

May 2, 2016

To All Shareholders with Voting Rights

Genichi Tamatsuka
President and CEO, Representative Director
Lawson, Inc.
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo

NOTICE OF THE 41st ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 41st Ordinary General Meeting of Shareholders to be held as follows.

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

[Voting in Writing (by Mail)]

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Monday, May 23, 2016.

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

Please exercise your voting rights by 5:45 p.m. on Monday, May 23, 2016 after reading the attached document "Exercising Voting Rights via the Internet, etc."

1. Date and Time: 10:00 a.m., Tuesday, May 24, 2016
2. Venue: Tokyo International Forum, Hall C, 5-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
3. Objectives of the Meeting

Reports:

The Business Report, the Consolidated Financial Statements and the Nonconsolidated Financial Statements for the 41st Fiscal Term (from March 1, 2015 to February 29, 2016), and the Audit Reports Thereof

Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Partial Amendments to the Articles of Incorporation
- Proposal No. 3: Election of Eight (8) Directors
- Proposal No. 4: Election of One (1) Corporate Auditor

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- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. You do not need to enter your approval or disapproval in the Voting Rights Exercise Form if you will attend. The reception desk will open at 9:00 a.m. Please arrive a little early because the reception desk can be congested immediately before the meeting begins.
 - If you wish to exercise your voting rights by proxy, your proxy is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in the proxy's own name at the reception desk. (The qualified proxy is limited to one shareholder having voting rights for this meeting as per the relevant provision in the Articles of Incorporation.)

BUSINESS REPORT

(March 1, 2015, through February 29, 2016)

I. CURRENT STATUS OF THE CORPORATE GROUP

1. Summary of Operations

(1) Business Developments and Results of Operations

During the consolidated fiscal year under review, or fiscal 2015 ended February 29, 2016, the Lawson Group (hereinafter, the “Group”) implemented business activities with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in Our Communities.” In particular, we reinforced the foundation of our convenience store business, for example, by enhancing our retail space, merchandise assortment, and relationship with franchise store owners. In addition, while addressing changes in each neighborhood such as an increase in the number of working women, the declining birth rate and the aging population, we also focused on areas unique to Lawson, including over-the-counter fast food, health-oriented products, home convenience, and entertainment.

In terms of operating results for the fiscal year, gross operating revenue increased to ¥583,452 million (up 17.2% from last year), operating income increased to ¥72,541 million (up 2.9% from last year), and ordinary income decreased to ¥69,622 million (down 2.9% from last year). Net income decreased to ¥31,381 million (down 4.0% from last year).

Furthermore, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2015 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

[Merchandising and Service Strategies]

On the merchandise front, in June 2015, we launched commemorative items focusing in mainstay category to celebrate LAWSON 40th anniversary. Furthermore, we launched “Honkide Oishii Project (delicious in earnest project)” in serious pursuit of palatability in order to review our product development process and paid increased attention to ingredients, production methods and taste. Under this project, we introduced and kept selling products that was made carefully with special ingredients and a special recipe such as “Sockeye Salmon Lunchbox with Niigata Koshihikari Rice”, and they were all received well by customers. Furthermore, we have started selling “Doughnuts” over the counter since April, and have expanded it in around 9,700 stores by the end of February 2016. Furthermore, with the aim of supporting customers’ overall daily life, we worked on expanding our merchandise assortment of ready-made dishes and frozen products under our “Lawson Select” private brand.

Moreover, as a “Health Station in Town,” we also placed emphasis on selling health-oriented products. In particular, the “Green Smoothie” sold under the NATURAL LAWSON brand and made with a full meal’s worth of vegetables was well received by female customer and health-conscious customers. Its series has become hit products as total sales has reached over 27 million units sale in 10 months. In additional, there are currently 23 Lawson Farms in which Lawson, Inc. holds equity stakes. The farms assume the role of supplying safe and fresh fruits and vegetables to the Group’s stores and factories that produce LAWSON’s original products.

In addition to thus strengthening our product lineup, in September 2015, we began to accept China UnionPay cards for payment at our stores and, in November 2015, we launched our prepaid Ponta card service dubbed “Osaifu (wallet) Ponta.” Furthermore, starting December 2015, functions offered by “d Point Card” and “WAON” will be partially integrated in an effort to offer more convenience to our customers.

On the sales promotion front, we rolled out some highly effective measures for attracting customers, including a “100-yen rice ball sale,” and a “speed lottery” themed on “Sandaime J Soul Brothers from EXILE TRIBE”, which demonstrated our strength in the entertainment field.

[Store Operations]

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean, strengthened guidance to franchise store owners and revised order placement methods as a way of reforming operations in order to create stores that could grasp customers’ satisfactions and supports. We have put semi-automated ordering system for our ready-made meal category in most of all stores. In addition, we also have concluded new franchise agreements with existing stores ahead of schedule to offer enhanced support to franchise store owners. Thus, it is beginning to appear good effects such as increase of sales in those stores which applied well these initiatives. We will keep striving to create retail spaces that stimulate potential demand from customers and offer what they need at any time.

[Store Development]

In opening new stores, the Group continued to focus on developing profitable store.

In November 2015, we remodeled two Poplar stores operated by Poplar Co., Ltd. into Lawson Poplar stores based on our capital and business alliance agreement. In February 2016, a mega-franchise agreement was concluded with Save On Corp. Under the agreement, around 50 of the Save On convenience stores operated in Yamagata, Fukushima and Ibaraki Prefectures will be remodeled into LAWSON stores in and after April 2016. Furthermore, by building partnerships such as with dispensing pharmacy and drug store chains, in addition of healthcare items including OTC pharmaceuticals, cosmetics, and daily necessities, the stores offer a merchandise assortment of around 5,500 items, twice as many as conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 136 stores (included 38 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2016. Moreover, we also engage in establishing next-generation convenience store models that address social changes such as the ageing population and increased health awareness. The number of LAWSON stores housing a nursing care hub center offering nursing care consultation services and a lounge space, which we began rolling out from the fiscal year, has increased to 5 as of the end of the fiscal year.

Regarding to LAWSON STORE100, we promoted to close unprofitable stores under the business revitalization plan. During current fiscal 2015, 345 LAWSON STORE100 (included stores which were transformed into LAWSON stores) stores were closed. With regard to the remaining 809 stores, we increased the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value, and strengthened our popular fruit and vegetable lineup. As a result, sales at these stores gradually improved, with existing-store sales for current fiscal 2015 exceeding those for the same period of the previous fiscal year.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during current fiscal year stood at 967 and 859 stores, respectively, with the total number of stores in Japan reaching 11,880 as of the end of February 2016. In addition to the above, Lawson Kochi, Inc. operates 132 LAWSON chain stores in Kochi prefecture, Lawson Minamikyushu, Inc. operates 192 LAWSON chain stores in Kagoshima prefecture and Lawson Okinawa, Inc. operates 191 LAWSON chain stores in Okinawa prefecture as of the end of February 2016.

[Other]

With regards to our efforts in Home Convenience, in June 2015, Lawson, Inc. jointly established an operating company with SG Holdings Co., Ltd., which owns Sagawa Express Co., Ltd. as the core operating company, and started to offer delivery and order-taking service with LAWSON stores serving as hubs. Furthermore, we started “Convenience Store Pick-up Service” for items purchased at “Rakuten Ichiba”, an Internet shopping mall in September 2015. We will strive to enhance customer convenience by additionally partnering with other companies to establish an “Open Platform” based on the networks of LAWSON stores that offer a range of services encompassing ordering, collection, and home delivery.

As a result, Domestic Convenience Store Business posted gross operating revenue of 398,637 million yen (up 0.8% year on year) and segment profit of 59,993 million yen (down 6.1%).

[Change in Total Number of Domestic Stores]

	Total stores as of February 28, 2015	Change during fiscal year	Total stores as of February 29, 2016
LAWSON	10,633	304	10,937
NATURAL LAWSON	116	18	134
LAWSON STORE100 ／LAWSON MART	1,151	(342)	809
Total	11,900	(20)	11,880

Note: For change during fiscal year, it includes a decrease of 128 stores which were transferred into Lawson Kochi, Inc. from Lawson, Inc. on April 1, 2015.

(TRANSLATION ONLY)

[Breakdown of Sales by Merchandise Category at Chain Stores in Domestic Convenience Store Business]

Product group	Sales (millions of yen)	Percentage of total (%)	Year on Year (%)
Processed foods	1,033,448	52.7	99.9
Fast foods	463,431	23.7	108.0
Daily delivered foods	276,886	14.1	99.9
Nonfood products	186,499	9.5	97.1
Total	1,960,266	100.0	101.4

(Seijo Ishii Business)

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 120 as of the end of February 2016. Performance was strong, driven by sales of coconut oil and chia seed that became popular after their positive health effects were introduced on television and other media. Collaborations between SEIJO ISHII and our Domestic Convenience Store Business were promoted, such as expanding Seijo Ishii's selection of wine offered at NATURAL LAWSON stores, jointly importing confectionery, and rolling out jointly developed products including nuts and cup soup. We will continue to enhance the brand image and corporate value of SEIJO ISHII Co., Ltd., while absorbing the company's product development expertise, knowhow acquired as a manufacturing retailer, and sales methods, to strengthen our Domestic Convenience Store Business.

As a result, Seijo Ishii Business posted gross operating revenue of 68,993 million yen (up 285.9% year on year) and segment profit of 5,037 million yen (up 270.9%).

(Entertainment-related Business)

With regards to Entertainment-related Business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales and continued to secure top position in the ticketing industry. Besides HMV's largest entertainment complex store, "HMV&BOOKS TOKYO", that combines selling music and books, was opened in November 2015 in Shibuya, the number of HMV stores that sell music CDs and DVDs totaled 53 as of the end of February 2016. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our ticketing business. Furthermore, United Cinemas Co., Ltd. operates a total of 38 sites with 342 screens (includes management contract) at its cinemas nationwide.

As a result, Entertainment-related business posted gross operating revenue of 75,040 million yen (up 44.0% year on year) and segment profit of 4,076 million yen (up 57.5%).

(Other Business)

In addition to Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, the Group also involved in Overseas Business, Financial Services-related Business and others.

With regards to Overseas Business, the Group's operating companies opened LAWSON stores in the People's Republic of China, Thailand, Indonesia, United States of America (Hawaii). In addition, we have invested in Puregold Price Club, Inc., a major retailer in Philippines, and PG Lawson Company, Inc., a merged company, and started open stores in Philippines since March 2015.

[Distribution of Lawson Brand Stores Overseas by Region]

Country/Region	Number of stores (as of February 28, 2015)	Change during fiscal year	Number of stores (as of February 29, 2016)
China Shanghai and surrounding area	354	104	458
China Chongqing	104	6	110
China Dalian	30	23	53
China Beijing	19	15	34
Thailand	32	15	47
Indonesia	48	(10)	38
Philippines	—	16	16
United States of America Hawaii	3	(1)	2
Total	590	168	758

Lawson ATM Networks, Inc., which operates a Financial Services-related Business, continued contributing to consolidated results owing to an increase in the number of ATMs installed. In this fiscal 2015, starting in September 2015, we sequentially installed new ATM that is capable of withdrawing Japanese Yen by China UnionPay cards. Now, All LAWSON stores accept payments by China UnionPay cards. Moreover, we strengthened partnership with new financial institution bringing the total number of our financial institution partners to 80 nationwide (up 9 year on year), including online banks, and the number of ATMs installed nationwide to 11,201 (up 434 year on year) as of the end of February 2016.

As a result, other businesses posted gross operating revenue of 46,921 million yen (up 23.3% year on year) and segment profit of 3,427 million yen (up 28.7%).

(Environmental and Social Contribution Activities)

As part of our initiative to reduce environmental impact on the entire supply chain, we will endeavor to save energy, resources and promote waste reduction not only at LAWSON stores but also throughout the entire supply chain.

In particular, we promoted the introduction of a state-of-the-art energy-saving chlorofluorocarbon-free (CO2 refrigerant) refrigerator/freezer system with the aim of reducing electricity consumption at our stores. As of the end of February 2016, the system was installed in approximately 1,300 stores. Compared to conventional equipment used in our stores, the new system reduces annual CO2 emissions per store by around 50%, and electricity consumption per store by around 12%. By putting into practical use an energy-saving package model centered on this system, the Group will aim to achieve target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. We received the 2015 Environment Minister's Award for Global Warming Prevention Activities in recognition of our initiative in Indonesia to save energy by leveraging cutting-edge technologies. Furthermore, in February 2016, we opened a pilot store focusing on environmental friendliness in Himeji-shi, Hyogo Prefecture. This is the first convenience store to adopt a biomass power generation system.

In our efforts to undertake social contribution activities at our stores, we continued activity named "Happiness in Communities", and also supported through fund-raising activities for disasters that occurred in domestic and foreign countries such as typhoon 18 and earthquake in Nepal.

In addition, the Group issues the Lawson Integrated Report, which incorporates both financial and non-financial information for all stakeholders, while also making efforts to disclose on its website an increasingly wider scope of information in the social and environmental fields.

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

(2) Capital Expenditures and Financing

Capital expenditures of the Group during the fiscal year totaled ¥64,535 million, of which ¥47,495 million was primarily for store facility investment in land and buildings, and ¥15,882 million was for the upgrading of information systems.

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

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

Category/Fiscal Term	Fiscal 2012 38 th Term	Fiscal 2013 39 th Term	Fiscal 2014 40 th Term	Fiscal 2015 41 st Term
Gross operating revenue (millions of yen)	487,445	485,247	497,913	583,452
Ordinary income (millions of yen)	65,926	68,880	71,714	69,622
Net income (millions of yen)	33,182	37,965	32,686	31,381
Net income per share (yen)	332.20	380.04	327.08	313.81
Total assets (millions of yen)	579,809	620,992	764,614	803,212
Net assets (millions of yen)	230,181	250,497	263,797	272,997
Net assets per share (yen)	2,267.17	2,455.25	2,561.25	2,643.97

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2012 38 th Term	Fiscal 2013 39 th Term	Fiscal 2014 40 th Term	Fiscal 2015 41 st Term
Net sales of all convenience stores (millions of yen)	1,693,435	1,758,656	1,932,798	1,960,266
Gross operating revenue (millions of yen)	282,752	298,778	316,340	333,855
Ordinary income (millions of yen)	59,459	62,171	61,649	54,982
Net income (millions of yen)	30,314	33,625	26,200	21,802
Net income per share (yen)	303.49	336.59	262.18	218.02
Total assets (millions of yen)	532,619	589,793	693,811	714,875
Net assets (millions of yen)	227,974	240,648	243,420	243,576
Net assets per share (yen)	2,277.90	2,403.21	2,432.00	2,432.73

(4) Pressing Issues**① Provide customers with enhanced support in their daily life**

In an effort to become an indispensable part of customers' lives in local communities, we will strive to further expand our merchandise assortment to include a wider variety of daily necessities and ready-made dishes in addition to products and services offered by conventional convenience stores.

② Evolve into a manufacturing retailer targeting small catchment areas

By evolving into a manufacturing retailer deeply engaged in activities across the entire value chain, from procurement of raw materials and ingredients to manufacturing, logistics and sales, we will strive to achieve cost reduction and quality improvement in our products to further strengthen our product appeal.

③ Take on challenges in future growth areas

We will continue to take on challenges to establish new business models in future growth areas not only in our Domestic Convenience Store Business, the core business of the Group, but also in various other fields such as Seijo Ishii Business, Entertainment-related Business, Overseas Business, Financial-related Business. We will also work hard to make maximum use of each Group company's distinctive features to generate synergistic effects.

④ Promote internal control systems and address operating risks

In order to ensure business continuity, it is imperative to foster the Group's internal control in its entirety and address operating risks. In addition, we believe that taking a proactive approach to corporate governance is not only strongly desired by all the stakeholders of the Group, but also the right way to enhance corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

(TRANSLATION ONLY)

The Company operates business activities under its corporate philosophy “Creating Happiness and Harmony in Our Communities”. From fiscal 2016, under corporate philosophy, the Company set a new vision in order to clarify goal image and orient all business activities toward its goal image. At the same time, to succeed this vision, the Company also has revised code of conducts to clarify the actions required for the individual and to move forward with everyone united. Furthermore, from fiscal 2016, the Company will work together under new project “1000 Days Action Plan” and strive to “master the basics” “respond to changes” and “challenge to further growth”.

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

2. Current Status at the End of February 2016**(1) Major Business Operations and Principal Offices****(Domestic Convenience Store Business)**

① Lawson, Inc.

Major Business: Primarily operates the Lawson-brand franchise system and undertakes management of company-operated stores as the head office of LAWSON, NATURAL LAWSON and LAWSON STORE100 convenience store chains.

Head Office: Shinagawa-ku, Tokyo

Principal Offices: Hokkaido area office (Kita-ku, Sapporo), Tohoku area office (Aoba-ku, Sendai), Chubu area office (Naka-ku, Nagoya), Kinki area office (Suita city, Osaka), Chugoku area office (Kita-ku, Okayama) and Kyushu area office (Hakata-ku, Fukuoka)

Note: In addition to the above sites, the Company has 94 offices throughout Japan, including branches.

② Lawson Mart, Inc.

Major Business: Operates LAWSON STORE100 stores, provides guidance, and engages in merchandise-related businesses.

Head Office: Shinagawa-ku, Tokyo

Note: Lawson Mart, Inc. has changed its name to Lawson Store100, Inc. since March 2016.

③ SCI, Inc.

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

Head Office: Shinagawa-ku, Tokyo

[Stores]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	628	Ibaraki	158	Kyoto	322	Ehime	212
Aomori	219	Tokyo	1,535	Shiga	154	Tokushima	134
Akita	184	Kanagawa	835	Nara	128	Fukuoka	447
Iwate	165	Shizuoka	236	Wakayama	134	Saga	66
Miyagi	208	Yamanashi	119	Osaka	1,010	Nagasaki	105
Yamagata	81	Nagano	171	Hyogo	640	Oita	169
Fukushima	107	Aichi	581	Okayama	155	Kumamoto	140
Niigata	139	Gifu	156	Hiroshima	186	Miyazaki	103
Tochigi	147	Mie	121	Yamaguchi	123		
Gunma	101	Ishikawa	104	Tottori	115		
Saitama	532	Toyama	189	Shimane	120		
Chiba	464	Fukui	106	Kagawa	131	Total (domestic)	11,880

(Seijo Ishii Business)

SEIJO ISHII CO., LTD.

Major Business: Operates a chain of small supermarkets that seeks to develop and manufacture high-value-added products.

Head Office: Nishi-ku Yokohama city, Kanagawa

(Entertainment-related Business)

① Lawson HMV Entertainment, Inc.

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

Head Office: Shinagawa-ku, Tokyo

- ② United Cinemas Co., Ltd.
Major Business: Constructs and manages multiplex movie theaters
Head Office: Shinagawa-ku, Tokyo

(Other Business)

• Overseas Business

- ① Lawson (China) Holdings, Inc.
Major Business: Controls companies that operate overseas business in China.
Head Office: Shanghai, China
- ② Shanghai Hualian Lawson, Inc.
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Shanghai, China
- ③ Shanghai Le Song Trading Co., Ltd.
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Shanghai, China
- ④ Shang Hai Gong Hui Trading Co., Ltd
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Shanghai, China
- ⑤ Zhejiang Lawson, Inc.
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Hangzhou, China
- ⑥ Chongqing Lawson, Inc.
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Chongqing, China
- ⑦ Dalian Lawson, Inc.
Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Dalian, China
- ⑧ Saha Lawson Co., Ltd.
Major Business: Operates stores under the store brand of LAWSON 108 and 108SHOP.
Head Office: Bangkok, Thailand

• Financial Services-related Business

- Lawson ATM Networks, Inc.
Major Business: Installs jointly operated ATMs in LAWSON stores and others.
Head Office: Shinagawa-ku, Tokyo

• Consulting Business

- BestPractice, Inc.
Major Business: Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores.
Head Office: Shinagawa-ku, Tokyo

(2) Employees

① Employees of the Corporate Group

Name of Business Segment	Number of Employees	Year on Year Change
Domestic Convenience Store Business	4,590	(35)
Seijo Ishii Business	812	(35)
Entertainment-related Business	982	11
Other Business	1,910	747
Total	8,294	688

② Employees of the Company

Number of Employees	Year on Year Change	Average Age	Average Years of Service
3,846	167	40.0	13.0

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Syndicate loan	50,000
Mizuho Bank, Ltd.	9,137

(3) Status of Major Business Combinations**① Important Subsidiaries**

Company Name	Common Stock	Shareholding	Major Business
Lawson Mart, Inc.	¥99 million	100.0 %	Domestic Convenience Store Business
SCI, Inc.	¥10 million	100.0 %	Domestic Convenience Store Business
SEIJO ISHII CO., LTD.	¥5,250 million	100.0 %	Seijo Ishii Business
Lawson HMV Entertainment, Inc.	¥100 million	100.0 %	Entertainment-related Business
Lawson HMV Entertainment United Cinema Holdings, Inc.	¥100 million	100.0 %	Entertainment-related Business
United Entertainment Holdings Co., Ltd.	¥100 million	100.0 %	Entertainment-related Business
United Cinemas Co., Ltd.	¥100 million	100.0 %	Entertainment-related Business
Lawson (China) Holdings, Inc.	CNY930 million	100.0 %	Overseas Business
Shanghai Hualian Lawson, Inc.	CNY353 million	94.0 %	Overseas Business
Shanghai Le Song Trading Co., Ltd.	CNY0.1 million	94.0 %	Overseas Business
Shang Hai Gong Hui Trading Co., Ltd.	CNY0.3 million	79.9 %	Overseas Business
Zhejiang Lawson, Inc.	CNY10 million	95.0 %	Overseas Business
Chongqing Lawson, Inc.	CNY190 million	100.0 %	Overseas Business
Dalian Lawson, Inc.	CNY66 million	98.3 %	Overseas Business
Lawson Asia Pacific Holdings Pte, Ltd.	S\$34 million	100.0 %	Overseas Business
Saha Lawson Co., Ltd.	THB937 million	49.0 %	Overseas Business
Lawson ATM Networks, Inc.	¥3,000 million	76.5 %	Financial Services-related Business
BestPractice, Inc.	¥10 million	100.0 %	Consulting Business

Notes:

1. The shareholder percentage includes indirectly held shares.
2. Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd. and Zhejiang Lawson, Inc. have been included in the scope of consolidation starting from the current consolidated fiscal year due to increasing materiality.

② Important Affiliated Companies

Company Name	Common Stock	Shareholding	Major Business
Lawson Okinawa, Inc.	¥10 million	49.0 %	Domestic Convenience Store Business
Lawson Minamikyushu, Inc.	¥100 million	49.0 %	Domestic Convenience Store Business
Lawson Kochi, Inc.	¥50 million	49.0 %	Domestic Convenience Store Business

Note: Lawson Kochi, Inc. has been included within the scope of equity method affiliates starting from the current consolidated fiscal year as the Company owns 49% of its shares.

③ Important Business Alliances

Mitsubishi Corporation holds 33.5% of the total voting rights (33,500 thousand shares) of the Company. Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into an extensive business tie-up agreement with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

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

- (1) **Total Number of Shares Authorized to Be Issued:** 409,300,000 shares
(2) **Total Number of Shares Issued and Outstanding:** 100,300,000 shares
(Including 301,897 shares of treasury shares)
(3) **Number of Unit (*tangen*) Shares:** 100 shares
(4) **Number of Shareholders:** 25,934
(5) **Top 10 Major Shareholders:**

Shareholder's Name	Investment in the Company	
	Number of Shares Held (thousands)	Shareholding (%)
Mitsubishi Corporation	33,500	33.5
Japan Trustee Services Bank, Ltd. (Trust account)	4,134	4.1
The Master Trust Bank of Japan, Ltd. (Trust account)	3,457	3.5
Nomura Securities Co., Ltd.	2,150	2.2
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK WEST CLIENT — TREATY 505234	1,675	1.7
STATE STREET BANK AND TRUST, BOSTON AS TRUSTEE FOR MAWER INVESTMENT MANAGEMENT LTD.	1,564	1.6
National Mutual Insurance Federation of Agricultural Cooperatives	1,001	1.0
HSBC BANK PLC STATE OF KUWAIT INVESTMENT AUTHORITY, KUWAIT INVESTMENT OFFICE	905	0.9
THE BANK OF NEW YORK MELLON SA/NV 10	905	0.9

Notes:

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

2. Status of Stock Acquisition Rights**Stock Acquisition Rights Held by Corporate Officers of the Company as of February 29, 2016**

	5 th Stock Acquisition Rights	6 th (a) Stock Acquisition Rights	7 th (a) Stock Acquisition Rights	8 th (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	0 person (0 units)	0 persons (0 units)	0 persons (0 units)	0 persons (0 units)
Outside Directors	2 persons (10 units)	2 persons (8 units)	2 persons (8 units)	2 persons (12 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 800	Common stock of Lawson, Inc. 800	Common stock of Lawson, Inc. 1,200
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	September 6, 2007 through August 20, 2027	January 17, 2009 through December 15, 2028
Main exercise conditions	Note 1	Note 2	Note 2	Note 2

	9 th Stock Acquisition Rights	10 th Stock Acquisition Rights	11 th Stock Acquisition Rights	12 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	0 persons (0 units)	0 persons (0 units)	0 persons (0 units)	1 persons (65 units)
Outside Directors	2 persons (10 units)	2 persons (10 units)	2 persons (10 units)	3 persons (15 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 8,000
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	February 18, 2010 through February 1, 2030	February 26, 2011 through February 10, 2031	February 18, 2012 through February 1, 2032	April 12, 2013 through March 26, 2033
Main exercise conditions	Note 2	Note 2	Note 2	Note 3

	13 th Stock Acquisition Rights	14 th Stock Acquisition Rights	15 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (excluding Outside Directors)	1 persons (53 units)	3 persons (99 units)	1 persons (11 units)
Outside Directors	4 persons (20 units)	5 persons (25 units)	0 persons (0 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 7,300	Common stock of Lawson, Inc. 12,400	Common stock of Lawson, Inc. 1,100
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1
Exercise period	April 10, 2014 through March 23, 2034	April 10, 2015 through March 24, 2035	June 10, 2015 through May 25, 2035
Main exercise conditions	Note 3	Note 3	Note 3

Notes:

1. A stock acquisition rights holder may exercise his or her rights only for a period of 5 years from the day after losing his or her position as a director of the Company.
2. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of 5 years from the day after losing his or her position as either director and/or executive officer of the Company.
3. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of 10 days from the day after losing his or her position as either director and/or executive officer of the Company.

The total number of shares subject to stock acquisition rights that remain unexercised as of February 29, 2016, is 78,100 shares, accounting for 0.1% of the total number of shares issued and outstanding.

3. Members of the Board and Corporate Auditors**(1) Positions, Names and Assignments (As of February 29, 2016)**

Name	Position, Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (6) Outside Directors and Outside Corporate Auditors	
Genichi Tamatsuka	President and CEO, Representative Director	CHO
Sadanobu Takemasu	Senior Executive Vice President, Representative Director	—Corporate Staff Divisions, —SEIJO ISHII and Lawson Store100 Business, —Overseas Business, —Entertainment and Consumer Service Business, Corporate Sales and Store Development Division Director
Masakatsu Gonai	Executive Vice President, Member of the Board	—Compliance & Risk Management, —Store Operations,—Human Resources and Franchisee Business Support Division Director
Reiko Yonezawa	Member of the Board	
Takehiko Kakiuchi	Member of the Board	
Emi Osono	Member of the Board	
Yutaka Kyoya	Member of the Board	
Sakie Akiyama	Member of the Board	
Atsuhiko Seki	Standing Corporate Auditor	
Shinichi Hokari	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Eiko Tsujiyama	Corporate Auditor	

Notes:

- Five directors (Reiko Yonezawa, Takehiko Kakiuchi, Emi Osono, Yutaka Kyoya and Sakie Akiyama) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
- Three auditors (standing corporate auditor Shinichi Hokari, corporate auditor Tetsuo Ozawa and corporate auditor Eiko Tsujiyama) are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Standing corporate auditor Shinichi Hokari has assumed responsible posts for many years on the Board of Audit of Japan and therefore has considerable expertise in finance and accounting.
Corporate auditor Tetsuo Ozawa, lawyer, has practiced law and advised on legal matters and risk management mainly in relation to the legal affairs of companies and therefore has considerable expertise in finance and accounting.
Corporate auditor Eiko Tsujiyama has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.

[Reference] Members of the Boards and Senior Vice Presidents

(Exclude Outside Corporate Auditors) (As of March 1, 2016)

Name	Position and Major Title	
Genichi Tamatsuka	President and CEO, Representative Director	CHO
Sadanobu Takemasu	Senior Executive Vice President, Representative Director	—Corporate Staff Divisions, —SEIJO ISHII, Natural Lawson and Lawson Store100 Business, —Overseas Business, —Entertainment/Service Business, Corporate Sales and Store Development Division Director
Masahiro Oyama	Senior Executive Vice President	—Merchandising and Merchandising Group Innovation Officer
Masaharu Kamo	Senior Executive Vice President	—Strategy of Information Systems, —Home CVS Business, Operations Management and IT Systems Division Director, Corporate Strategy and Planning Division Deputy Director
Masakatsu Gonai	Executive Vice President, Member of the Board	—Compliance & Risk Management, —Human Resources and Franchisee Business Support Division Director
Yutaka Yoshitake	Executive Vice President	CFO
Katsuyuki Imada	Executive Vice President	Corporate Strategy and Planning Division Director
Jun Miyazaki	Executive Vice President	Corporate Communications Division Director, Human Resources and Executive Assistant to CHO
Norikazu Nishiguchi	Senior Vice President	Executive Assistant to CEO(—Public Relations and Corporate Sales), Operations Management and IT Systems Division Deputy Director, Franchisee Business Support Division Deputy Director
Yuichi Wada	Senior Vice President	Merchandising Division Director
Tetsu Yamada	Senior Vice President	International Business Division Director
Shuichi Imagawa	Senior Vice President	Sales Strategy and Marketing Division Director
Takaki Mizuno	Senior Vice President	Executive Assistant to CEO (—Western Japan)
Shigeaki Kawahara	Senior Vice President	SEIJO ISHII, Natural Lawson and Lawson Store100 Business Division Director, Lawson Store100, Inc. President and Representative Director
Ken Sakamoto	Senior Vice President	Entertainment and Consumer Service Business Division Director, Lawson HMV Entertainment, Inc. President and Representative Director
Yasuhiko Hirokane	Senior Vice President	Healthcare Business Division Director
Kazuya Nobe	Senior Vice President	Home CVS Business Division Director and SG Lawson, Inc. President and Representative Director
Tatsushi Sato	Senior Vice President	Operations Management and IT Systems Division Deputy Director
Hajime Kawamura	Senior Vice President	Franchisee Business Support Division Deputy Director
Motonobu Miyake	Senior Vice President	International Business Division Deputy Director, Lawson (China) Holdings, Inc. General Manager
Atsushi Maeda	Senior Vice President	Merchandising Division Deputy Director
Akihito Watanabe	Senior Vice President	Entertainment and Consumer Service Business Division Deputy Director and United Cinemas Co., Ltd. President and Representative Director
Yasuhiro Iseki	Senior Vice President	SEIJO ISHII CO., LTD. Director, Senior Executive Vice President (Temporary Transfer)
Taiki Hasegawa	Senior Vice President	Entertainment and Consumer Service Business Division Deputy Director and Sales Strategy and Marketing Division Deputy Director
Takuya Shiraishi	Senior Vice President	Operations Management and IT Systems Division Deputy Director and Lawson Digital Innovation Inc. President and Representative Director

(2) Outline of Liability Limitation Agreements

The Company has entered into agreements with its directors (excluding persons who are executive directors, etc.) and corporate auditors to limit their liability with regard to the damages outlined under Article 423, Paragraph 1 of the Companies Act, whereby their liability shall be, at a maximum, the total sum of the amounts set forth in the respective relevant items of Article 425, Paragraph 1 of the Companies Act. The aforementioned liability limitation is valid only in cases where the said director or corporate auditor has performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.

(3) Amounts of Remuneration Paid to Directors and Corporate Auditors
Remuneration paid to officers

Category	Total Compensation Paid (millions of Yen)	Total Compensation Paid by Type (Millions of Yen)		Number of Directors and Corporate Auditors Applicable
		Basic Compensation	Stock Options	
Directors (Including Outside Directors)	261	176	84	8
(Outside Directors)	55	39	15	5
Corporate Auditors (Including Outside Corporate Auditors)	70	70	–	4
(Outside Corporate Auditors)	46	46	–	3
Total	331	247	84	12

(4) Policy on Decisions Concerning the Amount of Remuneration Paid to Directors**① Basic policy on decisions concerning the amount of remuneration paid to directors**

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

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

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

Members of the Nomination and Compensation Committee:

Outside Director	Reiko Yonezawa	Outside Director	Takehiko Kakiuchi
Outside Director	Emi Osono (Vice Committee Chairperson)	Outside Director	Sakie Akiyama
Outside Corporate Auditor	Tetsuo Ozawa (Committee Chairperson)	Outside Corporate Auditor	Eiko Tsujiyama

③ Details of remuneration paid to directors

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

[Basic compensation]

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

- Fixed compensation

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

- Variable compensation

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

Variable compensation is paid in accordance with earnings indicators such as EPS (consolidated net income per share). Regarding 5 nonexecutive directors, Reiko Yonezawa, Takehiko Kakiuchi, Emi Osono, Yutaka Kyoya and Sakie Akiyama, variable compensation is not applicable as they are focused on their supervisory and advisory roles as the Company's representative directors and in the board of directors meetings.

[Stock price-linked compensation]

Stock options as stock-based compensation

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

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

④ Limit on the amount of remuneration paid to directors

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

- Amount of remuneration paid to directors
Resolutions at the general meeting of shareholders as of May 24, 2001: ¥400 million or less per year
- Amount of stock options granted to directors
Resolutions at the general meeting of shareholders as of May 27, 2014: ¥300 million or less per year

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

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

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

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

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

③ Details of remuneration paid to corporate auditors

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

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

④ Limit of the amount of remuneration paid to corporate auditors

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

Amount of remuneration paid to corporate auditors

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

(6) Outside Directors and Outside Corporate Auditors

① Relationship between Major Positions Concurrently Held and the Company

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Director (Independent)	Reiko Yonezawa	The R Co., Ltd. Credit Saison Co., Ltd.	Chairperson Outside director	The Company and The R Co., Ltd., for which Reiko Yonezawa serves as chairperson, have a business relationship between the two companies consisting of reception services for the Company's head office provided by the latter. The Company entrusted The R Co., Ltd. to provide services after receiving bids from several suitable companies and verifying their economic efficiency.
Outside Director	Takehiko Kakiuchi	Mitsubishi Corporation Mitsubishi Shokuhin Co., Ltd	Executive Vice President, Group CEO, Living Essentials Group Outside director	Mitsubishi Corporation, for which Takehiko Kakiuchi serves as an executive vice president, is a large shareholder of the Company, has a business relationship with the Company under an extensive business alliance agreement. The Company and Mitsubishi Shokuhin Co., Ltd, for which Takehiko Kakiuchi serves as an outside director, have a business relationship between the two companies in purchase of merchandise.
Outside Director (Independent)	Emi Osono	Hitotsubashi University Graduate School of International Corporate Strategy Resona Holdings, Inc.	Professor Outside director	—
Outside Director	Yutaka Kyoya	Mitsubishi Corporation Rokko Butter Co., LTD Thai Union Group Public Company Ltd. Olam International Ltd.	Division COO, Foods (Commodity) Div. Outside director Outside director Outside director	Mitsubishi Corporation, for which Yutaka Kyoya serves as a senior vice president, is a large shareholder of the Company, and has a business relationship with the Company under an extensive business alliance agreement.
Outside Director (Independent)	Sakie Akiyama	Saki Corporation	CEO and Founder	—

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Corporate Auditor (Independent)	Shinichi Hokari	—	—	—
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Tokyo Fuji Law Office CEMEDINE CO., LTD. Sekisui Chemical Co., Ltd. United Urban Investment Corporation.	Lawyer (Representative Partner) Outside corporate auditor Outside corporate auditor Corporate auditor	—
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Waseda University School of Commerce and Graduate School of Commerce Mitsubishi Corporation ORIX Corporation NTT DOCOMO, INC. Shiseido Company, Limited	Professor Outside corporate auditor Outside director Outside corporate auditor Outside corporate auditor	Mitsubishi Corporation, for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company, and has a business relationship with the Company under an extensive business alliance agreement. NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company, and has a business relationship with the Company in the telecommunications field under an extensive business alliance agreement.

Note: Where nothing is written in the column Relationship between the Company and company Where Position Concurrently Held, it means that the Company has no important business or other relationship with that company.

② Major Activities during the Year

Position in the Company	Name	Major Activities
Outside Director (Independent)	Reiko Yonezawa	Ms. Yonezawa attended 13 of 14 board of directors' meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive. Ms. Yonezawa is also a member of the Company's Nomination and Compensation Committee.
Outside Director	Takehiko Kakiuchi	Mr. Kakiuchi attended 11 of 14 board of directors' meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about the consumer lifestyles industry. Mr. Kakiuchi is also a member of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Emi Osono	Ms. Osono attended 12 of 14 board of directors' meetings held during the year, and as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Osono is also a vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director	Yutaka Kyoya	Mr. Kyoya attended 13 of 14 board of directors' meetings held during the year, and appropriately questioned and/or remarked based on his abundant knowledge of fields related to the daily lives of consumers.
Outside Director (Independent)	Sakie Akiyama	Ms. Akiyama attended 13 of 14 board of directors' meetings held throughout the year during her term in office and, as a management executive, appropriately questioned and/or remarked based on her abundant knowledge. Ms. Akiyama is also a member of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Shinichi Hokari	As a standing corporate auditor, Mr. Hokari examined financial documents and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Hokari monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Hokari attended all 14 board of directors' meetings and all 16 board of corporate auditors' meetings held throughout the year during his term in office and appropriately questioned and/or remarked based on his deep knowledge finance and accounting and using his experience of assuming responsible posts for many years on the board of audit of Japan.
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Mr. Ozawa attended 13 of 14 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer. Mr. Ozawa is also a chairperson of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Ms. Tsujiyama attended 12 of 14 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on her deep knowledge of accounting as a university professor in this field. Ms. Tsujiyama is also a member of the Company's Nomination and Compensation Committee.

4. Independent Auditor**(1) Independent Auditor**

Deloitte Touche Tohmatsu LLC

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

1) Remuneration to be paid by the Company to the independent auditor	94 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	157 million yen

Note:

1. The audit agreement entered into by the independent auditor and the Company does not clearly distinguish the amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1) above indicates the total for the two audits.
2. As a result of confirmation and consideration of the content of the audit plan, former audits and actual remuneration paid in the past, and the basis for calculating remuneration estimates, etc. as well as the progress of discussions with accounting auditors, etc. in light of the Practical Guidance on Collaboration with Accounting Auditors issued by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors gave its consent with regard to the remuneration of accounting auditors pursuant to Article 399, Paragraph 1 of the Companies Act.
3. Nine of the important subsidiaries of Lawson overseas are subject to audit by an independent auditor other than Lawson's independent auditor.

(3) Nonaudit Services

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

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

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

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

III. SYSTEMS AND POLICIES OF THE COMPANY

1. Determination of Resolution of Systems to Ensure the Propriety of Business Operations

Based on improvements and the operation of the preceding “2014 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on April 9, 2015, the Company passed a resolution called the “2015 Basic Policy for Improvement of Internal Control Systems,” as indicated below.

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

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

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

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

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

(3) Rules and Other Systems Regarding Risk Management

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

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

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

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

- ① The Company shall endeavor to maintain and enhance the Lawson brand through close collaboration with subsidiaries and affiliated companies ("Associated Companies"). However, with regard to affiliated companies, the Company will work to appropriately establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders differences in laws, regulations and business customs and the like of foreign countries.
- ② While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof, and keep the Associated Companies fully informed of the Group Code of Conduct.
- ③ The Company shall appoint designated persons at major Associated Companies to be responsible for promoting compliance and risk management and promote communications between the Company and major subsidiaries with a view to ensuring appropriate business operations across the entire Group.
- ④ The Company shall develop a system in which immediate reporting is made by compliance managers of associated companies in the event that they have identified any facts that may cause material damage to

their companies.

- ⑤ The Company shall develop a system in which the contents of consultations sought or reports made to the Independent Whistleblower Hotline across the Group are reported to corporate auditors on a timely basis.
- ⑥ The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies and promote improvements based on the results of audits.

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

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

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

- ① The Company shall assign appropriate personnel to the auditors' office ("Corporate Auditors' Staff") as employees exclusively to assist corporate auditors in the execution of their duties.
- ② Corporate Auditors' Staff may serve concurrently as corporate auditors of Associated Companies.
- ③ Corporate Auditors' Staff shall have the authority to conduct investigations necessary for audits by corporate auditors following the instructions of corporate auditors.

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

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

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

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

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

- ① The representative directors and corporate auditors shall have regular meetings to enhance smooth communications with each other.
- ② Directors shall cooperate with the corporate auditors with regards to communications, the collection and exchange of information and so on between the corporate auditors and the corporate directors and the like of Associated Companies so that the corporate auditors can perform their duties appropriately.
- ③ Directors shall also cooperate in conducting surveys of significant business partners, which the corporate auditors deem necessary.
- ④ Directors shall enable the corporate auditors to collaborate with outside experts such as lawyers and certified public accountants, if any corporate auditor deems it necessary in executing his/her duties.
- ⑤ The Legal Affairs, Risk Management, Internal Audit, and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any corporate auditor.

2. Outline of Operational Status of Systems to Ensure the Propriety of Business Operations

The Company operates internal control systems in accordance with the aforementioned basic policy. Their operational status is as outlined below.

(1) Compliance and Risk Management Systems

- ① The Company strives to be a good corporate citizen able to act according to high ethical standards and with integrity and thoughtfulness by integrating its code of conduct, education and training, and monitoring activities in an organic manner.
- ② The Company has established the Lawson Ethical Mission Statement and the Group Code of Conduct as its code of conduct, published them in the Lawson Group C&R Handbook, and distributed the handbook to all employees in an effort to thoroughly disseminate its content with the aim of ensuring the propriety of business operations across the Group.
- ③ On the education and training front, the Company endeavors to maintain and improve its ethical awareness and ability to withstand crises through compliance and risk management training targeting all employees, training provided upon joining the Group and upon promotion to a managerial position, training by job types, and training for company management. In addition, a CR Director is appointed as the chief officer in charge of compliance and risk management, and the position of CRO is established for each head office and region. CROs attend the Compliance & Risk management meetings organized by the CR Director, thoroughly disseminate measures determined at the meetings, and monitor the progress of such measures in an effort to prevent the occurrence of risk events.
- ④ With respect to whistleblowing reports, there are internal consultation and reporting contact points along with the Lawson Group Independent Whistleblower Hotline as well as a consultation contact point for the Company's business counterparties.
- ⑤ In terms of monitoring activities, the Company conducts questionnaire surveys targeting all employees and business counterparties and reviews its compliance and risk management systems based on the results of audits conducted by the Internal Audit Department.
- ⑥ At major associated companies, compliance and risk management managers are also appointed and these managers attend compliance managers' meetings for associated companies. Associated companies also implement code of conducts, conduct training, and carry out questionnaire surveys for employees and business counterparties. Through the operational audits conducted on associated companies by the Company's Audit Department and the liaison meetings for the Group's corporate auditors organized by the Company's corporate auditors, etc., efforts have been made to develop and improve compliance and risk management systems for the Lawson Group.

(2) Preparations against and Responses to Risks

- ① In normal times, the Compliance & Risk management meetings and five sub-committees are organized to assess risks and formulate and promote risk prevention measures with the aim of preventing the occurrence of risk events. In the event of significant risk events, the Emergency Risk Management Committee is convened in an effort to swiftly solve issues and minimize damage.
- ② With regard to the information security system, employees regularly check the implementation of information security rules. When outsourcing the retention, etc. of personal information, the Company examines the information security system of such contractors in advance and conducts on-site inspections once a year. In handling the personal information of customers, a system has been established to specify collection and retention methods, retention period, administration manager, etc. and obtain internal approval prior to execution. Information on errors that can happen in stores and specific countermeasures have been disseminated via the store manual. Moreover, the Internal Audit Department carries out information security audits and specialized external companies conduct spot checks on office security to evaluate the vulnerability of information systems, etc.
- ③ Even in the case of significant damage due to a large-scale disaster, etc., the Company aims to avoid a decline in customer satisfaction and corporate value, etc. by avoiding interruption of its key business operations. In an effort to enhance its ability to respond to crises across the Group, the Company has been constantly reviewing and improving both "hard" aspects such as office buildings and lifelines and "soft" aspects such as the BCP and manuals as well as the skills of employees and franchisees. In addition, the Company has been working to conclude agreements on the procurement of goods and support for stranded commuters during a large-scale disaster event with the aim of engaging in mutual cooperation with municipal governments in disaster stricken areas and fulfilling a lifeline function.

(3) Securing Effectiveness of Performance of Corporate Auditors

- ① Corporate Auditors' Staff are assigned to the auditors' office to provide exclusive assistance to corporate auditors in the execution of their duties. Corporate Auditors' Staff have the authority to conduct investigations necessary for audits by corporate auditors. In addition, relevant departments assist in conducting necessary investigations for audits by corporate auditors in accordance with the content of the

audits.

- ② With regard to reporting to corporate auditors, matters that should be reported to corporate auditors have been reported to corporate auditors in a timely and appropriate manner.

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

(TRANSLATION ONLY)

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2015 (for reference)	As of February 29, 2016	Account item	As of February 28, 2015 (for reference)	As of February 29, 2016
Current assets	223,642	224,209	Current liabilities	301,069	319,607
Cash and deposits	76,758	69,797	Accounts payable-trade	103,458	112,225
Accounts receivable-due from franchised stores	37,052	30,547	Short-term loans payable	1,740	1,990
Merchandise	17,044	17,976	Current portion of long-term loans payable	575	575
Accounts receivable-other	58,666	67,736	Lease obligations	19,948	23,898
Deferred tax assets	5,299	4,524	Accounts payable-other	43,518	57,214
Other	31,400	33,635	Income taxes payable	13,301	8,500
Allowance for doubtful accounts	(2,578)	(8)	Deposits received	103,634	101,908
Non-current assets	540,971	579,002	Provision for bonuses	2,976	3,832
Property and store equipment	274,436	302,761	Other	11,916	9,462
Buildings and structures	153,375	167,098	Non-current liabilities	199,746	210,607
Tools, furniture and fixtures	14,825	16,307	Long-term loans payable	58,425	57,562
Land	9,640	9,794	Lease obligations	76,174	88,060
Leased assets	91,661	101,546	Provision for retirement benefits to executive officers and audits & supervisory board members	367	413
Construction in progress	4,810	7,870	Net defined benefit liability	12,958	12,186
Other	123	143	Asset retirement obligations	21,530	24,664
Intangible assets	79,530	84,595	Other	30,290	27,719
Software	18,800	26,377	Total liabilities	500,816	530,215
Goodwill	48,189	46,309	Net assets		
Right of trademark	11,989	11,381	Shareholders' equity	252,107	259,532
Other	550	527	Capital stock	58,506	58,506
Investment and other assets	187,004	191,645	Capital surplus	47,696	47,697
Investment securities	18,118	22,325	Retained earnings	147,177	154,608
Long-term loans receivable	37,232	40,886	Treasury shares	(1,272)	(1,280)
Guarantee deposits	93,205	92,495	Accumulated other comprehensive income	4,014	4,860
Deferred tax assets	26,251	22,016	Valuation difference on available-for-sale securities	(393)	801
Other	13,316	14,782	Revaluation reserve for land	(566)	(566)
Allowance for doubtful accounts	(1,121)	(860)	Foreign currency translation adjustment	5,492	5,531
			Remeasurements of defined benefit plans	(518)	(906)
			Subscription rights to shares	223	307
			Minority interests	7,452	8,296
			Total net assets	263,797	272,997
Total Assets	764,614	803,212	Total Liabilities and Net Assets	764,614	803,212

Note: Figures as of February 28, 2015, are included in the table above for comparative purposes only.

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2014 to February 28, 2015 (for reference)		From March 1, 2015 to February 29, 2016	
Operating revenue				
Income from franchised stores	247,681		261,681	
Other operating revenue	76,188	323,869	94,165	355,846
Net sales				
Net sales	(174,044)	174,044	(227,606)	227,606
Gross operating revenue		497,913		583,452
Cost of sales	(128,116)	128,116	(155,949)	155,949
Gross profit	(45,928)		(71,656)	
Operating gross profit		369,797		427,503
Selling, general and administrative expenses		299,315		354,961
Operating income		70,482		72,541
Non-operating income				
Interest income	830		759	
Compensation income	365		646	
Share of profit of entities accounted for using equity method	365		292	
Store equipment related income	118		318	
Foreign exchange gains	1,585		—	
Other	1,481	4,746	837	2,853
Non-operating expenses				
Interest expenses	1,520		1,903	
Loss on cancellation of leases	1,168		1,953	
Foreign exchange losses	—		914	
Other	825	3,514	1,002	5,772
Ordinary income		71,714		69,622
Extraordinary income				
Gain on sales of investment securities	369		—	
Gain on change in equity	756	1,126	892	892
Extraordinary losses				
Loss on sales of non-current assets	249		228	
Loss on retirement of non-current assets	2,966		4,342	
Impairment loss	8,263		10,542	
Loss on liquidation of business	1,519		—	
Other	1,469	14,469	—	15,112
Income before income taxes and minority interests		58,370		55,402
Income taxes-current	24,938		19,233	
Income taxes-deferred	312	25,250	4,031	23,265
Income before minority interests		33,120		32,136
Minority interests in income		433		755
Net income		32,686		31,381

Note: Figures from March 1, 2014 to February 28, 2015, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity

(From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	58,506	47,696	147,177	(1,272)	252,107	(393)	(566)	5,492	(518)	4,014	223	7,452	263,797
Cumulative effects of changes in accounting policies			1,411		1,411								1,411
Restated balance	58,506	47,696	148,588	(1,272)	253,519	(393)	(566)	5,492	(518)	4,014	223	7,452	265,209
Changes of items during period													
Dividends of surplus			(24,249)		(24,249)								(24,249)
Change of scope of consolidation			(1,111)		(1,111)								(1,111)
Net income			31,381		31,381								31,381
Purchase of treasury shares				(8)	(8)								(8)
Disposal of treasury shares		0		0	1								1
Net changes of items other than shareholders' equity						1,195	—	38	(387)	845	84	844	1,774
Total changes of items during period	—	0	6,020	(7)	6,013	1,195	—	38	(387)	845	84	844	7,788
Balance at end of current period	58,506	47,697	154,608	(1,280)	259,532	801	(566)	5,531	(906)	4,860	307	8,296	272,997

(Notes to the Consolidated Financial Statements)**(Basis of Presentation the Consolidated Financial Statements)****1. Scope of consolidation****(1) Number of consolidated subsidiaries: 18**

(Domestic)	Lawson HVM Entertainment, Inc. Lawson ATM Networks, Inc. BestPractice, Inc. SCI, Inc. Lawson Mart, Inc. Lawson HVM Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. United Cinemas Co., Ltd. SEIJO ISHII CO., LTD.
(Foreign)	Chongqing Lawson, Inc. Shanghai Hualian Lawson, Inc. Dalian Lawson, Inc. Lawson (China) Holdings, Inc. Lawson Asia Pacific Holdings Pte. Ltd. Saha Lawson Co., Ltd. Shanghai Le Song Trading Co., Ltd. Shang Hai Gong Hui Trading Co., Ltd. Zhejiang Lawson, Inc.

Among the companies mentioned above, Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd. and Zhejiang Lawson, Inc. have been included in the scope of consolidation starting from the current consolidated fiscal year due to increasing materiality.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. HATS UNLIMITED CO., LTD. Food Marketing Japan, Inc. Seikaken, Inc. Lawson Syuhan, Inc. TOKYO EUROPE TRADE CO., LTD. SG Lawson, Inc. Success Tours, Inc. Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc. Beijing Lawson, Inc. BEIJING LUOSONG Co., Ltd

(Reasons for exclusion from the scope of consolidation)

The above nonconsolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) and others have no material impact of effect on the consolidated financial statements.

2. Application of the equity method**(1) Number of affiliated companies to which the equity method is applied: 3**

(Domestic)	Lawson Okinawa, Inc. Lawson Minamikyushu, Inc. Lawson Kochi, Inc.
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Lawson Kochi, Inc., which was established during the current fiscal year and held 49% shares by the Company, has been newly included in the scope of the equity method.

(2) Nonconsolidated subsidiaries and affiliated companies to which the equity method is not applied

Nonconsolidated subsidiaries LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., SG Lawson, Inc., Success Tours, Inc., Lawson Digital Innovation Inc. and Lawson USA Hawaii, Inc., Beijing Lawson, Inc., and BEIJING LUOSONG Co., Ltd. and affiliated companies Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Loyalty Marketing, Inc., MC Retail Energy Co., Ltd., Lawson Staff, Inc., AUGUSARENA CORPORATION., Lawson System Labo LLP, Theatre VR LLP, PG Lawson Company, Inc., Lawson Farm Chiba and others were excluded from the scope of the equity-method affiliate because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these nonconsolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

3. Summary of significant accounting policies

(1) Valuation basis and method for important assets

① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

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

Other:

Stated at cost determined by the moving-average method.

② Merchandise inventories:

Merchandise:

Stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability) and by the gross-average method (the book value in the balance sheet is written down based on the decline in profitability).

(2) Depreciation method for important depreciable assets

① Property and store equipment (except for leased assets):

Mainly computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

② Intangible assets (except for leased assets):

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the estimated useful life. Furthermore, for right of trademark, amortization is mainly computed using the straight-line method over 20 years.

③ Leased assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of 0 yen.

(3) Accounting standard for important reserves

① Allowance for doubtful accounts:

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

② Provision for bonuses:

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

③ Provision for retirement benefits to executive officers and audit & supervisory board members:

Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries prepared for required payments at the end of the current fiscal year is recorded under internal regulations.

(4) Accounting method for retirement benefits

① Period attributable method of estimated amount of retirement benefits

In order to attribute estimated amount of retirement benefits in the period up to the end of the current fiscal year, retirement benefit obligation is calculated based on the benefit formula basis.

② Cost treatment method of actuarial difference and prior service cost

Prior service cost is amortized starting the fiscal year incurred mainly on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability, in order to calculate net defined benefit liability and retirement benefit expenses.

(5) Important foreign currency transactions and foreign currency financial statements

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

(6) Amortization method and period of goodwill

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

(7) Accounting for consumption tax

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

5. Changes in accounting policies

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Accounting Standard Retirement Benefits") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on March 26, 2015, hereinafter "Guidance Retirement Benefits") from this consolidated fiscal year included stipulations stated in the main clause of paragraph 35 of Accounting Standard Retirement Benefits, and the main clause of paragraph 67 of Guidance Retirement Benefits. The Company reviewed the calculation method of retirement benefit liabilities and service cost, changed the standard of payment period of retirement benefits estimated amounts from period straight-line basis recorded to benefit formula basis. The method for calculating the discount rate was changed from the method in which bond duration, a base used for calculating the discount rate, was decided based on the number of years that approximates the average remaining service period of the employees, to the method in which multiple discount rates are calculated in accordance with the expected payment period of retirement benefits.

The application of such accounting standards for retirement benefits has followed the transitional treatment stipulated in paragraph 37 of Accounting Standard Retirement Benefits, and the impact due to change of calculation method of retirement benefit liabilities and service cost was charged to retained earnings at the beginning of this consolidated fiscal year.

As a result, net defined benefit liability as of the beginning of this consolidated fiscal year decreased ¥2,130 million, while retained earnings increased ¥1,411 million. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for this consolidated fiscal year is immaterial.

(Changes in Presentation)

1. In the “Current assets” section, “Prepaid expenses” (¥13,841 million for the current fiscal year) which was separately presented in the consolidated balance sheet before is now included in “Other” from the current fiscal year in order to increase clarity of consolidated financial statements.
2. In the “Intangible assets” section, “Software in progress” (¥11,044 million for the current fiscal year), which was presented separately in the consolidated balance sheet before is now included in “Software” from the current fiscal year in order to increase clarity of consolidated financial statements.
3. In the “Investments and other assets” section, “Long-term prepaid expenses” (¥9,707 million for the current fiscal year) was presented separately in the consolidated balance sheet before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
4. In the “Current liabilities” section, “Accounts payable-trade for franchised stores” (¥92,264 million for the current fiscal year) which was separately presented in the consolidated balance sheet before is now included in “Accounts payable-trade” from the current fiscal year in order to increase clarity of consolidated financial statements.
5. In the “Current liabilities” section, “Due to franchised stores” (¥1,998 million for the current fiscal year) which was separately presented in the consolidated balance sheet before is now included in “Other” from the current fiscal year in order to increase clarity of consolidated financial statements.
6. In the “Non-current liabilities” section, “Long-term guarantee deposited” (¥27,525 million for the current fiscal year) which was separately presented in the consolidated balance sheet before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
7. In the “Non-operating income” section, “Compensation income” (¥365 million for the previous fiscal year) which was included in “Other” in the consolidated statement of income before is now separately presented as “Compensation income” (¥646 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
8. In the “Non-operating income” section, “Share of profit of entities accounted for using equity method” (¥365 million for the previous fiscal year) which was included in “Other” in the consolidated statement of income before is now separately presented as “Share of profit of entities accounted for using equity method” (¥292 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
9. In the “Non-operating income” section, “Store equipment related income” (¥118 million for the previous fiscal year) which was included in “Other” in the consolidated statement of income before is now separately presented as “Store equipment related income” (¥318 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
10. In the “Non-operating income” section, “Penalty income” (¥206 million for the current fiscal year) which was separately presented in the consolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
11. In the “Extraordinary losses” section, “Loss on sales of non-current assets” (¥249 million for the previous fiscal year) which was included in “Other” in the consolidated statement of income before is now separately presented as “Loss on sales of non-current assets” (¥228 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 291,655 million yen

2. Revaluation of land used for business

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the consolidated balance sheet date was 308 million yen.

3. Collateral assets and liabilities collateralized

Assets pledged as collateral and liabilities collateralized are as follows

	Millions of yen
Cash and deposits	2,399

In addition to the above, consolidated subsidiary shares to be pledged as collateral are as follows.

	Millions of yen
Shares of consolidated subsidiaries (Amount before elimination)	14,364

Collateralized liabilities are as follows

	Millions of yen
Short-term loans payable	1,000
Current portion of long-term loans payable	575
Long-term loans payable	7,562
Total	9,137

(Notes to Consolidated Statement of Income)**Impairment loss**

The Company and the consolidated subsidiaries (together, the “Group”) recognized an impairment loss mainly for each store as the smallest category having cash flows.

The carrying value of asset groups with significantly decreased profitability was written down to a recoverable amount, with the decreased amount recognized as extraordinary loss. In view of the increasingly rapid changes occurring in the business environment, we have clarified in detail the judgement of the decrease in profitability for the fiscal year.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	1,904
	Osaka	Buildings; Tools, furniture and fixtures; and others	1,621
	Others	Buildings; Tools, furniture and fixtures; and others	6,508
Others	—	Software	507
Total	—	—	10,542

Category by non-current assets

Buildings and structures	5,976 million yen
Tools, furniture and fixtures	607 million yen
Land	57 million yen
Leased assets	3,131 million yen
Software	680 million yen
Other	88 million yen

Recoverable value of the assets of the Group is the higher of net selling price or value in use. Net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.8% was mainly applied.

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

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Issued shares				
Common stock	100,300	—	—	100,300
Treasury shares				
Common stock (notes)	301	0	0	301

Notes:

- The 0 thousand share increase in treasury shares resulted from purchases of stock of less than one share unit.
- The 0 thousand share decrease in treasury shares resulted from requests for additional purchases of stock of less than one share unit.

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

Date of resolution	Class of shares	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The general meeting of shareholders (May 26, 2015)	Common stock	11,999	120.00	As of February 28, 2015	As of May 27, 2015
Directors' meeting (October 7, 2015)	Common stock	12,249	122.50	As of August 31, 2015	As of November 10, 2015

(2) Dividends for which the record date is in the current period and the effective date is after the year-end consolidated balance sheet date

Date of resolution	Class of shares	Reserve of dividend	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The general meeting of shareholders (May 24, 2016)	Common stock	Retained earnings	12,249	122.50	As of February 29, 2016	As of May 25, 2016

3. Number of stock that can be exercised by outstanding subscription rights to shares (excluding those not yet in the exercisable period)

78,100 shares

(Notes to Financial Instruments)

1. Matters relating to the status of financial instruments

(1) Policy for financial instruments

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

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

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

Long-term loans receivable (mainly construction cooperation payments and merchant loan) and guarantee deposits are exposed to credit risks of borrowers and landlord, etc. With regard to this risk, the Company manages credit on a daily basis at the relevant division and seeks early acknowledgement and minimization of collection concerns due to deterioration in the financial situation, etc.

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

Among trade payables, most of the accounts payable-trade, accounts payable-trade for franchised stores, accounts payable-other and deposits received held as a result of bill settlement services have payment due dates within one month, while most deposits received held as a result of ticket sales transactions have payment due dates within 6 months.

Long-term loans payable are mainly for the purpose of funding necessary for M&A, and are due within 4 years.

The primary purpose of lease obligations related to finance lease transactions is securing the funds required for capital investments and the maximum redemption period is 15 years after the consolidated balance sheet date.

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

(3) Fair values of financial instruments

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

2. Matters relating to the fair values of financial instruments

The carrying amount, fair values, and difference as of February 29, 2016, are as follows. (Financial instruments whose fair value cannot be reliably determined are not included as described in “(Note 2) Financial instruments whose fair values cannot be reliably determined.”)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	69,797	69,797	—
(2) Accounts receivable-other	67,736		
Allowance for doubtful accounts (*1)	(4)		
	67,731	67,731	—
(3) Investment securities	7,315	7,315	—
Available-for-sale securities			
(4) Long-term loans receivable	40,886		
Allowance for doubtful accounts (*1)	(55)		
	40,830	40,817	(13)
(5) Guarantee deposits	92,495		
Allowance for doubtful accounts (*1)	(373)		
	92,121	89,375	(2,745)
Total assets	277,797	275,037	(2,759)
(1) Accounts payable-trade and accounts payable-trade for franchised stores	112,225	112,225	—
(2) Accounts payable-other	57,214	57,214	—
(3) Deposits received	101,908	101,908	—
(4) Long-term loans payable (*2)	58,137	58,137	—
(5) Lease obligations (*2)	111,958	112,573	615
Total liabilities	441,444	442,059	615

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

(*2) Long-term loans payable and lease obligations include liabilities maturing within one year.

(Note 1) Method of calculating the fair values of financial instruments**Assets****(1) Cash and deposits and (2) Accounts receivable-other**

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

(3) Investment securities

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

(4) Long-term loans receivable

The fair values of long-term loans receivable are determined by discounting the cash flows related to the obligations at the Group's assumed corporate discount rate.

(5) Guarantee deposits

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

Liabilities**(1) Accounts payable-trade (2) Accounts payable-other and (3) Deposits received**

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

(4) Long-term loans payable (include current portion of long-term loans payable)

The current price of long-term loans payable is calculated from the current value, derived by discounting the total amount of principal and interest by the expected rate of interest if a similar new loan is made.

(5) Lease obligations (include current portion of lease obligations)

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

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

Category	Carrying amount (millions of yen)
Unlisted equity securities	1,412
Investments in subsidiaries and affiliated companies	12,205
Other	1,391

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined, they are not included in “(3) Investment securities.”

(Notes to Per-Share Data)

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 2,643.97 yen |
| 2. Net income per share | 313.81 yen |

(Notes to Significant Subsequent Events)

Not applicable.

Nonconsolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2015 (for reference)	As of February 29, 2016	Account item	As of February 28, 2015 (for reference)	As of February 29, 2016
Current assets	155,079	147,670	Current liabilities	267,717	279,880
Cash and deposits	50,760	48,453	Accounts payable-trade	88,752	97,005
Accounts receivable-due from franchised stores	37,831	29,636	Short-term loans payable to subsidiaries and associates	30,880	37,880
Merchandise	864	952	Lease obligations	17,912	21,431
Prepaid expenses	11,036	12,179	Accounts payable-other	23,641	24,966
Accounts receivable-other	38,822	40,895	Income taxes payable	11,377	6,175
Deferred tax assets	3,843	3,141	Accrued expenses	1,829	2,028
Other	11,957	12,419	Deposits received	85,304	81,015
Allowance for doubtful accounts	(36)	(8)	Provision for bonuses	2,166	3,047
Non-current assets	538,731	567,204	Other	5,853	6,331
Property and store equipment	256,432	281,753	Non-current liabilities	182,673	191,418
Buildings	125,784	136,941	Long-term loans payable	50,000	50,000
Structures	19,491	22,346	Lease obligations	72,655	82,425
Tools, furniture and fixtures	12,419	13,770	Provision for retirement benefits	10,837	9,417
Land	9,587	9,741	Provision for retirement benefits to executive officers	309	341
Leased assets	84,361	91,137	Asset retirement obligations	18,649	21,702
Construction in progress	4,788	7,816	Other	30,221	27,532
Intangible assets	23,339	27,348	Total liabilities	450,390	471,298
Software	14,054	18,269	Net assets		
Goodwill	8,788	8,589	Shareholders' equity	244,172	243,016
Other	496	489	Capital stock	58,506	58,506
Investments and other assets	258,959	258,102	Capital surplus	47,696	47,697
Investment securities	8,205	9,892	Legal capital surplus	47,696	47,696
Shares of subsidiaries and associates	61,903	62,958	Other capital surplus	—	0
Investments in capital of subsidiaries and associates	9,377	8,651	Retained earnings	139,241	138,093
Long-term loans receivable	36,477	39,951	Legal retained earnings	727	727
Long-term loans receivable from subsidiaries and affiliates	22,992	20,482	Other retained earnings		
Long-term prepaid expenses	9,542	9,352	General reserve	50,000	50,000
Guarantee deposits	86,513	85,111	Retained earnings brought forward	88,514	87,365
Deferred tax assets	23,106	20,883	Treasury shares	(1,272)	(1,280)
Other	1,739	1,677	Valuation and translation adjustments	(975)	252
Allowance for doubtful accounts	(899)	(857)	Valuation difference on available-for-sale securities	(408)	818
			Revaluation reserve for land	(566)	(566)
			Subscription rights to shares	233	307
			Total net assets	243,420	243,576
Total Assets	693,811	714,875	Total Liabilities and Net Assets	693,811	714,875

Note: Figures as of February 28, 2015, are included in the table above for comparative purposes only.

Nonconsolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2014 to February 28, 2015 (for reference)		From March 1, 2015 to February 29, 2016	
Operating revenue				
Income from franchised stores	253,241		263,067	
Other operating revenue	31,600	284,841	35,774	298,841
Net sales				
Net sales	(31,498)	31,498	(35,013)	35,013
Gross operating revenue		316,340		333,855
Cost of sales	(22,401)	22,401	(24,966)	24,966
Gross profit	(9,096)		(10,047)	
Operating gross profit		293,938		308,889
Selling, general and administrative expenses		232,972		251,641
Operating income		60,966		57,247
Non-operating income				
Interest income	802		879	
Dividend income	300		327	
Compensation income	351		645	
Foreign exchange gains	1,671		—	
Store equipment related income	118		318	
Other	888	4,132	593	2,763
Non-operating expenses				
Interest expenses	1,312		1,540	
Loss on cancellation of leases	1,163		1,881	
Foreign exchange losses	—		980	
Loss on debt waiver of subsidiaries and affiliates	576		—	
Other	396	3,449	626	5,028
Ordinary income		61,649		54,982
Extraordinary income				
Gain on extinguishment of tie-in shares	94		—	
Gain on liquidation of subsidiaries and affiliates	156	250	—	—
Extraordinary losses				
Loss on sales of non-current assets	—		170	
Loss on retirement of non-current assets	2,508		4,172	
Impairment loss	5,831		9,155	
Other	5,584	13,924	2,229	15,727
Income before income taxes		47,975		39,255
Income taxes – current	21,840		15,680	
Income taxes – deferred	(65)	21,775	1,722	17,453
Net income		26,200		21,802

Note: Figures from March 1, 2014 to February 28, 2015, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

Nonconsolidated Statement of Changes in Equity

(From March 1, 2015 to February 29, 2016)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal retained earnings	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the beginning of current period	58,506	47,696	—	47,696	727	50,000	88,514	139,241	(1,272)	244,172
Cumulative effects of changes in accounting policies							1,298	1,298		1,298
Restated balance	58,506	47,696	—	47,696	727	50,000	89,812	140,540	(1,272)	245,471
Changes of items during period										
Dividends of surplus							(24,249)	(24,249)		(24,249)
Net income							21,802	21,802		21,802
Purchase of treasury shares									(8)	(8)
Disposal of treasury shares			0	0					0	1
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	0	0	—	—	(2,447)	(2,447)	(7)	(2,454)
Balance at end of current period	58,506	47,696	0	47,697	727	50,000	87,365	138,093	(1,280)	243,016

(TRANSLATION ONLY)

(Millions of yen)

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of current period	(408)	(566)	(975)	223	243,420
Cumulative effects of changes in accounting policies					1,298
Restated balance	(408)	(566)	(975)	223	244,719
Changes of items during period					
Dividends of surplus					(24,249)
Net income					21,802
Purchase of treasury shares					(8)
Disposal of treasury shares					1
Net changes of items other than shareholders' equity	1,227	—	1,227	84	1,311
Total changes of items during period	1,227	—	1,227	84	(1,142)
Balance at end of current period	818	(566)	252	307	243,576

(Notes to the Nonconsolidated Financial Statement)**(Significant Accounting Policies)****1. Valuation basis and method for assets****(1) Marketable securities and investments in securities:**

- ① Investments in subsidiaries and affiliated companies
Stated at cost determined by the moving-average method.
- ② Available-for-sale securities
Securities whose market value is readily determinable:
Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.
Other:
Stated at cost determined by the moving-average method.

(2) Merchandise inventories:

Merchandise:

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

2. Depreciation method of depreciable assets**(1) Property and store equipment (except for leased assets):**

Computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

(2) Intangible assets (except for leased assets):

Computed by the straight-line method.

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

(3) Leased assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of 0 yen.

(4) Long-term prepaid expenses:

Computed by the straight-line method.

3. Accounting policies for important reserves**(1) Allowance for doubtful accounts:**

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

(2) Provision for bonuses:

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

(3) Provision for retirement benefits:

Provision for retirement benefits is provided at the amount calculated based on the retirement benefit liability and pension assets at the consolidated balance sheet date.

- ① Period attributable method of estimated amount of retirement benefits
In order to attribute the estimated amount of retirement benefits in the period up to the end of the current fiscal year, retirement benefit obligation is calculated based on the benefit formula basis.
- ② Cost treatment method of actuarial difference and prior service cost
Prior service cost is mainly amortized, starting the fiscal year incurred, on a straight-line basis over a certain period (10 years) within an average remaining service period of employees.
Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their occurrence.

Treatment of unrecognized actuarial difference and unrecognized prior services cost in nonconsolidated balance sheet differs from consolidated balance sheet.

(4) Provision for retirement benefits to executive officers:

Provision for retirement benefits to executive officers prepared for required payments at the end of the current fiscal year is recorded under internal regulations.

4. Accounting for consumption tax

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

(Changes in Accounting Policies)

The Company adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter “Accounting Standard Retirement Benefits”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on March 26, 2015) from this current fiscal year. The Company reviewed the calculation method of retirement benefit liabilities and service cost, changed the standard of payment period of retirement benefits estimated amounts from period straight-line basis recorded to benefit formula basis. The method for calculating the discount rate was changed from the method in which bond duration, a base used for calculating the discount rate, was decided based on the number of years that approximates the average remaining service period of the employees, to the method in which multiple discount rates are calculated in accordance with the expected payment period of retirement benefits.

The application of such accounting standards for retirement benefits has followed the transitional treatment stipulated in paragraph 37 of Accounting Standard Retirement Benefits, and the impact due to change of calculation method of retirement benefit liabilities and service cost was charged to retained earnings at the beginning of this current fiscal year.

As a result, net defined benefit liability as of the beginning of this current fiscal year decreased by ¥2,017 million, while retained earnings increased by ¥1,298 million. The impact of this change on operating income, ordinary income, and income before income taxes and minority interests for this current fiscal year was immaterial.

(Changes in Presentation)

1. In the “Current assets” section, “Short-term loans receivable” (¥3,603 million for the current fiscal year) which was separately presented in the nonconsolidated balance sheet before is now included in “Other” from the current fiscal year in order to increase clarity of nonconsolidated financial statements.
2. In the “Intangible assets” section, “Software in progress” (¥5,495 million for the current fiscal year) was presented separately in the nonconsolidated balance sheet before is now included in “Software” from the current fiscal year in order to increase clarity of nonconsolidated financial statements.
3. In the “Current liabilities” section, “Accounts payable-trade for franchised stores” (¥94,891 million for the current fiscal year) which was separately presented in the nonconsolidated balance sheet before is now included in “Accounts payable-trade” from the current fiscal year in order to increase clarity of nonconsolidated financial statements.
4. In the “Current liabilities” section, “Due to franchised stores” (¥1,633 million for the current fiscal year) which was separately presented in the nonconsolidated balance sheet before is now included in “Other” from the current fiscal year in order to increase clarity of nonconsolidated financial statements.
5. In the “Non-current liabilities” section, “Long-term guarantee deposited” (¥27,339 million for the current fiscal year) which was separately presented in the nonconsolidated balance sheet before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
6. In the “Non-operating income” section, “Interest income” (¥802 million for the previous fiscal year) and “Dividend income” (¥300 million for the previous fiscal year) which were presented as “Interest and dividend income” in the nonconsolidated statement of income before are now separately presented as “Interest income” (¥879 million for the current fiscal year) and “Dividend income” (¥327 million for the current fiscal year) from the current fiscal year in order to increase clarity of nonconsolidated financial statements.
7. In the “Non-operating income” section, “Compensation income” (¥351 million for the previous fiscal year) which was included in “Other” in the nonconsolidated statement of income before is now separately presented as “Compensation income” (¥645 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
8. In the “Non-operating income” section, “Store related equipment income” (¥118 million for the previous fiscal year) which was included in “Other” in the nonconsolidated statement of income before is now separately presented as “Store related equipment income” (¥318 million for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
9. In the “Non-operating income” section, “Penalty income” (¥206 million for the current fiscal year) which was separately presented in the nonconsolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
10. In the “Extraordinary loss” section, “Loss on valuation of investments in capital of subsidiaries and affiliates” (¥773 million for the current fiscal year) was separately presented in the nonconsolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.

(Notes to the Nonconsolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 259,981 million yen

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	9,484 million yen
Long-term receivables due from subsidiaries and affiliated companies	272 million yen
Short-term payables due to subsidiaries and affiliated companies	8,430 million yen
Long-term payables due to subsidiaries and affiliated companies	231 million yen

3. Revaluation of land used for business

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the nonconsolidated balance sheet date was 308 million yen.

4. Guarantee obligations

We guarantee the accounts payable-trade and deposit liabilities of the following subsidiaries

Lawson HMV Entertainment, Inc.	567 million yen
SCI, Inc.	197 million yen

(Notes to the Nonconsolidated Statement of Income)

Operating transactions

Operating revenues	22,639 million yen
Goods purchased	2,803 million yen
Selling, general and administrative expenses	27,148 million yen
Transactions other than operating transactions	858 million yen

(Notes to the Nonconsolidated Statement of Changes in Equity)

Number of treasury shares 301,897 shares

(Notes to Accounting for Income Taxes)

Components of deferred tax assets and liabilities

Enterprise taxes payable	509 million yen
Accrued employees' bonuses	1,007 million yen
Loss on write-down of investments in affiliated companies	3,067 million yen
Excess of depreciation	10,635 million yen
Excess of amortization of software	489 million yen
Provision for retirement benefits	4,850 million yen
Allowance for doubtful accounts	274 million yen
Impairment loss	4,114 million yen
Other	3,066 million yen
<hr/> Subtotal of deferred tax assets	<hr/> 28,014 million yen
Less valuation allowances	(3,990) million yen
<hr/> Total deferred tax assets	<hr/> 24,024 million yen
<hr/> Deferred tax assets-net	<hr/> 24,024 million yen

(Notes to Related-Party Transactions)

Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Director's posts held concurrently				
Subsidiary	SCI, Inc.	Domestic Convenience Store Business	Direct holding 100.0%	SCM	No	Repayment of funds Borrowing of funds Borrowing interest	33,800 35,100 1	Short-term loans payable	5,100
	Lawson ATM Networks, Inc.	Financial Services-Related Business	Direct holding 76.5%	Placement of ATMs in the LAWSON stores	No	Repayment of funds Borrowing of funds Borrowing interest	800 2,700 8	Short-term loans payable	18,100
	Lawson HMV Entertainment, Inc.	Entertainment-Related Business	Direct holding 100%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	17,700 20,500 10	Short-term loans payable	12,300
	SEIJO ISHII CO., LTD.	Seijo Ishii Business	Direct holding 100%	Operation of supermarkets	No	Loaning of funds Collection of funds Loaning interest	— 7,500 100	Long-term loans receivable Accrued interest	11,500 5
	Lawson (China) Holdings, Inc.	Overseas Business	Direct holding 100%	Control of business in China	Yes	Loaning of funds Collection of funds Loaning interest	5,212 — 81	Long-term loans receivable Accrued interest	8,345 92

Transaction conditions and the policies for determining those conditions:

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

(TRANSLATION ONLY)

Subsidiaries of an affiliated company of the Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of Yen)	Account item	Ending balance (millions of yen)
				Business relationship	Director's posts held concurrently				
Subsidiaries of an affiliated company of the Company	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	—	Vendor	Yes	Purchases for the company-operated stores (purchases for the franchised stores)	12,454 (601,997)	Accounts payable-trade	50,021

Transaction conditions and the principles on the decision thereof:

1. The terms and conditions for purchase transactions are determined to be same as those for other general business transactions. Except for purchases made for the franchised stores, the Company acts as an alternative payer, not as a direct party for the purchase.
2. The transaction amount does not include consumption taxes. However, the ending balance includes consumption taxes.

(Notes to Per-Share Data)

- | | |
|-------------------------|--------------|
| 1. Net assets per share | 2,432.73 yen |
| 2. Net income per share | 218.02 yen |

(Significant Subsequent Events)

Not applicable.

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

(TRANSLATION ONLY)

INDEPENDENT AUDITOR'S REPORT

April 7, 2016

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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

Shigeo Kawashima

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

Junichi Fujii

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 29, 2016 of Lawson, Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from March 1, 2015 to February 29, 2016, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawson, Inc. and its consolidated subsidiaries as of February 29, 2016, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

INDEPENDENT AUDITOR'S REPORT

April 7, 2016

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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

Shigeo Kawashima

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

Junichi Fujii

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of February 29, 2016 of Lawson, Inc. (the "Company"), and the related statements of income and changes in net assets for the 41st fiscal year from March 1, 2015 to February 29, 2016, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(TRANSLATION ONLY)

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 29, 2016, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

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

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

(TRANSLATION ONLY)

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

AUDIT REPORT

Regarding the execution of duties by the Directors for the 41st business term from March 1, 2015 to February 29, 2016, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Corporate Auditor, and hereby report as follows:

1. Auditing Methods Employed by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods
 - (1) We have established audit policies, audit programs and other guidelines for the current term, and received the reports from each Corporate Auditor regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding the execution of their duties, and asked for explanations as necessary.
 - (2) Each Corporate Auditor, pursuant to the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, has followed the audit policies and audit programs for the current term, communicated with the Directors, officers, internal audit department and other relevant employees, endeavored to collect information and develop the audit environment, and performed the audit using the following methods:
 - (i) We have attended the Board of Directors meetings, the management meetings, Compliance & Risk management meetings, Internal Control over Financial Reporting committee meetings and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the execution of their duties, asked for explanations whenever necessary, reviewed important approval documents and the like, and investigated the status of operations and assets at the head office, area office, and other principal offices and stores. With respect to subsidiaries, we have communicated and exchanged information with the Directors, Corporate Auditors and other relevant personnel of subsidiaries, requested the subsidiaries to report on their business where necessary, and investigated their status of operations and assets.
 - (ii) Pursuant to the audit items and audit methods regarding internal control system established by the Board of the Corporate Auditors, we have monitored and verified the resolution of the Board of Directors regarding the organization of the system as prescribed by item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors, described in business report, complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company and corporate group consisting of its subsidiaries. In connection with internal control over financial reporting, we received reports from the Directors and other relevant personnel, and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control respectively, and asked for explanations whenever necessary.

- (iii) We have monitored and verified whether Accounting Auditor maintained its independent position and implemented appropriate audit, and we received reports from Accounting Auditor regarding the status of the execution of its duties and, whenever necessary, asked for explanations. In addition, we have received the notice from the Accounting Auditor that “System for ensuring that the duties are performed properly” (matters set forth in each item of Article 131 of the Company Accounting Regulations) is organized in accordance with the “Quality Control Standards for Audits” (Business Accounting Council, October 28, 2005) and the like, and, when necessary, asked for explanations.

Based on the above methods, we have examined the “business report and the supplementary schedules thereof,” the “consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in equity, and notes to consolidated financial statements)” and “nonconsolidated financial statements (balance sheet, statement of income, nonconsolidated statements of changes in equity, and notes to nonconsolidated financial statements) and supplementary schedules thereof” for this term.

2. Result of Audit

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

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

(2) Result of Audit of Consolidated Financial Statements

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

(3) Result of Audit of Nonconsolidated Financial Statements and Supplementary Schedules thereof.

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

April 12, 2016

The Board of Corporate Auditors of Lawson, Inc.

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

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1: Appropriation of Surplus

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

We intend to increase year-end dividends for the current fiscal term by ¥2.50 per share, from ¥120 per share in the previous term to ¥122.50 per share. Accordingly, full-year dividends including interim dividends of ¥122.50 per share will be ¥245 per share, an increase of ¥5 per share from the previous fiscal term.

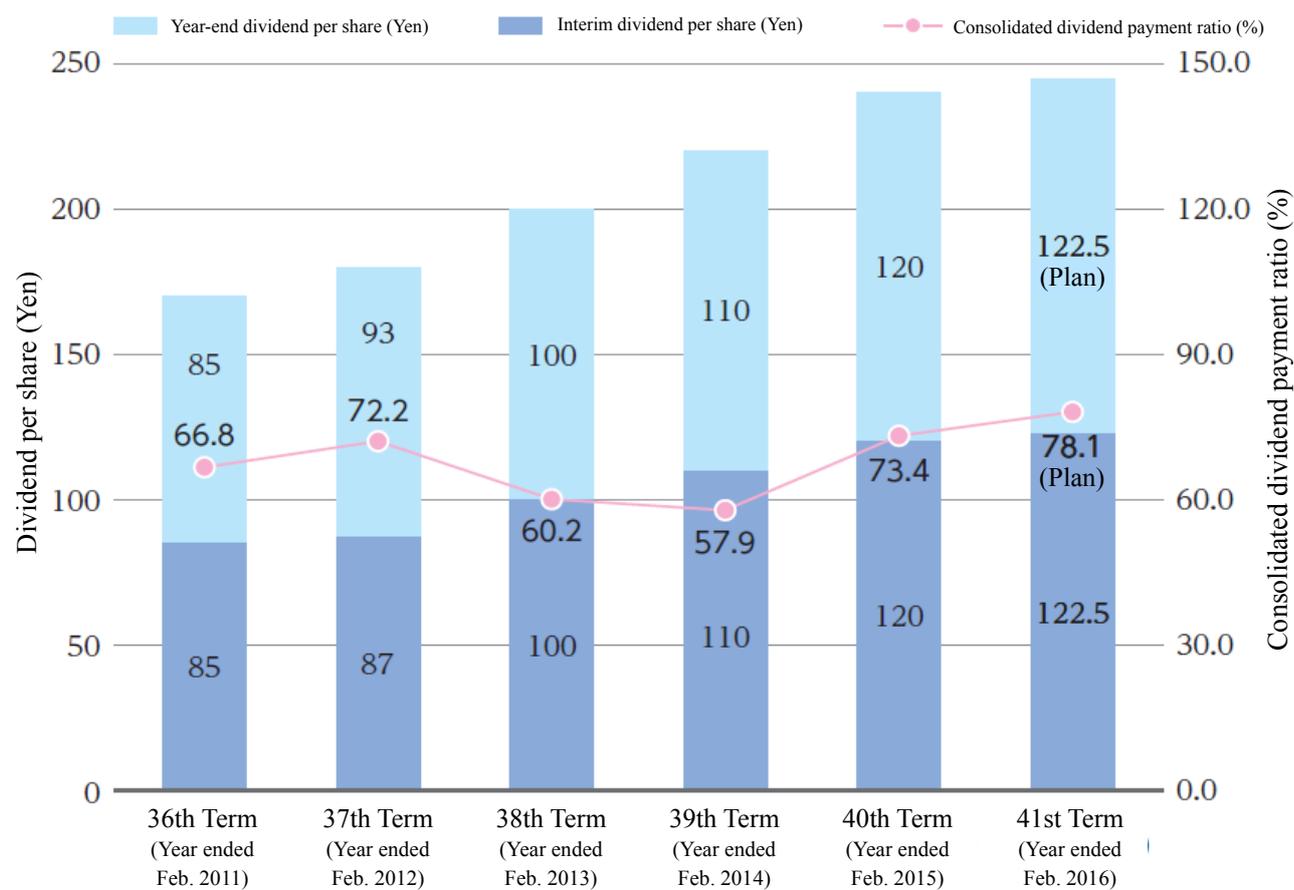
We intend to continue to place emphasis on the distribution of profit to shareholders into the future.

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

Year-end dividends:

- (1) The assignment of the dividend property to shareholders and total amount thereof:
¥122.50 per share of the Company's common stock to a total of ¥12,249,768,707
- (2) Effective date of the dividends from surplus:
Wednesday, May 25, 2016

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



	36th Term	37th Term	38th Term	39th Term	40th Term	41st Term (Current Period)
Interim dividend per share	¥85	¥87	¥100	¥110	¥120	¥122.50
Year-end dividend per share	¥85	¥93	¥100	¥110	¥120	(Plan) ¥122.50
Annual dividend per share	¥170	¥180	¥200	¥220	¥240	(Plan) ¥245
Consolidated net income per share	¥254.61	¥249.17	¥332.20	¥380.04	¥327.08	¥313.81
Consolidated dividend payment ratio	66.8%	72.2%	60.2%	57.9%	73.4%	(Plan) 78.1%
ROE	12.8%	12.0%	15.2%	16.1%	13.0%	12.0%

(Notes)

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

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

1. Reason for the amendment

In order to further clarify the management responsibilities of directors, establish a management system that can swiftly respond to changes in the business environment, and increase opportunities for gaining confidence from our shareholders, we propose that the term of office of directors provided in Article 19 (Term of Office of Directors) of the current Articles of Incorporation be shortened from two years to one year. In addition, we propose that paragraph 2 of Article 19, which concerns the adjustment of term of office, be deleted.

2. Particulars of amendments

Particulars of proposed amendments are described below.

(Suggested amendments are underlined in the text.)

Current Provision of the Articles of Incorporation	Proposed Amendment
<p>Article 19: Term of Office of Directors The term of office of directors of the Company shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the latest business year ending within <u>two (2)</u> years following their election.</p> <p>② <u>The term of office of directors of the Company who are elected to increase the number of directors or fill vacancies of directors who retired before the expiry of their term of office shall expire at the end of the remaining term of office of other directors already in office.</u></p>	<p>Article 19: Term of Office of Directors The term of office of directors of the Company shall expire at the conclusion of the ordinary general meeting of shareholders pertaining to the latest business year ending within <u>one (1)</u> year following their election. (Delete)</p>

Proposal No. 3: Election of Eight (8) Directors

The terms of office of all eight (8) current Directors expire at the conclusion of this 41st Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect eight (8) Directors.

If this proposal is approved and passed, there will be eight (8) Directors of the Company after the meeting of shareholders, of which five (5) will be Outside Directors, including three (3) “independent directors/auditors.”

The candidates for directors are as stated in the following table. Please refer to pages 40 to 47 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 49 for the policy and procedures of the Company’s Board of Directors for nominating candidates for Directors.

No.	Name	Position at the Company, etc.		Board of Directors’ meeting attendance rate
1	Genichi Tamatsuka	President and CEO, Representative Director	Reappointment	100%
2	Sadanobu Takemasu	Senior Executive Vice President, Representative Director	Reappointment	100%
3	Masakatsu Gonai	Executive Vice President, Member of the Board	Reappointment	100%
4	Emi Osono	Member of the Board	Reappointment, outside, independent	85.7%
5	Yutaka Kyoya	Member of the Board	Reappointment, outside	92.9%
6	Sakie Akiyama	Member of the Board	Reappointment, outside, independent	92.9%
7	Keiko Hayashi	–	New appointment, outside, independent	–
8	Kazunori Nishio	–	New appointment, outside	–

Notes:

- Ms. Keiko Hayashi’s legal name is Keiko Hama.
- Positions at the Company, etc. are as of April 13, 2016.

No.
1

Genichi Tamatsuka
(May 23, 1962)

Reappointment

- Number of the Company's shares held:
3,700
- Attendance at Board of Directors' meetings
14 out of 14 (100%)
- Years in office
4 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1985	Joined Asahi Glass Co., Ltd.
July 1998	Joined IBM Japan, Ltd.
December 1998	Joined Fast Retailing Co., Ltd.
November 2002	President, Representative Director and COO, Fast Retailing Co., Ltd.
September 2005	Established Revamp Corporation President, Representative Director and COO, Revamp Corporation
March 2011	Senior Executive Vice President and COO, Group CEO, CVS Operating Group and Division Director, Fast Food Division, Lawson, Inc.
May 2012	Member of the Board, Senior Executive Vice President, COO, and Group CEO, CVS Operating Group and Division Director, CRM Promotion Office and Marketing Office, Lawson, Inc.
May 2013	Member of the Board, Representative Executive Officer, COO, and President of CVS Company and Overseas Operations Company, Lawson, Inc.
May 2014	President and CEO, Representative Director, and President of CVS Company, Lawson, Inc.
October 2015	President and CEO, Representative Director, and CHO, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Genichi Tamatsuka has been nominated as a candidate for Director, as he has deep knowledge and a wealth of experience regarding overall management, having served as representative director in several companies. In addition, he has contributed to the improvement of the Lawson Group's business performance and corporate value over the past two years as President and CEO, Representative Director of the Company, and we would like to continue to benefit from his management and supervision of the Company by leveraging his experiences.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

No.
2

Sadanobu Takemasu
(August 12, 1969)

Reappointment

- Number of the Company's shares held:
400
- Attendance at Board of Directors' meetings
14 out of 14 (100%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
June 2010	Executive Assistant to President & Chief Executive Officer, Corporate Administration Department and Corporate Strategy & Planning Department, Mitsubishi Corporation
May 2014	Senior Executive Vice President, Representative Director, Division Director of Corporate Sales, and in charge of Lawson Mart, Lawson, Inc.
November 2014	Senior Executive Vice President, Representative Director, Corporate Staff Divisions, LM/Lawson Store100 Business, and Division Director of Corporate Sales, Lawson, Inc.
March 2016	Senior Executive Vice President, Representative Director, Corporate Staff Divisions, SEIJO ISHII, Natural Lawson and Lawson Store100 Business, Overseas Business, and Entertainment and Consumer Service Business, and Division Director of Corporate Sales and Store Development, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Sadanobu Takemasu has been nominated as a candidate for Director, as he has contributed to the improvement of the Lawson Group's business performance and corporate value by achieving a recovery in the performance of Lawson Store100 through his supervision of the overall corporate divisions, overseas business, the SEIJO ISHII, Natural Lawson and Lawson Store100 business, and the Entertainment and Consumer Service business as Senior Executive Vice President, Representative Director, as well as his position in charge of overall store development as Division Director. We would like to continue to benefit from his management and supervision of the Company by leveraging his experiences.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

No.
3

Masakatsu Gonai
(May 24, 1961)

Reappointment

- Number of the Company's shares held:
1,300
- Attendance at Board of Directors' meetings
14 out of 14 (100%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1980	Joined Lawson, Inc.
March 1998	General Manager, Third Kanto Department, Store Operations Division, Lawson, Inc.
June 2005	Division Director of Marketing Division, and General Manager of Advertising and Sales Promotion Dept., Lawson, Inc.
September 2007	Region Director, Kanto LAWSON Office, Deputy Senior Vice President, Lawson, Inc.
March 2012	Executive Officer, Assistant to Chief Compliance Officer (CCO), Lawson, Inc.
May 2012	Executive Officer, CCO in charge of CSR Division, Director of Compliance & Risk Management Office, Lawson, Inc.
April 2014	Senior Vice President, Compliance and Risk, Lawson, Inc.
May 2014	Member of the Board, Senior Vice President, Compliance & Risk Management
September 2014	Member of the Board, Executive Vice President, Compliance & Risk Management, Human Resources
March 2015	Member of the Board, Executive Vice President, Compliance & Risk Management, Human Resources, and Division Director of Franchisee Business Support (Current position)

Reasons for nomination as Director

Mr. Masakatsu Gonai has been nominated as a candidate for Director, as he has contributed to the reduction and prevention of risk for the Lawson Group, as well as promoted the active participation of women and personnel development—previously as an officer in charge of store operations and marketing and region director, and currently as an officer in charge of compliance and risk management and human resources. We would like to continue to benefit from his management and supervision of the Company by leveraging his experiences.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

No.
4

Emi Osono
(August 8, 1965)

Reappointment, outside,
independent

- Number of the Company's shares held:
200
- Attendance at Board of Directors' meetings
12 out of 14 (85.7%)
- Years in office
4 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1988	Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)
April 1998	Assistant Professor, Institute of Asia-Pacific Studies, Waseda University
April 2000	Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
October 2002	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
April 2010	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (Current position)
June 2011	Outside Director, Resona Holdings, Inc. (Current position)
May 2012	Outside Director, Lawson, Inc. (Current position)

Reasons for nomination as Outside Director

Ms. Emi Osono has been nominated as a candidate for Outside Director, as she has a wealth of academic knowledge on global corporate management, operational strategies, and organizational behavior. We have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from her supervision of the Company's management by leveraging her experiences.

Ms. Osono serves as Vice-Chairperson of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of Outside Directors and Outside Corporate Auditors. She has also been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

No.
5

Yutaka Kyoya
(January 7, 1962)

Reappointment, outside

■ Number of the Company's shares held:
0

■ Attendance at Board of Directors' meetings
13 out of 14 (92.9%)

■ Years in office
3 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1984	Joined Mitsubishi Corporation
April 2008	General Manager, Grain Unit, Foods (Commodity) Div., Mitsubishi Corporation
April 2013	Division COO, Foods (Commodity) Div., Mitsubishi Corporation
May 2013	Outside Director, Lawson, Inc. (Current position)
April 2014	Senior Vice President, Division COO, Living Essential Resources Division, Mitsubishi Corporation
September 2015	Outside Director, Thai Union Group Public Company Ltd. (Current position)
November 2015	Outside Director, Olam International Ltd. (Current position)
April 2016	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation (Current position)

Reasons for nomination as Outside Director

Mr. Yutaka Kyoya has been nominated as a candidate for Outside Director, as he has a wealth of knowledge on the life industry field, mainly in food, through his duties at Mitsubishi Corporation, an important business partner of the Company. We have been receiving his proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from his supervision of the Company's management by leveraging his experiences.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

No.
6



Sakie Akiyama
(December 1, 1962)

Reappointment, outside,
independent

- Number of the Company's shares held:
200
- Attendance at Board of Directors' meetings
13 out of 14 (92.9%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1987	Joined Arthur Andersen & Co.
April 1994	Founded Saki Corporation and assumed the position of Representative Director and CEO (Current position)
May 2014	Outside Director, Lawson, Inc. (Current position)

Reasons for nomination as Outside Director

Following her career at a foreign consulting firm, Ms. Sakie Akiyama founded Saki Corporation, which develops, manufactures, and sells automated optical inspection (AOI) machines for printed circuit boards and X-Ray automated inspection machines. As CEO of the company, she has extensive experience and expertise in corporate management. She has been nominated as a candidate for Outside Director, as we have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from her supervision of the Company's management by leveraging her experiences.

Ms. Akiyama serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of Outside Directors and Outside Auditors. She has also been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.



Keiko Hayashi
(March 16, 1959)

New appointment, outside,
independent

■ Number of the Company's
shares held:
0

Brief Personal History, Position, Assignment and Important Concurrent Positions

June 1983	Joined SHIMIZU CONSTRUCTION CO., LTD, Los Angeles, USA
November 1992	Dog Food Trade Strategy, Sales Technology Manager, Master Foods Japan Ltd.
August 1993	Marketing Director, Member of Management Decision Committee, Master Foods Japan Ltd.
August 1995	Marketing Director, Member of Management Committee, Mattel Japan Ltd.
February 1998	Country Manager, VICTORIA'S SECRET Catalog, LIMITED Group
October 1998	Merchandising Director, Disney Store Japan
December 1999	President and Representative Director, Lands' End Japan KK
September 2005	Outside Director, Nikko Asset Management Co., Ltd.
September 2007	Founded DoCLASSE Co., Ltd. and assumed the position of President and CEO (Current position)
February 2011	Founded IMA Holdings and assumed the position of President and CEO (Current position)
March 2011	Founded fitfit Co., Ltd. and assumed the position of President and CEO (Current position)
December 2011	Founded IMA People Co., Ltd. and assumed the position of President and CEO (Current position)
January 2013	Director, Kirin Co., Ltd.
March 2014	Outside Director, Kirin Co., Ltd.

Reasons for nomination as Outside Director

Following her career in product development and marketing-related work at an advertising agency, foreign consulting firm, and Disney Store Japan, among others, Ms. Keiko Hayashi founded DoCLASSE Co., Ltd., which handles the planning, manufacturing, sales and delivery of clothes, fashion goods and jewelry. As the president of the company, she has extensive experience and expertise in corporate management. She has been nominated as a candidate for Outside Director, as we would like to receive her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and benefit from her supervision of the Company's management by leveraging her experiences. Ms. Hayashi has also been registered as a person to be appointed as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc. Ms. Keiko Hayashi's legal name is Keiko Hama.

No.
8

Kazunori Nishio
(July 13, 1961)

New appointment, outside

■ Number of the Company's shares held:
0

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1984	Joined Mitsubishi Corporation
July 2010	Seconded to CGC Japan Co., Ltd.
May 2011	Senior Managing Director, CGC Japan Co., Ltd.
October 2013	Acting General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation
April 2014	Division COO, Retail Div., Mitsubishi Corporation
April 2016	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation (Current position)

Reasons for nomination as Outside Director

Mr. Kazunori Nishio has been nominated as a candidate for Outside Director, as he has a wealth of knowledge on the life industry field, mainly in retail, through his duties at Mitsubishi Corporation, an important business partner of the Company, as well as at a retailer to which he has been seconded. We would like to receive his proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and benefit from his supervision of the Company's management by leveraging his experiences.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc.

Notes:

- In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with Ms. Emi Osono, Mr. Yutaka Kyoya, and Ms. Sakie Akiyama. Under the liability limitation agreement concluded with the Company, Directors (excluding those who are executive directors, etc.) assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence. The Company is also planning to conclude a similar agreement with Ms. Keiko Hayashi and Mr. Kazunori Nishio.
- The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 13, 2016.

Proposal No. 4: Election of One (1) Corporate Auditor

The term of office of Mr. Shinichi Hokari, Corporate Auditor, expires at the conclusion of this 41st Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect one (1) Corporate Auditor.

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

The nominee for corporate auditor is as follows.

Furthermore, please refer to page 49 for the policy and procedures of the Company's Board of Directors for nominating candidates for Corporate Auditor.



Toshio Takahashi
(June 29, 1958)

New appointment, outside,
independent

■ Number of the Company's
shares held:
0

Brief Personal History, Position and Important Concurrent Positions

April 1981	Joined Tokai Bank (currently Bank of Tokyo-Mitsubishi UFJ, Ltd.)
April 1991	Manager, Treasury Division (London), Tokai Bank
January 1999	Chief Assistant, Risk Management Division (London), Chief Assistant, Investment Banking Planning Division, Deputy General Manager of London Branch, Tokai Bank
October 2002	Deputy General Manager, Internal Audit Department, UFJ Holdings (currently Mitsubishi UFJ Financial Group)
October 2004	Deputy General Manager, Internal Audit Planning Office, UFJ Bank, Ltd. (currently Bank of Tokyo-Mitsubishi UFJ, Ltd.)
January 2006	Senior Manager, Planning Department of Internal Audit & Credit Examination Division, Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2008	Retired from Bank of Tokyo-Mitsubishi UFJ, Ltd.
June 2008	Joined SAP Japan Co., Ltd.
June 2011	Standing Corporate Auditor, SAP Japan Co., Ltd. (Current position) (Expected to retire in May 2016)

Reasons for nomination as Outside Corporate Auditor

Mr. Toshio Takahashi has been nominated as a candidate for Outside Corporate Auditor, as he has abundant expertise in finance and accounting, serving at city banks engaged in treasury, risk management and internal audits, as well as serving as full-time auditor at the Japanese subsidiary of a major foreign IT firm. We would like to benefit from his audit and supervision of the Company by leveraging his experiences.

Mr. Takahashi has also been registered as a person to be appointed as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

Particular conflicts of interest between the Candidate and Lawson, Inc.

There are no particular conflicts of interest between the Candidate and Lawson, Inc. Although there is regular business conducted between the Company and Bank of Tokyo-Mitsubishi UFJ, Ltd., where Mr. Takahashi previously worked, no borrowing from the bank is undertaken, including syndicate loans. In addition, the bank will not be involved in the management or decision-making of the Company.

Notes:

- In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. is planning to conclude the following liability limitation agreement with Mr. Toshio Takahashi. Under the liability limitation agreement concluded with the Company, Corporate Auditors assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.
- The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 13, 2016.

[Reference] Policy and procedures of the Company's Board of Directors for nominating candidates for Directors and Corporate Auditors

Lawson, Inc. has established Director/Auditor Election Standard as the basis for nominating candidates for directors and corporate auditors. As for outside directors/auditors, our policy is to invite personnel with a wealth of experience and knowledge on corporate management and particular areas of expertise, and who can secure sufficient time to perform their duties as director or corporate auditor. Furthermore, for independent directors/auditors, we have established Criteria concerning Independence in order to appoint outside directors or outside corporate auditors who are unlikely to have a conflict of interest with general shareholders as independent directors/auditors.

In addition, as an advisory organ that recommends candidates for directors to the Board of Directors, we have voluntarily established a Nomination and Compensation Advisory Committee. All six members of the committee are outside directors/auditors, with five being independent directors/auditors. The committee is designed to recommend candidates for directors to the Board of Directors under a high level of independence.

As for candidates for corporate auditors, those with knowledge and expertise in finance, accounting, risk management and law, which are necessary for auditing operations, are nominated as candidates for corporate auditors upon obtaining the consent of the Board of Auditors.

1. Director/Auditor Election Standard

- (1) A person who can deeply relate to the Lawson Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities"
- (2) A person who has the capability to contribute to the sustainable growth and corporate value improvement of the Lawson Group
- (3) A person who has no hindrance in health, both physically and mentally, in the performance of his/her duties
- (4) A person who is popular, possesses dignity and a high sense of ethics
- (5) A person who has a law-abiding spirit
- (6) A person who has the ability to make objective judgments on management, has foresight and insight
- (7) A person who has no conflict of interest or business relationship that would have a serious effect on the performance of his/her duties
- (8) A person who does not fall under the criteria for disqualification provided by the Companies Act
- (9) For outside directors/auditors, a person who fulfills the standard provided in 2.

2. Outside Director/Auditor Election Standard

- (1) A person who has a wealth of experience and knowledge on corporate management and an area of expertise
- (2) A person who can secure sufficient time to perform his/her duties as director or corporate auditor

In order to improve corporate governance, Lawson, Inc. has established criteria concerning independence as follows, and appoints outside directors or outside corporate auditors who do not conflict with the said criteria as independent directors/auditors as specified by the Tokyo Stock Exchange, Inc.

3. Criteria concerning Independence

- ① A person for whom the Lawson Group is a key business partner, or an executive officer thereof
A supplier group who provides products or services to the Lawson Group, with the amount of sales to the Lawson Group in the most recent business year amounting to 2% of the client group's consolidated net sales or more
- ② A key business partner of the Lawson Group, or an executive officer thereof
A client group to whom the Lawson Group provides products or services, with the amount of sales of the Lawson Group to the client group in the most recent business year amounting to 2% of the Lawson Group's consolidated net sales (gross operating revenues) or more
- ③ A consultant, accounting expert or legal expert who receives substantial monies or other property from Lawson, Inc. other than as director/auditor compensation
A consultant, accounting expert such as a certified public accountant, or a legal expert such as a lawyer, who receives substantial monies or other property from Lawson, Inc. other than as director/auditor remuneration, and who has received compensation of 5 million yen per year or more over the past two years
- ④ A major shareholder of Lawson, Inc. (if the major shareholder is a corporation, an executive officer of the corporation)
- ⑤ (A close relative is) An executive officer of the Lawson Group
- ⑥ (A close relative is) A non-executive director or accounting advisor (if the independent director/auditor is an outside corporate auditor) of the Lawson Group