings, while Overseas Business-Related Compliance Subcommittee meetings are held for overseas subsidiaries, thus ensuring that 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 incident.

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 “2022 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 26, 2022)

