

April 26, 2019

To All Shareholders with Voting Rights

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

NOTICE OF THE 44th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 44th 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 20, 2019.

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

Please exercise your voting rights by 5:45 p.m. on Monday, May 20, 2019 after reading the attached document “Exercising Voting Rights via the Internet, etc.”

1. Date and Time: 10:00 a.m., Tuesday, May 21, 2019
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 44th Fiscal Term (from March 1, 2018 to February 28, 2019), and the Audit Reports Thereof

Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Election of Eight (8) Directors
- Proposal No. 3: Election of Two (2) Audit and Supervisory Board Members

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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, 2018 through February 28, 2019)

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 2018 ended February 28, 2019, we have advanced and accelerated our “1000-Day Action Plan,” which is in its final fiscal year, and focused our business activities on building Lawson’s next-generation convenience store model. Changes in community needs resulting from an aging population and the prevalence of the nuclear family, among others, are serving as a tailwind for the convenience store industry. Given such a business environment, we implemented a variety of measures in order to continue fulfilling our customers’ needs in everyday life by serving as an essential part of their communities. Such measures included evolving our business model as a manufacturing retailer targeting small catchment areas, raising our store productivity by making maximum use of digital technology, and taking on the challenge of launching a banking business.

In terms of operating results for the fiscal year, while gross operating revenue grew to 700,647 million yen (up 6.6%), operating income and ordinary income decreased to 60,781 million yen (down 7.7%) and 57,700 million yen (down 11.4%), respectively. Profit attributable to owners of parent decreased to 25,585 million yen (down 4.6%).

Furthermore, we also focused on improving our group-wide internal control system and addressing operating risks based on the 2018 Basic Policy for Improvement of Internal Control Systems. 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 offered everyday ready-made dishes including bento lunchboxes, rice balls, deep-fried items, salads and soups at LAWSON stores. In our effort to reinforce our store capacity by expanding our merchandise assortment offered in the evening and nighttime hours, we restructured our system across the entire supply chain from June by changing the order placement deadline and truck delivery times. In addition, with the aim of facilitating cash register operations and achieving higher cash-handling efficiency at stores, we completed the introduction of new point-of-sale (POS) cash registers (for sales information management) equipped with an automatic change dispenser function at all our stores nationwide.

[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 our stores by strengthening our product lineup and improving franchise support and operations. Beginning in November 2018, we also added a service in which customers can earn and redeem Ponta points when they use Apple Pay at any LAWSON store nationwide. Ponta has become Japan’s first multi-partner loyalty card service to allow points to be saved and redeemed simply by using Apple Pay via iPhone or Apple Watch. This service eliminates the need for customers to present their Ponta card or launch their app as well as the need for store staff to scan the barcodes on the Ponta cards presented, leading to improved customer convenience and store operation productivity. Furthermore, we launched a pilot project on Lawson Smartphone Cash Register, our mobile self-service payment service option based on a dedicated app, which allows customers to purchase items wherever they are within LAWSON stores.

[Merchandising and Service Strategies]

On the merchandise side, we revamped our basic onigiri rice ball range by improving ingredients and production methods including adopting a new variety of rice and a new kind of laver, which was well-received by customers. In addition, our “Akuma-no-onigiri” (meaning “devil’s rice ball”) line also became a huge hit, pushing up sales. Our “Korega” lunchbox series made with rigorously selected ingredients and production methods also enjoyed ongoing popularity. Furthermore, sales of our microwavable hot noodle series revamped with new soup and noodles were also robust.

In the counter fast food range, we strengthened our assortment of ready-made dishes offered during the evening and nighttime hours by expanding our lineup of packed dishes composed mainly of items that can go straight to the dinner table. In addition, our long-selling “Karaage-kun” chicken nuggets that crossed the 3-billion-unit mark in cumulative sales continued to record robust sales.

In the dessert range, we continued offering 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)

On our sales promotion side, while strengthening our merchandise assortment offered during the evening and nighttime hours, we also rolled out a special evening sales campaign, which offered a 20-yen discount when two applicable counter food items were purchased on weekday evenings. In addition, effective measures to attract customers were launched, including a speed lottery capitalizing on our strength in the entertainment field.

[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	1,202,619	52.6	105.6
Fast foods	544,530	23.8	106.9
Daily delivered foods	329,545	14.4	104.8
Nonfood products	208,612	9.2	105.5
Total	2,285,308	100.0	105.8

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 1,067 and 400 stores, respectively, with the total number of stores reaching 14,659 as of the end of February 2019. *1

With regard to our partnership initiatives with other chain retailers in Japan, as in the previous fiscal year, we remodeled 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.

During the fiscal year under review, we remodeled 67 THREE F stores and 195 SAVE ON stores into LAWSON THREE F stores and LAWSON stores, respectively, completing the brand transition.

In an effort to establish convenience store models catered to an aging population and rising health consciousness, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented LAWSON stores that offer over-the-counter pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 206 stores (includes 47 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2019. Moreover, the number of stores offering nursing care consultation services has reached 20 as of the end of February 2019. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary, nursing and rehabilitation supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 307 as of the end of February 2019. Building on our expertise developed through operation of in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

With respect to LAWSON STORE100, we will continue to offer 100-yen items (excluding tax) by scaling down product portions to respond to a diverse range of customer needs.

*1 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, 2018	Change during fiscal year	Total stores as of February 28, 2019
LAWSON	13,044	670	13,714
NATURAL LAWSON	143	(4)	139
LAWSON STORE100	805	1	806
Total	13,992	667	14,659

[Other]

As Lawson's "last-one-mile solution," we started offering the LAWSON FRESH PICK service (colloquially shortened to "Loppick") in March 2018. Loppick enables customers to reserve products on a dedicated smartphone app by 8 a.m. and receive them in the evening on the same day at their designated LAWSON store. By leveraging our existing store and logistics network, the service offers customers the freedom of not having to wait at home for delivery and allows them to pick up their purchased items when they want in the evening. Loppick has become available at around 1,600 stores as of the end of February 2019. Furthermore, in December 2018, we launched "Fresh Karaage-kun Cooking Machine," a pilot experiment, which employs digital technology to deep-fry chicken nuggets in one fifth of the usually required time in order to offer freshly fried products to customers. We will look into customers' needs for freshly fried products and consider introducing this equipment at LAWSON stores.

As a result, Domestic Convenience Store Business posted gross operating revenue of 468,692 million yen (up 5.9% from previous fiscal year) and segment profit of 48,262 million yen (down 10.0% from previous fiscal year).

(Seijo Ishii Business)

At Seijo Ishii stores, a high-end supermarket chain offering quality foods, we took on new challenges such as opening stores where freshly prepared hot meals and desserts are served to order. The number of directly operated Seijo Ishii stores including the new type of store reached 146 as of the end of February 2019. Sales were solid and its well-selected products have remained popular among customers. By continuing to leverage the company's strengths including its product development expertise, know-how acquired as a manufacturing retailer, and retailing techniques, we will endeavor to enhance the brand capacity of Seijo Ishii.

As a result, Seijo Ishii Business posted gross operating revenue of 86,672 million yen (up 5.8% from previous fiscal year) and segment profit of 7,413 million yen (up 8.2% from previous fiscal year).

(Entertainment-related Business)

With regard to our Entertainment-related Business, the ticketing business of Lawson Entertainment, Inc., which forms the core of the business, continued to secure top-class transaction value in the ticketing industry. HMV, which distributes music CDs, DVDs and books, also operates the HMV Record Shop specializing in analog records. As of the end of February 2019, the number of HMV stores totaled 56 including the HMV Record Shop. In November 2018, United Cinemas Co., Ltd., an operator of cinema complexes, introduced in Fukuoka Prefecture a cutting-edge attraction theater system known as 4DX, which offers an immersive viewing experience. In addition, United Cinemas also opened Kyushu's first cinema theater employing ScreenX, which provides a three-dimensional movie projection system using not only the front screen but also the walls on both sides. As of the end of February 2019, United Cinemas operates cinema theaters at 41 sites, offering 367 screens nationwide including those operated on commission.

As a result, Entertainment-related Business posted gross operating revenue of 78,070 million yen (up 3.6% from previous fiscal year) and segment profit of 4,499 million yen (up 16.8% from previous fiscal year).

(Financial Services Business) *2

With respect to our Financial Services Business, Lawson Bank, Inc. acquired its banking license on August 10, 2018 and started providing banking services to customers on October 15. With the aim of building awareness of the bank, we have been running TV and online commercials, implementing promotional campaigns in which ATM users receive discount coupons for “Karaage-kun” fried chicken, “MACHI Café” and “Uchi Café SWEETS,” and started offering ordinary savings account and fixed deposit account services. In addition, we issued the LAWSON Ponta Plus credit card, which allows cardholders to collect Ponta points when using their cards at LAWSON stores and other outlets. In our ATM business, the foundation of our banking business, we expanded our network of financial institution partners, while working to install ATMs at locations other than LAWSON stores, including New Chitose Airport and Tokyo Metro stations. As of the end of February 2019, the number of ATMs installed nationwide reached 13,459 (up 726 from previous fiscal year), with each ATM used 48.9 times a day on average. The total number of our financial institution partners increased to 111 nationwide (up 21 from previous fiscal year), including online banks.*3,*4

*2 Starting from the third quarter ended November 30, 2018, our Financial Services Business, which had been included in the Other Business, has been reclassified as a separate reportable segment due to its increased significance.

*3 JA Bank and JF Marine Bank are classified as separate financial institutions.

*4 Lawson Bank Preparatory Company, Inc. changed its name to Lawson Bank, Inc., effective July 2, 2018. Also, as a result of an absorption-type company split effective June 1, 2018, Lawson Bank, Inc. absorbed Lawson’s ATM business of Lawson ATM Networks, Inc.

As a result, Financial Services Business posted gross operating revenue of 30,572 million yen (up 11.8% from previous fiscal year) and segment profit of 2,223 million yen (down 48.0% from previous fiscal year).

(Other Business)

In addition to the aforementioned businesses, the Group is also involved in the Overseas 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 2,007 as of the end of February 2019.

[Distribution of Lawson Brand Stores Overseas by Region]

Country/Region	Number of stores (as of February 28, 2018)	Change during fiscal year	Number of stores (as of February 28, 2019)
China Shanghai and surrounding area	865	362	1,227
China Chongqing	165	33	198
China Dalian	122	24	146
China Beijing	73	35	108
China Wuhan	198	110	308
China Hefei	—	20	20
Thailand	101	19	120
Indonesia	37	5	42
Philippines	33	6	39
United States of America Hawaii	2	—	2
Total	1,596	614	2,210

As a result, Other Business posted gross operating revenue of 45,404 million yen (up 19.2% from previous fiscal year) and segment loss of 1,618 million yen (down 42.4% from previous fiscal year).

(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 and preventing global warming. As of the end of February 2019, the system had been installed in approximately 3,400 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 our efforts to save natural resources, we are striving to use less plastic by producing and distributing reusable shopping bags, introducing biomass plastic, promoting recycling, and remodeling product containers. Our Natural Lawson stores are advancing their initiative to adopt plastic shopping bags produced partly with polyethylene made from sugarcane. We are also rigorously proceeding with various other measures to reduce the use of plastic, which is currently a global issue. For example, we are conducting a monitoring survey on the use of paper straws jointly with Yamanashi Prefecture, as well as an experiment and examination on replacing plastic cups with paper cups for serving freshly brewed iced coffee at MACHI café.

With regard to reducing waste, we are recycling waste food and 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 in 2017 to support their education. In fiscal 2018, 400 selected recipients received scholarship funds. In addition, money was also raised for victims of the heavy rain disaster in July, Typhoon Jebi, and the Hokkaido Eastern Iburi Earthquake.

On March 1, 2019, we established the SDGs Committee. As a member of society, we will continue to make group-wide unified efforts together with our franchised stores, customers and business partners to address social and environmental issues toward the goal of achieving the SDGs.

(2) Capital Expenditures

Capital expenditures of the Group during the fiscal year totaled 78,998 million yen, of which 53,507 million yen was primarily for store facility investment in buildings, and 18,195 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 2015 41 st Term	Fiscal 2016 42 nd Term	Fiscal 2017 43 rd Term	Fiscal 2018 44 th Term
Gross operating revenue (millions of yen)	583,452	631,288	657,324	700,647
Ordinary income (millions of yen)	69,622	73,014	65,141	57,700
Profit attributable to owners of parent (millions of yen)	31,381	36,400	26,828	25,585
Profit per share (yen)	313.81	363.96	268.16	255.71
Total assets (millions of yen)	803,212	866,577	900,256	1,342,490
Net assets (millions of yen)	272,997	285,995	281,446	281,982
Net assets per share (yen)	2,643.97	2,748.39	2,755.06	2,763.54

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2015 41 st Term	Fiscal 2016 42 nd Term	Fiscal 2017 43 rd Term	Fiscal 2018 44 th Term
Net sales of all convenience stores (millions of yen)	1,960,266	2,027,504	2,110,454	2,236,125
Gross operating revenue (millions of yen)	333,855	356,186	372,891	385,678
Ordinary income (millions of yen)	54,982	56,459	50,508	51,443
Profit (millions of yen)	21,802	19,088	19,417	31,002
Profit per share (yen)	218.02	190.86	194.09	309.85
Total assets (millions of yen)	714,875	767,986	798,603	838,260
Net assets (millions of yen)	243,576	237,409	233,489	240,280
Net assets per share (yen)	2,432.73	2,370.59	2,331.65	2,399.24

(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 Strengthen our product appeal

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 Address labor shortages

We are working to address shortages of FC store owners and store crew stemming from the declining birthrate, the aging of the population and the increase in the number of stores. We will be recruiting new FC store owners and pursuing multi-store operation, as well as making the maximum use of digital technology to simplify store operation, increase efficiency, make working environments more pleasant, and reduce labor needs to enable people of all sexes, ages and nationalities to work at our stores.

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 Financial Services Business, Seijo Ishii Business, Entertainment-related Business, Overseas Business. We will also work hard to make maximum use of each Group company's distinctive features to generate synergistic effects.

⑤ Strive to achieve SDGs

To help resolve social issues pertinent to the Sustainable Development Goals (SDGs) adopted by the UN in 2015, the SDGs Committee, which was formed in March 2019, is clarifying the items and issues to be addressed by the Lawson Group, and will be regularly checking on the progress made in this regard to ensure the Group is striving to resolve issues and help bring about a sustainable society.

⑥ Promote internal control systems and address operating risks

We believe that enhancing internal control across the Group as a whole and dealing with business risks are absolutely necessary to develop our business on a continual basis. Proactive efforts in corporate governance that will enable us to meet the expectations of all stakeholders involved with our Group will help improve our corporate value. We will continue focusing our efforts on enhancing internal control and addressing business risks.

The Company became a consolidated subsidiary of Mitsubishi Corporation in February 2017 and, although we are publicly listed as a parent/subsidiary pair, we have appointed several independent executives having no conflict of interest with general shareholders. Five of the six directors are independent executives, and a "Nomination and Compensation Advisory Committee" comprising only non-executive directors and non-full-time outside Audit and Supervisory Board members has been voluntarily established to deliberate on executive compensation and candidates for representative director/director positions and to advise the Board of Directors, constituting a system able to ensure the highest levels of management transparency and fairness.

We conduct business activities under our corporate philosophy, "Creating Happiness and Harmony in Our Communities". We continue to make 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 2019

(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 108 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 urbanworks, Inc.

Major Business: Operates LAWSON stores mainly in Tokyo and Chiba prefectures.

Head Office: Shinagawa-ku, Tokyo

④ Lawson Store100, Inc.

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

Head Office: Shinagawa-ku, Tokyo

⑤ 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	670	Ibaraki	223	Kyoto	336	Ehime	219
Aomori	262	Tokyo	1,748	Shiga	159	Tokushima	138
Akita	190	Kanagawa	1,121	Nara	140	Kochi	140
Iwate	179	Shizuoka	282	Wakayama	152	Fukuoka	523
Miyagi	252	Yamanashi	136	Osaka	1,151	Saga	75
Yamagata	112	Nagano	175	Hyogo	687	Nagasaki	109
Fukushima	158	Aichi	730	Okayama	202	Oita	188
Niigata	230	Gifu	180	Hiroshima	234	Kumamoto	157
Tochigi	201	Mie	141	Yamaguchi	117	Miyazaki	107
Gunma	254	Ishikawa	102	Tottori	143	Kagoshima	197
Saitama	702	Toyama	194	Shimane	148	Okinawa	233
Chiba	616	Fukui	113	Kagawa	133	Total (domestic)	14,659

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 Entertainment, Inc.

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

Head Office: Shinagawa-ku, Tokyo

Note: In June, 2018, Lawson HMV Entertainment, Inc. changed its corporate name to Lawson Entertainment, Inc.

② United Cinemas Co., Ltd.

Major Business: Manages multiplex movie theaters

Head Office: Shinagawa-ku, Tokyo

(Financial Services Business)

Lawson Bank, Inc.

Major Business: Operates a banking business

Head Office: Shinagawa-ku, Tokyo

Note: In July, 2018, Lawson Bank Preparatory Company, Inc. changed its corporate name to Lawson Bank, Inc.

(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

• 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	5,411	215
Seijo Ishii Business	1,016	15
Entertainment-related Business	1,082	9
Financial Services Business	141	8
Other Business	2,745	120
Total	10,395	367

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
4,551	107	40.2	12.8

Note: Number of employees is full-time employees.

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Mitsubishi Corporation Financial and Management Services(Japan)Ltd.	209,800
Syndicated loan	180,000
Mizuho Bank, Ltd.	30,000
Sumitomo Mitsui Banking Corporation	10,000
MUFG Bank, Ltd.	5,000

(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.

- Relationship with parent company
Mitsubishi Corporation, our parent company, holds 50,150 thousand of our shares (50.2% of voting rights). Mitsubishi Corporation provides guarantees for loans payable and engages in other transactions with the Lawson Group.
- Information on transactions with the parent company:
 - a. Ensuring that engaging in these transactions is not harmful to our interests
We have entered into guarantee entrustment agreements with our parent company, and we have paid our parent company guarantee fees for some of our loans payable based on these agreements. In conducting these transactions, we have established transaction conditions that compare with prevailing market prices, as we do for general transactions.
 - b. Board of Directors' assessment on whether these transactions are harmful to our interests, and grounds for that assessment
Given the perspective in a. above, we solicit appropriate feedback on our management at Board of Directors' meetings attended by outside directors and outside Audit and Supervisory Board members, with decisions made after multi-faceted discussions, and we have determined that such transactions are not harmful to our interests.
 - c. Views of outside directors if they differ from the Board of Directors' assessment
Not applicable.

② Significant Subsidiaries

Company Name	Capital Stock		Shareholding	Major Business
Lawson Sanin, Inc.	25	million yen	70.0 %	Domestic Convenience Store Business
Lawson urbanworks, Inc.	10	million yen	100.0 %	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 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 Bank, Inc.	11,600	million yen	95.0%	Financial Services Business
Lawson (China) Holdings, Inc.	2,112	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.	1,277	million baht	49.2 %	Overseas Business
BestPractice, Inc.	10	million yen	100.0 %	Consulting Business

Notes:

1. Shareholding includes indirectly held shares.
2. Lawson urbanworks, Inc. was included in the scope of consolidated subsidiaries from the fiscal year under review due to its increased significance as a subsidiary.
3. In June, 2018, Lawson HMV Entertainment, Inc. changed its corporate name to Lawson Entertainment, Inc.
4. In July, 2018, Lawson Bank Preparatory Company, Inc. changed its corporate name to Lawson Bank, Inc.
5. Lawson ATM Networks, Inc. was excluded from the scope of consolidation since its liquidation was completed as of February 25, 2019.

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 241,897 shares of treasury shares)**(3) Number of Unit (*tangen*) Shares:** 100 shares**(4) Number of Shareholders:** 33,658**(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)	4,200	4.2
Japan Trustee Services Bank, Ltd. (Trust account)	3,392	3.4
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK WEST CLIENT — TREATY 505234	1,739	1.7
JP MORGAN CHASE BANK 380655	1,287	1.3
Japan Trustee Services Bank, Ltd. (Trust account 5)	977	1.0
Japan Securities Finance Co., Ltd.	952	1.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	917	0.9
Japan Trustee Services Bank, Ltd. (Trust account 7)	906	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, 2019**

	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)	1 person (5 units)	1 person (5 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. 3,700	Common stock of Lawson, Inc. 4,800
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 12, 2036
Main exercise conditions	Note 1	Note 1	Note 1	Note 1

	17 th Stock Acquisition Rights	19 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)		
Directors (excluding Outside Directors)	3 persons (72 units)	5 persons (101 units)
Outside Directors	2 persons (10 units)	2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 8,200	Common stock of Lawson, Inc. 11,000
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen	1 yen
Exercise period	May 1, 2017 through April 11, 2037	June 8, 2018 through May 21, 2038
Main exercise conditions	Note 1	Note 1

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

	19 th Stock Acquisition Rights
Number of SVPs and the number of stock acquisition rights	
Senior Vice Presidents	9 persons (36 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 3,600
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	June 8, 2018 through May 21, 2038
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, 2019, is 43,700 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, 2019)**

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 Marketing 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
Emi Osono	Member of the Board	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation and Member of the Board, Olam International Limited
Yutaka Kyoya	Member of the Board	
Keiko Hayashi	Member of the Board	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation
Kazunori Nishio	Member of the Board	
Miki Iwamura	Member of the Board	
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:

1. Three Member of the Board (Emi Osono, Keiko Hayashi and Miki Iwamura) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the "Companies Act").
2. 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.
3. 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.
4. The following personnel changes were approved at the board of corporate auditors' meeting and the 43rd general meeting of shareholders held on May 22, 2018.

Appointment	Member of the Board	Miki Iwamura
Resignation	Member of the Board	Sakie Akiyama

[Reference] Members of the Boards and Senior Vice Presidents**(Excluding Non-Executive Directors) (As of March 1, 2019)**

Name	Position and Major Title	
Sadanobu Takemasu	President , Representative Director, Chairman of the Board	CHO and Marketing Strategy 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, —Promotion, —Human Resources and Executive Assistant to CHO
Shuichi Imagawa	Executive Managing Officer	—Compliance and 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 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
Hitoshi Fujii	Executive Vice President	Dry Foods and Household Goods Division Director
Kazuhiro Wakui	Executive Vice President	Ready-Made Foods Division Director
Yasuhiko Hirokane	Senior Vice President	Executive Assistant to President
Zhang Joshua	Senior Vice President	Shanghai Lawson, Inc. General Manager
Toshihiko Chihiro	Senior Vice President	Corporate Sales and Store Development Division Director
Satoshi Kumagai	Senior Vice President	Financial Services and Digital Business 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)	220	166	53	9
(Outside Directors)	34	30	4	4
Corporate Auditors (Including Outside Corporate Auditors)	74	74	—	4
(Outside Corporate Auditors)	49	49	—	3
Total	294	240	53	13

(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 and 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	Keiko Hayashi	Outside Director	Miki Iwamura
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, Keiko Hayashi, Kazunori Nishio and Miki Iwamura, variable compensation is not applicable as they are focused on their supervisory and advisory roles as the Company's representative directors and in the board of directors meetings.

[Stock price-linked compensation]

Stock options as stock-based compensation

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

Exercise price on stock options as stock-based compensation is 1 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)	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	—
Outside Director (Independent)	Miki Iwamura	Google Japan LLC	Executive Operating Officer, CMO and Managing Director, Asia-Pacific Region (Brand and Marketing)	
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	Waseda University ORIX Corporation NTT DOCOMO, INC. Shiseido Company, Limited	Emeritus 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 14 board of directors' meetings held during the year, and as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Osono is also a vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Keiko Hayashi	Ms. Hayashi attended 12 of 14 board of directors' meetings held throughout the year during her term in office and, as a management executive, appropriately questioned and/or remarked based on her abundant knowledge. Ms. Hayashi is also a member of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Miki Iwamura	Ms. Iwamura attended all 12 board of directors' meetings held throughout the year during her term in office, and as an executive operating officer of a global IT company, appropriately questioned and/or remarked based on a wealth of her experience and knowledge. Ms. Iwamura 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 14 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his 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 all 14 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer. Mr. Ozawa is also a chairperson of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Ms. Tsujiyama attended all 14 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on her deep knowledge of accounting as an emeritus 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	123 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	220 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 and 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 “2017 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on February 21, 2018, the Company passed a resolution called the “2018 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. If violations of laws, regulations or internal rules are discovered, corrective measures shall be taken immediately and policies implemented to prevent recurrences.
- ⑧ The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on, and deal with, improper demands by consulting with lawyers the police and the like.

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

- ① The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the board of directors and the management council, and authorizing documents, including those approved by the president 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 and 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.
- ④ The Company shall seek to improve labor productivity by promoting work style reform.

(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 and 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 The Company has established an educational/training system to enable systematic learning, including compliance and risk management training for all employees, training provided on joining the Group and upon promotion to a managerial position, and training by job types and training for company management. The Company is seeking to further improve ethical awareness and the ability to withstand crises by maintaining these educational/training programs while revising their content in line with changing risk conditions. In addition, a —Compliance and 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 and Risk management meetings organized by the —Compliance and 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 and 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. We were named a designated public institution assigned by the Prime Minister pursuant to the Basic Act on Disaster Control Measures. To fulfill the lifeline functions expected of it as a designated public institution by maintaining

store operations and providing emergency relief supplies to disaster-hit areas, the Company ordinarily prepares/revises disaster-prevention business plans, conducts disaster-prevention drills, stockpiles supplies/materials, and pursues other disaster-prevention approaches, implementing its disaster-response measures when disasters actually occur.

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

- ① The Company has established a department that controls the associated company management system, which reports any risks arising at an associated company to the Company. Thus, information concerning risk cases at the Company or its associated companies is appropriately reported to the parent company on a timely basis.
- ② The Company has established a department to support associated companies from the perspective of the organization that supervises associated companies and from a specialist standpoint in an effort to ensure appropriateness of operations of associated companies.

(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 monetary amounts and the numbers of shares in this Business Report are rounded down to the nearest unit and percentages are rounded to the nearest one decimal place.

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2018 (for reference)	As of February 28, 2019	Account item	As of February 28, 2018 (for reference)	As of February 28, 2019
Current assets	231,860	623,998	Current liabilities	379,222	598,522
Cash and deposits	30,124	354,240	Accounts payable-trade	118,174	123,408
Accounts receivable-due from franchised stores	46,599	47,179	Short-term loans payable	36,340	126,600
Lease receivables	16,426	19,120	Current portion of long-term loans payable	575	50,000
Merchandise	18,913	20,862	Lease obligations	33,063	38,750
Accounts receivable-other	82,633	120,969	Accounts payable-other	60,741	101,995
Deferred tax assets	3,411	4,394	Income taxes payable	6,880	6,683
Other	33,779	57,355	Deposits received	109,629	131,804
Allowance for doubtful accounts	(28)	(124)	Provision for bonuses	3,767	4,263
Non-current assets	668,395	718,491	Other	10,051	15,015
Property and store equipment	349,935	382,300	Non-current liabilities	239,587	461,985
Buildings and structures	197,979	207,755	Long-term loans payable	55,469	260,000
Tools, furniture and fixtures	16,355	16,056	Lease obligations	113,617	131,441
Land	9,582	9,052	Deferred tax liabilities	2,616	711
Leased assets	123,940	146,880	Provision for retirement benefits to executive officers and audits and supervisory board members	271	300
Construction in progress	1,800	2,223	Net defined benefit liability	13,781	15,125
Other	277	331	Asset retirement obligations	29,062	31,102
Intangible assets	100,197	106,672	Other	24,767	23,303
Software	41,602	49,791	Total liabilities	618,809	1,060,507
Goodwill	47,947	46,836	Net assets		
Trademark right	10,074	9,468	Shareholders' equity	270,280	270,649
Other	573	576	Capital stock	58,506	58,506
Investment and other assets	218,262	229,519	Capital surplus	46,689	46,984
Investment securities	27,271	31,140	Retained earnings	166,124	166,187
Long-term loans receivable	47,425	44,024	Treasury shares	(1,040)	(1,028)
Guarantee deposits	100,686	107,034	Accumulated other comprehensive income	5,377	5,865
Deferred tax assets	24,406	26,760	Valuation difference on available-for-sale securities	2,084	3,349
Other	19,568	21,395	Revaluation reserve for land	(575)	(566)
Allowance for doubtful accounts	(1,095)	(835)	Foreign currency translation adjustment	4,595	3,930
			Remeasurements of defined benefit plans	(726)	(848)
			Subscription rights to shares	195	215
			Non-controlling interests	5,593	5,251
			Total net assets	281,446	281,982
Total assets	900,256	1,342,490	Total liabilities and net assets	900,256	1,342,490

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2017 to February 28, 2018 (for reference)		From March 1, 2018 to February 28, 2019	
Operating revenue				
Income from franchised stores	289,232		302,136	
Other operating revenue	103,357	392,589	109,931	412,067
Net sales				
Net sales	(264,734)	264,734	(288,579)	288,579
Gross operating revenue		657,324		700,647
Cost of sales	(181,374)	181,374	(198,040)	198,040
Gross profit	(83,360)		(90,539)	
Operating gross profit		475,950		502,607
Selling, general and administrative expenses		410,129		441,825
Operating income		65,820		60,781
Non-operating income				
Interest income	799		714	
Dividend income	112		319	
Share of profit of entities accounted for using equity method	693		320	
Compensation income	897		382	
Other	1,331	3,835	1,720	3,456
Non-operating expenses				
Interest expenses	2,099		2,768	
Loss on cancellation of leases	1,304		1,655	
Loss on disaster	—		817	
Other	1,110	4,514	1,296	6,538
Ordinary income		65,141		57,700
Extraordinary income				
Gain on sales of investment securities	—		738	
Gain on sales of shares of subsidiaries and associates	302	302	—	738
Extraordinary losses				
Loss on sales of non-current assets	368		224	
Loss on retirement of non-current assets	3,115		4,141	
Impairment loss	17,533		13,891	
Other	836	21,853	303	18,561
Profit before income taxes		43,590		39,876
Income taxes-current	14,190		18,328	
Income taxes-deferred	2,538	16,729	(4,015)	14,313
Profit		26,861		25,562
Profit attributable to non-controlling interests		32		(22)
Profit attributable to owners of parent		26,828		25,585

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity

(From March 1, 2018 to February 28, 2019)

(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	46,689	166,124	(1,040)	270,280	2,084	(575)	4,595	(726)	5,377	195	5,593	281,446
Changes of items during period													
Dividends of surplus			(25,514)		(25,514)								(25,514)
Change of scope of consolidation			(0)		(0)								(0)
Profit attributable to owners of parent			25,585		25,585								25,585
Purchase of treasury shares				(1)	(1)								(1)
Disposal of treasury shares		0		0	0								0
Capital increase of consolidated subsidiaries		(4)			(4)								(4)
Increase by corporate division		70			70								70
Tax effect adjustment on change in equity of prior period		224			224								224
Reversal of revaluation reserve for land			(8)		(8)								(8)
Exercise of subscription rights to shares (Delivery of treasury shares)		4		13	17								17
Net changes of items other than shareholders' equity						1,264	8	(664)	(121)	487	20	(341)	166
Total changes of items during period	—	294	62	12	369	1,264	8	(664)	(121)	487	20	(341)	535
Balance at end of current period	58,506	46,984	166,187	(1,028)	270,649	3,349	(566)	3,930	(848)	5,865	215	5,251	281,982

(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 Entertainment, 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, Inc. Lawson urbanworks, 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 urbanworks, Inc. was included in the scope of consolidated subsidiaries from the fiscal year under review due to its increased significance as a subsidiary.

On June 1, 2018, Lawson HMV Entertainment, Inc. changed its corporate name to Lawson Entertainment, Inc.

On July 2, 2018, Lawson Bank Preparatory Company, Inc. changed its corporate name to Lawson Bank, Inc.

Lawson ATM Networks, Inc. was excluded from the scope of consolidation since its liquidation was completed as of February 25, 2019.

(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.
(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. PG Lawson Company, 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 USA Hawaii, Inc., Jiangsu Lawson, Inc. and PG Lawson Company, Inc.) and entities excluded from the scope of the equity-method application (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., Lawson Staff, Inc., AUGUSARENA CORPORATION., LTF Co., Ltd., StageAround TOKYO Production Committee, Jiangyin Hualian Guzhitian Food Co., Ltd., POPLAR Co.,Ltd., New Designed by Tokyo Ltd., 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 are 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, 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 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 and supervisory board members:

Provision for retirement benefits to executive officers of the Company and audit and 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.

(Changes in Accounting Policies)

The Company's foreign consolidated subsidiaries have applied International Financial Reporting Standard 15 (IFRS 15) "Revenue from Contracts with Customers" from the first quarter of the fiscal year ended February 28, 2019.

The impact of the application of IFRS 15 on the Company's consolidated financial statements is immaterial.

(Changes in Presentation)

In the "Non-operating income" section, "Dividend income" (112 million yen for the previous fiscal year) which was included in "Other" in the consolidated statement of income in prior periods, is now separately presented as "Dividend income" (319 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.

(Additional Information)

(Introduction of Consolidated Taxation System)

The Company and certain consolidated subsidiaries applied for approval for the consolidated taxation system during the current fiscal year, and they expect to adopt the consolidated taxation system beginning from the following fiscal year. Therefore, the corresponding accounting for the current fiscal year assumes such adoption of the consolidated taxation system in accordance with “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)” (ASBJ PITF No. 5; December 28, 2015) and “Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)” (ASBJ PITF No. 7; March 14, 2016).

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 342,857 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 151 million yen.

(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	1,590
	Osaka	"	1,505
	Others	"	10,240
Other	—	Land	50
	—	Software	503
	—	Goodwill	1
Total	—	—	13,891

Category by non-current assets

Buildings and structures	7,981	million yen
Tools, furniture and fixtures	587	"
Land	50	"
Leased assets	4,693	"
Software	503	"
Goodwill	1	"
Other	74	"

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 3.6%.

(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	244	0	3	241

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 3 thousand shares resulted from decreases of 3 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 22, 2018)	Common stock	12,757	127.50	February 28, 2018	May 23, 2018
Directors' meeting (October 11, 2018)	Common stock	12,757	127.50	August 31, 2018	November 9, 2018

(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 21, 2019)	Common stock	Retained earnings	12,757	127.50	February 28, 2019	May 22, 2019

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

43,700 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.

Short-term loans payable are mainly for the purpose of procuring working capital, and are due within 1 year.

Long-term loans payable are mainly for the purpose of funding necessary for M and A, and are due within 5 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, 2019, 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	47,179	47,179	—
(2) Lease receivables	19,120	18,321	(798)
(3) Accounts receivable-other	120,969		
Allowance for doubtful accounts (*1)	(117)		
	120,852	120,852	—
(4) Investment securities	11,162	11,162	—
Available-for-sale securities			
(5) Long-term loans receivable	44,024		
Allowance for doubtful accounts (*1)	(59)		
	43,964	43,903	(61)
(6) Guarantee deposits	107,034		
Allowance for doubtful accounts (*1)	(365)		
	106,668	106,867	198
Total assets	348,948	348,286	(661)
(1) Accounts payable-trade	123,408	123,408	—
(2) Short-term loans payable	126,600	126,600	—
(3) Accounts payable-other	101,995	101,995	—
(4) Deposits received	131,804	131,804	—
(5) Long-term loans payable (*2)	310,000	310,000	—
(6) Lease obligations (*2)	170,192	164,420	(5,771)
Total liabilities	964,001	958,230	(5,771)

(*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, (3) Accounts payable-other and (4) 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.

(2) Short-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) 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.

(6) 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	945
Investments in subsidiaries and affiliated companies	17,591
Other	1,440

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 | 2,763.54 yen |
| 2. Profit per share | 255.71 yen |

(Notes to Significant Subsequent Events)

Not applicable.

Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2018 (for reference)	As of February 28, 2019	Account item	As of February 28, 2018 (for reference)	As of February 28, 2019
Current assets	164,391	171,740	Current liabilities	348,392	413,869
Cash and deposits	8,483	8,266	Accounts payable-trade	106,137	109,034
Accounts receivable-due from franchised stores	44,229	46,032	Short-term loans payable	35,000	54,800
Lease receivables	24,237	26,698	Short-term loans payable to subsidiaries and associates	51,620	32,750
Merchandise	1,460	1,501	Current portion of long-term loans payable	—	50,000
Prepaid expenses	15,834	16,898	Lease obligations	29,488	34,391
Accounts receivable-other	50,586	57,662	Accounts payable-other	21,756	23,133
Deferred tax assets	2,234	2,687	Income taxes payable	3,817	2,752
Other	17,324	12,043	Accrued expenses	2,191	2,260
Allowance for doubtful accounts	—	(51)	Deposits received	91,891	96,943
Non-current assets	634,212	666,520	Provision for bonuses	2,704	2,950
Property and store equipment	312,924	341,088	Other	3,784	4,854
Buildings	156,067	163,750	Non-current liabilities	216,722	184,110
Structures	28,634	30,565	Long-term loans payable	50,000	—
Tools, furniture and fixtures	11,873	10,087	Lease obligations	104,638	121,603
Land	9,529	8,999	Provision for retirement benefits	10,913	11,794
Leased assets	105,120	125,580	Provision for retirement benefits to executive officers	176	201
Construction in progress	1,699	2,106	Asset retirement obligations	25,689	27,578
Intangible assets	44,074	47,784	Other	25,304	22,932
Software	29,494	31,868	Total liabilities	565,114	597,980
Goodwill	14,092	15,431	Net assets		
Other	487	485	Shareholders' equity	231,785	237,281
Investments and other assets	277,212	277,646	Capital stock	58,506	58,506
Investment securities	13,324	12,861	Capital surplus	47,757	47,761
Shares of subsidiaries and associates	71,720	63,224	Legal capital surplus	47,696	47,696
Investments in capital of subsidiaries and associates	38	19,838	Other capital surplus	60	64
Long-term loans receivable	46,512	43,079	Retained earnings	126,563	132,042
Long-term loans receivable from subsidiaries and associates	13,236	714	Legal retained earnings	727	727
Long-term prepaid expenses	16,379	17,415	Other retained earnings		
Guarantee deposits	92,466	93,689	General reserve	50,000	50,000
Deferred tax assets	23,094	26,457	Retained earnings brought forward	75,835	81,315
Other	1,532	1,197	Treasury shares	(1,040)	(1,028)
Allowance for doubtful accounts	(1,092)	(833)	Valuation and translation adjustments	1,508	2,782
			Valuation difference on available-for-sale securities	2,083	3,349
			Revaluation reserve for land	(575)	(566)
			Subscription rights to shares	195	215
			Total net assets	233,489	240,280
Total assets	798,603	838,260	Total liabilities and net assets	798,603	838,260

Non-consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2017 to February 28, 2018 (for reference)		From March 1, 2018 to February 28, 2019	
Operating revenue				
Income from franchised stores	282,075		294,483	
Other operating revenue	39,766	321,842	39,818	334,302
Net sales				
Net sales	(51,048)	51,048	(51,376)	51,376
Gross operating revenue		372,891		385,678
Cost of sales	(37,098)	37,098	(37,187)	37,187
Gross profit	(13,949)		(14,188)	
Operating gross profit		335,792		348,491
Selling, general and administrative expenses		284,771		302,779
Operating income		51,021		45,711
Non-operating income				
Interest income	753		618	
Dividend income	582		8,796	
Other	1,930	3,266	1,821	11,236
Non-operating expenses				
Interest expenses	1,629		1,984	
Loss on cancellation of leases	1,235		1,626	
Loss on valuation of derivatives	409		—	
Loss on disaster	—		810	
Other	505	3,779	1,084	5,505
Ordinary income		50,508		51,443
Extraordinary income				
Gain on sales of investment securities	—		738	
Gain on liquidation of subsidiaries and associates	—		5,756	
Gain on sales of shares of subsidiaries and associates	302	302	—	6,494
Extraordinary losses				
Loss on sales of non-current assets	366		222	
Loss on retirement of non-current assets	2,936		3,857	
Impairment loss	16,854		12,981	
Other	1,410	21,568	303	17,365
Income before income taxes		29,243		40,572
Income taxes – current	9,105		12,438	
Income taxes – deferred	720	9,825	(2,868)	9,569
Profit		19,417		31,002

(TRANSLATION ONLY)

Non-consolidated Statement of Changes in Equity

(From March 1, 2018 to February 28, 2019)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal retained earnings	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at the beginning of current period	58,506	47,696	60	47,757	727	50,000	75,835	126,563	(1,040)	231,785
Changes of items during period										
Dividends of surplus							(25,514)	(25,514)		(25,514)
Profit							31,002	31,002		31,002
Purchase of treasury shares									(1)	(1)
Disposal of treasury shares			0	0					0	0
Reversal of revaluation reserve for land							(8)	(8)		(8)
Exercise of subscription rights to shares (Delivery of treasury shares)			4	4					13	17
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	4	4	—	—	5,479	5,479	12	5,495
Balance at end of current period	58,506	47,696	64	47,761	727	50,000	81,315	132,042	(1,028)	237,281

(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	2,083	(575)	1,508	195	233,489
Changes of items during period					
Dividends of surplus					(25,514)
Profit					31,002
Purchase of treasury shares					(1)
Disposal of treasury shares					0
Reversal of revaluation reserve for land					(8)
Exercise of subscription rights to shares (Delivery of treasury shares)					17
Net changes of items other than shareholders' equity	1,265	8	1,274	20	1,294
Total changes of items during period	1,265	8	1,274	20	6,790
Balance at end of current period	3,349	(566)	2,782	215	240,280

(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) 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

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.

(Changes in Presentation)

1. In the "Investments and other assets" section, "Investments in capital of subsidiaries and associates" (38 million yen for the previous fiscal year), which was included in "Other" in the non-consolidated balance sheet in prior periods, is now separately presented as "Investments in capital of subsidiaries and associates" (19,838 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
2. In the "Non-operating income" section, "Compensation income" (382 million yen for the previous fiscal year), which was presented separately in the non-consolidated statement of income in prior periods, is now included in "Other" from the current fiscal year due to a decline in financial materiality.

(Additional Information)**(Introduction of Consolidated Taxation System)**

The Company applied for approval for the consolidated taxation system during the current fiscal year, and it expects to adopt the consolidated taxation system beginning from the following fiscal year. Therefore, the corresponding accounting for the current fiscal year assumes such adoption of the consolidated taxation system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ PITF No. 5; December 28, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7; March 14, 2016).

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 296,344 million yen

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	36,210	million yen
Long-term receivables due from subsidiaries and affiliated companies	207	"
Short-term payables due to subsidiaries and affiliated companies	5,999	"
Long-term payables due to subsidiaries and affiliated companies	322	"

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 151 million yen.

4. Guarantee obligations

The Company guarantees the accounts payable-trade and deposit liabilities of the following subsidiaries

Lawson Bank, Inc.	130,000	million yen
Lawson Entertainment, Inc.	435	"
SCI, Inc.	414	"

(TRANSLATION ONLY)

(Notes to the Non-consolidated Statement of Income)

Transaction amount with affiliated companies

Operating transactions

Operating revenue 44,895 million yen

Goods purchased 486 "

Selling, general and administrative expenses 41,591 "

Transactions other than operating transactions 8,920 "

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

Number of treasury shares 241,897 shares

(Notes to Accounting for Income Taxes)

Components of deferred tax assets and liabilities

Enterprise taxes payable 657 million yen

Accrued employees' bonuses 903 "

Loss on write-down of investments in affiliated companies 8,397 "

Excess of depreciation 8,506 "

Excess of amortization of software 522 "

Provision for retirement benefits 5,320 "

Allowance for doubtful accounts 270 "

Impairment loss 9,353 "

Other 4,575 "

Subtotal of deferred tax assets 38,506 million yen

Less valuation allowances (9,361) "

Total deferred tax assets 29,145 million yen

Deferred tax assets-net 29,145 million yen

(Notes to Related-Party Transactions)

Parent Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrently				
Parent Company	Mitsubishi Corporation	General Trading Company	Direct holding 50.2%	Transactions under a business collaboration agreement	No	Receipt of debt guarantees	9,800	—	—
						Payment of guarantee fees	0	—	—

Transaction conditions and the policies for determining those conditions:

1. The Company is provided with debt guarantees for loans payable from Mitsubishi Corporation Financial and Management Services(Japan)Ltd. by Mitsubishi Corporation. Guarantee fee rates are determined rationally, taking into account market interest rates.

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	42,200	Short-term loans payable	8,100	
						Borrowing of funds	41,100		Accrued interest	—
						Borrowing interest	0			
	Lawson Entertainment, Inc.	Entertainment-Related Business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds	18,500	Short-term loans payable	21,500	
						Borrowing of funds	23,800		Accrued interest	—
					Borrowing interest	1				
Lawson (China) Holdings, Inc.	Overseas Business	Direct holding 100.0%	Control of business in China	Yes	Collection of funds	12,605	Long-term loans receivable	—		
					Loaning interest	51		Accrued interest	—	
					Capital increase	19,838				
Lawson Bank, Inc.	Financial Services Business	Direct holding 95.0%	Banking business	Yes	Guarantee obligations	130,000	—	—		
					Receipt of guarantee fees	5	Accounts receivable-other	3		
Lawson ATM Networks, Inc.	Financial Services Business	Direct holding 95.0%	Placement of ATMs in the LAWSON stores	No	Repayment of funds	10,400	Short-term loans payable	—		
					Borrowing interest	1	Accrued interest	—		
Affiliate	LTF Co., Ltd.	Domestic Convenience Store Business	Direct holding 49.0%	Management of LAWSON THREE F stores	Yes	Receipt of lease fees	1,147	Lease receivables	9,673	

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.

- The Company provides debt guarantees for loans payable received from financial institutions by Lawson Bank, Inc.

Guarantee fee rates are determined rationally, taking into account market interest rates.

- The liquidation of Lawson ATM Networks, Inc. was completed as of February 25, 2019.

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	No	Purchases for company-operated stores (purchases for franchised stores)	18,132 (735,871)	Accounts payable-trade	59,897
						Shipping costs	49,993	Accounts payable-other	4,701
						Receipt of shipping costs	50,070	Accounts receivable-other	4,430
Subsidiary of the parent company	Mitsubishi Corporation Financial and Management Services(Japan)Ltd.	Contracted operations	—	Recipient of loans	No	Repayment of funds	40,186	Short-term loans payable	9,800
						Borrowing of funds	49,986	Accrued interest	0
						Borrowing interest	0		

Transaction conditions and the principles on the decision thereof:

- 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.
- The interest rates for borrowings are determined rationally taking into account market interest rates.
- The transaction amount does not include consumption taxes. However, the ending balance includes consumption taxes.

(TRANSLATION ONLY)

(Notes to Per-Share Data)

1. Net assets per share	2,399.24 yen
2. Profit per share	309.85 yen

(Notes to Significant Subsequent Events)

Not applicable.

INDEPENDENT AUDITOR'S REPORT

April 4, 2019

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:

Masumi Nakagawa

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, 2019 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, 2018 to February 28, 2019, 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, 2019, 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, 2019

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:

Masumi Nakagawa

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, 2019 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 44th fiscal year from March 1, 2018 to February 28, 2019, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

(TRANSLATION ONLY)

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 28, 2019, 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.

<Copy of the Audit Report of the Board of Audit and Supervisory Board>

AUDIT REPORT

With respect to the directors' performance of their duties during the 44th business term from March 1, 2018 to February 28, 2019, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Audit and Supervisory Board Member, and hereby report as follows:

1. Auditing Methods Employed by the Audit and Supervisory Board Members and Audit and 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 and 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 and Supervisory Board Member, pursuant to the auditing standards of Audit and Supervisory Board Members established by the Audit and 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 and 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 and 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 and 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) Regarding the transaction with the parent company described in the business report, we have examined the details of the matter noted in item (v)-(a) of Article 118 of the Ordinance for Enforcement of the Companies Act and the judgment and its reason in item (v)-(b) in view of the situation of deliberations of the Board of Directors and others.
 - (iv) 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.
- (iv) Regarding the transaction with the parent company described in the business report, we have found no matters on which to give remarks in regard to the judgment of the Board of Directors and its reason on the matter noted to prevent the harming of the interests of the Company upon carrying out the said transaction and whether the said transaction would harm the interests of the Company.

(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, 2019

The Audit and Supervisory Board of Lawson, Inc.

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

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

Outside Audit and Supervisory Board Member Tetsuo Ozawa

Outside Audit and 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 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 maintain year-end dividends for the current fiscal term at ¥127.50 per share, the same amount as in the previous term. Accordingly, full-year dividends, including interim dividends of ¥127.50 per share, will be ¥255 per share.

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:

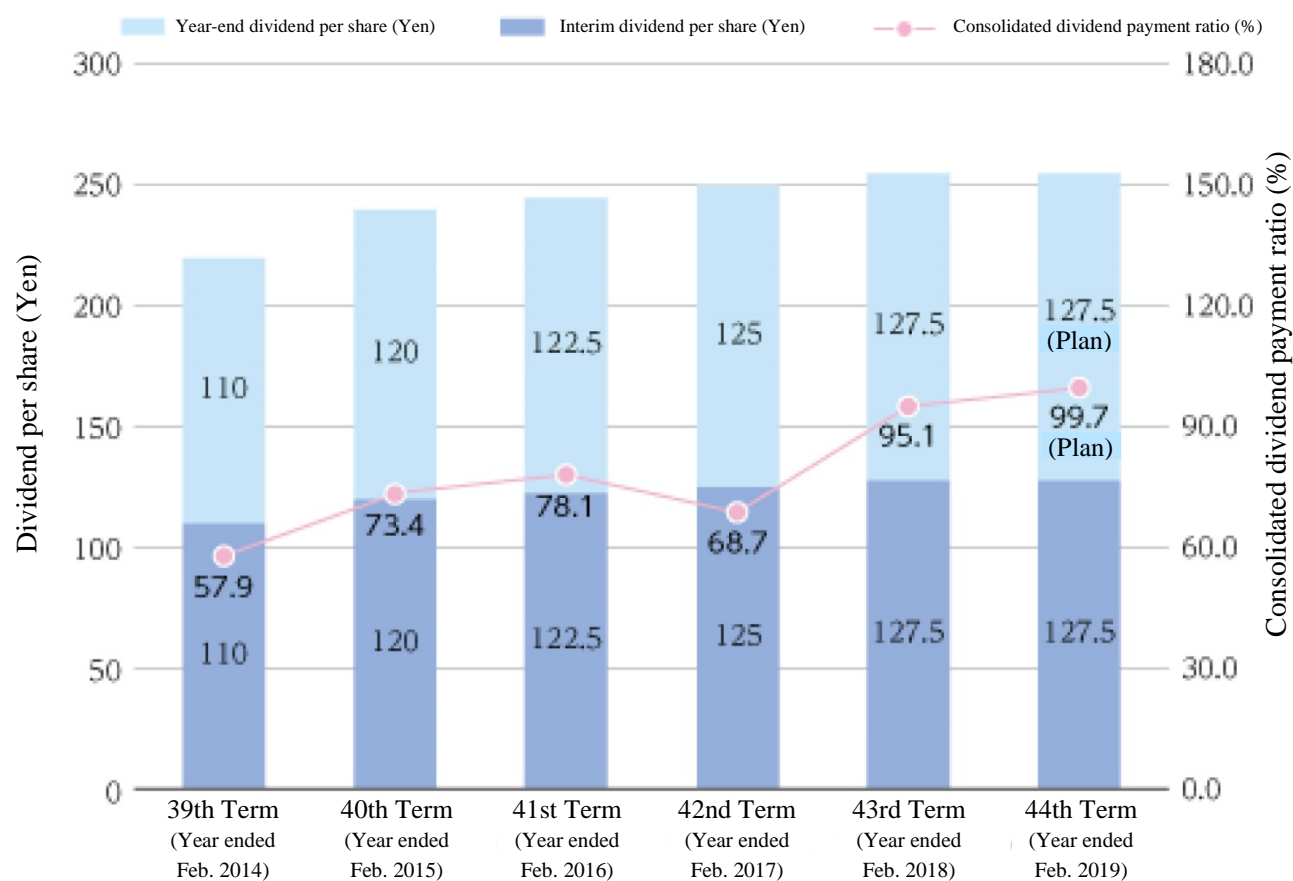
(1) The assignment of the dividend property to shareholders and total amount thereof:

¥127.50 per share of the Company's common stock to a total of ¥12,757,409,221

(2) Effective date of the dividends from surplus:

Wednesday, May 22, 2019

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



	39th Term	40th Term	41st Term	42nd Term	43rd Term	44th Term (Current Period)
Interim dividend per share	¥110	¥120	¥122.50	¥125	¥127.50	¥127.50
Year-end dividend per share	¥110	¥120	¥122.50	¥125	¥127.50	(Plan) ¥127.50
Annual dividend per share	¥220	¥240	¥245	¥250	¥255	(Plan) ¥255
Consolidated net income per share	¥380.04	¥327.08	¥313.81	¥363.96	¥268.16	¥255.71
Consolidated dividend payment ratio	57.9%	73.4%	78.1%	68.7%	95.1%	(Plan) 99.7%
ROE	16.1%	13.0%	12.0%	13.5%	9.7%	9.3%

Notes:

1. Consolidated dividend payment ratio is calculated based on annual dividend per share divided by consolidated net income per share.
2. The Company's policy for dividend payment in the future is to set the target for consolidated dividend payment ratio at 50%, with the minimum annual amount of ¥150 per share.

Proposal No. 2: Election of Eight (8) Directors

The terms of office of all eight (8) Directors expire at the conclusion of this 44th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect eight (8) Directors.

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

The candidates for directors are as stated in the following table. Please refer to pages 35 to 42 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 45 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 Managing Officer	Reappointment	100%
4	Emi Osono	Member of the Board	Reappointment, outside, independent	85.7%
5	Yutaka Kyoya	Member of the Board	Reappointment	85.7%
6	Keiko Hayashi	Member of the Board	Reappointment, outside, independent	85.7%
7	Kazunori Nishio	Member of the Board	Reappointment	85.7%
8	Miki Iwamura	Member of the Board	Reappointment, outside, independent	100%

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, 2019.

No.
1

Sadanobu Takemasu
(August 12, 1969)

Reappointment

- Number of the Company's shares held:
3,200
- Attendance at Board of Directors' meetings
14 out of 14 (100%)
- Years in office
5 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 and Chief Executive Officer, Corporate Administration Department and Corporate Strategy and 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.
February 2019	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Marketing Division, Lawson, Inc.
March 2019	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Marketing Strategy 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 on the domestic convenience store business, 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:
1,800
- Attendance at Board of Directors' meetings
14 out of 14 (100%)
- Years in office
2 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 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

Reasons for nomination as Director

Mr. Katsuyuki Imada has been nominated as a candidate for Director, as he has contributed to the promotion of 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.



Satoshi Nakaniwa
(May 20, 1969)

Reappointment

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

(TRANSLATION ONLY)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
March 1994	Investment and 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.
March 2019	Member of the Board, Executive Managing Officer, 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 reductions as Division Director of the Shared Services Division. He is also in charge of overall finance and accounting as well as business risk management and investor relations as Member of the Board, Executive Managing Officer, 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:
800
- Attendance at Board of Directors' meetings
12 out of 14 (85.7%)
- Years in office
7 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
May 2012	Outside Director, Lawson, Inc. (Current position)
April 2018	Professor, School of International Corporate Strategy, Hitotsubashi University Business School (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 and Supervisory Board members (part-time). She has also been registered as an Independent Director/Audit and 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
12 out of 14 (85.7%)
- Years in office
6 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
June 2016	Member of the Board, Mitsubishi Shokuhin Co., Ltd.
April 2019	Executive Vice President, Group CEO, Consumer Industry Group, Mitsubishi Corporation (Current position)

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 and 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:
900
- Attendance at Board of Directors' meetings
12 out of 14 (85.7%)
- Years in office
3 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 and Supervisory Board members (part-time). She has also been registered as an Independent Director/ Audit and 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. 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
12 out of 14 (85.7%)
- Years in office
3 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1984	Joined Mitsubishi Corporation
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)

Reappointment, outside,
independent

- Number of the Company's shares held:
0
- Attendance at Board of Directors' meetings
12 out of 12 (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 1988	Joined Dentsu Inc.
October 1995	Joined Booz Allen Hamilton Inc.
October 2001	Associate Professor (Management Strategy, Marketing Strategy), Nihon University
July 2003	Brand CEO of Mimiso NY, Richemont Japan K.K.
July 2007	Chief Marketing Officer, Google Japan Inc. (currently Google Japan G.K.)
May 2015	Managing Director, APAC Brand and Marketing, CMO Japan, Google G.K. (current position)
May 2018	Outside Director, Lawson, Inc. (Current position)

Reasons for nomination as Outside Director

Ms. Miki Iwamura has been nominated as a candidate for Outside Director, as she has deep insight into management, marketing, and brand reinforcement using digital big data through business execution as Managing Director at APAC Brand and Marketing, and CMO Japan, Google 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. 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. Iwamura serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and outside Audit and Supervisory Board members (part-time). She has also been registered as an Independent Director/Audit and 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. 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, Mr. Kazunori Nishio, and Ms. Miki Iwamura. 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 nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 11, 2019.

Proposal No. 3: Election of Two (2) Audit and Supervisory Board Members

The terms of office of Tetsuo Ozawa, Audit and Supervisory Board Member, and Eiko Tsujiyama, Audit and Supervisory Board Member, expire at the conclusion of this 44th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) Audit and Supervisory Board Members.

The consent of the Audit and Supervisory Board has been obtained for this proposal.

The candidates for Audit and Supervisory Board Members are as stated below.

Furthermore, please refer to page 45 for the policy and procedures of the Company's Board of Directors for nominating candidates for Audit and Supervisory Board Members.

No.
1



Eiko Tsujiyama
(December 11, 1947)

Reappointment, outside,
independent

■ Number of the Company's
shares held:
900

■ Attendance at Board of
Directors' meetings
14 out of 14 (100%)

■ Attendance at Audit and
Supervisory Board
meetings
16 out of 16 (100%)

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

Brief Personal History, Position and Important Concurrent Positions

April 1974	Registered as Certified Public Accountant
August 1980	Assistant Professor, College of Humanities, Ibaraki University
April 1985	Assistant Professor, Faculty of Economics, Musashi University
April 1991	Professor, Faculty of Economics, Musashi University
April 2003	Professor, School of Commerce and the Graduate School of Commerce, Waseda University
June 2008	Outside Audit and Supervisory Board Member, Mitsubishi Corporation
June 2010	Outside Director, ORIX Corporation (Current position)
May 2011	Outside Audit and Supervisory Board Member, Lawson, Inc. (Current position)
June 2011	Outside Audit and Supervisory Board Member, NTT DOCOMO, INC. (Current position)
June 2012	External Audit and Supervisory Board Member, Shiseido Company, Limited (Current position)
April 2018	Emeritus Professor, Waseda University (Current position)

Reasons for nomination as Outside Audit and Supervisory Board Member

Ms. Eiko Tsujiyama has been nominated as a candidate for Outside Audit and Supervisory Board Member, as she has held positions as members of the Business Accounting Council of the Financial Services Agency and the National Tax Council of the National Tax Agency as an academic, as well as having considerable expertise in finance and accounting as emeritus professor (accounting). She has been appropriately auditing the execution of duties of directors and is expected to continue to sufficiently fulfill the role of an Audit and Supervisory Board Member.

Ms. Tsujiyama serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and outside Audit and Supervisory Board members (part-time). She has been registered as an Independent Director/Audit and 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.
2

Yuko Gomi
(March 28, 1972)

New appointment, outside,
independent

■ Number of the Company's
shares held:
0

Brief Personal History, Position and Important Concurrent Positions

April 1999	Admitted to the Japanese bar, joined T. Kunihiro and Co. Attorneys-at-Law
January 2012	Partner, T. Kunihiro and Co. Attorneys-at-Law (Current position)
July 2012	Councilor, The Foundation for the Promotion of Industrial Science (Current position)
July 2013	Information Security Advisor, Japan Coast Guard (Current position)
September 2013	Legal Advisor to the Legal Compliance Office, General Affairs Division, Minister's Secretariat, Cabinet Office (Part-time, current position)
June 2018	Outside Audit and Supervisory Board Member Nippon Gas Co., Ltd. (Current position)

Reasons for nomination as Outside Audit and Supervisory Board Member

Ms. Yuko Gomi has been nominated as a candidate for Outside Audit and Supervisory Board Member, as she has a wealth of business experience related to laws and regulations and risk management centered on the area of corporate legal affairs from a legal perspective and broad insight as a lawyer, and is expected to sufficiently fulfill the roles of an Audit and Supervisory Board Member. She has been registered as an Independent Director/Audit and 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.

Notes:

- In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreement with Ms. Eiko Tsujiyama. Under the liability limitation agreement concluded with the Company, Outside Audit and Supervisory Board Members assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within a 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. Yuko Gomi.
- The nominees' Brief Personal Histories, Position and Important Concurrent Positions are current as of April 11, 2019.

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

Lawson, Inc. has established the Director/Audit and Supervisory Board Member Election Standard as the basis for nominating candidates for directors and Audit and 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/Audit and 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 and Supervisory Board members (part-time), with five being Independent Directors/Audit and 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. In the event that a director or representative director engages in an act that significantly damages corporate value or ceases to satisfy the Director/Audit and Supervisory Board Member Election Standard after assuming his/her post, a dismissal or other treatment will be considered after consultation with the Committee.

As for candidates for Audit and 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 and Supervisory Board members upon obtaining the consent of the Audit and Supervisory Board.

1. Director/Audit and 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/Audit and 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 and Supervisory Board members who do not conflict with either of them are appointed as Independent Directors/Audit and 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 and 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 and 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/Audit and Supervisory Board Member is an outside Audit and 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 and 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 and 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 and Supervisory Board member.