

May 1, 2018

To All Shareholders with Voting Rights

Sadanobu Takemasu
President, Representative Director
Lawson, Inc.
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo

NOTICE OF THE 43rd ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 43rd 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 21, 2018.

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

Please exercise your voting rights by 5:45 p.m. on Monday, May 21, 2018 after reading the attached document “Exercising Voting Rights via the Internet, etc.”

1. Date and Time: 10:00 a.m., Tuesday, May 22, 2018
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 43rd Fiscal Term (from March 1, 2017 to February 28, 2018), and the Audit Reports Thereof

Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Partial Amendment to the Articles of Incorporation
- Proposal No. 3: Election of Eight (8) Directors

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- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. 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, 2017 through February 28, 2018)

I. CURRENT STATUS OF THE CORPORATE GROUP

1. Summary of Operations

(1) Business Developments and Results of Operations

During the fiscal year under review, or fiscal 2017 ended February 28, 2018, we have advanced and accelerated our “1000-Day Action Plan”, which is in its second year, and focused our business activities on building Lawson’s next-generation convenience store model. The convenience store industry is now undergoing a period of drastic transformation. This is attributable to changes in community needs resulting from an aging population and the prevalence of the nuclear family, among others, which have triggered a reorganization of the industry. We have made efforts to evolve our business model as a manufacturing retailer targeting small catchment areas and to raise our store productivity to an unprecedented level toward our ongoing goal of fulfilling our customers’ needs in everyday life by serving as an essential part of their communities.

In terms of operating results for the fiscal year, while gross operating revenue grew to 657,324 million yen (up 4.1%) due to an increase in the number of stores, operating income and ordinary income decreased to 65,820 million yen (down 10.8%) and 65,141 million yen (down 10.8%), respectively, owing to a rise in system investment for the next generation and an increase in the cost for supporting franchise stores due to partially bearing their disposal loss and electricity costs. Profit attributable to owners of parent decreased to 26,828 million yen (down 26.3%), partly due to the posting of an extraordinary loss resulting from system-related investment.

We have also focused on addressing operating risks across the entire Group based on the 2017 Basic Policy for Maintaining Internal Control Systems and we will continue promoting internal control going forward.

Operating results by business segment were as follows:

(Domestic Convenience Store Business)

In our convenience store business, we expanded our merchandise assortment offered in the evening and nighttime hours, strengthened our mainstay products including counter fast food items, rice balls, and bento boxed lunches, and revamped our lineup of healthy food items including bran bread *1 and salads. We also endeavored to enhance store productivity by such measures as introducing tablet terminals to be used by store staff at LAWSON stores nationwide to further facilitate sales management of counter fast food items. Furthermore, new point-of-sale (POS) cash registers (for sales information management) equipped with an automatic change dispenser function have been introduced in phases with the aim of achieving higher cash-handling efficiency at stores, including expediting cash register transactions.

*1 Bran: The external layer of wheat. It contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrates.

[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. Furthermore, we also actively promoted not only existing stores but also new stores by strengthening our product lineup, and improving operations and franchise support by headquarters.

Furthermore, in October 2017, we opened a laboratory at the Lawson Open Innovation Center to verify how next-generation IT technologies can be put to practical use at our stores. A plan is underway to commence a pilot trial of unmanned cash registers at several stores in the Tokyo metropolitan area by around spring of 2018 with the aim of saving manpower during nighttime hours. We will continue harnessing diverse technologies to create a model for our next-generation convenience store.

[Merchandising and Service Strategies]

On the merchandise side, we strengthened our merchandise assortment under our “Lawson Select” brand focused on daily delivered food and frozen food, as well as in our readymade dish lineup including salad items. In our lineup of regular items including rice balls and bento boxed lunches, we revamped the entire lineup of “Onigiriya,” our original rice ball brand, which resulted in strong sales. In addition, our regular bento in our “Korega” (meaning, “This is”) bento series adopting new ingredients and production methods and our “Motto! Yasai” (meaning, “More vegetables!”) series items proposing a healthier diet recorded robust sales and popularity, demonstrated the success of our new initiatives.

In the dessert range, seven products were launched in five phases from the “Uchi Café SWEETS X GODIVA” series produced in collaboration with Godiva with well-selected ingredients and a special production method, which remained popular especially among female customers.

(TRANSLATION ONLY)

In the counter fast food range, the savory “Deka Yakitori” (large grilled chicken) with enhanced aroma and “L-Chiki” (fried chicken) with increased volume remained popular. At our MACHI café, which serves freshly brewed coffee in store, new coffee brewing machines are being introduced. The new machines can brew coffee in approximately 25 seconds, shorter than the 40 seconds required by previous machines, allowing us to offer an expanded selection of items on the menu. We are planning to replace around 14,000 machines with the new models to provide coffee of higher quality in a shorter period of time.

In addition to thus strengthening our merchandise lineup, we also enhanced our service offerings, one of which is our “Gift Cards”^{*2}, whose transaction value continued to remain solid.

On our sales promotion side, as our effort to increase the number of purchased items per customer, we rolled out a promotional “Lawson Tokuichi!” campaign, where a 10% discount was offered on “Lawson Select” chilled/frozen foods as well as some items offered in the counter cases. Furthermore, effective measures to attract customers were launched, including a “speed lottery” themed on “GENERATIONS from EXILE TRIBE,” which demonstrated our strength in the entertainment field, and through the application of social media.

*2 Gift Cards: Collective term for prepaid cards that can be used for online transactions.

[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	1,138,966	52.7	106.1
Fast foods	509,415	23.6	105.8
Daily delivered foods	314,481	14.5	106.9
Nonfood products	197,821	9.2	101.5
Total	2,160,684	100.0	105.7

Note: These figures include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.

[Store Development]

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

Regarding the entire Lawson Group, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during the current fiscal year stood at 1,250 and 369 stores, respectively, with the total number of stores in Japan reaching 13,992 as of the end of February 2018.^{*3}

With regard to our partnership initiatives with other chain retailers in Japan, based on business integration agreements, we are remodeling THREE F stores operated by Three F Co., Ltd. into LAWSON THREE F stores, and SAVE ON stores operated by Save On Corp. into LAWSON stores.

With regard to THREE F stores, 195 stores were remodeled into LAWSON THREE F stores as of the end of February 2018. The remodeling of THREE F stores into LAWSON THREE F stores will be continued in stages in and after March 2018. Meanwhile, a total of 125 SAVE ON stores have been remodeled into LAWSON stores as of the end of February 2018. The remodeling of SAVE ON stores into LAWSON stores will be completed by the end of the next fiscal year ending February 2019.

Furthermore, by building partnerships with dispensing pharmacy and drug store chains, we offer not only OTC pharmaceuticals, cosmetics, and daily necessities, but also offer a more numerous assortment of merchandise than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 176 stores (includes 47 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2018. Furthermore, the number of stores offering nursing care consultation services has reached 16 as of the end of February 2018. We will continue to engage in establishing convenience store models that address and deal with social changes such as the aging population and increased health awareness.

With respect to LAWSON STORE100, we will continue to increase the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value.

*3 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in Total Number of Domestic Stores]

	Total stores as of February 28, 2017	Change during fiscal year	Total stores as of February 28, 2018
LAWSON	12,172	872	13,044
NATURAL LAWSON	141	2	143
LAWSON STORE100	798	7	805
Total	13,111	881	13,992

Note: These figures include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Other]

We continued to work on enhancing 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.

Led by the Japanese Ministry of Economy, Trade and Industry, Lawson, Inc. and other domestic convenience store operators jointly issued the Declaration of Plan to Introduce 100 Billion Electronic Tags for Products in Convenience Stores. By using electronic tags, we aim to enhance store operating efficiency and continue to respond quickly to changing customer expectations.

As a result, Domestic Convenience Store Business posted gross operating revenue of 442,684 million yen (up 4.3% from previous fiscal year) and segment profit of 53,648 million yen (down 10.4% from previous fiscal year.)

(Seijo Ishii Business)

The number of directly operated Seijo Ishii high-end supermarket chain stores offering quality foods reached 140 as of the end of February 2018, and sales were also strong. In September 2017, we opened our first “grocerant,” a new store format that combines a supermarket and a restaurant, in Chofu-shi, Tokyo. The grocerant offers a selection of items on its menu, all of which use Seijo Ishii’s well-selected products in season, attracting a broad range of customers. We remain committed to enhancing the brand image and corporate value of Seijo Ishii, while absorbing the company’s product development expertise, know-how 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 81,957 million yen (down 4.5% from previous fiscal year) and segment profit of 6,854 million yen (down 0.8% from previous fiscal year).

(Entertainment-related Business)

With regards to our entertainment-related business, Lawson HMV Entertainment, Inc., which forms the core of the business, continued to secure top-class ticket transaction value in the ticketing industry. HMV, which sells music CDs and DVDs, also operates the HMV Record Shop specializing in second-hand analog records and CDs. Including the HMV Record Shop, the number of HMV stores totaled 54 as of the end of February 2018. We will strive to offer an even wider selection of products and services to better respond to customer needs by, for example, expanding the scope of our entertainment business. As of the end of February 2018, United Cinemas Co., Ltd. operates cinemas at 40 sites, offering 351 screens nationwide including those operated on commission.

As a result, Entertainment-related Business posted gross operating revenue of 75,380 million yen (up 3.4% from previous fiscal year) and segment profit of 3,853 million yen (down 3.4% from previous fiscal year).

(Other Business)

In addition to the aforementioned businesses, the Group is also involved in the Overseas Business and the Financial Services-related Business.

With regards to Overseas Business, the Group’s operating companies opened LAWSON stores in the People’s Republic of China, Thailand, Indonesia, the Philippines, and the United States of America (Hawaii).

In the People’s Republic of China, after being the first Japanese convenience store operator to advance into Shanghai, we made inroads into Chongqing, Dalian, Beijing, Wuhan, and Nanjing. The number of LAWSON stores in the entire country reached 1,423 as of the end of the fiscal year under review. Furthermore, we are scheduled to open our first store in Hefei, Anhui Province in spring 2018.

[Distribution of Lawson Brand Stores Overseas by Region]

Country/Region	Number of stores (as of February 28, 2017)	Change during fiscal year	Number of stores (as of February 28, 2018)
China Shanghai and surrounding area	665	200	865
China Chongqing	136	29	165
China Dalian	82	40	122
China Beijing	48	25	73
China Wuhan	72	126	198
Thailand	85	16	101
Indonesia	36	1	37
Philippines	30	3	33
United States of America Hawaii	2	—	2
Total	1,156	440	1,596

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. We strengthened partnerships with new financial institutions bringing the total number of our financial institution partners to 90 nationwide (up 3 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 12,733 (up 821 from previous fiscal year) as of the end of February 2018.

As a result, Other Business posted gross operating revenue of 65,442 million yen (up 18.7% from previous fiscal year) and segment profit of 1,464 million yen (down 51.2% from previous fiscal year).

Through Lawson Bank Preparatory Company, Inc. (hereafter, the “Preparatory Company”), founded in November 2016, Lawson, Inc. has been preparing to establish a bank by leveraging its past experience in financial services. In March 2018, the Preparatory Company decided to apply for preliminary screening by the Financial Services Agency of Japan to obtain a banking license.

(Environmental and Social Contribution Activities)

As part of our initiative to reduce our environmental impact, we will endeavor to save energy and resources as well as 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 2018, the system had been installed in approximately 2,700 stores, approximately 700 stores more than a year earlier. Compared to conventional equipment used in our stores, the new system can reduce 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 its target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. In January, we opened a pilot store focusing on environmental friendliness that aims to become a “Smart Energy Store” in Tatebayashi-shi, Gunma. For this store, we use cross laminated timber (CLT) made of Japanese cedar grown in Japan and other domestically produced wood for the structure and interior to enhance the building’s heat insulation, reduce electricity consumption and save energy, and decrease CO₂ emissions during the construction process.

With regard to reducing waste, we are making efforts to improve order-receiving accuracy by introducing a semi-automatic ordering system for ordering products. Moreover, we are recycling unsold food and waste cooking oil from stores, which are being reused as feed and fertilizer, and biodiesel fuel, respectively.

As part of our social contribution activities, we established a scholarship program for children from single-parent families to support their education, and started accepting donations at stores in July 2017 through the “Happiness in Communities” fundraising boxes installed in all stores. Following a strict screening process, 400 recipients were selected and received their first installment of scholarship funds in December 2017. In addition, money was also raised for victims of the heavy rain disaster in northern Kyushu.

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

(2) Capital Expenditures

Capital expenditures of the Group during the fiscal year totaled 87,283 million yen, of which 63,409 million yen was primarily for store facility investment in buildings, and 18,615 million yen was for the upgrading of information systems.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2014 40 th Term	Fiscal 2015 41 st Term	Fiscal 2016 42 nd Term	Fiscal 2017 43 rd Term
Gross operating revenue (millions of yen)	497,913	583,452	631,288	657,324
Ordinary income (millions of yen)	71,714	69,622	73,014	65,141
Profit attributable to owners of parent (millions of yen)	32,686	31,381	36,400	26,828
Profit per share (yen)	327.08	313.81	363.96	268.16
Total assets (millions of yen)	764,614	803,212	866,577	900,256
Net assets (millions of yen)	263,797	272,997	285,995	281,446
Net assets per share (yen)	2,561.25	2,643.97	2,748.39	2,755.06

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2014 40 th Term	Fiscal 2015 41 st Term	Fiscal 2016 42 nd Term	Fiscal 2017 43 rd Term
Net sales of all convenience stores (millions of yen)	1,932,798	1,960,266	2,027,504	2,110,454
Gross operating revenue (millions of yen)	316,340	333,855	356,186	372,891
Ordinary income (millions of yen)	61,649	54,982	56,459	50,508
Profit (millions of yen)	26,200	21,802	19,088	19,417
Profit per share (yen)	262.18	218.02	190.86	194.09
Total assets (millions of yen)	693,811	714,875	767,986	798,603
Net assets (millions of yen)	243,420	243,576	237,409	233,489
Net assets per share (yen)	2,432.00	2,432.73	2,370.59	2,331.65

(4) Priority Issues of the Group

① Provide customers with enhanced support in their daily lives

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 offered in the evening and nighttime hours, 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 Improve store productivity by making maximum use of digital technology

In today's aging society with a low birth rate, various human resources, such as housewives, older workers, and foreign nationals, are being utilized for store operations. By reviewing complicated work processes, making maximum use of digital technology and introducing tablet terminals and new point-of-sale (POS) cash registers (for sales information management) equipped with an automatic change dispenser function, we are making efforts to improve productivity and create efficient and fulfilling work environments for a diverse workforce.

④ 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 Services-related Business. We will also work hard to make maximum use of each Group company's distinctive features to generate synergistic effects.

⑤ 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.

Lawson became a consolidated subsidiary of Mitsubishi in February 2017, which has resulted in a parent-subsidary listing. The Group plans to appoint several independent officers, who have no conflict of interest with general shareholders, as directors. In addition, the Nomination and Compensation Advisory Committee, consisting solely of non-executive directors and part-time outside auditors, has been formed on a voluntary basis. The Committee offers advice and makes proposals to the Board of Directors on directors' compensation and suitable candidates for representative directors and directors, so as to ensure transparency of management and fair judgment.

We conduct business activities under our corporate philosophy, "Creating Happiness and Harmony in Our Communities". We continue to work under our "1000 Days Action Plan", making companywide efforts to "master the basics", "respond to changes" and "meet the challenge of further growth."

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

2. Current Status at the End of February 2018

(1) Major Business Segments of the Corporate Group 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), Chushikoku area office (Kita-ku, Okayama) and Kyushu area office (Hakata-ku, Fukuoka)

Note: In addition to the above sites, the Company has 104 offices throughout Japan, including branches.

② Lawson Sanin, Inc.

Major Business: Operates LAWSON stores in the Sanin area.

Head Office: Yonago city, Tottori

③ Lawson Store100, Inc.

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

Head Office: Shinagawa-ku, Tokyo

④ SCI, Inc.

Major Business: Food wholesaler, including processed meats and frozen foods, and wholesaler of 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	654	Ibaraki	210	Kyoto	338	Ehime	219
Aomori	246	Tokyo	1,687	Shiga	157	Tokushima	134
Akita	190	Kanagawa	1,061	Nara	138	Kochi	139
Iwate	172	Shizuoka	268	Wakayama	145	Fukuoka	493
Miyagi	240	Yamanashi	128	Osaka	1,128	Saga	72
Yamagata	108	Nagano	176	Hyogo	677	Nagasaki	105
Fukushima	142	Aichi	683	Okayama	188	Oita	182
Niigata	159	Gifu	176	Hiroshima	211	Kumamoto	153
Tochigi	196	Mie	139	Yamaguchi	118	Miyazaki	106
Gunma	122	Ishikawa	103	Tottori	143	Kagoshima	194
Saitama	674	Toyama	190	Shimane	146	Okinawa	224
Chiba	610	Fukui	114	Kagawa	134	Total (domestic)	13,992

Note: These figures include stores operated by Lawson, Inc., subsidiary Lawson Sanin, Inc. and three equity-method affiliates, Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

(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: Setagaya-ku, Tokyo

(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: 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 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.

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 Beijing Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.

Head Office: Beijing, China

⑨ BEIJING LUOSONG Co., Ltd.

Major Business: Operates Company-operated convenience stores.

Head Office: Beijing, China

⑩ 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

① Lawson Bank Preparatory Company, Inc.

Major Business: Engages in preparation activities to commence banking business operations. Head Office: Shinagawa-ku, Tokyo

② 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	5,196	207
Seijo Ishii Business	1,001	50
Entertainment-related Business	1,073	34
Other Business	2,758	334
Total	10,028	625

Note: Number of employees is full-time employees.

② Employees of the Company

Number of Employees	Year-on-Year Change	Average Age	Average Years of Service
4,444	227	39.9	12.4

Note: Number of employees is full-time employees.

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Syndicated loan	50,000
Mizuho Bank, Ltd.	21,044
The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank, Ltd.)	10,000
Sumitomo Mitsui Banking Corporation	10,000

(4) Parent Company and Significant Subsidiaries and Equity-method Associates

① Parent Company

Parent Company	Capital Stock (millions of yen)	Shareholding (%)	Major Business
Mitsubishi Corporation	204,446	50.2	Global environment and infrastructure business, industrial finance, logistics and development, energy business, metals, machinery, chemicals, and living essentials, etc.

② Significant Subsidiaries

Company Name	Capital Stock	Shareholding	Major Business
Lawson Sanin, Inc.	25 million yen	70.0 %	Domestic Convenience Store Business
Lawson Store100, Inc.	99 million yen	100.0 %	Domestic Convenience Store Business
SCI, Inc.	10 million yen	100.0 %	Domestic Convenience Store Business
SEIJO ISHII CO., LTD.	100 million yen	100.0 %	Seijo Ishii Business
Lawson HMV Entertainment, Inc.	100 million yen	100.0 %	Entertainment-related Business
Lawson HMV Entertainment United Cinema Holdings, Inc.	100 million yen	100.0 %	Entertainment-related Business
United Entertainment Holdings Co., Ltd.	100 million yen	100.0 %	Entertainment-related Business
United Cinemas Co., Ltd.	100 million yen	100.0 %	Entertainment-related Business
Lawson (China) Holdings, Inc.	930 million Chinese yuan	100.0 %	Overseas Business
Shanghai Lawson, Inc.	353 million Chinese yuan	100.0 %	Overseas Business
Shanghai Le Song Trading Co., Ltd.	0.1 million Chinese yuan	100.0 %	Overseas Business
Shang Hai Gong Hui Trading Co., Ltd.	0.3 million Chinese yuan	85.0 %	Overseas Business
Zhejiang Lawson, Inc.	10 million Chinese yuan	100.0 %	Overseas Business
Chongqing Lawson, Inc.	190 million Chinese yuan	100.0 %	Overseas Business
Dalian Lawson, Inc.	66 million Chinese yuan	98.3 %	Overseas Business
Beijing Lawson, Inc.	184 million Chinese yuan	100.0 %	Overseas Business
BEIJING LUOSONG Co., Ltd.	0.1 million Chinese yuan	100.0 %	Overseas Business
Saha Lawson Co., Ltd.	1,087 million baht	49.0 %	Overseas Business
Lawson Bank Preparatory Company, Inc.	500 million yen	95.0 %	Financial Services-related Business
Lawson ATM Networks, Inc.	3,000 million yen	95.0 %	Financial Services-related Business
BestPractice, Inc.	10 million yen	100.0 %	Consulting Business

Notes:

1. Shareholding includes indirectly held shares.
2. Lawson Bank Preparatory Company, Inc. was included in the scope of consolidated subsidiaries from the fiscal year under review due to its increased significance as a subsidiary.

③ Significant Equity-method Associates

Company Name	Capital Stock (millions of yen)	Shareholding (%)	Major Business
Lawson Okinawa, Inc.	10	49.0	Domestic Convenience Store Business
Lawson Minamikyushu, Inc.	100	49.0	Domestic Convenience Store Business
Lawson Kochi, Inc.	50	49.0	Domestic Convenience Store Business

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 244,849 shares of treasury shares)**(3) Number of Unit (*tangen*) Shares:** 100 shares**(4) Number of Shareholders:** 36,536**(5) Top 10 Major Shareholders:**

Shareholder's Name	Number of Shares Held (thousand shares)	Shareholding (%)
Mitsubishi Corporation	50,150	50.1
The Master Trust Bank of Japan, Ltd. (Trust account)	3,338	3.3
Japan Trustee Services Bank, Ltd. (Trust account)	2,994	3.0
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK WEST CLIENT — TREATY 505234	1,567	1.6
THE BANK OF NEW YORK 133972	1,250	1.3
JP MORGAN CHASE BANK 380655	1,204	1.2
National Mutual Insurance Federation of Agricultural Cooperatives	1,001	1.0
Japan Trustee Services Bank, Ltd. (Trust account 5)	952	1.0
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	923	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**(1) Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2018**

	12 th Stock Acquisition Rights	13 th Stock Acquisition Rights	14 th Stock Acquisition Rights	16 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	0 person (0 unit)	1 person (5 units)	2 persons (32 units)	2 persons (43 units)
Outside Directors	1 person (5 units)	1 person (5 units)	2 persons (10 units)	2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 500	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 4,200	Common stock of Lawson, Inc. 5,300
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen	1 yen	1 yen	1 yen
Exercise period	April 12, 2013 through March 26, 2033	April 10, 2014 through March 23, 2034	April 10, 2015 through March 24, 2035	May 2, 2016 through April 13, 2036
Main exercise conditions	Note 1	Note 1	Note 1	Note 1

	17 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)	
Directors (excluding Outside Directors)	3 persons (72 units)
Outside Directors	3 persons (15 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 8,700
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	May 1, 2017 through April 11, 2037
Main exercise conditions	Note 1

(2) Stock Acquisition Rights Issued during the Fiscal Year to Senior Vice Presidents of the Company as Compensation for Performing Their Duties

	18 th Stock Acquisition Rights
Number of SVPs and the number of stock acquisition rights	
Senior Vice Presidents	12 persons (51 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 5,100
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	July 21, 2017 through July 4, 2037
Main exercise conditions	Note 1

Notes:

1. 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.
2. "Senior Vice Presidents" exclude those who concurrently serve as a member of the board.

The total number of shares subject to stock acquisition rights that remain unexercised as of February 28, 2018, is 42,500 shares, accounting for 0.04% 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 28, 2018)**

Name	Position, Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (6) Outside Directors and Outside Corporate Auditors	
Sadanobu Takemasu	President and CEO, Representative Director, Chairman of the Board	CHO and Entertainment Business Division Director
Katsuyuki Imada	Senior Executive Managing Officer, Member of the Board	Corporate Strategy and Planning Division Director
Satoshi Nakaniwa	Executive Vice President, Member of the Board	CFO
Emi Osono	Member of the Board	
Yutaka Kyoya	Member of the Board	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation; Member of the Board, Mitsubishi Shokuhin Co., Ltd; and Member of the Board, Olam International Limited
Sakie Akiyama	Member of the Board	
Keiko Hayashi	Member of the Board	
Kazunori Nishio	Member of the Board	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation
Toshio Takahashi	Audit and Supervisory Board Member (full-time)	
Masakatsu Gonai	Audit and Supervisory Board Member (full-time)	
Tetsuo Ozawa	Audit and Supervisory Board Member	
Eiko Tsujiyama	Audit and Supervisory Board Member	

Notes:

- Three Member of the Board (Emi Osono, Sakie Akiyama and Keiko Hayashi) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the "Companies Act").
- Three auditors (Toshio Takahashi, Audit and Supervisory Board Member (full-time), Tetsuo Ozawa, Audit and Supervisory Board Member and Eiko Tsujiyama, Audit and Supervisory Board Member) are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Toshio Takahashi, Audit and Supervisory Board Member (full-time), has considerable expertise in finance and accounting, serving at city banks engaged in treasury, risk management and internal audits, as well as serving as a full-time auditor at the Japanese subsidiary of a major foreign IT firm. Tetsuo Ozawa, Audit and Supervisory Board Member, is a lawyer who 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. Eiko Tsujiyama, Audit and Supervisory Board Member, has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.
- The following personnel changes were approved at the board of corporate auditors' meeting and the 42nd general meeting of shareholders held on May 30, 2017.

Appointment	Member of the Board	Katsuyuki Imada
	Member of the Board	Satoshi Nakaniwa
	Audit and Supervisory Board Member (full-time)	Masakatsu Gonai
Resignation	Representative Director	Genichi Tamatsuka
	Member of the Board	Masakatsu Gonai
	Audit & Supervisory Board Member (full-time)	Atsuhiko Seki

[Reference] Members of the Boards and Senior Vice Presidents**(Excluding Non-Executive Directors) (As of March 1, 2018)**

Name	Position and Major Title	
Sadanobu Takemasu	President , Representative Director, Chairman of the Board	CHO and Entertainment Business Division Director
Katsuyuki Imada	Senior Executive Managing Officer, Member of the Board	Corporate Strategy and Planning Division Director
Satoshi Nakaniwa	Executive Vice President, Member of the Board	CFO and Shared Services Division Director
Jun Miyazaki	Senior Executive Managing Officer	Corporate Communications Division Director and —Human Resources and Executive Assistant to CHO
Shuichi Imagawa	Executive Managing Officer	—Compliance & Risk Management and —Human Resources
Yuichi Wada	Executive Managing Officer	Store Operations Division Director
Motonobu Miyake	Executive Vice President	China Business Division Director and Lawson (China) Holdings, Inc. General Manager
Akihito Watanabe	Executive Vice President	Lawson HMV Entertainment, Inc., United Cinemas Co., Ltd. and Lawson Travel, Inc. President and Representative Director
Tatsushi Sato	Executive Vice President	Operations Management and IT Systems Division Director
Kazuya Nobe	Executive Vice President	Marketing Division Director
Hitoshi Fujii	Executive Vice President	Merchandising Division Director
Kazuhiro Wakui	Executive Vice President	Merchandising Division Deputy Director
Yasuhiko Hirokane	Senior Vice President	Executive Assistant to President
Keita Kamoi	Senior Vice President	Financial Services Division Director
Zhang Joshua	Senior Vice President	Shanghai Lawson, Inc. General Manager
Toshihiko Chihiro	Senior Vice President	Corporate Sales and Store Development Division Director
Hajime Kawamura	Senior Vice President	Franchisee Business Support Division Deputy Director
Yasuhiro Iseki	Senior Vice President	SEIJO ISHII CO., LTD. Member of the Board, Senior Executive Vice President (Temporary Transfer)
Naotaka Honda	Senior Vice President	Operations Management and IT Systems Division Deputy Director
Masayuki Sawada	Senior Vice President	PG LAWSON COMPANY, INC. Director, COO and Asia Pacific Business Division Deputy 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 Corresponding Directors and Corporate Auditors
		Basic Compensation	Stock Options	
Directors (Including Outside Directors)	277	169	107	10
(Outside Directors)	38	30	8	3
Corporate Auditors (Including Outside Corporate Auditors)	71	71	—	5
(Outside Corporate Auditors)	47	47	—	3
Total	348	241	107	15

(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 non-executive directors and audit & supervisory board members (part-time) (five out of six are independent directors).

Members of the Nomination and Compensation Committee:

Outside Director	Emi Osono (Vice Committee Chairperson)	Director	Yutaka Kyoya
Outside Director	Sakie Akiyama	Outside Director	Keiko Hayashi
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 five non-executive directors, Emi Osono, Yutaka Kyoya, Sakie Akiyama, Keiko Hayashi, and Kazunori Nishio, 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 yen 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 yen 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 yen 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 yen 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)	Emi Osono	Graduate School of International Corporate Strategy, Hitotsubashi University	Professor	—
Outside Director (Independent)	Sakie Akiyama	Saki Corporation	Representative Director and CEO	—
Outside Director (Independent)	Keiko Hayashi	DoCLASSE the Store, Co., Ltd. DoCLASSE Co., Ltd. IMA Holdings fitfit Co., Ltd. IMA People Co., Ltd.	President and CEO President and CEO President and CEO President and CEO President and CEO	—
Corporate Auditor (Independent)	Toshio Takahashi	—	—	—
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Tokyo Fuji Law Office Sekisui Chemical Co., Ltd. United Urban Investment Corporation	Lawyer (Representative Partner) Outside corporate auditor Corporate auditor	—
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Faculty of Commerce, Waseda University School ORIX Corporation NTT DOCOMO, INC. Shiseido Company, Limited	Professor Outside director Outside corporate auditor Outside corporate auditor	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)	Emi Osono	Ms. Osono attended 12 of 13 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 (Independent)	Sakie Akiyama	Ms. Akiyama attended 12 of 13 board of directors' meetings held throughout the year during the year 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 Director (Independent)	Keiko Hayashi	Ms. Hayashi attended 12 of 13 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. Hayashi is also a member of the Company's Nomination and Compensation Committee.
Corporate Auditor (Independent)	Toshio Takahashi	As a standing corporate auditor, Mr. Takahashi examined financial documents and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Takahashi monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Takahashi attended all 13 board of directors' meetings and all 17 board of corporate auditors' meetings held during the year 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 12 of 13 board of directors' meetings and all 17 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 all 13 board of directors' meetings and 16 of 17 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	116 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	201 million yen

Notes:

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. Ten of the important subsidiaries of Lawson overseas are subject to audit by an independent auditor other than Lawson's independent auditor.

(3) 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 “2016 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on February 20, 2017, the Company passed a resolution called the “2017 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 there of 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 and representative director, 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.
- ④ The Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management (BCM) system to minimize the business interruption and maintain the lifeline function of convenience stores 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. In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to secure 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, Its Parent Company, and Its Subsidiaries

- ① System for reporting to the Company on matters pertaining to the execution of duties by the subsidiary's directors, etc., and system for ensuring that the subsidiary's directors, etc., carry out their duties efficiently
 - 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.
 - 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.
- ② Regulations and other systems for risk management by the subsidiary, and system for ensuring that the subsidiary's directors, etc., and employees execute their duties in conformity with laws, ordinances, and the articles of incorporation
 - While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall strive to ensure that the Group Code of Conduct is widely disseminated among Associated Companies.
 - 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.
 - 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.
 - The Internal Audit Department shall cooperate in auditing the status of establishment of internal control

systems at Associated Companies and promote improvements based on the results of audits.

- ③ The Company shall develop a system in which the parent company is immediately notified in the event any facts that may cause material damage to the Company and its associated companies have been identified.

(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.
- ④ 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.

(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 implementing the PDCA (Plan-Do-Check-Action) cycle while 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 further 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 —Compliance & Risk Management 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 —Compliance & Risk Management, 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 Group Independent Whistleblower Hotline as well as a consultation contact point for the Company’s business counterparties. The Company shall seek to strengthen self-rectification within the organization by treating instances of whistleblowing appropriately, reviewing the system to prevent a recurrence, and introducing specific cases at meetings and training programs.
- 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. In addition, through the operational audits conducted on associated companies by the Company’s Internal Audit Department and the liaison meetings for the Group’s corporate auditors organized by the Company’s corporate auditors, etc., guidance and advice have been offered to improve compliance and risk management systems for the Group.

(2) Preparations against and Responses to Risks

- ① In normal times, the Compliance & Risk management meetings and four 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 Company carries out checks such as evaluation of the vulnerability of information systems and information security audits by the Internal Audit Department.
- 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. On July 1, 2017, we were named a designated public institution assigned by the Prime Minister pursuant to the Basic Act on Disaster Control Measures. As a designated public institution, we will carry out disaster prevention measures in normal times, such as preparing and amending emergency action plans, carrying out disaster

prevention drills, and stockpiling goods and materials, and emergency response measures in the event of a disaster

(3) System to Ensure the Propriety of Business Operations Conducted by the Corporate Group

Through a system that has been established for the reporting of any risks that occur at an associated company to the Company, information on risk cases at the Company or its associated companies is appropriately reported to the parent company on a timely basis.

(4) 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.

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2017 (for reference)	As of February 28, 2018	Account item	As of February 28, 2017 (for reference)	As of February 28, 2018
Current assets	249,278	231,860	Current liabilities	356,783	379,222
Cash and deposits	68,115	30,124	Accounts payable-trade	110,834	118,174
Accounts receivable-due from franchised stores	39,982	46,599	Short-term loans payable	31,180	36,340
Lease receivables	12,336	16,426	Current portion of long-term loans payable	575	575
Merchandise	18,130	18,913	Lease obligations	28,012	33,063
Accounts receivable-other	78,363	82,633	Accounts payable-other	59,734	60,741
Deferred tax assets	3,907	3,411	Income taxes payable	9,876	6,880
Other	28,493	33,779	Deposits received	103,156	109,629
Allowance for doubtful accounts	(50)	(28)	Provision for bonuses	3,427	3,767
Non-current assets	617,299	668,395	Other	9,985	10,051
Property and store equipment	324,510	349,935	Non-current liabilities	223,798	239,587
Buildings and structures	183,747	197,979	Long-term loans payable	56,703	55,469
Tools, furniture and fixtures	18,581	16,355	Lease obligations	99,983	113,617
Land	9,701	9,582	Deferred tax liabilities	957	2,616
Leased assets	110,472	123,940	Provision for retirement benefits to executive officers and audits and supervisory board members	332	271
Construction in progress	1,742	1,800	Net defined benefit liability	13,083	13,781
Other	265	277	Asset retirement obligations	26,958	29,062
Intangible assets	94,800	100,197	Other	25,779	24,767
Software	37,567	41,602	Total liabilities	580,581	618,809
Goodwill	46,041	47,947	Net assets		
Trademark right	10,691	10,074	Shareholders' equity	271,541	270,280
Other	499	573	Capital stock	58,506	58,506
Investment and other assets	197,988	218,262	Capital surplus	49,083	46,689
Investment securities	22,283	27,271	Retained earnings	165,162	166,124
Long-term loans receivable	44,495	47,425	Treasury shares	(1,210)	(1,040)
Guarantee deposits	95,594	100,686	Accumulated other comprehensive income	3,338	5,377
Deferred tax assets	23,138	24,406	Valuation difference on available-for-sale securities	274	2,084
Other	13,444	19,568	Revaluation reserve for land	(618)	(575)
Allowance for doubtful accounts	(968)	(1,095)	Foreign currency translation adjustment	4,610	4,595
			Remeasurements of defined benefit plans	(927)	(726)
			Subscription rights to shares	314	195
			Non-controlling interests	10,800	5,593
			Total net assets	285,995	281,446
Total assets	866,577	900,256	Total liabilities and net assets	866,577	900,256

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2016 to February 28, 2017 (for reference)		From March 1, 2017 to February 28, 2018	
Operating revenue				
Income from franchised stores	275,312		289,232	
Other operating revenue	101,806	377,119	103,357	392,589
Net sales				
Net sales	(254,169)	254,169	(264,734)	264,734
Gross operating revenue		631,288		657,324
Cost of sales	(174,255)	174,255	(181,374)	181,374
Gross profit	(79,914)		(83,360)	
Operating gross profit		457,033		475,950
Selling, general and administrative expenses		383,260		410,129
Operating income		73,772		65,820
Non-operating income				
Interest income	725		799	
Share of profit of entities accounted for using equity method	602		693	
Compensation income	524		897	
Gain on valuation of derivatives	409		—	
Other	1,820	4,081	1,444	3,835
Non-operating expenses				
Interest expenses	1,919		2,099	
Loss on cancellation of leases	1,274		1,304	
Loss on disaster	772		—	
Other	873	4,839	1,110	4,514
Ordinary income		73,014		65,141
Extraordinary income				
Gain on sales of shares of subsidiaries and associates	—	—	302	302
Extraordinary losses				
Loss on sales of non-current assets	294		368	
Loss on retirement of non-current assets	3,554		3,115	
Impairment loss	9,535		17,533	
Other	1,174	14,558	836	21,853
Profit before income taxes		58,456		43,590
Income taxes-current	18,928		14,190	
Income taxes-deferred	2,453	21,381	2,538	16,729
Profit		37,074		26,861
Profit attributable to non-controlling interests		674		32
Profit attributable to owners of parent		36,400		26,828

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity

(From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling 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	49,083	165,162	(1,210)	271,541	274	(618)	4,610	(927)	3,338	314	10,800	285,995
Changes of items during period													
Change in ownership interest of parent due to transactions with non-controlling shareholders		(2,454)			(2,454)								(2,454)
Dividends of surplus			(25,258)		(25,258)								(25,258)
Change of scope of consolidation			(564)		(564)								(564)
Profit attributable to owners of parent			26,828		26,828								26,828
Purchase of treasury shares				(3)	(3)								(3)
Disposal of treasury shares		0		0	0								0
Reversal of revaluation reserve for land			(42)		(42)								(42)
Exercise of subscription rights to shares (Delivery of treasury shares)		60		172	233								233
Net changes of items other than shareholders' equity						1,809	42	(15)	201	2,038	(119)	(5,207)	(3,288)
Total changes of items during period	—	(2,393)	962	169	(1,261)	1,809	42	(15)	201	2,038	(119)	(5,207)	(4,549)
Balance at end of current period	58,506	46,689	166,124	(1,040)	270,280	2,084	(575)	4,595	(726)	5,377	195	5,593	281,446

(Notes to Consolidated Financial Statements)

(Accounting Policies for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 21

(Domestic)	Lawson HMV Entertainment, Inc. Lawson ATM Networks, Inc. BestPractice, Inc. SCI, Inc. Lawson Store100, Inc. Lawson HMV Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. United Cinemas Co., Ltd. SEIJO ISHII CO., LTD. Lawson Sanin, Inc. Lawson Bank Preparatory Company, Inc.
(Foreign)	Chongqing Lawson, Inc. Shanghai Lawson, Inc. Dalian Lawson, Inc. Lawson (China) Holdings, Inc. Saha Lawson Co., Ltd. Shanghai Le Song Trading Co., Ltd. Shang Hai Gong Hui Trading Co., Ltd. Zhejiang Lawson, Inc. Beijing Lawson, Inc. BEIJING LUOSONG Co., Ltd.

Of the above subsidiaries, Lawson Bank Preparatory Company, Inc. was included in the scope of consolidated subsidiaries from the fiscal year under review due to its increased significance as a subsidiary.

(2) Names of non-consolidated 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. Lawson Travel, Inc. Lawson Digital Innovation Inc. Lawson Urban Works, Inc.
(Foreign)	Lawson USA Hawaii, Inc.

(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, profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) and others have no material influence on the consolidated financial statements.

2. Application of the equity method

(1) Equity-method associates: 3

(Domestic)	Lawson Okinawa, Inc. Lawson Minamikyushu, Inc. Lawson Kochi, Inc.
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(2) Non-consolidated subsidiaries and entities excluded from the scope of the equity-method application

Nonconsolidated subsidiaries excluded from the scope of the equity-method application (LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., SG Lawson, Inc., Lawson Travel, Inc., Lawson Digital Innovation Inc., Lawson Urban Works, Inc. and Lawson USA Hawaii, Inc.) and entities excluded from the scope of the equity-method application (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., MC Retail Energy Co., Ltd., Lawson Staff, Inc., AUGUSARENA CORPORATION., Lawson System Labo LLP, LTF Co., Ltd., StageAround TOKYO Production Committee, Jiangsu Jiazhijia Food Co., Ltd., Jianguyin Hualian Guzhitian Food Co., Ltd., PG Lawson Company, Inc., Lawson Farm Chiba and others) were excluded from the scope of the equity-method application because their profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these entities is not significant either individually or in aggregate to the consolidated financial statements.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of Chongqing Lawson, Inc., Shanghai Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc., Saha Lawson Co., Ltd., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc., Beijing Lawson, Inc. and BEIJING LUOSONG Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

The balance sheet date of Lawson Bank Preparatory Company, Inc. is March 31. In formulating the consolidated financial statements, the Company used this subsidiary's provisional settlement of accounts as of the consolidated balance sheet date.

The fiscal year end date for the other consolidated subsidiaries corresponds with the consolidated balance sheet date.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for significant 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 Derivatives:

Accounted for using the market value method.

③ 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 significant 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 zero.

(3) Accounting standard for significant 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 is recorded under internal regulations.

(4) Accounting method for retirement benefits

① Period attributable method of estimated amount of retirement benefits

In calculating retirement benefit obligation, in order to attribute estimated amount of retirement benefits in the period up to the end of the current fiscal year, it is 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 recognition.

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 recognition.

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) Significant 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 "non-controlling 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.

(Additional Information)

The Company and its domestic consolidated subsidiaries are applying "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ)) Statement No. 26, revised March 28, 2016 from the fiscal year ended February 28, 2018.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 317,966 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 "Revaluation reserve for land."

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 177 million yen.

3. Pledged assets and secured liabilities

Assets pledged as collateral and liabilities collateralized are as follows.

	Millions of yen
Cash and deposits	4,212

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

	Millions of yen
Shares of consolidated subsidiaries (Amount before elimination)	16,614

Secured liabilities are as follows.

	Millions of yen
Current portion of long-term loans payable	575
Long-term loans payable	5,469
Total	6,044

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

The Company and its consolidated subsidiaries (collectively, the “Group”) identify each store as the smallest cash generating unit.

The carrying value of asset groups whose profitability has significantly decreased was written down to the recoverable amount, with the difference recognized as impairment loss under extraordinary losses.

Category by use	Location	Assets	Impairment loss (millions of yen)
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	1,306
	Osaka	"	1,390
	Others	"	8,720
Other	—	Land	70
	—	Software	6,033
	—	Goodwill	12
Total	—	—	17,533

Category by non-current assets

Buildings and structures	5,967	million yen
Tools, furniture and fixtures	811	"
Land	183	"
Leased assets	4,485	"
Software	6,033	"
Goodwill	12	"
Other	40	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The 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 mainly using a discount rate of 4.4%.

(Notes to Consolidated Statement of Changes in Equity)

1. Number of outstanding 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)
Outstanding shares				
Common stock	100,300	—	—	100,300
Treasury shares				
Common stock	285	0	40	244

Notes:

- The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit.
- The decrease in treasury shares of 40 thousand shares resulted from decreases of 40 thousand shares due to the exercise of stock option right and 0 thousand shares due to requests for additional purchases of stock of less than one share unit.

2. Dividend

(1) Dividend payment

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 30, 2017)	Common stock	12,501	125.00	February 28, 2017	May 31, 2017
Directors' meeting (October 11, 2017)	Common stock	12,757	127.50	August 31, 2017	November 11, 2017

(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	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 22, 2018)	Common stock	Retained earnings	12,757	127.50	February 28, 2018	May 23, 2018

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

42,500 shares

(Notes to Financial Instruments)

1. Matters relating to the status of financial instruments

(1) Policy for financial instruments

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

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

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

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.

Long-term loans receivable (mainly construction cooperation payments and merchant loan) and guarantee deposits are exposed to credit risks of borrowers and landlords, 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 a borrower's financial situation, etc.

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 2 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 a 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 28, 2018, 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) Accounts receivable-due from franchised stores	46,599	46,599	—
(2) Lease receivables	16,426	15,550	(876)
(3) Accounts receivable-other	82,633		
Allowance for doubtful accounts (*1)	(28)		
	82,605	82,605	—
(4) Investment securities			
Available-for-sale securities	11,695	11,695	—
(5) Long-term loans receivable	47,425		
Allowance for doubtful accounts (*1)	(58)		
	47,366	47,351	(15)
(6) Guarantee deposits	100,686		
Allowance for doubtful accounts (*1)	(475)		
	100,210	99,659	(550)
Total assets	304,903	303,460	(1,442)
(1) Accounts payable-trade	118,174	118,174	—
(2) Accounts payable-other	60,741	60,741	—
(3) Deposits received	109,629	109,629	—
(4) Long-term loans payable (*2)	56,044	56,044	—
(5) Lease obligations (*2)	146,681	141,633	(5,047)
Total liabilities	491,271	486,223	(5,047)

(*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) Accounts receivable-due from franchised stores and (3) Accounts receivable-other**

These instruments are stated at their carrying values, because they are short-term and their carrying values are approximately the same as their fair values.

(2) Lease receivables

The fair values of lease receivables are calculated by discounting future cash flows using the yield rate of government bonds for the remaining period.

(4) Investment securities

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

(5) Long-term loans receivable

The fair values of long-term loans receivable are determined based on the present value, derived by discounting the total amount of principal and interest at the expected rate of interest to be applied for similar loans.

(6) Guarantee deposits

Guarantee deposits are determined by discounting future cash flows, which reflect the collectability, using the yield rate of government bonds over the remaining period.

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

These instruments are stated at their carrying values, because they are short-term and their carrying values are approximately the same as their fair values.

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

These instruments are stated at their carrying values, because they are determined using floating interest rates that reflect market rates in a short-time and their carrying values are approximately the same as their fair values.

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

The fair values of lease obligations are determined by discounting the cash flows related to the obligations at the expected rate of interest to be applied for similar lease transactions.

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

Category	Carrying amount (millions of yen)
Unlisted equity securities	329
Investments in subsidiaries and affiliated companies	13,895
Other	1,350

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

(Notes to Per-Share Data)

1. Net assets per share	2,755.06 yen
2. Profit per share	268.16 yen

(Notes to Significant Subsequent Events)**Borrowing of funds**

Lawson Bank Preparatory Company, Inc. (“LBP”), a consolidated subsidiary of Lawson, Inc., resolved to conclude a syndicated loan agreement as described below at the Board of Directors’ Meeting held on March 26, 2018, and entered into the agreement on March 30, 2018. The agreement is subject to the acquirement of a banking license as a prerequisite for the execution of the loan.

1. Reason for borrowing of funds

The Lawson Group has been providing a limited selection of financial services by operating an ATM business. In order to enhance the convenience of our financial services, we have decided to apply for a preliminary examination to acquire a banking business license. Accordingly, based on the assumption that the license will be obtained, LBP will finance the working capital for its banking business through the syndicated loan.

2. Outline of the syndicated loan agreement

(1) Date of agreement	March 30, 2018	
(2) Arranger	The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently, MUFG Bank, Ltd.)	
(3) Co-Arrangers	Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation	
(4) Borrower	Lawson Bank Preparatory Company, Inc.	
(5) Executable period	From September 28, 2018 to October 31, 2018	
(6) Repayment method	Lump-sum repayment	
(7) Amounts	50,000 million yen	80,000 million yen
(8) Loan periods	Three years	Five years
(9) Interest rate	Floating rate	Floating rate
(10) Guarantee	Lawson, Inc. jointly guarantees the loan.	
(11) Financial covenants	Financial covenants of Lawson Bank, Inc. (note) and Lawson, Inc., the guarantor of the loan i) Covenants related to the recording of losses in consecutive periods. ii) Covenants related to the amount of net assets. iii) Covenants related to collateral provided.	

Note: Lawson Bank Preparatory Company, Inc. will change its trade name to Lawson Bank, Inc. prior to the execution of the loan.

(Business Combinations, etc.)

Business combination due to acquisition

(1) Outline of business combination

① Name of the acquired company and business description

Name of company: Three F Co., Ltd. (hereinafter, "Three F")

Business description: Convenience store business

② Main reason for business combination

Under the terms of the business integration contract signed by the Company and Three F on April 13, 2016, the two companies established a new joint-venture LTF Co., Ltd., which started converting 89 THREE F stores operated in Chiba and Saitama Prefectures into "LAWSON THREE F" double-brand stores in September 2016. As the collaboration proved to be effective, the two companies decided to also transform THREE F stores in Tokyo and Kanagawa Prefecture, and part of Chiba Prefecture into "LAWSON THREE F" double-brand stores. The business combination is a pre-arranged company split designed to transfer a portion of the rights and obligations relating to Three F's convenience store operations.

③ Date of business combination

June 1, 2017

④ Legal form of business combination

Absorption-type company split whereby Three F is the split company and Lawson is the succeeding company

⑤ Main grounds for determining the Company to be the acquiring company

The Company acquired Three F's business for a cash consideration.

(2) Acquisition cost for acquiring the business and breakdown by type of consideration

(Millions of yen)

Type of consideration	Cash and deposits	10,996
Acquisition cost		10,996

(3) Details and amount of major acquisition-related expenses

Advisory compensation and fees, etc. 78 million yen

(4) Amount, cause, and amortization method and period of goodwill generated

① Amount of goodwill generated

5,688 million yen

② Cause of generation of goodwill

Mainly excess earnings power anticipated through business development

③ Method and period of amortization

Straight-line method over 9 years

(5) Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

(Millions of yen)

Non-current assets	5,308
Total assets	5,308

(TRANSLATION ONLY)

Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2017 (for reference)	As of February 28, 2018	Account item	As of February 28, 2017 (for reference)	As of February 28, 2018
Current assets	182,009	164,391	Current liabilities	326,070	348,392
Cash and deposits	51,283	8,483	Accounts payable-trade	100,160	106,137
Accounts receivable-due from franchised stores	38,301	44,229	Short-term loans payable	30,000	35,000
Lease receivables	20,276	24,237	Short-term loans payable to subsidiaries and associates	47,280	51,620
Merchandise	1,426	1,460	Lease obligations	25,385	29,488
Prepaid expenses	13,741	15,834	Accounts payable-other	21,425	21,756
Accounts receivable-other	46,705	50,586	Income taxes payable	8,349	3,817
Deferred tax assets	2,718	2,234	Accrued expenses	2,157	2,191
Other	7,563	17,324	Deposits received	84,380	91,891
Allowance for doubtful accounts	(6)	—	Provision for bonuses	2,586	2,704
Non-current assets	585,976	634,212	Other	4,345	3,784
Property and store equipment	292,400	312,924	Non-current liabilities	204,506	216,722
Buildings	144,619	156,067	Long-term loans payable	50,000	50,000
Structures	26,147	28,634	Lease obligations	93,337	104,638
Tools, furniture and fixtures	14,760	11,873	Provision for retirement benefits	10,098	10,913
Land	9,648	9,529	Provision for retirement benefits to executive officers	242	176
Leased assets	95,632	105,120	Asset retirement obligations	23,654	25,689
Construction in progress	1,591	1,699	Other	27,173	25,304
Intangible assets	40,186	44,074	Total liabilities	530,576	565,114
Software	29,852	29,494	Net assets		
Goodwill	9,831	14,092	Shareholders' equity	237,439	231,785
Other	501	487	Capital stock	58,506	58,506
Investments and other assets	253,390	277,212	Capital surplus	47,696	47,757
Investment securities	8,781	13,324	Legal capital surplus	47,696	47,696
Shares of subsidiaries and associates	63,375	71,720	Other capital surplus	—	60
Long-term loans receivable	43,564	46,512	Retained earnings	132,447	126,563
Long-term loans receivable from subsidiaries and associates	16,823	13,236	Legal retained earnings	727	727
Long-term prepaid expenses	10,313	16,379	Other retained earnings		
Guarantee deposits	87,783	92,466	General reserve	50,000	50,000
Deferred tax assets	21,599	23,094	Retained earnings brought forward	81,719	75,835
Other	2,111	1,571	Treasury shares	(1,210)	(1,040)
Allowance for doubtful accounts	(962)	(1,092)	Valuation and translation adjustments	(344)	1,508
			Valuation difference on available-for-sale securities	274	2,083
			Revaluation reserve for land	(618)	(575)
			Subscription rights to shares	314	195
			Total net assets	237,409	233,489
Total assets	767,986	798,603	Total liabilities and net assets	767,986	798,603

(TRANSLATION ONLY)

Non-consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2016 to February 28, 2017 (for reference)		From March 1, 2017 to February 28, 2018	
Operating revenue				
Income from franchised stores	273,945		282,075	
Other operating revenue	39,876	313,821	39,766	321,842
Net sales				
Net sales	(42,365)	42,365	(51,048)	51,048
Gross operating revenue		356,186		372,891
Cost of sales	(30,470)	30,470	(37,098)	37,098
Gross profit	(11,894)		(13,949)	
Operating gross profit		325,716		335,792
Selling, general and administrative expenses		268,296		284,771
Operating income		57,419		51,021
Non-operating income				
Interest income	780		753	
Dividend income	516		582	
Compensation income	524		892	
Gain on valuation of derivatives	409		—	
Other	939	3,170	1,037	3,266
Non-operating expenses				
Interest expenses	1,569		1,629	
Loss on cancellation of leases	1,243		1,235	
Foreign exchange losses	481		—	
Loss on valuation of derivatives	—		409	
Loss on disaster	422		—	
Other	412	4,130	505	3,779
Ordinary income		56,459		50,508
Extraordinary income				
Gain on sales of shares of subsidiaries and associates	—	—	302	302
Extraordinary losses				
Loss on sales of non-current assets	294		366	
Loss on retirement of non-current assets	3,388		2,936	
Impairment loss	9,034		16,854	
Loss on valuation of investments in capital of subsidiaries and associates	8,603		—	
Other	387	21,710	1,410	21,568
Income before income taxes		34,749		29,243
Income taxes – current	14,749		9,105	
Income taxes – deferred	912	15,661	720	9,825
Profit		19,088		19,417

(TRANSLATION ONLY)

Non-consolidated Statement of Changes in Equity

(From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Shareholders'									
	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	81,719	132,447	(1,210)	237,439
Changes of items during period										
Dividends of surplus							(25,258)	(25,258)		(25,258)
Profit							19,417	19,417		19,417
Purchase of treasury shares									(3)	(3)
Disposal of treasury shares			0	0					0	0
Reversal of revaluation reserve for land							(42)	(42)		(42)
Exercise of subscription rights to shares (Delivery of treasury shares)			60	60					172	233
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	60	60	—	—	(5,883)	(5,883)	169	(5,653)
Balance at end of current period	58,506	47,696	60	47,757	727	50,000	75,835	126,563	(1,040)	231,785

(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	274	(618)	(344)	314	237,409
Changes of items during period					
Dividends of surplus					(25,258)
Profit					19,417
Purchase of treasury shares					(3)
Disposal of treasury shares					0
Reversal of revaluation reserve for land					(42)
Exercise of subscription rights to shares (Delivery of treasury shares)					233
Net changes of items other than shareholders' equity	1,809	42	1,852	(119)	1,732
Total changes of items during period	1,809	42	1,852	(119)	(3,920)
Balance at end of current period	2,083	(575)	1,508	195	233,489

(Notes to the Non-consolidated Financial Statements)**(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) Derivatives:

Accounted for using the market value method.

(3) 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 zero.

(4) Long-term prepaid expenses:

Computed by the straight-line method.

3. Accounting standard for significant 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 Method of attributing the estimated amount of retirement benefits to periods

In calculating the retirement benefit obligation, the benefit formula method is used to attribute the estimated amount of retirement benefits to periods up to the end of the current fiscal year.

- ② Accounting treatment for actuarial differences 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 recognition.

Treatment of unrecognized actuarial differences and unrecognized prior services cost in the non-consolidated balance sheet differs from the 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.

(Additional Information)

The Company and its domestic consolidated subsidiaries are applying "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ)) Statement No. 26, revised March 28, 2016 from the fiscal year ended February 28, 2018.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 277,902 million yen

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	38,676	million yen
Long-term receivables due from subsidiaries and affiliated companies	192	"
Short-term payables due to subsidiaries and affiliated companies	7,171	"
Long-term payables due to subsidiaries and affiliated companies	326	"

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 "Revaluation reserve for land."

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 non-consolidated balance sheet date was 177 million yen.

4. Guarantee obligations

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

Shanghai Lawson, Inc.	848	million yen
Lawson HMV Entertainment, Inc.	449	"
SCI, Inc.	396	"

(Notes to the Non-consolidated Statement of Income)

Transaction amount with affiliated companies

Operating transactions		
Operating revenue	38,406	million yen
Goods purchased	527	"
Selling, general and administrative expenses	35,651	"
Transactions other than operating transactions	2,035	"

(Notes to the Non-consolidated Statement of Changes in Equity)

Number of treasury shares	244,849 shares
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(Notes to Accounting for Income Taxes)

Components of deferred tax assets and liabilities

Enterprise taxes payable	510	million yen
Accrued employees' bonuses	834	"
Loss on write-down of investments in affiliated companies	5,434	"
Excess of depreciation	8,635	"
Excess of amortization of software	305	"
Provision for retirement benefits	5,054	"
Allowance for doubtful accounts	337	"
Impairment loss	5,985	"
Other	4,695	"
Subtotal of deferred tax assets	31,793	million yen
Less valuation allowances	(6,464)	"
Total deferred tax assets	25,328	million yen
Deferred tax assets-net	25,328	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	Directors' posts held concurrently				
Subsidiary	SCI, Inc.	Domestic Convenience Store Business	Direct holding 100.0%	SCM	Yes	Repayment of funds Borrowing of funds Borrowing interest	36,300 38,300 0	Short-term loans payable Accrued interest	9,200 0
	Lawson HMV Entertainment, Inc.	Entertainment-Related Business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	20,800 21,000 1	Short-term loans payable Accrued interest	16,200 0
	Lawson (China) Holdings, Inc.	Overseas Business	Direct holding 100.0%	Control of business in China	Yes	Loaning of funds Collection of funds Loaning interest	1,100 — 120	Long-term loans receivable Accrued interest	12,599 311
	Lawson Bank Preparatory Company, Inc.	Financial Services-Related Business	Direct holding 95.0%	Prepare for establishment of a bank	Yes	Loaning of funds Collection of funds Loaning interest	9,100 — 6	Short-term loans payable Accrued interest	9,100 1
	Lawson ATM Networks, Inc.	Financial Services-Related Business	Direct holding 95.0%	Placement of ATMs in the LAWSON stores	No	Repayment of funds Borrowing of funds Borrowing interest	300 2,600 2	Short-term loans payable Accrued interest	23,400 —

Transaction conditions and the policies for determining those conditions:

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

Subsidiaries of an affiliated companies under common control

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	Directors' posts held concurrently				
Subsidiary of the parent company	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	—	Vendor	Yes	Purchases for the company-operated stores (purchases for the franchised stores)	17,849 (689,952)	Accounts payable-trade	57,252

Transaction conditions and the principles on the decision thereof:

1. The terms and conditions for goods purchased transactions are determined to be same as those for other general business transactions. Furthermore, regarding purchases for the franchised stores, the Company acts as an alternative payer but 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	2,331.65 yen
2. Profit per share	194.09 yen

(Notes to Significant Subsequent Events)

Guarantor on borrowings of funds

Lawson Bank Preparatory Company, Inc., a consolidated subsidiary of Lawson, Inc., resolved to conclude a syndicated loan agreement as described the Board of Directors' Meeting held on March 26, 2018, and entered into the agreement on March 30, 2018. The Company jointly guaranteed said agreement based on the resolution of the Board of Directors on March 26, 2018.

Please refer to (Significant Subsequent Events) of the Notes to Consolidated Financial Statements for details of the syndicated loan agreement.

The figures included in the consolidated and non-consolidated 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.

INDEPENDENT AUDITOR'S REPORT

April 4, 2018

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:

Kazuaki Furuuchi

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

Junichi Fujii

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of February 28, 2018 of Lawson, Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from March 1, 2017 to February 28, 2018, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawson, Inc. and its consolidated subsidiaries as of February 28, 2018, 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 4, 2018

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:

Kazuaki Furuuchi

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

Junichi Fujii

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of February 28, 2018 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 43rd fiscal year from March 1, 2017 to February 28, 2018, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 28, 2018, 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 Audit & Supervisory Board>

AUDIT REPORT

With respect to the directors' performance of their duties during the 43rd business term from March 1, 2017 to February 28, 2018, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Contents of Such Methods

(1) We have established audit policies and audit plans for the current term, and received the reports from each Audit & Supervisory Board Member 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 Audit & Supervisory Board Member, pursuant to the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, has followed the audit policies and audit plans 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 committee 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, Audit & Supervisory Board Members 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 Audit & Supervisory Board, we have monitored and verified the resolution of the Board of Directors regarding the development 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 independence and properly conducted its 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 proper execution of duties” (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 net assets, and notes to consolidated financial statements)” and “financial statements (balance sheet, statement of income, statements of changes in net assets, and notes to 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 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 10 2018

The Audit & Supervisory Board of Lawson, Inc.

Outside Audit & Supervisory Board Member Toshio Takahashi
(full-time)

Audit & Supervisory Board Member Masakatsu Gonai
(full-time)

Outside Audit & Supervisory Board Member Tetsuo Ozawa

Outside Audit & Supervisory Board Member 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. 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.

We intend to increase year-end dividends for the current fiscal term by ¥2.50 per share, from ¥125 per share in the previous term to ¥127.50 per share. Accordingly, full-year dividends including interim dividends of ¥127.50 per share will be ¥255 per share, an increase of ¥5 per share from the previous fiscal term.

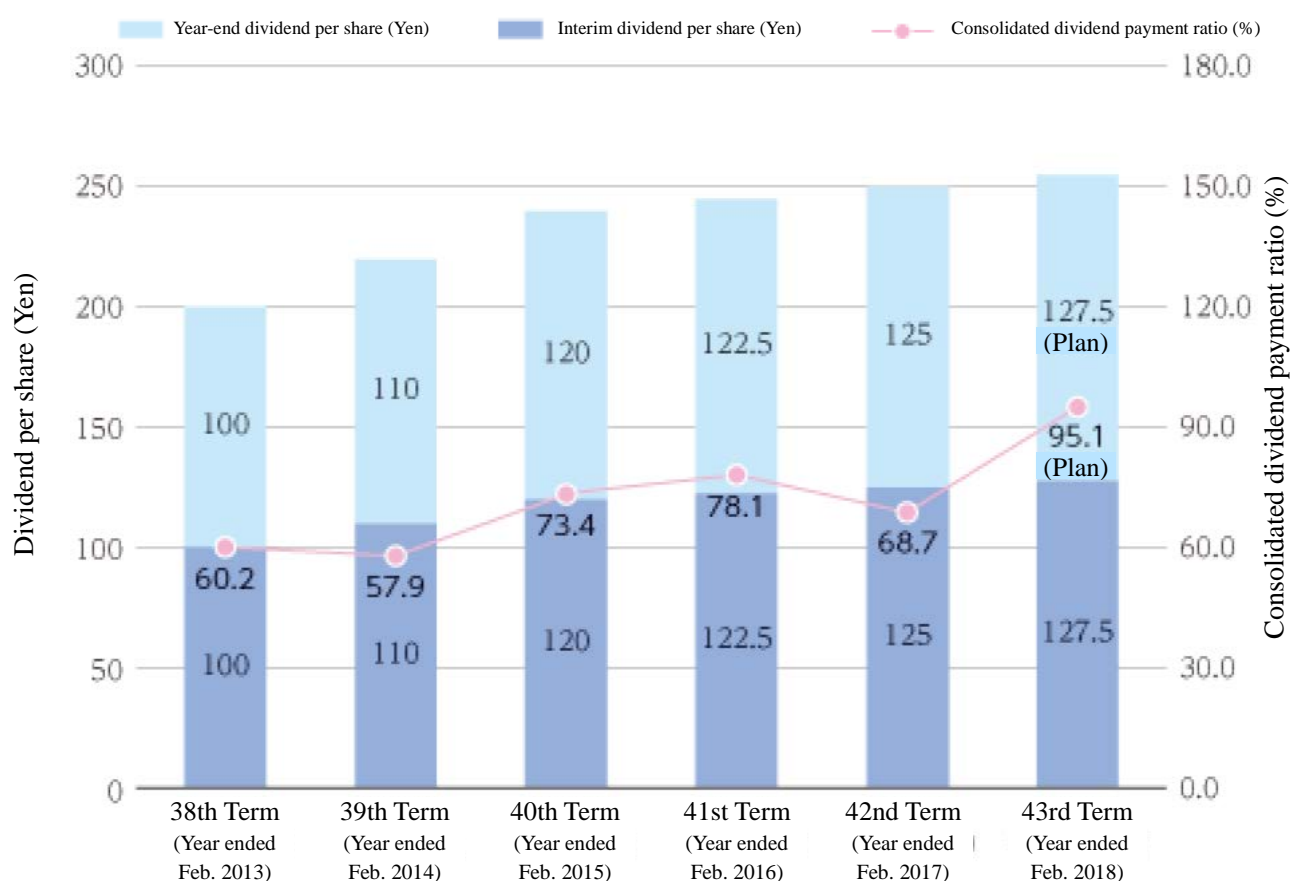
We intend to continue to place emphasis on the distribution of profit to shareholders into the future.

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:
¥127.50 per share of the Company's common stock to a total of ¥12,757,032,816
- (2) Effective date of the dividends from surplus:
Wednesday, May 23, 2018

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



	38th Term	39th Term	40th Term	41st Term	42nd Term	43rd Term (Current Period)
Interim dividend per share	¥100	¥110	¥120	¥122.50	¥125	¥127.50
Year-end dividend per share	¥100	¥110	¥120	¥122.50	¥125	(Plan)¥127.50
Annual dividend per share	¥200	¥220	¥240	¥245	¥250	(Plan) ¥255
Consolidated net income per share	¥332.20	¥380.04	¥327.08	¥313.81	¥363.96	¥268.16
Consolidated dividend payment ratio	60.2%	57.9%	73.4%	78.1%	68.7%	(Plan) 95.1%
ROE	15.2%	16.1%	13.0%	12.0%	13.5%	9.7%

Note:

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. Reasons for proposal

The Company proposes that the Articles of Incorporation be partially amended as follows.

Based on the Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities," while focusing on our businesses as the headquarters of the convenience store franchise, Lawson is continuously evolving as an "essential part of our communities" through providing multiple functions within society beyond the functions of conventional convenience stores as retail outlet, including supporting the elderly, contributing to local communities, and supplying goods in times of disaster.

In the Financial Services-related Business, Lawson has been providing a limited selection of financial services to the society by operating ATM business under Lawson ATM Networks, Inc. In order to enhance the convenience of our financial services and to strengthen the functions to support the daily lives of our customers by leveraging our previous experiences and the foundation of our business, we have decided to establish Lawson Bank, Inc. To clarify the Group's business purposes, we propose that "Banking business" be added to Article 2 (Purpose of Incorporation), item 15 of the current Articles of Incorporation.

2. Particulars of amendment

Particulars of proposed amendment are described below.

(Suggested amendments are underlined in the text.)

Current Provision of the Articles of Incorporation	Proposed Amendment
<p>Article 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses:</p> <p>1. ~ (Omitted) 14.</p> <p>15. Bank agency business and financial instruments intermediary services</p> <p>16. ~ (Omitted) 23.</p>	<p>Article 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses:</p> <p>1. ~ (No change) 14.</p> <p>15. <u>Banking business</u>, bank agency business and financial instruments intermediary services</p> <p>16 ~ (No change) 23.</p>

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

The term of office of all eight (8) Directors expires at the conclusion of this 43rd Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect eight (8) Directors, including one (1) newly appointed Director.

If this proposal is approved and passed, there will be eight (8) Directors of the Company after the meeting of shareholders, of which three (3) will be Outside Directors. All of the Outside Directors are “independent directors/Audit & Supervisory Board members.”

The candidates for directors are as stated in the following table. Please refer to pages 36 to 43 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 44 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	Sadanobu Takemasu	President, Representative Director	Reappointment	100%
2	Katsuyuki Imada	Member of the Board, Senior Executive Managing Officer	Reappointment	100%
3	Satoshi Nakaniwa	Member of the Board, Executive Vice President	Reappointment	100%
4	Emi Osono	Member of the Board	Reappointment, outside, independent	92.3%
5	Yutaka Kyoya	Member of the Board	Reappointment	84.6%
6	Keiko Hayashi	Member of the Board	Reappointment, outside, independent	92.3%
7	Kazunori Nishio	Member of the Board	Reappointment	84.6%
8	Miki Iwamura	–	New appointment, outside, independent	–

Notes:

- Ms. Keiko Hayashi’s legal name is Keiko Hama.
- Ms. Miki Iwamura’s legal name is Miki Oku.
- Positions at the Company, etc. are as of April 11, 2018.

No.
1

Sadanobu Takemasu
(August 12, 1969)

Reappointment

- Number of the Company's shares held:
1,700
- Attendance at Board of Directors' meetings
13 out of 13 (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 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 Division — Lawson Mart, 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 Division, Lawson, Inc.
June 2016	President and COO, Representative Director, Lawson, Inc.
March 2017	President, Representative Director, and Division Director of Marketing Division, Lawson, Inc.
September 2017	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Entertainment Business Division, Lawson, Inc. (current position)

Reasons for nomination as Director

Mr. Sadanobu Takemasu has been nominated as a candidate for Director of the Company as he has led the entire Group centered around the domestic convenience store business as the overall supervisor of the 1,000-Day Action Plan, a company-wide project, as well as contributed to the improvement of corporate value as President and CEO, Representative Director, Chairman of the Board of Lawson, Inc. We would like to continue to benefit from his management and supervision of the Company by leveraging his experience.

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

Katsuyuki Imada
(January 22, 1963)

Reappointment

- Number of the Company's shares held:
1,700
- Attendance at Board of Directors' meetings
11 out of 11 (100%)
- Years in office
1 year (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1985	Joined Mitsubishi Corporation
March 2002	General Manager of Corporate Planning Office, Lawson, Inc.
March 2004	Senior Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
March 2007	Executive Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
May 2008	Unit Manager, Retail Division, Living Essentials Group, Mitsubishi Corporation
October 2012	Executive Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
September 2013	Executive Managing Officer, acting CCO, CFO, and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
September 2016	Executive Managing Officer, Division Director of Corporate Strategy and Planning Division, Division Director of Next Generation CVS Division, Lawson, Inc.
March 2017	Senior Executive Managing Officer and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
May 2017	Member of the Board, Senior Executive Managing Officer and Division Director of Corporate Strategy and Planning Division, Lawson, Inc. (current position)
April 2018	Senior Vice President, Mitsubishi Corporation (current position)

Reasons for nomination as Director

Mr. Katsuyuki Imada has been nominated as a candidate for Director, as he has contributed to the promotion of health and productivity management and workstyle reforms as Member of the Board and Senior Executive Managing Officer and Division Director of Corporate Strategy and Planning Division of Lawson, Inc. in charge of overall corporate strategy including corporate governance and the development of next generation CVS. We would like to continue to benefit from his management and supervision of the Company by leveraging his experience.

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

Satoshi Nakaniwa
(May 20, 1969)

Reappointment

- Number of the Company's shares held:
0
- Attendance at Board of Directors' meetings
11 out of 11 (100%)
- Years in office
1 year (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
March 1994	Investment & Credit Department, Mitsubishi Corporation
May 1999	Living Essentials Group Administration Department, Mitsubishi Corporation
April 2005	Senior Vice President, Assistant to CFO, Meidi-Ya Corporation (currently Mitsubishi Shokuhin Co., Ltd.)
December 2008	General Manager, Mitsubishi International Corporation
September 2013	Team Leader, Chemicals Group Administration Department, Mitsubishi Corporation
October 2015	Deputy General Manager, Chemicals Group Administration Department, Mitsubishi Corporation
February 2017	General Manager, Finance and Accounting Division, Lawson, Inc.
March 2017	Executive Vice President and CFO, Lawson, Inc.
May 2017	Member of the Board, Executive Vice President, and CFO, Lawson, Inc.
March 2018	Member of the Board, Executive Vice President, CFO, and Division Director of Shared Services Division, Lawson, Inc. (current position)

Reasons for nomination as Director

Mr. Satoshi Nakaniwa has been nominated as a candidate for Director, as he has contributed to the improvement of business efficiency and cost reduction as Division Director of the Shared Services Division in charge of purchasing management of the Lawson Group since March. He is also in charge of overall finance and accounting as well as business risk management as Member of the Board, Executive Vice President, and CFO of Lawson, Inc. We would like to continue to benefit from his management and supervision of the Company by leveraging his experience.

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:
500
- Attendance at Board of Directors' meetings
12 out of 13 (92.3%)
- Years in office
6 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)
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 non-executive directors and outside Audit & Supervisory Board members (part-time). She has also been registered as an Independent Director/Audit & Supervisory Board member 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

- Number of the Company's shares held:
0
- Attendance at Board of Directors' meetings
11 out of 13 (84.6%)
- Years in office
5 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	Member of the Board, Lawson, Inc. (Current position)
April 2014	Senior Vice President, Division COO, Living Essential Resources Division, Mitsubishi Corporation
November 2015	Member of the Board, Olam International Limited (Current position)
April 2016	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation (Current position)
June 2016	Member of the Board, Mitsubishi Shokuhin Co., Ltd. (Current position) Note: Scheduled to resign in June 2018

Reasons for nomination as Director

Mr. Yutaka Kyoya has been nominated as a candidate for Director, as he has a wealth of knowledge on the life industry field, mainly in food, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc. 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.

Mr. Kyoya serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and outside Audit & Supervisory Board members (part-time).

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)

Reappointment, outside,
independent

- Number of the Company's shares held:
300
- Attendance at Board of Directors' meetings
12 out of 13 (92.3%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

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
June 2006	Founded I·M·A Co., Ltd. (currently DoCLASSE the Store Co., Ltd.) and assumed the position of President and CEO (Current position)
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)
May 2016	Outside Director, Lawson, Inc. (Current position)

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. Ms. Hayashi 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 experience.

Ms. Hayashi serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and outside Audit & Supervisory Board members (part-time). 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. Ms. Keiko Hayashi's legal name is Keiko Hama.

No.
7

Kazunori Nishio
(July 13, 1961)

Reappointment

- Number of the Company's shares held:
0
- Attendance at Board of Directors' meetings
11 out of 13 (84.6%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

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)
May 2016	Member of the Board, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Kazunori Nishio has been nominated as a candidate for Director, as he has a wealth of knowledge on the life industry field, mainly in retail, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc., as well as at a retailer to which he has been seconded. 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 experience.

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

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

No.
8

Miki Iwamura
(October 24, 1965)

New appointment, outside,
independent

■ Number of the Company's
shares held:
0

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1988	Joined Dentsu Inc.
October 1995	Joined Booz Allen Hamilton Inc.
April 2000	Board Member, Director of Internet Business Division, Digipri Inc.
October 2001	Associate Professor (Management Strategy, Marketing Strategy), Nihon University
April 2002	General Manager, Media & Marketing, Richemont Japan K.K.
July 2003	Brand CEO of Mimiso NY, Richemont Japan K.K.
January 2007	Head of Marketing, Google Japan Inc. (currently Google Japan G.K.)
July 2007	Chief Marketing Officer, Google Japan Inc. (currently Google Japan G.K.)
November 2013	Brand Director, Google APAC
May 2015	Managing Director, APAC Brand & Marketing, CMO Japan, Google G.K. (current position)

Reasons for nomination as Outside Director

As Managing Director, APAC Brand & Marketing, CMO Japan, Google G.K., Ms. Miki Iwamura has deep insight into management, marketing, and brand reinforcement using digital big data through business execution at Google Japan G.K. In addition, she has been proactively making suggestions and disseminating information on workstyle reforms and the promotion of women's advancement in the workplace. 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 experience. The Company has notified the Tokyo Stock Exchange, Inc., that she will be registered as an Independent Director or Independent Audit & Supervisory Board Member 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. Miki Iwamura's legal name is Miki Oku.

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, Ms. Keiko Hayashi, and Mr. Kazunori Nishio. 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 plans to conclude the same contract with Ms. Miki Iwamura.
- The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 11, 2018.

[Reference] Policy and procedures of the Company's Board of Directors for nominating candidates for Directors and Audit & Supervisory Board members

Lawson, Inc. has established the Director/Audit & Supervisory Board Member Election Standard as the basis for nominating candidates for directors and Audit & Supervisory Board members. Those with different expertise and experience are nominated as candidates for directors to ensure diversity of the Board of Directors as a whole and to carry out appropriate decision making and supervision. Furthermore, in addition to the independence standard specified by the Tokyo Stock Exchange, Inc., we have established our own criteria concerning independence in order to appoint two or more independent directors and independent Audit & Supervisory Board members who are unlikely to have a conflict of interest with general shareholders in an effort to ensure transparency and fairness of management.

In addition, as an advisory organ that recommends candidates for directors, candidates for representative directors, and posts to the Board of Directors, we have voluntarily established a Nomination and Compensation Advisory Committee. All six members of the committee are non-executive directors or Audit & Supervisory Board members (part-time), with five being independent directors/Audit & Supervisory Board members. The committee is designed to recommend candidates for directors, candidates for representative directors, and posts to the Board of Directors with a high level of independence.

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

1. Director/Audit & Supervisory Board Member 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, impeccable ethics, and a law-abiding spirit
- (5) A person who has objective decision-making abilities and is gifted with both foresight and insight
- (6) A person who has a wealth of experience and knowledge on corporate management and an area of expertise
- (7) A person who is able to secure enough time to do the job
- (8) A person who does not fall under the criteria for disqualification provided by the Companies Act
- (9) For independent directors/ or independent Audit & Supervisory Board members, a person who does not conflict with the Criteria concerning Independence as specified by the Company

2. Criteria concerning Independence

Besides the independence standard specified by the Tokyo Stock Exchange, Inc., we have established our own Criteria concerning Independence. Outside directors or outside Audit & Supervisory Board members who do not conflict with either of them are appointed as independent directors or independent Audit & Supervisory Board members.

- (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 supplier 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 the Lawson Group other than as director/Audit & Supervisory Board member remuneration. 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 the Lawson Group other than as director/Audit & Supervisory Board member 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 or independent Audit & Supervisory Board member is an outside Audit & Supervisory Board member) of the Lawson Group
- (7) A person whose total term of office at the time of re-appointment exceeds eight years for outside director and 12 years for outside Audit & Supervisory Board member
Even if the person falls under any of the above, said person can be elected as a candidate for an independent outside director/Audit & Supervisory Board member if the Board of Directors deems said person to have substantial independence. In such case, the reason will be explained and disclosed at the time of his/her election as outside director/Audit & Supervisory Board member.