

May 1, 2020

To All Shareholders with Voting Rights

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

NOTICE OF THE 45th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially notified that the 45th Ordinary General Meeting of Shareholders will be held as follows.

If you do not 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 Tuesday, May 26, 2020.

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

Please exercise your voting rights by 5:45 p.m. on Tuesday, May 26, 2020 after reading the attached document “Exercising Voting Rights via the Internet, etc.”

1. Date and Time: 10:00 a.m., Wednesday, May 27, 2020
2. Venue: Bellesalle Shiodome, B1 Sumitomo Real Estate Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo
3. Objectives of the Meeting

Reports:

The Business Report, the Consolidated Financial Statements and the Nonconsolidated Financial Statements for the 45th Fiscal Term (from March 1, 2019 to February 29, 2020), and the Audit Reports Thereof

Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Partial Amendment to the Articles of Incorporation
- Proposal No. 3: Election of Eight (8) Directors
- Proposal No. 4: Election of Two (2) Audit and Supervisory Board Members
- Proposal No. 5: Revision of the Amount of Remuneration Paid to 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.
 - 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, 2019 through February 29, 2020)

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 2019 ended February 29, 2020, changes in society's needs resulting from an aging population, the prevalence of the nuclear family, the increasing number of working women, and the heightening awareness of healthy lifestyles are serving as a tailwind for the convenience store industry. Meanwhile, competition is intensifying across sector lines and circumstances surrounding franchise stores are also becoming increasingly challenging due to a labor shortage and rising personnel expenses. Given such a business environment, we have made efforts to raise store productivity by making maximum use of digital technology. Specifically, since 2015, we have been introducing a semi-automatic ordering system and new point-of-sale (POS) cash registers equipped with an automatic change dispenser function.

In April 2019, we formulated an action plan to reinforce our relationship with franchise stores and provide stronger support for them and announced our progress in November. Furthermore, we announced in February 2020 new short-, medium- and long-term initiatives to enhance the financial stability of our franchise stores, including supporting low-profit franchise store owners in operating multiple stores, helping develop store managers, and measures for new franchise owners. We will continue strengthening our partnerships with our franchise stores.

Due to the recent spread of the new coronavirus (COVID-19), changes have been observed in the sales of some merchandise as well as trends in customer visits. However, the impact of such changes on our financial results for the fiscal year under review was insignificant.

In terms of operating results for the fiscal year, gross operating revenue grew to 730,236 million yen (up 4.2%), operating income increased to 62,943 million yen (up 3.6%) and ordinary income decreased to 56,346 million yen (down 2.3%) and profit attributable to owners of parent decreased to 20,108 million yen (down 21.4%).

Furthermore, we also focused on improving our group-wide internal control system and addressing operating risks based on the 2019 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 are striving to establish LAWSON stores as convenience stores endorsed by all our customers. To this end, we are implementing measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. By developing distinctive products that are compellingly delicious and health-conscious, we are aiming to further reinforce our product lineup, while rigorously working to offer thoughtful customer service at our stores and ensure environmental friendliness by reducing food waste and the use of plastics.

The consumption tax rate was raised in Japan from 8% to 10% on October 1, 2019, although certain items are subject to a reduced rate. At LAWSON stores, reduced tax rates are applied to food and beverage items, excluding those consumed within their eat-in areas, and alcoholic beverages. In addition, as part of the Japanese government's support scheme to alleviate the impact of the tax hike, customers making cashless payments at applicable LAWSON stores receive a 2% refund on their payment amount.

[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. During the current fiscal year, we are taking decisive steps to improve store operations and strengthen franchise support by headquarters.

With regard to our initiative to introduce self-checkout machines by leveraging the self-checkout function of the POS cash registers installed at all stores during the previous fiscal year, we will continue to introduce the machines at more stores. In January 2020, we temporarily closed 102 franchise stores nationwide during the New Year holidays as part of an experimental trial. Based on the results, we will discuss our initiatives for the next fiscal year.

[Merchandising and Service Strategies]

On the merchandise side, we focused on new product development and quality enhancement of our existing products with the aim of achieving compellingly superior taste. In the rice range, our new “Kinshari Onigiri Rice Ball” series featuring distinct and plump grains of rice, which was launched in April 2019, was hugely popular, and our “Akuma-no-onigiri” (meaning “devil’s rice ball”) series, now an iconic LAWSON product, also recorded solid sales. In the processed bread range, we revamped our sandwich range and captured a new type of meal demand by launching the new “SAND FULL” series, which resulted in continuous strong sales. In the counter fast food range, our revamped “L-Chiki” (fried chicken) series as well as standard and new seasonal products offered at “MACHI café” enjoyed popularity.

In our dessert range, “BASCHEE” (Basque-style cheesecake) launched in March 2019 was received with great popularity, and hit products were also successively released from the “Uchi Café” dessert range, resulting in Lawson’s desserts garnering considerable attention. In the bakery products range, we launched, in March 2019, our “Machinopan” (meaning “town bakery”) series featuring meticulously selected basic ingredients and sophisticated production methods in a quest to offer items with exquisite texture and delicious fillings, while also revamping our existing standard products, which resulted in ongoing strong sales.

On the sales promotion side, we rolled out stamp campaigns and implemented effective measures to attract customers, including a smartphone stamp rally and the Wakuwaku speed lottery, by 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	1,237,391	52.8	102.9
Fast foods	546,542	23.3	100.4
Daily delivered foods	351,442	15.0	106.6
Nonfood products	209,624	8.9	100.5
Total	2,345,000	100.0	102.6

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.

During the fiscal year under review, the total number of LAWSON, NATURAL LAWSON and LAWSON STORE100 stores opened in Japan stood at 554 stores. Meanwhile, we closed a total of 769 such stores in the country as a result of shutting down stores with low earnings and for other reasons. As of the end of February 2020, the total number of domestic stores was 14,444.*

In an effort to establish convenience store models catered to an aging population and a trend toward self-treatment, 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 222 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2020. Moreover, the number of stores offering nursing care consultation services has reached 24 as of the end of February 2020. 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 323 as of the end of February 2020. 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 the aim of supporting our customers’ beauty, health, and comfortable lifestyles, our NATURAL LAWSON stores offer an exclusive assortment of items including original products adopting select ingredients as well as products produced in collaboration with renowned brand names. Meanwhile, our LAWSON STORE100 meets customers’ needs with a wide-ranging assortment of products sold at the value-for-money price of 100 yen, including fresh fruit and vegetables, daily delivered fresh foods, prepared dishes, beverages, and daily necessities. As of the end of February 2020, we operate 145 NATURAL LAWSON stores and 742 LAWSON STORE100 stores.

* 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, 2019	Change during fiscal year	Total stores as of February 29, 2020
LAWSON	13,714	(157)	13,557
NATURAL LAWSON	139	6	145
LAWSON STORE100	806	(64)	742
Total	14,659	(215)	14,444

[Other]

On December 16, 2019, Lawson, Inc. concluded a capital business partnership agreement with KDDI Corporation to promote data marketing utilizing the customer bases of both companies and create new consumption experiences through the application of advanced technologies. Based on this partnership, Lawson and KDDI will combine KDDI's advanced technologies including 5G, the fifth-generation mobile communication system, with Lawson's 14,000-plus-strong real-store infrastructure to develop next-generation convenience store services involving data and financial offerings to create new consumption experiences for customers.

In February 2020, we commenced a pilot experiment involving checkout-free store service at the Lawson Fujitsu Shinkawasaki TS Store. By leveraging digital technology, the Lawson store allows customers to shop without the need to pay at a cash register.

As a result, Domestic Convenience Store Business posted gross operating revenue of 471,551 million yen (up 0.6% from previous fiscal year) and segment profit of 47,121 million yen (down 2.4% from previous fiscal year).

(Seijo Ishii Business)

At stores of Seijo Ishii, a high-end supermarket chain offering quality foods, we provide our customers with well-selected, safe, and reliable foods. The number of directly operated Seijo Ishii stores reached 154 as of the end of February 2020. Seijo Ishii's original quality prepared food continued to be supported by many customers, contributing to steady sales. 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 93,119 million yen (up 7.4% from previous fiscal year) and segment profit of 8,348 million yen (up 12.6% 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. In our product sales business, as of the end of February 2020, we operate 56 stores, mainly comprised of HMV stores dedicated to selling music and video software nationwide, as well as HMV&BOOKS, which markets books, CDs, and DVDs, and HMV record shop stores specializing in analog records.

As of the end of February 2020, United Cinemas Co., Ltd., an operator of cinema complexes, operates cinema theaters at 43 sites nationwide, offering 389 screens including those operated on commission.

As a result, Entertainment-related Business posted gross operating revenue of 85,346 million yen (up 9.3% from previous fiscal year) and segment profit of 5,313 million yen (up 18.1% from previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, in our ATM business, the foundation of our banking business, we expanded our network of financial institution partners, while working to expand the ATM service of Lawson Bank, Inc.

Lawson Bank, Inc. issues LAWSON Ponta Plus credit cards, which allow cardholders to collect extra Ponta points when used at LAWSON, NATURAL LAWSON, or LAWSON STORE100 stores as well as when certain usage conditions are achieved. As a result of such expanded services, credit card membership is seeing steady growth.

As of the end of February 2020, the number of ATMs installed nationwide reached 13,353 (down 106 from previous fiscal year), with each ATM used 47.5 times a day on average. The total number of our financial institution partners increased to 124 nationwide (up 13 from previous fiscal year), including online banks.

As a result, Financial Services Business posted gross operating revenue of 34,089 million yen (up 11.5% from previous fiscal year) and segment profit of 3,088 million yen (up 38.9% 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, we have expanded mainly into Shanghai, as well as into Chongqing, Dalian, Beijing, Wuhan, Hefei, Changsha, Shenyang, and other cities. The number of LAWSON stores in the entire country reached 2,646 as of the end of February 2020.

[Distribution of Lawson Brand Stores Overseas by Region]

Country/Region	Number of stores (as of February 28, 2019)	Change during fiscal year	Number of stores (as of February 29, 2020)
China Shanghai and surrounding area	1,227	347	1,574
China Chongqing	198	37	235
China Dalian	146	46	192
China Beijing and surrounding area	108	45	153
China Shenyang	—	26	26
China Wuhan	308	93	401
China Hefei	20	30	50
China Changsha	—	15	15
Thailand	120	13	133
Indonesia	42	30	72
Philippines	39	26	65
United States of America Hawaii	2	—	2
Total	2,210	708	2,918

As a result, Other Business posted gross operating revenue of 57,275 million yen (up 26.1% from previous fiscal year) and segment loss of 929 million yen (down 42.6% from previous fiscal year).

(Measures to pursue Sustainable Development Goals (SDGs))

With the aim of achieving a sustainable society through Lawson's business activities based on our corporate philosophy, "Creating Happiness and Harmony in Our Communities," we established the SDGs Committee effective March 1, 2019. Based on our belief that striving to fulfill our "Three Promises" will likewise ultimately promote SDGs, we are making Group-wide efforts led by our SDGs Committee to conduct individual initiatives that solve social issues through our business activities.

Specifically, we identified issues having significant impacts on the environment, society and economy across our business activities including our value chains, selected specific issues that significantly impact society and the Lawson Group, and identified the social issues that should be prioritized. We then linked Lawson's initiatives to the identified social issues, and determined our six material issues (materiality).

"6 Material Issues"

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

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

Issues	KPIs for 2030	KPIs for 2050
Reducing food waste	Reduce by 50% over 2018	Reduce by 100%
Reducing plastic use (for containers and packaging)	Reduce by 30% over 2017 (50% of materials used for Lawson's original product containers and packaging are eco-friendly)	(100% of materials used for Lawson's original product containers and packaging are eco-friendly)
Reducing plastic use (Plastic shopping bags)	Plastic shopping bags Reduce by 100% over 2017	—
Reducing CO ₂ emissions	Reduce by 30% over 2013	Reduce by 100%

To reduce food waste, for a period of 82 days from June 11 to August 31, 2019, we performed a food waste reduction experiment dubbed "Another Choice" at a total of 452 Lawson stores as of the end of August 2019 (216 stores in Ehime Prefecture and 236 in Okinawa Prefecture). Based on this experimental program, Lawson donated a total of 8,290,838 yen (3,254,673 yen in Ehime and 5,036,165 yen in Okinawa) to help provide meals for children during summer vacation.

To reduce plastic use, we started replacing the S-sized plastic cups used for iced coffee offered at "MACHI café" with paper cups and adopting lids with openings to eliminate the need for straws. Through such efforts, the amount of plastic used per cup is expected to be reduced by approximately 80%.

As it will become mandatory for retailers nationwide to charge fees for plastic bags from July 1, 2020, we are in the process of deciding on the specifications and price of our plastic bags and discussing related operations.

(TRANSLATION ONLY)

To prevent global warming and reduce electricity consumption, we have been installing chlorofluorocarbon CFC-free (CO2 refrigerant) refrigerator/freezer systems. The number of stores equipped with such systems reached approximately 3,700 as of the end of February 2020, up 300 stores from the end of the previous fiscal year.

We also continued with our scholarship program for children from single-parent families, selecting 400 students to whom we provided scholarships in fiscal 2019. In addition, donations were collected for victims of typhoons Faxai and Hagibis, as well as for the reconstruction of Shuri Castle in Okinawa Prefecture, which had been destroyed in a fire, by placing fundraising boxes and accepting donations of reward points at Lawson Group stores in Okinawa.

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

(2) Capital Expenditures

Capital expenditures of the Group during the fiscal year totaled 45,903 million yen, of which 34,187 million yen was primarily for store facility investment in buildings, and 10,968 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 2016 42 nd Term	Fiscal 2017 43 rd Term	Fiscal 2018 44 th Term	Fiscal 2019 45 th Term
Gross operating revenue (millions of yen)	631,288	657,324	700,647	730,236
Ordinary income (millions of yen)	73,014	65,141	57,700	56,346
Profit attributable to owners of parent (millions of yen)	36,400	26,828	25,585	20,108
Profit per share (yen)	363.96	268.16	255.71	200.95
Total assets (millions of yen)	866,577	900,256	1,342,329	1,357,732
Net assets (millions of yen)	285,995	281,446	281,982	275,347
Net assets per share (yen)	2,748.39	2,755.06	2,763.54	2,707.08

Note: Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), etc. have been applied from the beginning of the fiscal year ended February 29, 2020 in preparing the consolidated financial statements. The standards have been retrospectively applied to the consolidated financial statements for the previous fiscal year.

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2016 42 nd Term	Fiscal 2017 43 rd Term	Fiscal 2018 44 th Term	Fiscal 2019 45 th Term
Net sales of all convenience stores (millions of yen)	2,027,504	2,110,454	2,236,125	2,296,156
Gross operating revenue (millions of yen)	356,186	372,891	385,678	390,811
Ordinary income (millions of yen)	56,459	50,508	51,443	45,962
Profit (millions of yen)	19,088	19,417	31,002	15,486
Profit per share (yen)	190.86	194.09	309.85	154.76
Total assets (millions of yen)	767,986	798,603	838,260	858,770
Net assets (millions of yen)	237,409	233,489	240,280	233,705
Net assets per share (yen)	2,370.59	2,331.65	2,399.24	2,333.04

(4) Priority Issues of the Group**① Continue to ensure stable management of franchised stores**

The Company recognizes that maintaining the stable management of franchised stores is an important issue. The Company will implement short-term and medium- to long-term initiatives such as measures to stabilize management by promoting the management of multiple franchised stores as well as measures to enable new franchised store owners to start their business with peace of mind, thereby building stronger partnerships with franchised stores.

② Strengthen our product appeal

By setting out and thoroughly implementing the Three Lawson Promises of “Superior taste,” “Human kindness,” “Environmental (Machi) friendliness,” we aim to further strengthen our product lineup and address social issues, and thus create stores that are recommended by customers.

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.

For such purposes, we will utilize advanced digital technologies as well as management resources such as real stores and customer bases, etc. held by the Group.

⑤ Response to social issues

To help resolve social issues pertinent to the Sustainable Development Goals (SDGs), the SDGs Committee, which was formed last year, 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.

With respect to risks and opportunities related to climate change, we will also consider the disclosure of financial impacts in addition to risk management.

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 2020

(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 112 offices throughout Japan, including branches.

② Lawson Sanin, Inc.

Major Business: Operates LAWSON stores in the Sanin area.

Head Office: Yonago city, Tottori

Note: Lawson Sanin, Inc. was merged into Lawson, Inc. effective March 1, 2020.

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	673	Ibaraki	223	Kyoto	322	Ehime	211
Aomori	270	Tokyo	1,715	Shiga	156	Tokushima	136
Akita	185	Kanagawa	1,088	Nara	138	Kochi	139
Iwate	175	Shizuoka	285	Wakayama	148	Fukuoka	517
Miyagi	252	Yamanashi	135	Osaka	1,123	Saga	74
Yamagata	114	Nagano	172	Hyogo	666	Nagasaki	111
Fukushima	162	Aichi	723	Okayama	202	Oita	188
Niigata	225	Gifu	180	Hiroshima	235	Kumamoto	159
Tochigi	199	Mie	138	Yamaguchi	116	Miyazaki	104
Gunma	243	Ishikawa	105	Tottori	139	Kagoshima	195
Saitama	689	Toyama	185	Shimane	145	Okinawa	239
Chiba	603	Fukui	110	Kagawa	132	Total (domestic)	14,444

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

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

(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	5,426	15
Seijo Ishii Business	1,087	71
Entertainment-related Business	1,213	131
Financial Services Business	150	9
Other Business	2,696	(49)
Total	10,572	177

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
4,599	48	40.3	13.1

Note: Number of employees is full-time employees.

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Syndicated loan	180,000
Mitsubishi Corporation Financial & Management Services(Japan)Ltd.	133,000
Sumitomo Mitsui Banking Corporation	20,000
Mizuho Bank, Ltd.	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	Natural Gas, Industrial Materials, Petroleum & Chemicals, Mineral Resources, Industrial Infrastructure, Automotive & Mobility, Food Industry, Consumer Industry, Power Solution, Urban Development, etc.

- Relationship with parent company
Mitsubishi Corporation, our parent company, holds 50,150,000 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	100.0 %	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.	2,352	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.	1,367	million baht	49.2 %	Overseas Business
BestPractice, Inc.	10	million yen	100.0 %	Consulting Business

Notes:

1. Shareholding includes indirectly held shares.
2. Lawson Sanin, Inc. was merged into Lawson, Inc. effective March 1, 2020.

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 237,762 shares of treasury shares)**(3) Number of Unit (*tangen*) Shares:** 100 shares**(4) Number of Shareholders:** 31,293**(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)	4,799	4.8
Japan Trustee Services Bank, Ltd. (Trust account)	2,654	2.7
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK WEST CLIENT — TREATY 505234	1,804	1.8
JPMorgan Securities Japan Co., Ltd.	1,262	1.3
Japan Securities Finance Co., Ltd.	1,179	1.2
Japan Trustee Services Bank, Ltd. (Trust account 7)	1,140	1.1
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,009	1.0
Japan Trustee Services Bank, Ltd. (Trust account 9)	942	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 29, 2020**

	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 Right	20 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)	5 persons (116 units)
Outside Directors	2 persons (10 units)	2 persons (10 units)	3 persons (15 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 8,200	Common stock of Lawson, Inc. 11,100	Common stock of Lawson, Inc. 13,100
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen	1 yen	1 yen
Exercise period	May 1, 2017 through April 11, 2037	June 8, 2018 through May 21, 2038	June 7, 2019 through May 20, 2039
Main exercise conditions	Note 1	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

	20 th Stock Acquisition Rights
Number of SVPs and the number of stock acquisition rights	
Senior Vice Presidents	10 persons (47 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 4,700
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	June 7, 2019 through May 20, 2039
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 29, 2020, is 57,200 shares, accounting for 0.06% of the total number of shares issued and outstanding.

3. Members of the Board and Corporate Auditors**(1) Positions, Names and Assignments (As of February 29, 2020)**

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 Yutaka Kyoya	Member of the Board Member of the Board	Executive Vice President, Group CEO, Consumer Industry Group, Mitsubishi Corporation and Member of the Board, Olam International Limited
Keiko Hayashi Kazunori Nishio	Member of the Board Member of the Board	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation
Miki Iwamura Toshio Takahashi	Member of the Board Audit and Supervisory Board Member (full-time)	
Masakatsu Gonai	Audit and Supervisory Board Member (full-time)	
Eiko Tsujiyama	Audit and Supervisory Board Member	
Yuko Gomi	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), Eiko Tsujiyama, Audit and Supervisory Board Member and Yuko Gomi, 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.
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.
Yuko Gomi, Audit and Supervisory Board Member, has a wealth of work experience of law and risk management mainly in relation to the legal affairs of companies, based on her viewpoint of law as a lawyer and her broad knowledge.
4. The following personnel changes were approved at the board of corporate auditors' meeting and the 44th general meeting of shareholders held on May 21, 2019.

Appointment	Audit and Supervisory Board	Yuko Gomi
Resignation	Audit and Supervisory Board	Tetsuo Ozawa

[Reference] Members of the Boards and Senior Vice Presidents**(Excluding Non-Executive Directors) (As of March 1, 2020)**

Name	Position and Major Title	
Sadanobu Takemasu	President , Representative Director, Chairman of the Board	CHO
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
Jun Miyazaki	Senior Executive Managing Officer	Corporate Communications Division Director, —Human Resources and Executive Assistant to CHO
Shuichi Imagawa	Executive Managing Officer	—Compliance & Risk Management and —Human Resources
Yuichi Wada	Executive Managing Officer	Store Operations Division Director
Motonobu Miyake	Executive Vice President	China Business Division Director and Lawson (China) Holdings, Inc. General Manager
Akihito Watanabe	Executive Vice President	Lawson Entertainment, Inc., United Cinemas Co., Ltd. and Lawson Travel, Inc. President and Representative Director
Hitoshi Fujii	Executive Vice President	Merchandising Division Director
Kazuhiro Wakui	Executive Vice President	Merchandising Division Deputy Director
Yasuhiko Hirokane	Senior Vice President	Executive Assistant to President
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
Tatsushi Sato	Senior Vice President	Asia Pacific Business Division (IT System) and China Business Division (IT System)
Tatsuya Murase	Senior Vice President	Franchisee Business Support Division Director
Kisho Tsuruta	Senior Vice President	Marketing Strategy Division Director
Miwako Tate	Senior Vice President	Communication 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)
Hiroko Otani	Senior Vice President	Marketing Strategy Division Deputy Director and Merchandising 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)	211	171	39	8
(Outside Directors)	34	30	4	3
Corporate Auditors (Including Outside Corporate Auditors)	74	74	—	5
(Outside Corporate Auditors)	50	50	—	4
Total	285	245	39	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	Director	Yutaka Kyoya
Outside Director	Keiko Hayashi (Vice Committee Chairperson)	Outside Director	Miki Iwamura
Outside Corporate Auditor	Eiko Tsujiyama (Committee Chairperson)	Outside Corporate Auditor	Yuko Gomi

③ Details of remuneration paid to directors

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

[Basic compensation]

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

- 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	Vice President, Asia-Pacific, Japan (Marketing)	—
Corporate Auditor (Independent)	Toshio Takahashi	—	—	—
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.
Outside Corporate Auditor (Independent)	Yuko Gomi	T.Kunihiro & Co. Attorneys-at-Law NIPPON GAS CO., LTD. ALPS ALPINE CO., LTD.	Partner Outside corporate auditor Outside director Audit and supervisory committee member	—

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 11 of 13 board of directors' meetings held during the year, and as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Osono is also a member of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Keiko Hayashi	Ms. Hayashi attended all 13 board of directors' meetings held throughout the year during her term in office and, as a management executive, appropriately questioned and/or remarked based on her abundant knowledge. Ms. Hayashi is also a vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Miki Iwamura	Ms. Iwamura attended 12 of 13 board of directors' meetings held throughout the year during her term in office, and as an executive Vice President 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 13 board of directors' meetings and all 19 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)	Eiko Tsujiyama	Ms. Tsujiyama attended all 13 board of directors' meetings and all 19 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 chairperson of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Yuko Gomi	Ms. Gomi attended all 11 board of directors' meetings and all 14 board of corporate auditors' meetings held during the year and, as a lawyer, appropriately questioned and/or remarked based on her viewpoint of law as a lawyer and her broad knowledge. Ms. Gomi 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	130 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	231 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 “2018 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on February 18, 2019, the Company passed a resolution called the “2019 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 (“Compliance”), and receive status reports thereof periodically.
- ② The board of directors shall maintain and improve the supervising function regarding the execution of duties by the directors by electing outside Directors on an ongoing basis.
- ③ The corporate auditors shall independently audit the execution of duties by the directors, including the status concerning the improvement of the internal control systems.
- ④ The 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.
- ⑤ The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company’s businesses and communicating the content thereof to the relevant departments and sections.
- ⑥ The Internal Audit Department, which is independent from the business-executing bodies, shall audit the status concerning the improvement of the internal control systems and recommend improvements thereof, as required.
- ⑦ 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 & 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 develop regulations to specify the management of subsidiaries and affiliated companies ("Associated Companies") and endeavor to maintain and enhance the Lawson brand through close collaboration with 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 establishing a department that supervises the management system of Associated Companies and respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall strengthen measures aimed at optimizing the management system of Associated Companies by providing consultation and advice as required and establishing a reporting system from Associated Companies.
- 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.
 - By establishing an organization in charge of Associated Companies (responsible department, department in charge) as well as a specialized department to support Associated Companies from a specialist perspective, the Company shall strive to ensure the appropriateness of the operations of 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, communication function and monitoring activities in an organic manner.
- ② The Company has streamlined the Lawson Ethical Mission Statement. Along with that, The Company has established The Group Code of Conduct as its code of conduct, published them in the "Lawson Group C&R Handbook," and distributed the handbook to all employees in an effort to thoroughly disseminate its content with the aim of ensuring the propriety of business operations across the Group.
- ③ In order to promote compliance and establish and promote the risk management system, the CR Executive Officer is appointed as an executive officer with overall responsibility for compliance and risk management, and the position of Compliance & Risk Management Officer (CRO) is established for each head office and region. CROs attend the Compliance & Risk management meetings organized by the executive officer in charge of Compliance & Risk Management, thoroughly disseminate measures determined at the meetings, and monitor the progress of such measures and formulate, disseminate and implement compliance measures and risk management measures of their own departments as leaders promoting such measures, in an effort to create a corporate culture that emphasizes compliance with social norms and prevents the occurrence of risk events.
- ④ On the educational/training front, the Company aims to further improve ethical awareness and the ability to withstand crises by conducting compliance and risk management training for all employees every year. In addition, the Company has established an educational system to enable systematic learning by providing training upon joining the Group and upon promotion to a managerial position, and training by job types and training conducted by external lecturers for company management. The Company is seeking measures to ensure that employees of various job positions and job types will be able to share problems to improve their operations by maintaining these educational/training programs while revising their content in line with changing risk conditions.
- ⑤ With respect to whistleblowing reports, the Company has established a consultation contact point exclusively for sexual harassment and power harassment, which is offered by the Human Resources Department, as well as an internal consultation and reporting contact point for compliance and risk management matters. In addition, there are the Group Independent Whistleblower Hotline at a law firm and other external organizations as well as an anonymous consultation contact point for employees of the Company's business counterparties and store staff. The Company shall seek to strengthen self-rectification within the organization by treating instances of whistleblowing appropriately, reviewing the system to prevent recurrence, and introducing specific cases at meetings and through training programs and internal notifications.
- ⑥ The Company has established the Compliance & Risk Management Office and the Information Security Management Office comprising dedicated staff under the leadership of the CR Executive Officer. As departments in charge of the promotion and establishment of compliance and risk management, the two offices act as the secretariat of the Compliance & Risk Management Committee Meeting and the Information Security Committee Meeting, which are cross-organizational meetings, and manage the progress of measures by each department. Meanwhile, four subcommittees (Food Safety and Hygiene Management Subcommittee, BC Subcommittee, Regional Office Crime Prevention and Disaster Defense Subcommittee and CSV Subcommittee) have been separately established under the Compliance & Risk Management Committee Meeting in an effort to manage the progress of key measures and prevent risks
- ⑦ In terms of monitoring activities, the Company continuously conducts awareness surveys targeting all employees and questionnaire surveys targeting the Company's business partners with regard to matters such as product delivery and store construction, and thus reviews and improves its compliance system from a broad perspective. In addition, the Company provides thorough guidance and improvement proposals based on the results of audits conducted by the Internal Audit Department.
- ⑧ At major Associated Companies, officers in charge of compliance risk management (Affiliated Company Compliance Officers) are also appointed and these officers attend the Affiliated Company Compliance Officers Meeting. Affiliated Company Compliance Officers strive to enhance awareness among employees by formulating the code of ethics and providing training while conducting employee awareness surveys and questionnaire surveys for business counterparts in collaboration with the Company. 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 the compliance and risk management systems of the Group.
- ⑨ A former employee of the Company's IT Department was found to have conspired with a business counterparty for approximately nine years from 2011 to 2019 to allow the business counterparty to pool a large amount of money labeled reserve funds by inflating outsourcing fees and to use the money privately. The Company publicly announced this incident in August 2019. Because we had one employee in charge of the same work for many years, the internal monitoring function did not operate properly, and we were unable to detect the misconduct through regular operational checks. In order to prevent the recurrence of similar incidents, we will implement regular personnel rotation for operations involving decision-making related to the appointment of business partners and continuation of transactions so that same personnel cannot continue to be in charge of the same business operations. At the same time, we are working to further raise awareness of compliance through training. To this end, we are strengthening our internal check-and-balance system with regular internal business surveys, and developing a system that makes it easier to detect misconduct by utilizing questionnaires for the Company's business partners and

reviewing contract terms.

(2) Preparations against and Responses to Risks

① The Company places particular emphasis on “food safety and hygiene management,” information security” and “disaster relief,” and it has prepared a structure for responding to emergencies and resolving problems rapidly. In normal times, the Compliance & Risk management meetings and four sub-committees are organized to assess risks and formulate and promote risk prevention measures with the aim of preventing the occurrence of risk events. In the event of significant risk events, the Emergency Risk Management Committee is convened in an effort to swiftly solve issues and minimize damage. Once the problems have been resolved, the Company analyzes the factors contributing to their occurrence and reviews and improves the relevant countermeasures to prevent any recurrence.

② With regard to the information security system, the “Lawson Group Privacy Policy” has been formulated to promote protection of personal information. To ensure that the relevant personnel understand the specific details of the contents and are prepared to implement them, the Company produces and publishes various manuals illustrating potential mistakes and complaints that may arise at the stores, accompanied by practical responses to them, for stores in an effort to raise awareness. Matters to be observed are compiled in the Information Security Guidebook, and employees are tested periodically to ensure that they are all acting reliably based on the “Lawson Office Security Rules.” The Company also conducts training to respond to targeted attack emails.

In handling the personal information of customers, a system has been established to specify collection and retention methods, retention period, administration manager, etc. particularly with respect to each measure and go through the check by a specialized unit prior to execution. When consigning responsibility for storing personal information to outside organizations, we require that a detailed investigation of the organization’s security framework be conducted in advance and that consignment of the responsibility be made only to organizations that satisfy the Company’s conditions. Additionally, an onsite or documented inspection is conducted annually to ensure that the conditions are maintained.

In term of information security management at stores, we request FC store owners to provide their store staff with education on SNS while disseminating educational videos on SNS to store computers to raise awareness.

Moreover, the Company carries out checks such as evaluation of the vulnerability of information systems, information security audits by the Internal Audit Department and office security audits by a specialized company.

③ We are reinforcing our emergency response capabilities through efforts such as formulating the Business Continuity Plan (BCP) and implementing disaster mitigation measures. Our aim is to institute a business continuity (BC) framework that prevents interruption of important business activities, even in the case of significant damage due to a large-scale disaster, etc. The Company believes that interruption of important business activities shall be avoided, while maintaining a priority on securing people’s safety and wellbeing. Even if business operations are unavoidably interrupted, critical functions shall be resumed quickly and life infrastructure functions of convenience stores shall be maintained in order to avoid undermining customer satisfaction or our corporate value. In order to achieve such objective, practical procedures are compiled in the Business Continuity Plan (BCP), and we are pursuing efforts to establish a BC framework in line with the BCP, and to sustain and enhance it, as an important issue for management. 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.

The Company has formulated the “Disaster Relief Manual” based on the disaster relief policy, defining its approach toward disaster relief and the standard of conduct of the organization and its employees in the event of a disaster. There are three parts to the manual: “Concept of Operations,” “Initial Actions,” and “Response and Recovery Actions,” in which the response rules and procedures for measures according to the disaster level for all employees and the entire organization are described. Additionally, in the event of a major incident impacting the headquarters operations, to ensure the continuance of important business activities as the franchise headquarters, we have formulated the “BCP Guidelines” based on the Business Continuity Plan, defining the organization’s standard of conduct.

When large-scale disasters occur, our first priority is to confirm the safety of the Company’s employees and our FC owners and crews. The Company conducts Companywide disaster prevention drills three times a year in which participants acquire experience in implementing a variety of measures, including responding by telephone, email and disaster message dialing and applying the safety check system. This prepares every individual to respond smoothly should emergencies arise. Manuals elucidating the requisite disaster preparedness and responses are distributed to the stores. When large-scale disasters occur, disaster relief headquarters are set up immediately in three locations in the affected area: headquarters, regional offices and local sites. The Company takes advantage of a Disaster Information Map System designed to enable personnel to confirm the disaster situation in real-time and implement support measures for shops, factories and delivery centers, so that stores in the disaster area can be reopened for business at an early timing.

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 Through a system that has been established for the reporting of any risks that occur at an associated company to the Company, information on risk cases at the Company or its associated companies is appropriately reported to the parent company on a timely basis.
- ② By establishing an organization in charge of Associated Companies as well as a specialized department to support Associated Companies from a specialist perspective, the Company shall strive to ensure the appropriateness of the 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, 2019 (for reference)	As of February 29, 2020	Account item	As of February 28, 2019 (for reference)	As of February 29, 2020
Current assets	619,603	636,697	Current liabilities	598,522	561,963
Cash and deposits	354,240	343,587	Accounts payable-trade	123,408	129,397
Accounts receivable-due from franchised stores	47,179	47,366	Short-term loans payable	126,600	39,850
Lease receivables	19,120	17,876	Current portion of long-term loans payable	50,000	—
Merchandise	20,862	20,985	Lease obligations	38,750	45,610
Accounts receivable-other	120,969	159,122	Accounts payable-other	101,995	94,848
Other	57,355	47,802	Income taxes payable	6,683	7,915
Allowance for doubtful accounts	(124)	(42)	Deposits received	131,804	193,096
Non-current assets	722,726	721,035	Provision for bonuses	4,263	4,667
Property and store equipment	382,300	392,938	Other	15,015	46,577
Buildings and structures	207,755	201,526	Non-current liabilities	461,824	520,421
Tools, furniture and fixtures	16,056	20,093	Long-term loans payable	260,000	310,000
Land	9,052	8,913	Lease obligations	131,441	136,665
Leased assets	146,880	146,235	Deferred tax liabilities	550	521
Construction in progress	2,223	1,825	Provision for retirement benefits to executive officers and audits and supervisory board members	300	282
Other	331	14,343	Net defined benefit liability	15,125	16,245
Intangible assets	106,672	97,063	Asset retirement obligations	31,102	35,335
Software	49,791	45,151	Other	23,303	21,370
Goodwill	46,836	42,381	Total liabilities	1,060,347	1,082,385
Trademark right	9,468	8,849	Net assets		
Other	576	680	Shareholders' equity	270,649	267,181
Investment and other assets	233,753	231,033	Capital stock	58,506	58,506
Investment securities	31,140	28,665	Capital surplus	46,984	44,605
Long-term loans receivable	44,024	42,488	Retained earnings	166,187	165,081
Guarantee deposits	107,034	107,193	Treasury shares	(1,028)	(1,011)
Deferred tax assets	30,995	34,378	Accumulated other comprehensive income	5,865	3,695
Other	21,395	18,938	Valuation difference on available-for-sale securities	3,349	1,496
Allowance for doubtful accounts	(835)	(630)	Revaluation reserve for land	(566)	(207)
			Foreign currency translation adjustment	3,930	3,341
			Remeasurements of defined benefit plans	(848)	(934)
			Subscription rights to shares	215	255
			Non-controlling interests	5,251	4,214
			Total net assets	281,982	275,347
Total assets	1,342,329	1,357,732	Total liabilities and net assets	1,342,329	1,357,732

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2018 to February 28, 2019 (for reference)		From March 1, 2019 to February 29, 2020	
Operating revenue				
Income from franchised stores	302,136		314,260	
Other operating revenue	109,931	412,067	113,132	427,393
Net sales				
Net sales	(288,579)	288,579	(302,843)	302,843
Gross operating revenue		700,647		730,236
Cost of sales	(198,040)	198,040	(205,746)	205,746
Gross profit	(90,539)		(97,097)	
Operating gross profit		502,607		524,490
Selling, general and administrative expenses		441,825		461,547
Operating income		60,781		62,943
Non-operating income				
Interest income	714		651	
Share of profit of entities accounted for using equity method	320		571	
Compensation income	382		680	
Penalty income	322		408	
Other	1,716	3,456	1,381	3,692
Non-operating expenses				
Interest expenses	2,768		4,006	
Loss on cancellation of leases	1,655		3,675	
Other	2,113	6,538	2,607	10,289
Ordinary income		57,700		56,346
Extraordinary income				
Gain on sales of investment securities	738	738	164	164
Extraordinary losses				
Loss on sales of non-current assets	224		508	
Loss on retirement of non-current assets	4,141		6,120	
Impairment loss	13,891		18,722	
Other	303	18,561	840	26,191
Profit before income taxes		39,876		30,319
Income taxes-current	18,328		12,814	
Income taxes-deferred	(4,015)	14,313	(2,563)	10,250
Profit		25,562		20,068
Profit attributable to non-controlling interests		(22)		(39)
Profit attributable to owners of parent		25,585		20,108

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity

(From March 1, 2019 to February 29, 2020)

(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	46,984	166,187	(1,028)	270,649	3,349	(566)	3,930	(848)	5,865	215	5,251	281,982
Cumulative effects of changes in accounting policies			(593)		(593)								(593)
Restated balance	58,506	46,984	165,593	(1,028)	270,056	3,349	(566)	3,930	(848)	5,865	215	5,251	281,388
Changes of items during period													
Change in ownership interest of parent due to transactions with non-controlling		(2,375)			(2,375)								(2,375)
Dividends of surplus			(20,262)		(20,262)								(20,262)
Profit attributable to owners of parent			20,108		20,108								20,108
Purchase of treasury shares				(0)	(0)								(0)
Reversal of revaluation reserve for land			(358)		(358)								(358)
Exercise of subscription rights to shares (Delivery of treasury shares)		(3)		18	14								14
Net changes of items other than shareholders' equity						(1,852)	358	(589)	(86)	(2,169)	39	(1,037)	(3,167)
Total changes of items during period	—	(2,379)	(512)	17	(2,874)	(1,852)	358	(589)	(86)	(2,169)	39	(1,037)	(6,041)
Balance at end of current period	58,506	44,605	165,081	(1,011)	267,181	1,496	(207)	3,341	(934)	3,695	255	4,214	275,347

(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 Sanin, Inc. was merged into Lawson, Inc. effective March 1, 2020.

(2) Names of non-consolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. Seikaken, Inc. Lawson Syuhan, Inc. TOKYO EUROPE TRADE CO., LTD. Lawson Travel, Inc. Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. Lawson Philippines, Inc. LAWSON (TIANJIN) INC. SLV Retail Company Limited Shenyang LAWSON 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., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., Lawson Travel, Inc., Lawson Digital Innovation Inc., Lawson USA Hawaii, Inc., Jiangsu Lawson, Inc., Lawson Philippines, Inc., LAWSON (TIANJIN) INC., SLV Retail Company Limited and Shenyang LAWSON Inc.) and entities excluded from the scope of the equity-method application (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., Lawson Staff, Inc., TA Platform Corporation, LTF Co., Ltd., StageAround TOKYO Production Committee, Jianguin Hualian Guzhitian Food Co., Ltd., POPLAR Co.,Ltd., New Designed by Tokyo Ltd. and 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.

(8) Adoption of consolidated taxation system

The Company and certain consolidated subsidiaries in Japan adopt the consolidated taxation system.

(Changes in Accounting Policies)

The Company's foreign consolidated subsidiaries have applied International Financial Reporting Standard 16 (IFRS 16) "Leases" from the first quarter of the fiscal year ended February 29, 2020, meaning the Company recognizes all applicable leases as assets and liabilities on the consolidated balance sheet, in principle.

The impact of the application of IFRS 16 on the Company's consolidated financial statements is immaterial.

(Changes in Presentation)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018) from the beginning of the fiscal year ended February 29, 2020. Consequently, "Deferred tax assets" are presented under "Investments and other assets" and "Deferred tax liabilities" are presented under "Non-current liabilities".

(TRANSLATION ONLY)

In the “Non-operating income” section, “Dividend income” which was separately presented in the consolidated statement of income in prior periods is now included in “Other” from the current fiscal year due to a decline in financial materiality.

In the “Non-operating income” section, “Penalty income” which was included in “Other” in the consolidated statement of income in prior periods is now separately presented as “Penalty income” from the current fiscal year due to an increase in financial materiality.

In the “Non-operating expenses” section, “Loss on disaster” which was separately presented in the consolidated statement of income in prior periods is now included in “Other” from the current fiscal year due to a decline in financial materiality.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 366,817 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 81 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	2,533
	Osaka	"	1,689
	Others	"	13,434
Other	—	Land	116
	—	Software	947
Total	—	—	18,722

Category by non-current assets

Buildings and structures	10,774	million yen
Tools, furniture and fixtures	708	"
Land	116	"
Leased assets	6,104	"
Software	947	"
Other	70	"

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 3.8%.

(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	241	0	4	237

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 4 thousand shares resulted from the exercise of stock option rights.

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 21, 2019)	Common stock	12,757	127.50	February 28, 2019	May 22, 2019
Directors' meeting (October 9, 2019)	Common stock	7,504	75.00	August 31, 2019	November 8, 2019

(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 27, 2020)	Common stock	Retained earnings	7,504	75.00	February 29, 2020	May 28, 2020

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

57,200 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 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&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 29, 2020, 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	47,366	47,366	—
(2) Lease receivables	17,876	17,597	(278)
(3) Accounts receivable-other	159,122		
Allowance for doubtful accounts (*1)	(23)		
	159,098	159,098	—
(4) Investment securities			
Available-for-sale securities (*2)	9,495	9,212	(282)
(5) Long-term loans receivable	47,523		
Allowance for doubtful accounts (*1.4)	(62)		
	47,460	46,607	(852)
(6) Guarantee deposits	107,193		
Allowance for doubtful accounts (*1)	(415)		
	106,777	108,385	1,607
Total assets	388,075	388,268	193
(1) Accounts payable-trade	129,397	129,397	—
(2) Short-term loans payable	39,850	39,850	—
(3) Accounts payable-other	94,848	94,848	—
(4) Deposits received	193,096	193,096	—
(5) Long-term loans payable (*3)	310,000	310,000	—
(6) Lease obligations (*3.4)	187,311	182,060	(5,250)
Total liabilities	954,503	949,252	(5,250)

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

(*2) Available-for-sale securities include shares of listed affiliates not accounted for by the equity method, and the difference in value is based on the market value of such shares.

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

(*4) As long-term loans receivable and lease obligations satisfy the offsetting requirements, long-term loans receivable are offset against lease obligations and the net amount is shown in the consolidated balance sheets. The offset amount is 5,034 million yen.

(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

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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	308
Investments in subsidiaries and affiliated companies	17,562
Other	1,299

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	2,707.08 yen
2. Profit per share	200.95 yen

(Notes to Significant Subsequent Events)

Not applicable.

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Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2019 (for reference)	As of February 29, 2020	Account item	As of February 28, 2019 (for reference)	As of February 28, 2020
Current assets	169,053	199,530	Current liabilities	413,869	392,206
Cash and deposits	8,266	22,218	Accounts payable-trade	109,034	113,119
Accounts receivable-due from franchised stores	46,032	45,997	Short-term loans payable	54,800	38,000
Lease receivables	26,698	25,125	Short-term loans payable to subsidiaries and associates	32,750	40,850
Merchandise	1,501	1,276	Current portion of long-term loans payable	50,000	—
Prepaid expenses	16,898	17,293	Lease obligations	34,391	36,185
Accounts receivable-other	57,662	79,093	Accounts payable-other	23,133	28,678
Other	12,043	8,534	Income taxes payable	2,752	5,860
Allowance for doubtful accounts	(51)	(8)	Accrued expenses	2,260	2,294
Non-current assets	669,207	659,239	Deposits received	96,943	115,864
Property and store equipment	341,088	332,337	Provision for bonuses	2,950	3,142
Buildings	163,750	157,103	Other	4,854	8,211
Structures	30,565	29,069	Non-current liabilities	184,110	232,858
Tools, furniture and fixtures	10,087	12,182	Long-term loans payable	—	50,000
Land	8,999	8,860	Lease obligations	121,603	118,104
Leased assets	125,580	123,520	Provision for retirement benefits	11,794	12,566
Construction in progress	2,106	1,601	Provision for retirement benefits to executive officers	201	226
Intangible assets	47,784	42,629	Asset retirement obligations	27,578	31,537
Software	31,868	28,772	Other	22,932	20,423
Goodwill	15,431	13,387	Total liabilities	597,980	625,065
Other	485	469	Net assets		
Investments and other assets	280,333	284,272	Shareholders' equity	237,281	232,160
Investment securities	12,861	9,897	Capital stock	58,506	58,506
Shares of subsidiaries and associates	63,224	67,529	Capital surplus	47,761	47,757
Investments in capital of subsidiaries and associates	19,838	23,822	Legal capital surplus	47,696	47,696
Long-term loans receivable	43,079	41,741	Other capital surplus	64	60
Long-term loans receivable from subsidiaries and associates	714	555	Retained earnings	132,042	126,908
Long-term prepaid expenses	17,415	15,507	Legal retained earnings	727	727
Guarantee deposits	93,689	93,307	Other retained earnings		
Deferred tax assets	29,145	31,315	General reserve	50,000	50,000
Other	1,197	1,224	Retained earnings brought forward	81,315	76,180
Allowance for doubtful accounts	(833)	(630)	Treasury shares	(1,028)	(1,011)
			Valuation and translation adjustments	2,782	1,288
			Valuation difference on available-for-sale securities	3,349	1,496
			Revaluation reserve for land	(566)	(207)
			Subscription rights to shares	215	255
			Total net assets	240,280	233,705
Total assets	838,260	858,770	Total liabilities and net assets	838,260	858,770

(TRANSLATION ONLY)

Non-consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2018 to February 28, 2019 (for reference)		From March 1, 2019 to February 29, 2020	
Operating revenue				
Income from franchised stores	294,483		305,631	
Other operating revenue	39,818	334,302	37,499	343,131
Net sales				
Net sales	(51,376)	51,376	(47,680)	47,680
Gross operating revenue		385,678		390,811
Cost of sales	(37,187)	37,187	(34,426)	34,426
Gross profit	(14,188)		(13,254)	
Operating gross profit		348,491		356,385
Selling, general and administrative expenses		302,779		311,660
Operating income		45,711		44,725
Non-operating income				
Interest income	618		556	
Dividend income	8,796		6,224	
Other	1,821	11,236	2,220	9,001
Non-operating expenses				
Interest expenses	1,984		2,248	
Loss on cancellation of leases	1,626		3,648	
Other	1,084	5,505	1,867	7,764
Ordinary income		51,443		45,962
Extraordinary income				
Gain on sales of investment securities	738		164	
Gain on liquidation of subsidiaries and associates	5,756		—	164
Extraordinary losses				
Loss on sales of non-current assets	222		505	
Loss on retirement of non-current assets	3,857		5,852	
Impairment loss	12,981		18,310	
Other	303	17,365	610	25,279
Income before income taxes		40,572		20,848
Income taxes – current	12,438		6,754	
Income taxes – deferred	(2,868)	9,569	(1,391)	5,362
Profit		31,002		15,486

(TRANSLATION ONLY)

Non-consolidated Statement of Changes in Equity

(From March 1, 2019 to February 29, 2020)

(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	64	47,761	727	50,000	81,315	132,042	(1,028)	237,281
Changes of items during period										
Dividends of surplus							(20,262)	(20,262)		(20,262)
Profit							15,486	15,486		15,486
Purchase of treasury shares									(0)	(0)
Reversal of revaluation reserve for land							(358)	(358)		(358)
Exercise of subscription rights to shares (Delivery of treasury shares)			(3)	(3)					18	14
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	(3)	(3)	—	—	(5,134)	(5,134)	17	(5,121)
Balance at end of current period	58,506	47,696	60	47,757	727	50,000	76,180	126,908	(1,011)	232,160

(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	3,349	(566)	2,782	215	240,280
Changes of items during period					
Dividends of surplus					(20,262)
Profit					15,486
Purchase of treasury shares					(0)
Reversal of revaluation reserve for land					(358)
Exercise of subscription rights to shares (Delivery of treasury shares)					14
Net changes of items other than shareholders' equity	(1,852)	358	(1,493)	39	(1,453)
Total changes of items during period	(1,852)	358	(1,493)	39	(6,574)
Balance at end of current period	1,496	(207)	1,288	255	233,705

(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

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 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.

5. Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

(Changes in Presentation)

- The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the fiscal year ended February 29, 2020. Consequently, “Deferred tax assets” are presented under “Investments and other assets” and “Deferred tax liabilities” are presented under “Non-current liabilities”.
- In the “Non-operating expenses” section, “Loss on disaster”, 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.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 305,834 million yen

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	35,366	million yen
Long-term receivables due from subsidiaries and affiliated companies	49	"
Short-term payables due to subsidiaries and affiliated companies	7,025	"
Long-term payables due to subsidiaries and affiliated companies	338	"

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 81 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
SCI, Inc.	554	"
Lawson Entertainment, Inc.	332	"

(Notes to the Non-consolidated Statement of Income)

Transaction amount with affiliated companies

Operating transactions		
Operating revenue	45,726	million yen
Goods purchased	427	"
Selling, general and administrative expenses	48,105	"
Transactions other than operating transactions	6,666	"

(TRANSLATION ONLY)

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

Number of treasury shares 237,762 shares

(Notes to Accounting for Income Taxes)

Components of deferred tax assets and liabilities

Enterprise taxes payable	508	million yen
Accrued employees' bonuses	962	"
Loss on write-down of investments in affiliated companies	8,371	"
Excess of depreciation	8,134	"
Excess of amortization of software	600	"
Provision for retirement benefits	5,556	"
Allowance for doubtful accounts	195	"
Impairment loss	11,768	"
Other	4,662	"
Subtotal of deferred tax assets	40,759	million yen
Less valuation allowances	(9,444)	"
Total deferred tax assets	31,315	million yen
Deferred tax assets-net	31,315	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	3,000	—	—
						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 & 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	44,700	Short-term loans payable	10,200	
						Borrowing of funds	46,800		Accrued interest	0
						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	16,500	Short-term loans payable	17,500	
					Borrowing of funds	12,500	Accrued interest	1		
					Borrowing interest	1				
	SEIJO ISHII CO., LTD.	Seijo Ishii Business	Direct holding 100.0%	Purchase of goods Supervision of management	Yes	Borrowing of funds	10,900	Short-term loans payable	10,900	
						Borrowing interest	0	Accrued interest	0	
	Lawson Bank, Inc.	Financial Services Business	Direct holding 95.0%	Banking business	Yes	Guarantee obligations	130,000	—	—	
						Receipt of guarantee fees	13	Accounts receivable-other	3	
Affiliate	LTF Co., Ltd.	Domestic Convenience Store Business	Direct holding 49.0%	Management of LAWSON THREE F stores	Yes	Receipt of lease fees	1,184	Lease receivables	8,658	

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.
3. 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.

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)	16,602 (756,763)	Accounts payable-trade	61,835
						Shipping costs	57,539	Accounts payable-other	5,051
						Receipt of shipping costs	57,866	Accounts receivable-other	4,618
Subsidiary of the parent company	Mitsubishi Corporation Financial & Management Services(Japan)Ltd.	Contracted operations	—	Recipient of loans	No	Repayment of funds	68,680	Short-term loans payable	3,000
						Borrowing of funds	61,880	Accrued interest	0
						Borrowing interest	1		

Transaction conditions and the principles on the decision thereof:

1. The terms and conditions for goods purchased transactions are determined to be same as those for other general business transactions. Furthermore, regarding purchases for the franchised stores, the Company acts as an alternative payer but not as a direct party for the purchase.
2. The interest rates for borrowings are determined rationally taking into account market interest rates.
3. 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 | 2,333.04 yen |
| 2. Profit per share | 154.76 yen |

(Notes to Significant Subsequent Events)

Not applicable.

INDEPENDENT AUDITOR'S REPORT

April 6, 2020

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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 29, 2020 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, 2019 to February 29, 2020, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawson, Inc. and its consolidated subsidiaries as of February 29, 2020, 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 6, 2020

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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 29, 2020 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 45th fiscal year from March 1, 2019 to February 29, 2020, and the related notes and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 29, 2020, 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 & Supervisory Board>

AUDIT REPORT

With respect to the directors' performance of their duties during the 45th business term from March 1, 2019 to February 29, 2020, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Audit & Supervisory Board Member, and hereby report as follows:

- 1 . Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Contents of Such Methods
 - (1) We have established audit policies and audit plans for the current term, and received the reports from each Audit & Supervisory Board Member regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding the execution of their duties, and asked for explanations as necessary.
 - (2) Each Audit & Supervisory Board Member, pursuant to the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board , has followed the audit policies and audit plans for the current term, communicated with the Directors, officers, internal audit department and other relevant employees, endeavored to collect information and develop the audit environment, and performed the audit using the following methods:
 - (i) We have attended the Board of Directors meetings, the management meetings, Compliance & Risk management committee meetings, Internal Control over Financial Reporting committee meetings and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the execution of their duties, asked for explanations whenever necessary, reviewed important approval documents and the like, and investigated the status of operations and assets at the head office, area office, and other principal offices and stores. With respect to subsidiaries, we have communicated and exchanged information with the Directors, Audit & Supervisory Board Members and other relevant personnel of subsidiaries, requested the subsidiaries to report on their business where necessary, and investigated their status of operations and assets.
 - (ii) Pursuant to the audit items and audit methods regarding internal control system established by the Audit & Supervisory Board , we have monitored and verified the resolution of the Board of Directors regarding the development of the system as prescribed by item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors, described in business report, complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company and corporate group consisting of its subsidiaries. In connection with internal control over financial reporting, we received reports from the Directors and other relevant personnel, and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control respectively, and asked for explanations whenever necessary.
 - (iii) Regarding the transaction with the parent company described in the business report, we have carefully examined the matter noted in item (v)-(a) of Article 118 of the Ordinance for Enforcement of the Companies Act and the judgment and its reasons in item (v)-(b) based on the status 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.

1. 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 our 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 particulars being given due consideration so as not to harm the interests of our company in carrying out the transaction and the judgment of the Board of Directors and its reasons related to whether or not the transaction would harm the interests of our 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 6, 2020

The Audit & Supervisory Board of Lawson, Inc.
Outside Audit & Supervisory Board Member Toshio Takahashi
(full-time)
Audit & Supervisory Board Member Masakatsu Gonai
(full-time)
Outside Audit & Supervisory Board Member Eiko Tsujiyama
Outside Audit & Supervisory Board Member Yuko Gomi

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, the Company's policy for dividend payment is to set the target for consolidated dividend payment ratio at 50%, with the stable minimum annual amount of ¥150 per share, 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 ¥75 per share, the same amount as in the previous term. Accordingly, full-year dividends, including interim dividends of ¥75 per share, will be ¥150 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:

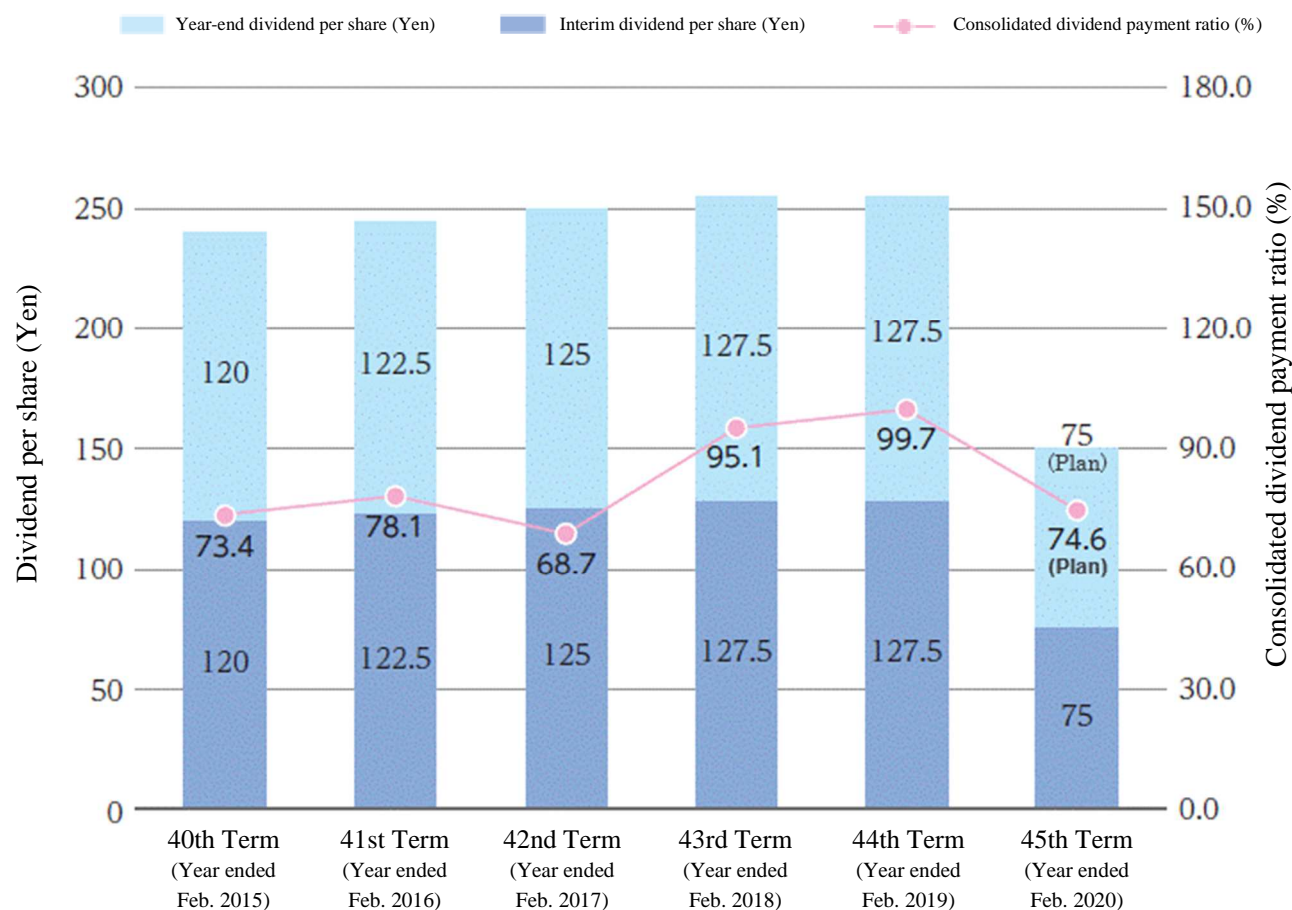
(1) The assignment of the dividend property to shareholders and total amount thereof:

¥75 per share of the Company's common stock to a total of ¥7,504,667,850

(2) Effective date of the dividends from surplus:

Thursday, May 28, 2020

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



	40th Term	41st Term	42nd Term	43rd Term	44th Term	45th Term (Current Period)
Interim dividend per share	¥120	¥122.50	¥125	¥127.50	¥127.50	¥75
Year-end dividend per share	¥120	¥122.50	¥125	¥127.50	¥127.50	(Plan) ¥75
Annual dividend per share	¥240	¥245	¥250	¥255	¥255	(Plan) ¥150
Consolidated net income per share	¥327.08	¥313.81	¥363.96	¥268.16	¥255.71	¥200.95
Consolidated dividend payment ratio	73.4%	78.1%	68.7%	95.1%	99.7%	(Plan) 74.6%
ROE	13.0%	12.0%	13.5%	9.7%	9.3%	7.3%

Notes:

Consolidated dividend payment ratio is calculated based on annual dividend per share divided by consolidated net income per share.

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

1. Reasons for proposal

The number of Audit and Supervisory Board Members will be increased from the current four (4) to five (5) in order to strengthen and enhance the audit system in light of changes in economic and social conditions and expansion of the scope of audits due to the Group's growth.

2. Particulars of amendment

The particulars of the proposed amendment are described below.

(Suggested amendments are underlined in the text.)

Current Provision of the Articles of Incorporation	Proposed Amendment
(Number of Audit and Supervisory Board Members) Article 25: The Company shall have <u>four (4)</u> or less Audit and Supervisory Board Members.	(Number of Audit and Supervisory Board Members) Article 25: The Company shall have <u>five (5)</u> or less Audit and Supervisory Board Members.

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

The terms of office of all eight (8) Directors expire at the conclusion of this 45th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect eight (8) Directors including one (1) new candidate.

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 61 to 68 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 72 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	Yutaka Kyoya	Member of the Board	Reappointment	100%
5	Keiko Hayashi	Member of the Board	Reappointment, outside, independent	100%
6	Kazunori Nishio	Member of the Board	Reappointment	100%
7	Miki Iwamura	Member of the Board	Reappointment, outside, independent	92.3%
8	Satoko Suzuki	–	New appointment, outside, independent	–

Notes:

- Ms. Keiko Hayashi’s legal name is Keiko Hama.
- Ms. Miki Iwamura’s legal name is Miki Oku.
- Positions at the Company, etc. are as of April 9, 2020.

No.
1

Sadanobu Takemasu
(August 12, 1969)

Reappointment

- Number of the Company's shares held:
5,000
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
6 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.
March 2020	President and CEO, Representative Director, Chairman of the Board, and CHO, 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:
1,900
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
3 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 been in charge of overall corporate strategy including corporate planning, corporate governance and the development of next generation CVS as Member of the Board and Senior Executive Managing Officer and Division Director of the Corporate Strategy and Planning Division 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.
3

Satoshi Nakaniwa
(May 20, 1969)

Reappointment

- Number of the Company's shares held:
600
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
3 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
March 1994	Investment 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.
March 2020	Member of the Board, Executive Managing Officer, and CFO, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Satoshi Nakaniwa has been nominated as a candidate for Director, as he has been in charge of finance and accounting, business risk management and investor relations as well as administration and purchase control 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

Yutaka Kyoya
(January 7, 1962)

Reappointment

- Number of the Company's shares held:
100
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
7 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 consumer industry field, mainly in retail and 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 Board of Directors' meetings, and we would like to continue to benefit from his supervision of the Company's management by leveraging his experience.

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:
1,900
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
4 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

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 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. Ms. Keiko Hayashi's legal name is Keiko Hama.

No.
6

Kazunori Nishio
(July 13, 1961)

Reappointment

- Number of the Company's shares held:
100
- Attendance at Board of Directors' meetings
13 out of 13 (100%)
- Years in office
4 years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 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 consumer 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 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.
7

Miki Iwamura
(October 24, 1965)

Reappointment, outside,
independent

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

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1988	Joined Dentsu Inc. (currently Dentsu Group 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.
May 2018	Outside Director, Lawson, Inc. (Current position)
May 2019	Vice President, APAC & Japan Marketing, Google G.K. (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 Vice President, APAC & Japan Marketing, 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 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.

No.
8

Satoko Suzuki
(November 17, 1977)

New appointment, outside,
independent

■ Number of the Company's
shares held:

—

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1999	Joined Nihon L'Oreal KK
September 2006	Joined Boston Consulting Group K.K.
September 2011	Lecturer, Graduate School of Management, Kyoto University
April 2016	Associate Professor, Graduate School of Management, Kyoto University
April 2017	Associate Professor, School of International Corporate Strategy, Hitotsubashi University Business School (Current position)

Reasons for nomination as Outside Director

Ms. Satoko Suzuki has been nominated as a candidate for Outside Director, as she has a wealth of academic knowledge on consumer behavior, marketing and brand management. She has also served as a member of public and private committees related to "hospitality management" and "self-rewarding consumption," published many papers, presented at academic conferences and received awards. We would like to receive her proactive opinions and suggestions regarding the Company's management at Board of Directors' meetings in the future and benefit from her supervision of the Company's management by leveraging her experience. 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.

Notes:

1. In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with 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 gross negligence. The Company plans to conclude the same contract with Ms. Satoko Suzuki.
2. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are current as of April 9, 2020.

Proposal No. 4: Election of Two (2) Audit and Supervisory Board Members

The term of office of Toshio Takahashi, Audit and Supervisory Board Member, expires at the conclusion of this 45th Ordinary General Meeting of Shareholders. Accordingly, in order to strengthen and enhance the audit system, we propose that you elect two (2) Audit and Supervisory Board Members, provided that the number of Audit and Supervisory Board Members will be increased by one (1) upon the approval of Proposal No. 2: Partial Amendment to the Articles of Incorporation.

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 72 for the policy and procedures of the Company's Board of Directors for nominating candidates for Audit and Supervisory Board Members.

No.
1



Shuichi Imagawa
(September 4, 1958)

New appointment

■ Number of the Company's shares held:
3,394

Brief Personal History, Position and Important Concurrent Positions

December 1984	Joined Lawson West Japan Inc. (currently Lawson, Inc.)
January 2002	General Manager, Product Support Department, Product and Logistics Division, Lawson, Inc.
September 2007	Director and Senior Vice President, and Branch Manager of Lawson Kinki, Lawson, Inc.
March 2009	Senior Vice President and Marketing Group Leader, Lawson, Inc.
March 2013	Executive Vice President, and COO of CVS Group, Lawson, Inc.
May 2013	Executive Vice President, and Vice President of CVS Company, Lawson, Inc.
March 2015	Executive Vice President, and Division Director of Sales Strategy Division, Lawson, Inc.
March 2017	Executive Managing Officer —Compliance and Risk Management, and Human Resources, Lawson, Inc. (Current position)

Reasons for nomination as Audit and Supervisory Board Member

Mr. Shuichi Imagawa has been nominated as a candidate for Audit and Supervisory Board Member, as he has been responsible for compliance and risk management as well as human resources strategy of the Lawson Group as an officer in charge of compliance and risk management and human resources after serving as manager in charge of the Store Operation Division, Product and Logistics Division, branch manager, vice president of CVS Company in Japan and then division director of the Sales Strategy Division at Lawson, Inc. While contributing to compliance and risk management of the Lawson Group, he also has considerable expertise in convenience store business and franchise business and is expected to sufficiently fulfill the role of an Audit and Supervisory Board Member.

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

Keiko Yoshida
(January 26, 1954)

New appointment, outside,
independent

■ Number of the Company's
shares held:

—

Brief Personal History, Position and Important Concurrent Positions

November 1978	Joined Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)
April 1982	Registered as Certified Public Accountant
December 1992	Registered as Certified Public Tax Accountant
May 1993	Established Shiba Kaikei Jimusho as Representative (Current position)
November 2004	Outside Director, Passlogy Co., Ltd. (Current position)
June 2015	Outside Director, YOROZU Corporation (audit and supervisory committee member)
April 2017	Professor, Faculty of Economics, Teikyo University

Reasons for nomination as Outside Audit and Supervisory Board Member

Ms. Keiko Yoshida has been nominated as a candidate for Outside Audit and Supervisory Board Member, as she has considerable tax, accounting and management knowledge as a certified public accountant and a representative of an accounting office, 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:

1. In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. plans to conclude the following liability limitation agreement with Mr. Shuichi Imagawa and Ms. Keiko Yoshida. Under the liability limitation agreement concluded with the Company, 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 their duties in good faith and without gross negligence.
2. The nominees' Brief Personal Histories, Position and Important Concurrent Positions are current as of April 9, 2020.

Proposal No. 5: Revision of the Amount of Remuneration Paid to Audit and Supervisory Board Members

The amount of remuneration of the Company's Audit and Supervisory Board Members was approved at the 37th Ordinary General Meeting of Shareholders held on May 29, 2012, for an annual amount of up to 80 million yen. However, considering various factors, including subsequent changes in economic and social conditions and the expansion of the scope of audits due to the Group's growth, we will strengthen and enhance the audit system. In light of various circumstances including an increase in the number of Audit and Supervisory Board Members by one (1) upon the approval of Proposal No. 4, we would like to revise the amount of remuneration of Audit and Supervisory Board Members to an annual amount of up to 100 million yen.

While the current number of Audit and Supervisory Board Members is four (4), the number of Audit and Supervisory Board Members at the conclusion of this 45th Ordinary General Meeting of Shareholders will be five (5) upon the approval of Proposal No. 4 (Election of Two (2) Audit and Supervisory Board Members).

[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.