

Members of the Board As of May 24, 2023



Sadanobu Takemasu

Years as a Member of the Board: 9
President and CEO, Representative Director, Chairman of the Board, and CSO

Born in 1969; 53 years old. Appointed Senior Executive Vice President, Representative Director in 2014. Appointed President and CEO, and Representative Director in 2016. Mr. Takemasu has led the entire Group with a focus on the domestic convenience store business, as well as contributed to the improvement of corporate value and the achievement of sustainable corporate management as President and CEO, Representative Director, Chairman of the Board, and CSO* of Lawson, Inc.

*CSO: Chief Sustainability Officer



Masayuki Itonaga

Years as a Member of the Board: 1
Member of the Board, Executive Managing Officer, CFO

Born in 1967; 56 years old. Through his duties at Mitsubishi Corporation and secondment at overseas companies, among others, Mr. Itonaga has gained extensive knowledge across all areas of management with a focus on financial affairs and accounting. He has also gained a deep knowledge of all areas of corporate management from serving as the Representative Director and President of Mitsubishi Corporation Financial and Management Services (Japan) Ltd., a subsidiary of Mitsubishi Corporation.



Miki Iwamura

Independent officer

Years as a Member of the Board: 5
Member of the Board (outside)
Lead Independent Outside Director

Born in 1965; 57 years old. Ms. Iwamura has been proactively making suggestions and disseminating information on workstyle reforms and the promotion of women's advancement in the workplace. She also has deep insight into management, marketing, and brand reinforcement using digital big data through her work in marketing in the Asia Pacific and Japan region for a global IT company.



Satoko Suzuki

Independent officer

Years as a Member of the Board: 3
Member of the Board (outside)

Born in 1977; 45 years old. Ms. Suzuki has served as a member of public and private committees related to "hospitality management" and "globalization of the service industry." She has published many papers, presented at academic conferences and received awards. In addition, she has a wealth of academic knowledge on consumer behavior, marketing and brand management.



Kiyotaka Kikuchi

Years as a Member of the Board: 2
Member of the Board

Born in 1966; 56 years old. Mr. Kikuchi has deep knowledge on the consumer industry field, mainly in the food industry, through his duties at Mitsubishi Corporation as well as his secondment to a meat processing manufacturer.

Corporate auditors As of May 24, 2023



Shuichi Imagawa

Years as Corporate Auditor: 3
Standing Corporate Auditor

Born in 1958; 64 years old. Mr. Imagawa has expertise in compliance and risk management, as well as convenience store operations and the franchise business, based on experience acquired as manager in charge of the Store Operation Division, Product and Logistics Division, branch manager, vice president of CVS Operations Company in Japan, head of the Sales Division and CR and Human Resources Executive Officer.



Jun Miyazaki

Years as Corporate Auditor: 2
Standing Corporate Auditor

Born in 1955; 67 years old. Mr. Miyazaki has expertise in convenience store operations and the franchise business, as well as extensive insight into compliance and risk management, having been responsible for the Group's public relations strategy, human resource strategy, compliance and risk management, and promotion of health and productivity management in his role as the manager in charge of Corporate Communications, Compliance & Risk Management, Human Resources (deputy in charge), deputy CSO (Healthcare), and chairman of Lawson Health Insurance Society.



Yuko Gomi

Independent officer

Years as Corporate Auditor: 4
Corporate Auditor (outside)

Born in 1972; 51 years old. Ms. Gomi has extensive business experience and broad insight based on her wealth of experience in corporate legal affairs and risk management as an attorney, as well as serving as a legal advisor (part time) for the Minister's Secretariat of the Cabinet Office.



Keiko Yoshida

Independent officer

Years as Corporate Auditor: 3
Corporate Auditor (outside)

Born in 1954; 69 years old. As a certified public accountant, Ms. Yoshida is a representative of an accounting firm and has a deep knowledge of tax affairs, accounting and management.



Yuko Miyata

Independent officer

Year as Corporate Auditor: 0
Corporate Auditor (outside)

Born in 1964; 58 years old. She has extensive experience in human resources and labor affairs at global companies, including serving as member of the Board and head of HR and General Affairs at Unilever Japan K.K., as well as executive officer and general manager of the Human Resources Division of Bayer Holding Ltd.

Members of the Board and Corporate Auditors As of May 24, 2023

Name	Position	Independent Outside Officer	Nomination and Compensation Advisory Committee	Number of years in current position	Responsibilities and concurrent positions	Main area of experience and expertise						
						Corporate management	Corporate finance/ accounting	Legal affairs/ compliance and risk	Marketing	IT/DX	Global experience	Franchise and retail business
Member of the Board												
Sadanobu Takemasu	President and CEO, Representative Director, Chairman of the Board			9	CSO	✓			✓	✓	✓	✓
Masayuki Itonaga	Member of the Board, Executive Managing Officer			1	CFO	✓	✓				✓	
Miki Iwamura	Member of the Board	✓	✓	5	Google Japan LLC Vice President, Asia-Pacific, Japan (Marketing)	✓			✓	✓	✓	
Satoko Suzuki	Member of the Board	✓	✓	3	Associate Professor, Hitotsubashi University Business School, School of International Corporate Strategy				✓		✓	✓
Kiyotaka Kikuchi	Member of the Board		✓	2	Executive Vice President and Group CEO, Consumer Industry Group, Mitsubishi Corporation	✓		✓			✓	✓
Corporate Auditor												
Shuichi Imagawa	Standing Corporate Auditor			3	—			✓	✓			✓
Jun Miyazaki	Standing Corporate Auditor			2	—			✓	✓			✓
Yuko Gomi	Corporate Auditor	✓	✓	4	Lawyer (Partner), T. Kunihiro & Co. Attorneys-at-Law			✓				
Keiko Yoshida	Corporate Auditor	✓	✓	3	Representative, C.P.A., Shiba Accounting Service Office		✓					
Yuko Miyata	Corporate Auditor	✓	✓	0	HR consultant (sole proprietorship)	✓		✓	✓		✓	

Continue to question the strategy and will towards growth

Two of Lawson's five directors are female outside directors, each with expertise in their respective field. The two, one an executive at a global IT company and the other an associate professor at a university, discussed the current state of Lawson's board of directors and the challenges faced.



Miki Iwamura
Years as a board member: 5



Satoko Suzuki
Years as a board member: 3

Focus on free discussion, a broad point of view, and quality discussion

Ms. Iwamura One of the characteristics of Lawson's board of directors is extremely free and diverse discussions. At Google Japan, where I work, we emphasize psychological safety. At Lawson as well, inside and outside directors and corporate auditors with diverse backgrounds openly express their opinions and questions beyond their own areas of expertise, and discussions are held in an environment of psychological safety.

Ms. Suzuki I agree. Members of the board of directors of Lawson rotate when necessary, so fresh perspectives are always introduced. The evaluation of the effectiveness of the board of directors also functions well, and I feel that each director reflects their own role in their awareness of the quality of discussions and the need to see things

from a broad perspective.

Ms. Iwamura For example, recently President Takemasu, CFO Itonaga, and other directors and executive leaders have demonstrated clear leadership in their respective positions, and the results have been reflected in the business performance and stock price. President Takemasu has taken the lead in promoting growth strategies and leading company-wide discussions with a high level of enthusiasm and dialogue equality. CFO Itonaga has also been proactive in proposing shareholder return policies and other measures while keeping an eye on market conditions, thereby enhancing Lawson's reputation in the market. As for overseas business, the board of directors has been coming up with new proposals, which is very encouraging.

Ms. Suzuki Let me add that President Takemasu has strong ideas about the new image of convenience stores and their role as social infrastructure. I am encouraged by the various reforms he is undertaking to realize this vision. It is also encouraging to see the introduction of the area company system, which aims for community-based store management and the nurturing of the next generation of leaders in each region.

Ms. Iwamura The directors are also discussing the need for a clear succession plan at Lawson.

Ms. Suzuki President Takemasu is always conscious of nurturing the next generation; for example, by having manager and leader classes at the in-house Lawson University. I feel that strategic thinking is being developed throughout the entire organization.

Importance of mechanisms that reflect diversity and expertise

Ms. Suzuki In fiscal 2022, an assessment of the board of directors' effectiveness was conducted by an external consultant. We believe that it is important to use the results of this evaluation to further improve the effectiveness of the board by strengthening its governance and continuing to have frank and open discussions. It is also important to be aware of diversity and to have the board represent a varied cross-section of people.

Ms. Iwamura In terms of diversity, there are not enough women on the executive board. More foreign nationals are also needed in order to promote overseas expansion. IT human capital will also be needed due to their growing importance in the retail industry. How can we create a system that reflects such diversity and expertise in governance? At meetings of independent outside directors, which I now chair, we exchange opinions on a wide range of issues that are not usually brought up at board meetings, such as the long-term future of the company. These meetings are important for Lawson, which is listed as a subsidiary, to ensure that the opinions of minority shareholders are appropriately reflected in management.

From pandemic response to medium- and long-term strategies

Ms. Suzuki During the pandemic of the past few years, there were many short-term discussions about Lawson, but since the latter half of fiscal 2022 we have been able to discuss the company's medium- and long-term growth strategy. I believe that there are limits to growth in Japan, where the birthrate is declining and the population is aging, and that it is necessary to take measures aimed at overseas markets. President Takemasu, however, has stated emphatically that there is still room for growth in Japan and that a variety of initiatives are possible. Using convenience stores as a starting point, he is looking at various possibilities, such as financial services and

entertainment. He is also looking at ways to provide new value in the convenience store itself.

Ms. Iwamura I also think that the most significant recent achievement was the discussion we had on what our medium- and long-term growth strategies should be. In considering our growth strategies and business portfolio, we were able to meaningfully discuss where to find growth drivers, how much to accelerate investment, and how to delegate authority in the area company system.

I have been at Google Japan for a long time, so I know firsthand what it means to grow a business. Based on my knowledge of marketing, I always ask the Lawson management team how they plan to grow, whether they always have the seeds for growth, and whether they are communicating their vision in an easy-to-understand manner.

Dynamic discussions realize innovation

Ms. Iwamura I believe that IT investment is an important part of creating a new convenience store model in the future. Besides the renewal of legacy systems, our response to new technologies such as generative AI is important. We need to promote discussions at board meetings in areas such as the establishment of internal and external structures so that we can accumulate knowledge within the organization and take the lead in development while flexibly incorporating new technologies.

Ms. Suzuki I see that the retail industry often thinks about things from a short-to-medium-term perspective, but I think it is also necessary to have backcasting discussions in which we reconfigure things with a slightly long-term strategic mindset.

Ms. Iwamura I too want to focus on growth, so I think it is important to have thorough discussions on how to build a long-term growth model. In order to achieve innovation, instead of growing just a few percent we should be looking for ways to grow 10-fold. Furthermore, we must be dynamic enough to step on the gas and accelerate growth while simultaneously discussing what the trade-offs are. While the role of the board of directors is to supervise management, I believe it is important for outside directors to continue to question the will for growth in this era of rapid change.

Characteristics of Corporate Governance

We believe that continuous improvement in the value we offer stakeholders contributes to the enhancement of Lawson's corporate value. Accordingly, we strive not only to comply with laws, regulations and social norms but, also, to reinforce our corporate governance by improving the soundness and transparency of management through honest and considerate behavior grounded in high ethical standards which are based on the Group Philosophy, the Lawson Group Corporate Conduct Charter and the Lawson Code of Ethics. It also requires active disclosure in accordance with the "Basic Principles Concerning Information Disclosure."

Lawson selects people with different specialties and experience as candidates for membership of the Board to assure diversity on the Board of Directors and enable appropriate decision-making and supervision. In addition to the independence standards determined by Tokyo Stock Exchange, Inc., Lawson has established its own Judgment Criteria Regarding Independence as a basis for selecting several independent officers (one-third or more for members of the Board) for purposes of ensuring management transparency and fairness. Moreover, by introducing the Executive Officer System, we have separated management and supervision from business execution to enable quick decision-making and business execution. It should be noted, with respect to the corporate auditors, that we elect candidates for the position of corporate auditor based on their possession of the extensive financial, accounting, risk management and/or legal expertise and experience required to fulfill auditors' duties. Recognizing that the succession plan for the CEO and President is an important managerial issue, in order to raise the level of procedural objectivity, timeliness and transparency, discussions shall be held by the Nomination and Compensation Advisory Committee, which is a consultative body to the Board of Directors and is composed solely of part-time officers (five out of a total of six of whom are independent officers), and the Representative Director and President shall present to this Committee the qualities and attributes required of the CEO of the Company and the method of nominating the successor, and shall gain its approval.

Special circumstances with the potential to seriously impact corporate governance

Mitsubishi Corporation, our parent company, currently holds 50.2% of Lawson's voting rights (50,150,000 shares). Lawson has a business alliance with Mitsubishi Corporation,

but Lawson's internal organizations make independent decisions regarding management and business activities in general, ensuring Lawson's independence as a listed company conducting business operations.

In addition, in the business alliance agreements concluded with Mitsubishi Corporation, it has agreed to conduct a business alliance that respects Lawson's independence and autonomy. We recognize that our independence is ensured by our parent company.

As an independent listed company, Lawson determines the terms and conditions of transactions after comparing and examining the prices offered by other companies, prevailing market prices, etc., even in transactions with Mitsubishi Corporation, Lawson's parent company, and its group companies, just like in transactions in general, in order to not disadvantage minority shareholders.

Also, a Special Committee may be established voluntarily to deliberate and review material transactions or actions that involve a conflict of interest between Mitsubishi Corporation and minority shareholders. The Committee, comprised of five members, including the head of the Committee, who are independent outside directors and independent outside corporate auditors that are independent from the parent company, provides a structure for reviewing the necessity, rationality, validity and fairness of the material transactions or actions based on a high level of independence, and for reporting to the Board of Directors.



For more information about Corporate Governance
<https://www.lawson.jp/en/csr/governance/>

Details of major corporate governance measures implemented since 2000

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Members of the Board (persons)	18	20	8		9						7				9 ^{*1}			8				7	5
Outside members of the Board (persons)		2	3		5						3			4		5				3 ^{*2}			2
Subset who are independent officers (persons)											1		2					3					2
Female members of the Board (persons)							1						2					3					2
Ensuring transparency of Board members' compensation	2002 – Compensation Advisory Committee established.															2014 – Nomination and Compensation Advisory Committee established.							
	2005 – Board members' retirement benefit system abolished.																						
	2005 – Share-based stock compensation options for members of the Board introduced.																						
	2012 – Corporate auditors' retirement benefit system abolished.																						
Ratio of shares held by Mitsubishi Corporation (major movements)	2001 – Mitsubishi Corporation becomes largest shareholder.															April 2015 33.4%		February 2017 50.1%					

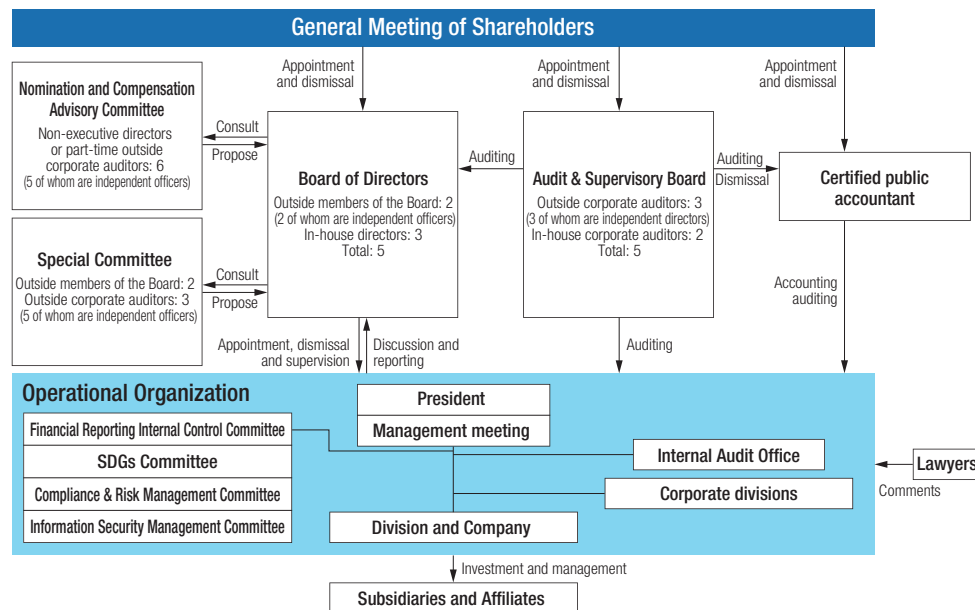
*1 The number of members of the Board is as of the close of the General Meeting of Shareholders each year. An exception to this was 2014, when there were nine members of the Board up to July 31 and eight members after August 1.

*2 The reduction in the number of outside members of the Board in 2017 was because two no longer satisfied the requirements of outside members of the Board due to the increase in the ratio of shares held by Mitsubishi Corporation.

Corporate Governance System

Equipped with an agile decision-making process, Lawson has moved quickly to construct a highly transparent and independent corporate governance system. Independent officers who are considered to have no conflict of interest with general shareholders have been appointed to comprise at least one-third of the members of the Board. Moreover, with a view to promoting diversity with the composition of the executive officers taken into consideration, five women have been appointed to the position of member of the Board or corporate auditor. They are contributing to reinforcing the corporate governance system from various perspectives. Following the voluntary establishment of the Nomination and Compensation Advisory Committee to express its opinion on the candidates for the positions of member of the Board and representative director on the Board of Directors, independent officers have been selected to fill five of six positions as Committee members, thus creating a system where opinions can be expressed with a high degree of independence. Going forward, we will continue our efforts to ensure management transparency and independence and to improve corporate value to meet the expectations of all our stakeholders.

Corporate Governance System (as of May 25, 2023)



Operation status of the Board of Directors

The Company's Board of Directors is made up of five members of the Board, including three males and two females, two of whom are independent members of the Board. The Board of Directors not only decides important management matters, such as issues stipulated by laws and regulations and the Articles of Incorporation, but also monitors the conduct of business operations by the members of the Board. The Board met 12 times in fiscal 2022. Furthermore, the Company has adopted an executive officer system and entrusts authority to executive officers to expedite business execution. Moreover, the Company holds management meetings as a supplementary decision-making body to the Board of Directors. The management meetings are comprised of personnel who are generally of executive managing officer level or above and members designated by the president and CEO (and met 14 times in fiscal 2022).

Main agenda items for the Board of Directors (fiscal 2022)

- Management strategy for next fiscal year
- Organizational structure for next fiscal year
- Officer appointment
- Officer compensation
- Revision of Lawson Group Corporate Conduct Charter
- Action Plan for Lawson Group's Challenge 2025
- Company-wide digital transformation policy
- Report for major KPI company-wide
- Continuity of subsidiary business
- Internal control system development basic policy
- Results of evaluation of Board of Directors' effectiveness
- Financial reporting internal control-related matters
- Revision of important rules
- Policy on strategically-held shares
- Revision of corporate governance reporting
- Accounting-related matters
- General meeting of shareholders-related matters
- Business execution status reporting
- Conflict of interest transaction approval/reporting

Status of committees

The following is the activity status of the Nomination and Compensation Advisory Committee, comprised of part-time officers, and the Special Committee.

Committee Activity Status

Name	Matters for deliberation	Composition	Fiscal 2022 attendance rate						
			Outside members of the Board	Outside members of the Board	Outside members of the Board	Members of the Board	Outside corporate auditors	Outside corporate auditors	Outside corporate auditors
			Keiko Hayashi Retired in May 2022	Miki Iwamura	Satoko Suzuki	Kiyotaka Kikuchi	Eiko Tsujiyama Retired in May 2023	Yuko Gomi	Keiko Yoshida
Nomination and Compensation Advisory Committee	Director compensation (system, evaluation, etc.) and director candidate and representative director candidate consultation, successor planning deliberation, recommendations to the Board of Directors	Part-time officers only	100% (Attend 2/2 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)
Special Committee	Advance deliberation of matters for the Board of Directors related to important transactions with Mitsubishi Corporation and its subsidiaries	Independent officers only	—	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	—	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)

Policy on nomination and standards for appointment and independence of candidates for member of the Board

Lawson has established criteria for appointing officers and for making judgments regarding independence. The voluntarily established Nomination and Compensation Advisory Committee serves as an advisory body and, moreover, expresses its opinion to the Board of Directors regarding nominations of candidates for the positions of member of the Board and representative director. It should be noted with respect to candidates for corporate auditor that they are individuals with the financial, accounting, risk management and/or legal experience and expertise required to fulfill the duties of corporate auditors whose candidacy is approved by the Audit & Supervisory Board.



For more information about appointment criteria for officers and judgment criteria regarding independence <https://www.lawson.jp/en/csr/governance/>

Support systems for outside members of the Board and outside corporate auditors

The Board of Directors Secretariat is established to conduct administrative tasks for the Board of Directors, communicate with the part-time officers, and submit reports each time an incident/accident occurs. The Corporate Auditors Office, with two full-time staff members, is established to support the corporate auditors in their duties, conduct administrative tasks for the Audit & Supervisory Board, and communicate with the outside corporate auditors.

Outside officers are provided with opportunities to acquire essential knowledge concerning the operations, finances, organization, etc., of the Group. Furthermore, to enable them to deepen their understanding of the Group's business, they are given the opportunity to participate in key events and to tour Group-related facilities. In order for independent outside officers to actively contribute to discussions at the Board of Directors' meetings, the Company is set to hold meetings to exchange opinions with only independent outside officers at least once a year.

Succession planning for chief executive officers

Lawson recognizes that the succession plan of the president and CEO is a key management issue; thus, acting as an advisory body to the Board of Directors in order to augment the impartiality, timeliness, and transparency of the process, discussions are carried out among members of the Nomination and Compensation Advisory Committee, comprised only from part-time officers (five members out of the total six are independent officers), which determines the qualifications and attributes required as Lawson's chief executive officer as described below. Then, the method of developing and nominating the successor is presented to the committee by the President and CEO for approval.

1. Ability to respond to change and power to create change
2. Strong leadership

3. High-level communication skills
4. Broad perspectives for viewing the Group as a whole and strong commitment to governance
5. High ethical standards

The attributes for the successor do not specify whether they need to be from inside or outside of the Company. When selecting successors, multiple candidates are presented to the Nomination and Compensation Advisory Committee.

Officers' Compensation

Basic policy

Lawson's policy is to design its remuneration system in a manner that links Board members' compensation with returns to shareholders, while retaining its function as an incentive for enhancement of corporate value, continuous growth and improvement of corporate performance and ensuring a sufficient and appropriate level of remuneration to reward individual members of the Board for the duties they perform. The base compensation includes a variable compensation component linked to the Company's performance, moreover, as well as a fixed compensation component. In order to more clearly reflect the contribution of Board members to improving shareholder value, variable compensation operates in tandem with indicators such as EPS (earnings per share) and SDGs targets (CO₂ emissions reduction rate, etc.). Share-based stock options – share price-linked compensation – are also incorporated as part of the remuneration to strengthen the linkage with returns to shareholders.

A + **B** = Board members' compensation

A Base compensation

Consisting of: fixed compensation (about 60%) + variable compensation (about 40%)

Fixed compensation: An amount commensurate with the position determined based on internal rules

Variable compensation: Using performance-linked compensation that combines performance evaluation for EPS (earnings per share) for each term and an evaluation of SDGs targets (CO₂ emissions reduction rate, etc.) (in order for Board member compensation to operate in line with shareholder profits)

B Share-price linked compensation

Stock options offered through allocation of shares

(Recognized as compensation linked to medium- and long-term improvement in corporate value)

- Exercise price per share: 1 yen
- Number of shares allocated: Determined according to the number of shares allocated in accordance with the Board member's position and the rate of achievement of the EPS target.
- Exercise period: Exercisable only within a predetermined period after leaving the Company (not exercisable during tenure in office)

Details of Board members' compensation

Board members' compensation paid by Lawson consists of **A** base compensation through cash payments and **B** share price-linked compensation through stock option allocations. Note that no performance-based variable compensation is paid to part-time members of the Board, because they serve the representative directors and Board of Directors in a specialized supervisory and advisory capacity.

Details of corporate auditors' compensation

Corporate auditors' compensation is determined according to a basic policy of paying compensation at a sufficient and appropriate level in consideration of the duties performed by individual corporate auditors. It comprises base compensation (fixed compensation) paid in cash. The amount is determined through consultation with the corporate auditors, with consideration given to such factors as full-time or part-time status and share of the auditing work, within a range approved by the General Meeting of Shareholders.

Disclosure method for officers' compensation

Total amounts of officers' compensation are listed in the Company's securities reports and business reports.

Details of officers' compensation (fiscal 2022)

Total compensation, total amounts by type of compensation and number of eligible officers per company officer category

Board of Directors and Audit & Supervisory Board member compensation amount (Millions of yen)

Category	Total compensation	Total by type of compensation			Number of eligible officers
		Fixed compensation	Variable compensation	Stock options	
Members of the Board (subset who are outside members of the Board)	202 (25)	104 (22)	59 (—)	38 (3)	8 (3)
Corporate auditors (subset who are outside corporate auditors)	84 (36)	84 (36)	— (—)	— (—)	5 (3)
Total	286	188	59	38	13

Note: There were five members of the Board and five corporate auditors as of the end of February 2023.

Assessment of the Board of Directors' effectiveness

In order to further enforce the effectiveness and functions of the Board of Directors, the Company conducts a "self-assessment on the effectiveness of the Board of Directors" every year, mainly consisting of a document survey to be completed by all members of the Board and corporate auditors. For this survey, responses from all members of the Board of Directors and Audit & Supervisory Board members are compiled and analyzed. Every three years, an external assessment is conducted, and such an assessment was performed in fiscal 2022.

[Summary of external evaluation results]

- 1.External consultants conducted surveys and individual interviews with all officers
- 2.External consultants reviewed and analyzed materials for the Board of Directors' meetings and analyzed and evaluated the results of surveys and interviews
- 3.Independent officers held meetings to exchange opinions on evaluation results
- 4.Reported the analysis and evaluation results to the Board of Directors and conducted discussions

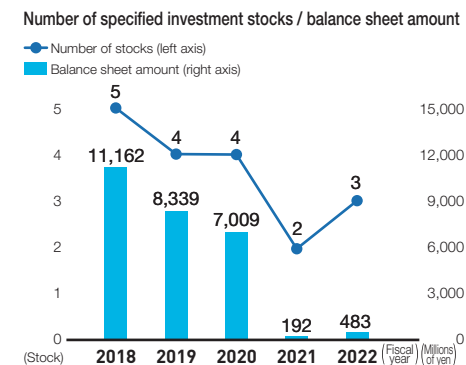
Results of analysis and assessment by an external organization

- Directors and corporate auditors actively exchange opinions at the Board of Directors' meetings, and business execution is monitored based on candid reporting from the execution side, indicating that each officer is actively engaged in fulfilling his/her supervisory function.
- In order to make the Board of Directors more effective, it is desirable to conduct discussions and share information by prioritizing the following points.
 - 1.Sharing important agendas to be determined by the Board of Directors (medium-term strategy, business portfolio, etc.)
 - 2.Reviewing monitoring targets and monitoring methods by the Board of Directors (including verification of the validity of current rules and standards)
 - 3.Composition of the Board of Directors, etc.
- Since Lawson is listed as a subsidiary, it is also very important to ensure that matters can be explained to minority shareholders and other stakeholders.
- In advancing the above discussion and information sharing, it is extremely important for the execution side to share information. It is recommended that the content and level of detail of information required for discussion, and the selection and priority of initiatives, be sufficiently coordinated with the execution side.

Going forward, in addition to the results of the aforementioned evaluation results of the effectiveness of the Board of Directors, we will refer to discussions at the opinion exchange meeting by independent officers and the Board of Directors' meetings to enhance discussions on medium- and long-term management issues and the role of the Board of Directors, and will further improve the operation of the Board of Directors to enhance the effectiveness of the Board of Directors.

Strategically-held shares

Lawson sometimes holds listed shares strategically for the purpose of raising its value over the medium- and long-term through cooperation each other, but we endeavor to keep such holdings to the minimum required. When acquiring such holdings, we perform a detailed investigation for each individual issue to ascertain whether the purpose of holding is appropriate, whether the benefits and risks associated with holding are commensurate with the cost of capital, etc. Furthermore, each year the Board of Directors reviews the appropriateness of holdings, and, as of the end of February 2023, we held three different listed stocks.



Internal Control

The business of Lawson Group encompasses a wide-range of operations, from the core business of convenience stores to high-end supermarkets and entertainment-related business, to financial, e-commerce, and consulting services. We operate a large number of LAWSON stores, covering every prefecture in Japan and several markets overseas, each of which offers a wide variety of products and services. As such, we are not only required to observe various laws and regulations but must also assess the diverse range of possible risks and implement the appropriate countermeasures. In light of these characteristics, Lawson has established the Basic Policy for Maintaining an Internal Control System to support its efforts to achieve healthy, sustainable growth. We are promoting maintenance of our internal control system based on this policy, while responding to changes in our management environment, conducting periodic reviews of the policy itself, and endeavoring to maintain and enhance an effective, practical internal control system.



For more information about the internal control system
<https://www.lawson.jp/en/csr/governance/>

Compliance and Risk Management System

Lawson has established a compliance and risk management framework so that all employees can take action based on the Corporate Conduct Charter and the Lawson Code of Ethics. We implement an ongoing PDCA cycle while maintaining an organic link between our behavioral standards, education and training, communication functions and monitoring activities for the purpose of ensuring we are a good corporate citizen acting with high ethical standards, integrity and compassion.



For more information about compliance
<https://www.lawson.jp/en/csr/governance/compliance/>



For more information about risk management
<https://www.lawson.jp/en/csr/governance/risk/>

Assuring continuity of business operations

At Lawson, we have defined those basic business continuity management (BCM) matters that need to be addressed in the event that there is a functional failure of our management resources or a large number of our employees are unable to perform their work duties.

Business continuity management (BCM) basic policy

- **Maintaining the Lawson brand**

Under our Group philosophy of “Creating Happiness and Harmony in Our Communities,” and with a strong awareness of our corporate social responsibility, we will endeavor to pursue store operations which prioritize human life and safety, even during large-scale disasters and other times of great risk, to supply products and services that maintain the Lawson brand by fulfilling our mission as a “community lifeline.”

- **Continuation of the franchise business**

We will continue to develop our franchise business so that, even in the event of serious risks, we can ensure a given, essential level of operations required of a franchise headquarters, specifying the timeline and means by which business and operations will be restored so that franchise business can continue.

- **Securing appropriate earnings**

In order to put into practice our Group philosophy of “Creating Happiness and Harmony in Our Communities,” we will ensure (generate) a level of profitability which is appropriate and essential to our survival as a company. Towards that end, we will formulate countermeasures that take into consideration the impact on earnings that serious risks, as well as social conditions, laws and other factors, may have.

- **Preparing for disasters and helping communities to recover**

The Lawson Group seeks to not only to be prepared in the event of a disaster but also to serve as a community lifeline afterwards by acting swiftly to ensure the continuity of store operations. Also, to support those affected by disaster, we work with local governments to deliver food, daily necessities and other emergency relief supplies, as well as to raise disaster relief funds and provide other assistance.



For more information about continuity of business
<https://www.lawson.jp/en/csr/governance/continuation/>

Business Risks

Company-wide risk matrix (Excerpt of major risks only)

Impact	High	⑦	⑨	⑤	⑩
		⑬	①	④	②
Medium	Medium	①⑥	⑥	⑪	⑫
		⑭			
Low	Low			⑧	
		Low	Medium	High	
		Frequency			

[Impact]

High: Disruption of business which lasts a month or more, damages of 10 billion yen or more...etc.

Medium: Disruption of business which lasts between a week to just under a month, damages of between 2 billion and just under 10 billion yen...etc.

Low: Disruption of business which lasts a week, damages below 2 billion yen...etc.

[Frequency]

High: Trending upward

Medium: Largely unchanging

Low: Trending downward

Category	No.	Main risks	Risk response measures
Management strategy risks	①	Risks related to M&A and business alliances	<ul style="list-style-type: none"> When entering into agreements, such as acquiring shares or forming a business alliance: conduct prior study (such as third-party surveys, etc.); facilitate decision-making by formulating detailed business plans and clear criteria for withdrawing from an agreement; and periodically monitor the agreement afterwards.
	②	Risks related to the franchise store business	<ul style="list-style-type: none"> Provide sufficient information and appropriate support through daily communication with franchise stores to prevent misconduct incidents, etc. Build partnerships with franchise stores by conducting various initiatives for continued stable store operations.
	③	Risks related to the banking business	<ul style="list-style-type: none"> Compliance with laws and regulations through compliance training, etc., at Lawson Bank, Inc. Respond to environmental changes by sharing information through regular communication between Lawson Bank, Inc. and the Company, and examination of synergy creation.
	④	Risks related to raw materials procurement	<ul style="list-style-type: none"> Secure substitute materials, identical raw materials from different production areas, and multiple procurement channels.
	⑤	Risks related to climate change	<ul style="list-style-type: none"> Formulate countermeasures, such as risk avoidance, mitigation and insured transfer, of risks based on an evaluation of their degree of impact on business.
Financial risk	⑥	Risks related to asset impairment	<ul style="list-style-type: none"> Perform a detailed investment profitability analysis when acquiring tangible fixed assets. Perform credit checks as necessary on new suppliers and other business associates, and perform thorough management of existing receivables and other such assets.
	⑦	Risks related to funding procurement	<ul style="list-style-type: none"> Diversify fund procurement sources and means. Pay close attention to market trends, such as for interest rates; diversify funding procurement sources and lending periods; and procure funding at fixed interest rates.
	⑧	Risks related to exchange rate fluctuation	<ul style="list-style-type: none"> Diversify the contract volume and timing for products, raw materials, etc., procured overseas.
Operational risks	⑨	Risks related to food product safety	<ul style="list-style-type: none"> Work with suppliers and stores to ensure quality management, hygiene management and expiry date management from the production process through to delivery and sales. Develop a system for pre-checks and information storage in order to ensure proper labeling.
	⑩	Risks related to IT systems	<ul style="list-style-type: none"> Implement multifaceted countermeasures for cyber security, including technical, process/personnel, and physical aspects, as well as training in preparation
	⑪	Risks related to handling of personal information	<ul style="list-style-type: none"> Thoroughly promote information security measures and Lawson Group Privacy Policy inside the Group.
	⑫	Risks related to reputation	<ul style="list-style-type: none"> Implement compliance/risk management training. When a problem arises, provide prompt information disclosure to minimize the impact on customers and other relevant parties.
Compliance risks	⑬	Risks related to laws, regulations, etc.	<ul style="list-style-type: none"> Continually gather and analyze information about legal and regulatory revisions, etc., and respond proactively.
	⑭	Risks related to human rights	<ul style="list-style-type: none"> Formulate a Lawson Group Human Rights Policy and ensure it is pursued by promoting human rights due diligence. Conduct supplier surveys and individual dialog, CSR audit and in-house training related to "business and human rights." Establish a consultation service for employees and suppliers, and provide corrective/remedial action.
Hazard risks	⑮	Risks related to disasters	<ul style="list-style-type: none"> Conduct training three times per year which prioritizes human life and safety, and ensure the effectiveness of the Disaster Relief Manual and other resources. Develop a business continuity management (BCM) structure, and formulate business continuity plans (BCP) for responding to anticipated scenarios, such as an earthquake with its epicenter in Tokyo.
	⑯	Risks related to COVID-19	<ul style="list-style-type: none"> Develop a business continuity management-related structure, rules, etc., that will ensure a given, essential level of operations required of a franchise headquarters. Under the leadership of the Lawson Group Sweeping Transformation Executive Committee, tackle the challenge of anticipating new needs and adapting to the new normal.