(TRANSLATION ONLY)
Securities Code: 2651

May 1, 2024
Commencement of electronic provision: April 25, 2024

To All Shareholders with Voting Rights

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

NOTICE OF THE 49th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially notified that the 49th Ordinary General Meeting of Shareholders will be held as follows.
In convening the Ordinary General Meeting of Shareholders, the Company takes measures to provide the materials for the meeting electronically and has posted the "Notice of the 49th Ordinary General Meeting of Shareholders" on the following website providing the agenda materials for the General Meeting of Shareholders and other related materials electronically.

Lawson Website
https://www.lawson.co.jp/company/ir/event/meeting/

Electronic agenda materials for the General Meeting of Shareholders and other related materials are posted on the website of the Tokyo Stock Exchange (TSE) as well. Please access the following TSE website (Listed Company Search), enter the issue name (company name) or securities code in the search field, and select "Basic Information (基本情報)" and then "Documents for Public Inspection/PR Information (縦覧書類／ＰＲ情報)."

TSE website (Listed Company Search)
https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show

If you do not attend the meeting, please exercise your voting rights using either of the methods described below after examining REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS attached herein or posted on the website specified above.

[Voting by Electronic Means (Internet, etc.)]
Please exercise your voting rights by 5:45 p.m. on Monday, May 20, 2024, after reading the attached document "Exercising Voting Rights via the Internet, etc."

[Voting in Writing (by Mail)]
Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Monday, May 20, 2024. If neither approval nor disapproval is indicated for any matter on the Voting Rights Exercise Form, it will be treated as an indication of approval.

1. Date and Time: 10:00 a.m., Tuesday, May 21, 2024
2. Venue: Hall C, Tokyo International Forum, 5-1 Marunouchi 3-chome, Chiyoda-ku, Tokyo
3. Objectives of the Meeting
   Reports:
   The Business Report, the Consolidated Financial Statements and the Nonconsolidated Financial Statements for the 49th Fiscal Term (from March 1, 2023, to February 29, 2024), and the related Audit Reports

   Matters to Be Resolved:
   Proposal No. 1: Election of Five (5) Directors
   Proposal No. 2: Election of Two (2) Audit and Supervisory Board Members

- 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.)
- Please note that we will not provide souvenirs for shareholders attending the General Meeting of Shareholders.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposal No. 1: Election of Five (5) Directors

The terms of office of all five (5) Directors expire at the conclusion of this 49th Ordinary General Meeting of Shareholders. Accordingly, we propose the election of five (5) Directors.

The Company has endeavored to ensure management transparency and fairness, and has a rule to appoint Independent Directors equaling one-third or more of the Board's composition. If this proposal is approved and passed, there will be five (5) Directors of the Company after the meeting of shareholders, of which two (2) will be Outside Directors. All of the Outside Directors are "Independent Directors/Audit and Supervisory Board Members." Therefore, we propose that you continue to elect Independent Directors equaling one-third or more of the Board's composition.

The candidates for Directors are as stated in the following table. Please refer to pages 4 to 8 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 13 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 and CEO, Representative Director	Reappointment	100%
2	Masayuki Itonaga	Executive Managing Officer, Member of the Board	Reappointment	100%
3	Miki Iwamura	Member of the Board	Reappointment, outside, independent	93.3%
4	Satoko Suzuki	Member of the Board	Reappointment, outside, independent	100%
5	Shota Kondo	—	New appointment	—

Notes:
1. Ms. Miki Iwamura's legal name is Miki Oku.
2. Positions at the Company, etc., are as of April 18, 2024.

No. 1

Sadanobu Takemasu
(August 12, 1969)

Reappointment

■Number of the Company's shares held: 12,800

■Attendance at Board of Directors' meetings 15 out of 15 (100%)

■Years in office 10 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 and CEO, 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.
March 2021	President and CEO, Representative Director, Chairman of the Board, and CSO, 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 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. 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

Masayuki Itonaga
(February 7, 1967)

Reappointment

■Number of the Company's shares held: 100

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

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

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1990	Joined Mitsubishi Corporation
March 1995	Trade Finance Team, International Finance Department, Mitsubishi Corporation
August 1997	Accounting Department, Kansai Branch, Mitsubishi Corporation
December 2000	Seconded to Bridgestone Sales (Thailand) Co., Ltd. in Thailand as Financial and Administrative Director
January 2006	Assistant General Manager, Administration Department, Living Essentials Group, Mitsubishi Corporation
April 2012	Seconded to Princes Limited in the U.K. as Group Corporate Control Director
March 2016	Deputy General Manager, Administration Department, Metals Group, Mitsubishi Corporation
March 2018	Representative Director, President and CEO, Mitsubishi Corporation Financial and Management Services (Japan) Ltd.
April 2022	Financial Administration Division, Lawson, Inc.
May 2022	Executive Vice President, Member of the Board and CFO, Lawson, Inc.
March 2023	Executive Managing Officer, Member of the Board and CFO, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Masayuki Itonaga is a Director, Executive Managing Officer, Member of the Board and CFO of the Company and is responsible for the Company's finance and accounting, business risk management, investor relations (IR), and purchasing management. He has been nominated as a candidate for Director as 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

Miki Iwamura
(October 24, 1965)

Reappointment, outside, independent

■Number of the Company's shares held:
1,100

■Attendance at Board of Directors' meetings
14 out of 15 (93.3%)

■Years in office
Six 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)
April 2021	Executive Vice President, University of Tokyo (Current position)

Reasons for nomination as Outside Director and expected roles

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 part-time outside Audit and Supervisory Board members. 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.
4

Satoko Suzuki
(November17, 1977)

Reappointment, outside, independent

■Number of the Company's shares held:
600

■Attendance at Board of Directors' meetings
15 out of 15 (100%)

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

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, The School of International Corporate Strategy at the Graduate School of Business Administration, Hitotsubashi University [Associate Professor, School of Internatinoal Corporate Strategy, Hitotsubashi University Business School]
May 2020	Outside Director, Lawson, Inc. (Current position)
June 2022	Outside Director, Stanley Electric Co., Ltd. (Current position)
September 2023	Professor, School of Internatinoal Corporate Strategy, Hitotsubashi University Business School (Current position)

Reasons for nomination as Outside Director and expected roles

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 "globalization of service industry," published many papers, presented at academic conferences and received awards. 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. Suzuki serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and part-time outside Audit and Supervisory Board members. She has also been registered as an Independent Director/Audit and Supervisory Board Member with the Tokyo Stock Exchange, Inc., pursuant to the rules specified by the exchange.

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

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

No. 5

Shota Kondo
(September 27, 1967)

New appointment

■Number of the Company's shares held:
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Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1991	Joined Mitsubishi Corporation
April 1996	Seconded to Diamond Gas Holdings Sendirian Berhad (Kuala Lumpur)
August 2000	Seconded to Malaysia LNG Tiga Sdn. Bhd. (Kuala Lumpur)
August 2002	Australia Project Unit, Natural Gas Business Div., Mitsubishi Corporation
September 2006	Energy Business Group CEO Office, Mitsubishi Corporation
April 2009	Corporate Planning Dept., Mitsubishi Corporation
May 2013	General Manager, Russia Business Dept., Natural Gas Business Div., Mitsubishi Corporation
April 2016	General Manager, Shale Gas Business Dept., Natural Gas Business Div., Mitsubishi Corporation
April 2017	General Manager, Canada Oil & Gas Business Dept., Energy Resources Div. B, Mitsubishi Corporation
April 2019	General Manager, Houston Branch, Mitsubishi Corporation (Americas) (Concurrently) General Manager, Houston Branch, Mitsubishi International Corporation
April 2020	General Manager, Natural Gas Group CEO Office, Mitsubishi Corporation
April 2021	Senior Vice President, General Manager, Natural Gas Group CEO Office, Mitsubishi Corporation
April 2022	Senior Vice President, General Manager, Corporate Strategy & Planning Dept., Mitsubishi Corporation
April 2024	Executive Vice President, Group CEO, Smart Life Creation Group, Mitsubishi Corporation (Current position)

Reasons for nomination as Director

Mr. Shota Kondo has been nominated as a candidate for Director, as he has a wealth of knowledge on businesses in the energy field, as well as on corporate management in general including management strategy, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc., and his secondment to overseas subsidiaries and investees of Mitsubishi Corporation. We would like 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.

Notes:

1. In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded liability limitation agreements with Ms. Miki Iwamura and Ms. Satoko Suzuki. 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 a limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without gross negligence. The Company plans to enter into a similar liability limitation agreement with Mr. Shota Kondo upon his election and assumption of office as a Director.
2. The Company has entered into indemnity agreements as prescribed under Article 430-2, Paragraph 1 of the Companies Act with all of its Directors and Audit and Supervisory Board Members, whereby the Company shall indemnify the expenses set forth in item (i) of the said Paragraph and the losses set forth in item (ii) of the said Paragraph within the limits prescribed by laws and regulations. The Company plans to enter into a similar indemnity agreement with Mr. Shota Kondo upon his election and assumption of office as a Director.
3. The Company has concluded corporate officer liability insurance (D&O insurance) contract designating its Directors and Audit and Supervisory Board Members as the insured. The insurance contract covers damages such as indemnities and contentious expenses based on the legal liability for damages incurred by the insured due to

actions taken by the insured as an officer of the Company. If each of the candidates is elected and assumes office as a Director, all of such Directors will be insured under the said insurance contract. The term of the insurance contract is one (1) year, and it is scheduled to be renewed by resolution of the Board of Directors before the expiration of the term.

4. The information in nominees' Brief Personal Histories, Positions, Assignments and Important Concurrent Positions is current as of April 18, 2024.

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

The terms of office of Shuichi Imagawa, Audit and Supervisory Board Member, and Keiko Yoshida, Audit and Supervisory Board Member, expire at the conclusion of this 49th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) Audit and Supervisory Board Members.

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

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

Furthermore, please refer to page 13 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)

Reappointment

■Number of the Company's shares held:
5,694

■Attendance at Board of Directors' meetings
15 out of 15 (100%)

■Attendance at Audit & Supervisory Board meetings
17 out of 17 (100%)

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

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.
May 2020	Audit and Supervisory Board Member (full-time), 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 has been appropriately auditing the execution of duties of directors. He is therefore expected to continue 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)

Reappointment, outside, independent

■Number of the Company's shares held:
400

■Attendance at Board of Directors' meetings
15 out of 15 (100%)

■Attendance at Audit & Supervisory Board meetings
17 out of 17 (100%)

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

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
May 2020	Outside Audit and Supervisory Board Member, Lawson, Inc. (Current position)

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 has been appropriately auditing the execution of duties of directors. She is therefore expected to continue to sufficiently fulfill the role of an Audit and Supervisory Board Member.

Ms. Keiko Yoshida serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and part-time outside Audit and Supervisory Board members. 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.

1. In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. has concluded liability limitation agreements 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 which resulted in a cause of such liability in good faith without gross negligence.
2. The Company has entered into indemnity agreements as prescribed under Article 430-2, Paragraph 1 of the Companies Act with all of its Directors and Audit and Supervisory Board Members, whereby the Company shall indemnify the expenses set forth in item (i) of the said Paragraph and the losses set forth in item (ii) of the said Paragraph within the limits prescribed by laws and regulations.
3. The Company has concluded corporate officer liability insurance (D&O insurance) contract designating its Directors and Audit and Supervisory Board Members as the insured. The insurance contract covers damages such as indemnities and contentious expenses based on the legal liability for damages incurred by the insured due to actions taken by the insured as an officer of the Company. If each of the candidates is elected and assumes office as an Audit and Supervisory Board Member, all of such Audit and Supervisory Board Members will be insured under the said insurance contract. The term of the insurance contract is one (1) year, and it is scheduled to be renewed by resolution of the Board of Directors before the expiration of the term.
4. The information in nominees' Brief Personal Histories, Positions and Important Concurrent Positions is current as of April 18, 2024.

Reference: Proposed management system following the approvals of Proposal Nos. 1 and 2

Name	Position	New appointment / reappointment	Gender	Outside independent officer	Nomination and Compensation Advisory Committee	Years in office	Main areas of experience and expertise						
							Corporate management	Corporate finance / accounting	Legal affairs/ compliance and risk	Marketing	IT/DX	Global experience	Franchise or retail business
Sadanobu Takemasu	President and CEO, Representative Director	Reappointment	Male			10	●			●	●	●	●
Masayuki Itonaga	Member of the Board, Executive Managing Officer	Reappointment	Male			2	●	●				●	
Miki Iwamura	Member of the Board	Reappointment	Female	○	○	6	●			●	●	●	
Satoko Suzuki	Member of the Board	Reappointment	Female	○	○	4				●		●	●
Shota Kondo	Member of the Board	New appointment	Male		○	–	●			●		●	
Jun Miyazaki	Audit and Supervisory Board Member (full-time)	–	Male			3			●	●			●
Shuichi Imagawa	Audit and Supervisory Board Member (full-time)	Reappointment	Male			4			●	●			●
Yuko Gomi	Audit and Supervisory Board Member	–	Female	○	○	5			●				
Keiko Yoshida	Audit and Supervisory Board Member	Reappointment	Female	○	○	4		●					
Yuko Miyata	Audit and Supervisory Board Member	–	Female	○	○	1	●		●	●		●	

Note:
Members of the Board with titles and members of the Nomination and Compensation Advisory Committee will be determined at the Board of Directors' meeting after the General Meeting of Shareholders, while Audit and Supervisory Board Member (full-time) will be determined at the Audit and Supervisory Board meeting after the General Meeting of Shareholders.
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[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 seven members of the committee are non-executive directors or part-time Audit and Supervisory Board members, with six 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 gross operating revenue 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.

BUSINESS REPORT

(March 1, 2023 through February 29, 2024)

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 2023 ended February 29, 2024, we made concerted Group-wide efforts to realize the “Lawson Group Challenge 2025” medium-term management vision, while society shifted toward a post-COVID world driven primarily by the downgrade in the categorization of COVID-19 to Class 5, which includes seasonal flu. Specifically, we undertook various measures under our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020, and the whole Lawson Group collectively endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities, foster job satisfaction, and introduced a range of LGBTQ initiatives aimed at creating a workplace environment and system that maximizes the full potential of diverse human resources and we received the Gold rating in the PRIDE Index 2023.[*1] Focusing on community, individual customers, and individual stores, we expanded a company system in eight areas across Japan and transferred authority and functions from the headquarters to the frontline stores with the aim of facilitating our organizational structure to more vigorously pursue the creation of customer value at locations that are in close proximity to our customers. We have undertaken various initiatives under this new structure.

*1 An assessment index established in 2016 by general incorporated association “work with Pride” with the aim of evaluating workplace initiatives to promote the inclusion of LGBTQ+ and other sexual minority employees.

As a result, for fiscal 2023 on a consolidated basis, gross operating revenue increased to 1,087,964 million yen (up 8.8% from previous fiscal year) and profit before tax increased to 77,292 million yen (up 64.0% from previous fiscal year). Profit attributable to owners of parent was 52,148 million yen (up 75.5% from previous fiscal year).

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2023 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)

During the fiscal year under review, a general increasing trend was seen in the movement of people. Against this backdrop, each area company reinforced their sales floors with a particular focus on the scope of merchandise assortment and the quantity of inventory by building on the foundation established by the Lawson Group Sweeping Transformation Executive Committee, which has been proceeding with store renovations and expanding the merchandise assortment of frozen foods and other daily necessities. As of February 29, 2024, 12,712 stores have introduced MUJI products, which began full-scale introduction in 2022. In response to the 2024 logistics problem and reduction of CO_2 emissions, we have been progressively changing the number of shipments to stores of chilled and temperature-controlled products from three to two daily deliveries since December 2023. Also, as we work our way toward 2025, our 50th anniversary year, we continue to expand HAPPY LAWSON PROJECT! with the aim of creating “hubs of refreshment in every community,” and promoted measures to fulfill the three promises of our business policy— “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness”—in an effort to operate LAWSON stores endorsed by all our customers.

In addition to further strengthening our distinctive products that focus on taste and health, we are also working to provide heartfelt customer service in our stores, and we are continuing with our environmentally friendly measures such as reducing food loss, plastic usage, and CO_2 emissions.

[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. In our efforts to increase sales, we also focused on expanding our merchandise assortment to respond to changes in customer lifestyles and values. Furthermore, we kept up our initiatives to increase the profitability of franchise stores, including helping them streamline their store operation and control costs associated with food waste and utility expenses.

[Merchandising and Service Strategies]

Sales continued to surge in fast-food counter items, soft drinks and the rice range, products offered by the Machikado Chubo in-store kitchen service, bakery, and the cosmetics range driven by an increase in the movement of people. In the fast-food counter range, a new Japanese fried chicken product, “L-kara,” and other products as well as regular items such as the “Kara-age-kun” chicken nuggets drove strong sales. In the rice range, sales continued to surge in rice bowls such as the renewed “Kinshari Onigiri Rice Ball” series. In the Machikado Chubo, we saw strong performance for regular items such as the Donburi rice bowls as well as box lunch items in which rice is packed separately. In the daily delivered food range, a new bakery product, “Melon-pan Bread with Salty Butter,” and regular bakery and ice cream items drove sales up, while in the non-food range, sales for MUJI products and cosmetics products under a new brand jointly developed with a popular cosmetics brand enjoyed growth.

In food delivery service, the combined number of stores listed on four food delivery services such as Uber Eats, reached 4,884 in 47 prefectures as of February 29, 2024. In addition, Uber Eats delivers over-the-counter drugs sold at 115 LAWSON stores in 22 prefectures.

[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	1,291,512	53.1	105.0
Fast foods	550,397	22.7	106.4
Daily delivered foods	372,842	15.3	105.9
Nonfood products	216,083	8.9	107.7
Total	2,430,835	100.0	105.7

[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 280 stores. Meanwhile, we closed a total of 268. As of February 29, 2024, the total number of domestic stores was 14,643*2.

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 over-the-counter drugs has reached 309 stores (includes 45 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of February 29, 2024. Moreover, the number of stores with nursing care consultation desks for seniors has reached 19 as of February 29, 2024. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 342 as of February 29, 2024. 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.

Our NATURAL LAWSON stores, which are popular among customers for supporting their beauty, health, and comfortable lifestyles, offer an exclusive selection of finely picked items of value, including food made with healthy ingredients and environmentally friendly detergents and cosmetics. Meanwhile, our LAWSON STORE100 stores consistently offer safe and high-quality fruits and vegetables with a focus on freshness and daily necessities, supporting customers’ daily dietary lives by helping them plan their meals. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of February 29, 2024, we operate 130 NATURAL LAWSON stores and 648 LAWSON STORE100 stores.

*2 The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc.

[Change in the Total Number of Domestic Stores]

	Total stores as of February 28, 2023	Change during fiscal year	Total stores as of February 29, 2024
LAWSON	13,839	26	13,865
NATURAL LAWSON	131	(1)	130
LAWSON STORE100	661	(13)	648
Total	14,631	12	14,643

As a result, Domestic Convenience Store Business posted gross operating revenue of 755,397 million yen (up 8.2% from previous fiscal year) and segment profit of 69,734 million yen (up 46.5% from previous fiscal year).

(Seijo Ishii Business)

Seijo Ishii Co., Ltd provides customers with well-selected, and highly original foods under its philosophy of "Quality food for a quality life." Operating diverse store formats including street-side stores and stores in station buildings and commercial facilities, the supermarket chain leverages its distinguished product development expertise to offer original products and food items made in-house under the Seijo Ishii brand. The number of directly operated Seijo Ishii Co., Ltd stores reached 181 as of February 29, 2024. Sales at stores in office buildings recovered from the sluggish sales resulting from the COVID-19 pandemic. Product-wise, daily delivered foods and dishes produced in-house at Seijo Ishii's central kitchen recorded steady sales, while sales also grew for fresh food including fruits and vegetables, meat, and fish, primarily at street-level stores. In November 2023, the first store, Seijo Store, was completely renovated as a new flagship store. We will continue striving to elevate the brand power of Seijo Ishii by promoting the sustainable development of products of value, effective promotional campaigns, and publicity activities as a manufacturing retailer eager to send messages out to consumers.

As a result, Seijo Ishii Business posted gross operating revenue of 112,544 million yen (up 2.2% from previous fiscal year) and segment profit of 12,247 million yen (down 4.3% from previous fiscal year).

(Entertainment-related Business)

With respect to our ticketing business in our Entertainment-related Business undertaken by Lawson Entertainment, Inc., concerts, leisure, and other events enjoyed brisk demand. In addition, we focused our efforts on securing an expanded lineup of events and strengthening sales in each genre, which resulted in a year-on-year increase in our ticket transaction value. Furthermore, sales for our product sales business at HMV music/video software stores and others grew as a result of a rise in the number of concerts and events held, which drove up sales for related products, as well as an increase in the movement of people. In our e-commerce business, we are making efforts to expand the scope of merchandise we handle, including band and artist merchandise, cosmetics and other items. The number of stores has reached 49 as of February 29, 2024, including HMV stores, HMV&BOOKS, which markets books, CDs and DVDs, and HMV record shop stores specializing in analog records.

During the fiscal year under review, United Cinemas Co., Ltd., an operator of cinema complexes, attracted more moviegoers and generated higher sales than in the previous fiscal year as a result of the release of much-talked-about and highly anticipated movies, such as during the long holiday in spring and the summer holiday season, as well as the strong performance of high ticket-price films screened using 4D movie screening systems. As of February 29, 2024, 43 cinema complexes nationwide with 398 screens are operating. United Cinemas Co., Ltd. will have changed its name to Lawson United Cinemas, Inc. effective March 1, 2024.

As a result, Entertainment-related Business posted gross operating revenue of 80,884 million yen (up 12.1% from previous fiscal year) and segment profit of 6,593 million yen (up 35.7% from previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, we endeavored to offer an expanded range of new services through Lawson Bank, Inc.'s ATMs and ATM settlement network. As of February 29, 2024, the number of ATMs installed nationwide reached 13,591, with each ATM used 55.9 times a day on average. The total number of our financial institution partners reached 401 nationwide. We now have 15 partners for the cash charging at ATMs, 8 for the "Smartphone ATM (QR code deposit/withdrawal)"[*3] service, 25 for the "Immediate Account Settlement Service"[*4] (19 financial institutions and 6 other service operators), and 12 for international money transfer cards. In addition to cash deposit and withdrawal services, charging to cashless payment services has also contributed to the increased use of ATMs, etc. Furthermore, new-model ATMs have been installed gradually from January 2024 to support new banknotes (scheduled to enter circulation in July 2024) and incorporate universal design perspectives.

Regarding LAWSON Ponta Plus credit cards issued by Lawson Bank, Inc, we are continuing to work on promoting card usage by drawing public attention to the benefits of using the card at LAWSON stores and other Ponta affiliated stores.

*3 A service where customers can deposit/withdraw cash or take out/repay a credit card loan at an ATM by using a smartphone app instead of a bank card. “Smartphone ATM” is a registered trademark of Seven Bank, Ltd.

*4 A service that allows customers to top up their mobile payment app from their account with a financial institution by harnessing the ATM network.

As a result, Financial Services Business posted gross operating revenue of 35,682 million yen (up 3.5% from previous fiscal year) and segment profit of 2,960 million yen (down 23.1% from previous fiscal year).

(Overseas Business)

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

The number of LAWSON stores in the People’s Republic of China, exceeded 6,000 in August 2023 and reached 6,288 as of February 29, 2024, up 668 stores from the end of previous fiscal year. In addition to opening new stores through our subsidiaries, we are also launching stores by concluding mega franchise agreements with local retailers in different cities, as well as area license agreements, where partner companies serve as headquarters in designated areas and assume overall operation and development, in efforts to accelerate the expansion of business areas and the number of stores. The spread of the COVID-19 pandemic passed its peak from the end of 2022 to early January of 2023 and daily sales increased due to the recovery in the movement of people, though there are regional differences in the degree of recovery. We will work to offer our signature high-quality original products including rice and dessert items, enhance the value of the Lawson brand in China, and increase earnings by strengthening our delivery business.

With regard to regions other than China, sales increased due to the recovery in the movement of people resulting from the elimination and easing of COVID-related restrictions in respective countries. We have been accelerating the pace of new store openings, with the total number of stores in Thailand, the Philippines, the United States (Hawaii) and Indonesia exceeded 1,000 in January 2024 and reached 1,056 as of February 29, 2024, up 516 stores from the end of the previous fiscal year. Having achieved a record-high number of stores in these countries combined, we will continue to operate our stores to sustain the daily lives of our customers and strive to further expand our earnings.

[Distribution of LAWSON Brand Stores Overseas by Region]

Country/Region	Number of stores (As of February 28, 2023)	Change during fiscal year	Number of stores (As of February 29, 2024)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	2,483	191	2,674
China Chongqing and surrounding area (Chongqing, Sichuan)	798	66	864
China Liaoning (including Shenyang, Dalian)	586	138	724
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	432	78	510
China Guangdong and Fujian (including Shenzhen, Xiamen)	174	147	321
China Hubei and Henan (including Wuhan, Xinyang)	617	34	651
China Anhui (including Hefei)	231	(3)	228
China Hainan (including Haikou)	139	34	173
China Hunan (including Changsha)	160	(17)	143
China Subtotal	5,620	668	6,288
Thailand	181	7	188
Philippines	101	43	144
United States of America (Hawaii)	2	–	2
Indonesia	256	466	722
Total	6,160	1,184	7,344

As a result, Overseas Business posted gross operating revenue of 114,686 million yen (up 20.8% from previous fiscal year) and segment profit of 2,501 million yen (segment loss was 4,999 million yen for the previous fiscal year).

(Sustainability Philosophy and Initiatives)

Based on our corporate philosophy, “Creating Happiness and Harmony in Our Communities,” we aim to achieve a sustainable society by implementing ESG-focused management that addresses environmental and social issues through the Group’s business activities with the vision of creating “hubs of refreshment in every community.” We established the SDGs Committee on March 1, 2019 as an organization to promote Group-wide initiatives. Furthermore, on March 1, 2021 the position of Chief Sustainability Officer (CSO) was assumed by the president and CEO and representative director to further strengthen those initiatives.

We believe that coexistence with stakeholders is essential to create happiness in our communities. To this end, we identified issues that should be highly prioritized as our six material issues (materiality) among issues having significant impacts on the environment, society and economy across our business activities including the Group’s value chains.

Lawson’s “Six 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

In practicing ESG-focused management, we formulated its environmental vision, “Lawson Blue Challenge 2050!”, aiming to realize a (1) reducing CO_2 emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags) and focused efforts are under way. To achieve these high goals, we believe that it is essential to have a diverse workforce with a variety of personalities. To provide opportunities for diverse human resources to play active roles, we are working on initiatives to enhance the Group’s human capital including the promotion of Diversity Equity & Inclusion (DE&I) and improvement of the working environment, and expansion of our education system, while measuring the quantitative effects of these activities.

The Group considers the promotion of women’s advancement to be one of its most important initiatives in promoting DE&I. We are endeavoring to develop female executive candidates and promote them with the aim of achieving the target of raising the proportion of female managers to 30% by fiscal 2030.

・Respect for Human Rights

In June 2021, we established the Lawson Group Human Rights Policy as our top-level basic policy on human rights based on the Lawson Group Code of Conduct. In May 2022, we signed the United Nations Global Compact, a worldwide initiative to achieve sustainable growth in the international community. Toward the realization of the Lawson Group Human Rights Policy, the Group is promoting initiatives to respect human rights including human rights due diligence in various aspects of its business activities with support and respect for international norms such as the United Nations Guiding Principles on Business and Human Rights. We will work to establish and operate a supply chain that takes human rights into consideration and to create a workplace environment where diverse human resources can play active roles.

Goals related to the environmental aspect (KPIs)

Issues	Short-term KPIs for 2025	Medium-term KPIs for 2030	Long-term KPIs for 2050
Reducing CO_2 emissions (per store)	Reduce by 15% over 2013	Reduce by 50% over 2013	Reduce by 100% over 2013
Reducing food waste (per store)	Reduce by 25% over 2018	Reduce by 50% over 2018	Reduce by 100% over 2018
Reducing plastic use (for containers and packaging)	Reduce by 15% over 2017	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%	—

Data on Active Role of Female Employees

	FY 2020	FY 2021	FY 2022	FY 2023
Number of female managers (percentage of women in this role)	121 11.4%	134 12.2%	154 13.8%	159 14.1%
Number of female senior managers (percentage of women in this role)	10 6.2%	14 8.3%	11 7.1%	15 9.1%
Number of female (Deputy) Senior Vice Presidents* (percentage of women in this role)	2 5.7%	2 5.6%	2 6.1%	1 3.3%
Number of female corporate officers* (percentage of women in this role)	6 46.2%	6 50.0%	5 50.0%	5 50.0%

* The number of senior vice presidents is the total number of senior vice presidents and deputy vice presidents. Also, the number of corporate officers is the total number of members of the board and audit & supervisory board members.

(2) Capital Expenditures

Capital expenditures of the Group during the fiscal year under review totaled 61,457 million yen, of which 35,688 million yen was primarily for store facility investment in buildings, and 20,622 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

IFRS

Category/Fiscal Term	Fiscal 2021 47th Term	Fiscal 2022 48th Term	Fiscal 2023 49th Term
Gross operating revenue (millions of yen)	943,206	1,000,385	1,087,964
Profit attributable to owners of parent (millions of yen)	22,625	29,708	52,148
Basic earnings per share (Yen)	226.09	296.86	521.08
Total assets (millions of yen)	2,144,778	2,242,421	2,297,498
Equity (millions of yen)	235,693	253,858	289,300
Equity attributable to owners of parent per share (yen)	2,316.89	2,497.49	2,845.30

Note: The consolidated financial statements have been prepared in accordance with IFRS from the 49th term. The figures for the 47th and 48th term are also presented in accordance with IFRS for reference.

Japanese GAAP

Category/Fiscal Term	Fiscal 2020 46th Term	Fiscal 2021 47th Term	Fiscal 2022 48th Term
Gross operating revenues (millions of yen)	666,001	698,371	988,621
Ordinary income (millions of yen)	37,610	47,571	53,453
Profit attributable to owners of parent (millions of yen)	8,689	17,900	24,689
Profit per share (yen)	86.84	178.87	246.70
Total assets (millions of yen)	1,365,430	1,337,245	1,366,166
Net assets (millions of yen)	272,931	278,473	287,099
Net assets per share (yen)	2,674.53	2,726.97	2,810.33

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2020 46th Term	Fiscal 2021 47th Term	Fiscal 2022 48th Term	Fiscal 2023 49th Term
Net sales of all convenience stores (millions of yen)	2,165,818	2,211,981	2,299,518	2,416,293
Gross operating revenue (millions of yen)	354,825	355,102	357,571	391,793
Ordinary income (millions of yen)	33,700	34,278	40,618	68,928
Profit (millions of yen)	15,894	13,470	22,595	44,722
Profit per share (yen)	158.84	134.61	225.78	446.87
Total assets (millions of yen)	839,426	793,925	805,367	820,527
Net assets (millions of yen)	234,977	233,294	240,073	266,412
Net assets per share (yen)	2,344.86	2,327.59	2,395.60	2,657.51

(4) Priority Issues of the Group

① Response to social issues

The Company promotes ESG-focused management and has been clarifying the items and issues to be addressed by the Lawson Group with the aim of ensuring that the Group can work toward resolving issues. In particular, the Group is focused on promoting decarbonization activities, reducing food waste, and eliminating plastic uses in order to help bring about a sustainable society.

② Continue to ensure stable management of franchised stores and enhance human capital

The Company recognizes that maintaining the stable management of franchised stores, our largest partners, is an important issue. Based on franchise store profit-focused management, we are developing a system in which our headquarters takes responsibility for providing comprehensive support to franchise stores in response to soaring store expenses and labor shortages. In addition, we will make the maximum use of digital technology to efficiency store operation, make working environments more pleasant, and reduce labor needs to develop an environment that enables people of all ages and nationalities to work at our stores, while addressing issues faced by franchised stores such as the shortage of store crew. Furthermore, we will implement short-term and medium- to long-term initiatives such as measures to stabilize management by promoting the management of multiple franchised stores while addressing shortages of FC store owners stemming from the declining birthrate, thereby building stronger partnerships with franchised stores.

At the same time, the Group's employees are its most important capital in pursuit of happiness in our communities and a high level of store productivity. To improve job satisfaction and productivity, we are striving to foster a culture that recognizes diversity and to create an environment that provides optimal personnel systems and training, support for maintaining and improving health as well as encourages employees to take on challenges.

③ Pursuit of an ideal store format with enhanced product appeal and product assortment

We aim to further strengthen our product appeal and create stores that match the various lifestyles and needs of our customers. By promoting store renovations to pursue the ideal store format based on the above, we strive to create stores that generate word-of-mouth recommendations by customers. In addition, in order to deeply understand customer needs that vary by area and respond to such needs in an appropriate and prompt manner, each area company will further promote a system in which they formulate and implement sales, product, and store development strategies.

④ Take on challenges in future growth areas

We will continue to take on challenges to establish new business models in future growth areas not only in our domestic convenience store business, the core business of the Group, but also in various other fields such as Seijo Ishii Business, Entertainment-related Business, Financial Services Business, and 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 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 as an enterprise listed on the prime market 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 has a listed parent company (Mitsubishi Corporation) and, although we are publicly listed as a parent/subsidiary pair, we appoint one-third or more independent directors who have no conflict of interest with general shareholders. In addition, we install "Nomination and Compensation Advisory Committee" and "Special Committee" on a voluntary basis and maintaining a system able to ensure the highest levels of management transparency and fairness.

2. Current Status as of February 29, 2024

(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), Kanto area office (Minato-ku, Tokyo), 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 117 offices throughout Japan, including branches.

② Lawson urbanworks, Inc.

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

Head Office: Shinagawa-ku, Tokyo

③ Lawson Store100, Inc.

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

Head Office: Saiwai-ku, Kawasaki-shi, Kanagawa

④ Lawson Minamikyushu, Inc.

Major Business: Operates LAWSON stores in Kagoshima prefecture.

Head Office: Kagoshima-shi, Kagoshima

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	702	Ibaraki	217	Kyoto	326	Ehime	218
Aomori	279	Tokyo	1,651	Shiga	152	Tokushima	135
Akita	178	Kanagawa	1,060	Nara	134	Kochi	138
Iwate	178	Shizuoka	273	Wakayama	155	Fukuoka	525
Miyagi	259	Yamanashi	134	Osaka	1,195	Saga	78
Yamagata	108	Nagano	167	Hyogo	705	Nagasaki	123
Fukushima	169	Aichi	719	Okayama	245	Oita	200
Niigata	223	Gifu	177	Hiroshima	302	Kumamoto	167
Tochigi	198	Mie	136	Yamaguchi	129	Miyazaki	111
Gunma	240	Ishikawa	101	Tottori	136	Kagoshima	201
Saitama	688	Toyama	176	Shimane	140	Okinawa	262
Chiba	595	Fukui	106	Kagawa	132	**Total (domestic)**	14,643

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

Note: Effective March 1, 2024, United Cinemas Co., Ltd. changed its name to Lawson United Cinemas, Inc.

(Financial Services Business)

Lawson Bank, Inc.

Major Business: Operates a banking business

Head Office: Shinagawa-ku, Tokyo

(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 Lawson (BEIJING), 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 Chengdu Lawson, Inc.

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

Head Office: Chengdu, China

⑪ Guangdong Lawson, Inc.

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

Head Office: Guangdong, China

⑫ Shenzhen Lawson, Inc.

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

Head Office: Shenzhen, China

⑬ Saha Lawson Co., Ltd.

Major Business: Operates stores under the store brand of LAWSON 108 and 108SHOP.

Head Office: Bangkok, Thailand

⑭ Lawson Philippines, Inc.

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

Head Office: Manila, Philippines

(Other Business)

・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	5,013	(42)
Seijo Ishii Business	1,250	12
Entertainment-related Business	1,184	(6)
Financial Services Business	192	29
Overseas Business	3,833	117
Other Business	194	(13)
Total	11,666	97

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
4,361	(93)	42.7	15.8

Note: Number of employees is full-time employees.

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	60,000
Sumitomo Mitsui Banking Corporation	15,000
Mizuho Bank, Ltd.	10,000

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

① Parent Company

Parent Company	Capital Stock (millions of yen)	Shareholding (%)	Major Business
Mitsubishi Corporation	204,446	50.2	Environmental Energy, Materials Solution, Mineral Resources, Urban Development & Infrastructure, Mobility, Food Industry, Smart-Life Creation, Power Solution, 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 & 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.

- The following outlines the agreements, etc. that the Company has concluded with its parent company with regard to significant financial and business policies:

The Company resolved at its Board of Directors' meeting held on September 16, 2016 to amend the business alliance agreement that the Company had concluded with Mitsubishi Corporation in February 2000 (including amendments thereto; hereinafter, the "Original Business Alliance Agreement") and on the same day concluded the business alliance agreement (which came into effect on February 15, 2017).

a. Reason for amendment of the Original Business Alliance Agreement

The Company and Mitsubishi Corporation concluded that it was necessary to further strengthen their collaboration and further bolster the Company's business foundation by enabling the Company to take even greater advantage of Mitsubishi Corporation's network and human resources for the benefit of the Company's domestic convenience store business, overseas convenience store business, and other peripheral businesses through making the Company a consolidated subsidiary of Mitsubishi Corporation.

b. Details of amendments to the Original Business Alliance Agreement

(a) The fields of business alliance will be as follows:
(i) domestic convenience store business,
(ii) overseas convenience store business,
(iii) peripheral businesses, and
(iv) other businesses separately agreed on by the companies;

(b) Mitsubishi Corporation will implement the business alliance while respecting the Company's management independence and identity, as well as respecting the interests of the franchise stores, which constitute the essence of the franchise business;

(c) In order to effectively and substantially promote the business alliance, Mitsubishi Corporation will dispatch personnel as necessary upon mutual consultation, and the Company will accept such dispatched personnel.

(d) The amended business alliance agreement will become effective on the settlement commencement date of the tender offer for shares of the Company's common stock by Mitsubishi Corporation announced on September 16, 2016 and will remain effective until a time separately agreed to in writing by Mitsubishi Corporation and the Company.

The Company resolved at its Board of Directors meeting held on March 27, 2024, that it would express its opinion in favor of the tender offer for the Company's common shares, etc. by KDDI Corporation ("KDDI") (the "Tender Offer") and recommended that the Company's shareholders tender their shares in the Tender Offer. In relation to the Tender Offer, the Company entered into a capital and business alliance agreement with Mitsubishi Corporation and KDDI (collectively referred to as the "Offeror Related Parties") (the "Capital and Business Alliance Agreement") on February 6, 2024. A summary of the Capital and Business Alliance Agreement is as follows.

(i) Purpose

- Maximize the corporate value of the Lawson Group by strengthening each business of the Lawson Group toward the realization of a new-generation "hub of refreshment in every community" that creates new consumer value through the integration of "real, digital and green", taking advantage of one of the main consumer contact points in Japan.
- Expand business infrastructure and create new values of the Mitsubishi Corporation Group and the KDDI Group through the growth of the Lawson Group.

(ii) Details of capital alliance

- Establish capital relationship between the Offeror Related Parties and the Company through the Tender Offer. (The provision becomes effective on the closing date (meaning the day when the share consolidation, which is to take place upon the completion of the Tender Offer, becomes effective and the ratio of voting rights held by Mitsubishi Corporation and KDDI in the Company becomes 50.00% each; hereinafter the same.))

(iii) Details of the business alliance

- Substantially implement the business alliance in the following fields (the "Business Alliance"), contribute to and cooperate in the promotion of each of the following measures (The provision becomes effective on the closing date.), and establish a collaboration promotion committee as a forum for discussions of the policies and progress of the Business Alliance.
  (A) Relation to real stores: Create a new type of store that can provide new services utilizing the functions and commodities of each company at real stores, which are the strengths of both the Company and the KDDI.
  (B) Relation to digital collaboration: Expand users of the Lawson Group's services and make them loyal customers by linking the membership information held by each group of the Offeror Related Parties and the Company and utilizing their customer data bases.
  (C) Relation to green collaboration: Promote decarbonization and a circular economy business of the Lawson Group by utilizing the business infrastructure of the Offeror Related Parties and their groups.
  (D) Business collaboration in other fields: Cooperate in the initiatives in other fields to maximize the Lawson Group's corporate value, as determined by the collaboration promotion committee after discussions between the Offeror Related Parties and the Company.
- Discuss and consider such matters as the schemes of the Business Alliance and roles of each party based on the assumption that the Offeror Related Parties and their groups provide their management resources to the Lawson Group sufficiently within the scope of economic rationality, and the Lawson Group provides its management resources to the Offeror Related Parties and their groups sufficiently within the scope of economic rationality (The provision becomes effective on the closing date.)
- Agree at the collaboration promotion committee on the details of the schemes of the Business Alliance and specific roles of each party within 12 months from the date of execution of the Capital and Business Alliance Agreement, based on the results of the above discussions and considerations (The provision becomes effective on the closing date.)
- Within three years from the closing date as a general rule, conduct the schemes agreed by the collaboration promotion committee (Such schemes and roles of each party are reviewed every three years starting from the time of the above agreement.)(The provision becomes effective on the closing date.)

(iv) Management, etc. of the Company

- The Offeror Related Parties confirm that the officers and employees of the Lawson Group will, through the Business Alliance, strengthen the Company's existing businesses and develop new businesses, maximize the Company's corporate value, and operate the Company with the aim of "improving Life Time Value for consumers" and "affluent Japanese communities." (The provision becomes effective on the closing date.)
- The Offeror Related parties, to the maximum extent within the commercially reasonable scope, respect the Company's trade practice existing before the closing date regarding the Lawson Group's contractual relationships and business relationships existing before the closing date (including the terms of contracts with franchisee owners of the stores), to the extent conducive to enhance the Lawson Group's corporate value. (The provision becomes effective on the closing date.)
- The Offeror Related Parties' obligations to maintain the employment of the Lawson Group's employees and to ensure that the level of the employment conditions for such employees does not substantially fall below the level as of the execution date of the Capital and Business Alliance Agreement, except in the case of their compulsory retirement or disciplinary actions issued against them based on laws and regulations and internal rules, the required change to the employment conditions for the employees of the Lawson Group due to the significant change of market conditions or business environments, or otherwise following the traditionally established practical operations of the Lawson Group. (The provision becomes effective on the closing date.)
- Discuss in good faith the Company's stock option system existing as of the execution date of the Capital and Business Alliance Agreement.
- The Company's obligation to request, to the commercially reasonable extent, that each employee stock ownership association take measures to tender all the Company's Shares held by each holding company of the Lawson Group in the Tender Offer and measures necessary to comply with the laws and regulations applicable to the Tender Offer.
- Dispatch or temporarily transfer the Offeror Related Parties and the officers and employees of their groups to the Lawson Group as necessary in order to effectively and substantially promote the Business Alliance. (The provision becomes effective on the closing date.)

② Significant Subsidiaries

Company Name	Capital Stock	Shareholding	Major 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
Lawson Minamikyushu, Inc.	100 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
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.	3,359 million Chinese yuan	100.0 %	Overseas Business
Shanghai Lawson, Inc.	452 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.	20 million Chinese yuan	100.0 %	Overseas Business
Chongqing Lawson, Inc.	490 million Chinese yuan	100.0 %	Overseas Business
Dalian Lawson, Inc.	66 million Chinese yuan	98.3 %	Overseas Business
Beijing Lawson, Inc.	284 million Chinese yuan	64.8 %	Overseas Business
BEIJING LUOSONG Co., Ltd.	0.1 million Chinese yuan	64.8 %	Overseas Business
Chengdu Lawson, Inc.	180 million Chinese yuan	100.0 %	Overseas Business
Guangdong Lawson, Inc.	300 million Chinese yuan	100.0 %	Overseas Business
Shenzhen Lawson, Inc.	55 million Chinese yuan	100.0 %	Overseas Business
Saha Lawson Co., Ltd.	1,367 million baht	49.2 %	Overseas Business
Lawson Philippines, Inc	2,700 million pesos	100.0 %	Overseas Business
BestPractice, Inc.	10 million yen	100.0 %	Consulting Business

Notes:
1. Shareholding includes indirectly held shares.
2. The Company acquired additional shares of Lawson Minamikyushu, Inc., converting it from an equity-method associate (joint venture) to a consolidated subsidiary.
3. Lawson (China) Holdings, Inc. changed its Chinese trade name on November 24, 2023.
4. United Cinemas Co., Ltd. will have changed its name to Lawson United Cinemas, Inc. effective March 1, 2024.

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 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 222,085 shares of treasury shares)

(3) Number of Unit *(tangen)* Shares: 100 shares

(4) Number of Shareholders: 23,206

(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)	6,515	6.5
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,155	2.2
Custody Bank of Japan, Ltd. (Trust account)	2,134	2.1
KDDI CORPORATION	2,110	2.1
NTT DOCOMO, INC.	2,092	2.1
MSIP CLIENT SECURITIES	1,821	1.8
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	1,513	1.5
JPLLC-CL JPY	1,007	1.0
Employee stockholding association	926	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, 2024

	14th Stock Acquisition Rights	16th Stock Acquisition Rights	17th Stock Acquisition Rights	19th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	1 person (27 units)	1 person (38 units)	1 person (62 units)	1 person (57 units)
Outside Directors	0 person (0 units)	0 person (0 units)	0 person (0 units)	0 person (0 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 2,700	Common stock of Lawson, Inc. 3,800	Common stock of Lawson, Inc. 6,200	Common stock of Lawson, Inc. 5,700
Amount of property contributed upon the exercise of the stock acquisition rights (per share)	1 yen	1 yen	1 yen	1 yen
Exercise period	April 10, 2015 through March 24, 2035	May 2, 2016 through April 12, 2036	May 1, 2017 through April 11, 2037	June 8, 2018 through May 21, 2038
Main exercise conditions	Note 1	Note 1	Note 1	Note 1

	20th Stock Acquisition Rights	21st Stock Acquisition Rights	22nd Stock Acquisition Rights	23rd Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	1 person (64 units)	1 person (90 units)	1 person (112 units)	2 persons (117 units)
Outside Directors	1 person (5 units)	1 person (5 units)	2 persons (10 units)	2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 6,900	Common stock of Lawson, Inc. 9,500	Common stock of Lawson, Inc. 12,200	Common stock of Lawson, Inc. 12,700
Amount of property contributed upon the exercise of the stock acquisition rights (per share)	1 yen	1 yen	1 yen	1 yen
Exercise period	June 7, 2019 through May 20, 2039	June 12, 2020 through May 26, 2040	June 11, 2021 through May 24, 2041	June 10, 2022 through May 24, 2042
Main exercise conditions	Note 1	Note 1	Note 1	Note 1

	24th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)	
Directors (excluding Outside Directors)	3 persons (170 units)
Outside Directors	2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 18,000
Amount of property contributed upon the exercise of the stock acquisition rights (per share)	1 yen
Exercise period	June 9, 2023 through May 23, 2043
Main exercise conditions	Note 1

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

	24th Stock Acquisition Rights
Number of SVPs and the number of stock acquisition rights	
Senior Vice Presidents	13 persons (86 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 8,600
Amount of property contributed upon the exercise of the stock acquisition rights (per share)	1 yen
Exercise period	June 9, 2023 through May 23, 2043
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.

(3) Other Information related to Stock Acquisition Rights

The total number of shares subject to stock acquisition rights that remain unexercised as of February 29, 2024, is 106,000 shares, accounting for 0.11% of the total number of shares issued and outstanding.

3. Members of the Board and the Audit & Supervisory Board

(1) Positions, Names and Assignments (As of February 29, 2024)

Name	Position, Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (8) Outside Directors and Outside Audit & Supervisory Board Members	
Sadanobu Takemasu	President and CEO, Representative Director, Chairman of the Board	CSO
Masayuki Itonaga	Executive Managing Officer, Member of the Board	CFO
Miki Iwamura	Member of the Board	
Satoko Suzuki	Member of the Board	
Kiyotaka Kikuchi	Member of the Board	Executive Vice President, Group CEO, Consumer Industry Group, Mitsubishi Corporation
Jun Miyazaki	Audit & Supervisory Board Member (full-time)	
Shuichi Imagawa	Audit & Supervisory Board Member (full-time)	
Yuko Gomi	Audit & Supervisory Board Member	
Keiko Yoshida	Audit & Supervisory Board Member	
Yuko Miyata	Audit & Supervisory Board Member	

Notes:

1. Two members of the Board (Miki Iwamura and Satoko Suzuki) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the "Companies Act").
2. Three Audit & Supervisory Board Members (Yuko Gomi, Keiko Yoshida, and Yuko Miyata) are outside Audit & Supervisory Board Members as stipulated in Article 2, Item 16, of the Companies Act.
3. Yuko Gomi, Audit & 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.

   Keiko Yoshida, Audit & Supervisory Board Member, is a certified public accountant, serving as the representative of an accounting firm, and therefore has considerable expertise in taxation, accounting and management.

   Yuko Miyata, Audit & Supervisory Board Member, has broad experience of human resource management at overseas global companies and considerable expertise in general business decision-making, governance, and compliance.
4. The following personnel changes were approved at the 48th general meeting of shareholders held on May 24, 2023.

Appointment	Audit & Supervisory Board Member	Yuko Miyata
Resignation	Audit & Supervisory Board Member	Eiko Tsujiyama

[Reference] Members of the Boards and Senior Vice Presidents (Excluding Non-Executive Directors) (As of March 1, 2024)

Name	Position and Major Title	
Sadanobu Takemasu	President and CEO, Representative Director, Chairman of the Board	CSO
Masayuki Itonaga	Executive Managing Officer, Member of the Board	CFO
Masakatsu Gonai	Senior Executive Managing Officer	Chief Risk Officer, Executive Assistant to CSO, General Manager of CS Promotion Office
Yuichi Wada	Senior Executive Managing Officer	Company President of Kinki Company
Motonobu Miyake	Executive Managing Officer	Company President of China Company, General Manager of Lawson (China) Holdings, Inc.
Hitoshi Fujii	Executive Managing Officer	Division Director of Merchandising Division
Tatsushi Sato	Executive Managing Officer	Division Director of IT Systems Solution Division
Tatsuya Murase	Executive Managing Officer	Division Director of Store Sales Division
Suguru Kawabata	Executive Managing Officer	Division Director of Corporate Strategy and Planning Division, Division Director of Corporate Sales and Store Development Division
Miwako Tate	Executive Managing Officer	Division Director of Corporate Communications Division
Gyo Katsuta	Executive Managing Officer	Division Director of Marketing Strategy Division
Akihito Watanabe	Executive Managing Officer	Company President of Entertainment Company
Kazuhiro Wakui	Executive Vice President	Merchandising Division Deputy Director
Katsuaki Sakai	Executive Vice President	Deputy Division Director of Corporate Strategy and Planning Division (Responsible for Promotion of Alliance With Japan Post)
Satoshi Kumagai	Senior Vice President	Company President of Financial Services Company
Takeji Hino	Senior Vice President	Human Resources Division Director and LAWSONWILL, Inc President and Representative Director
Tomoki Takanishi	Senior Vice President	Financial Administration Division Director
Hiroyuki Oki	Senior Vice President	Company President of Kyushu Company
Kazuki Tsukiuda	Senior Vice President	Division Director of Franchisee Business Support Division
Taiji Yoshida	Senior Vice President	Company President of Incubation Company
Daisuke Hara	Senior Vice President	Company President of Shutoken Company
Yasuhiko Hirokane	Senior Vice President	Deputy Division Director of Corporate Sales and Store Development Division
Toshihiko Ito	Senior Vice President	Deputy Division Director of Merchandising Division

(2) Outline of Liability Limitation Agreements

The Company has entered into agreements with its directors (excluding persons who are executive directors, etc.) and Audit & Supervisory Board members 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 Audit & Supervisory Board member has performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.

(3) Outline of Indemnity Agreements

The Company has entered into indemnity agreements prescribed under Article 430-2, Paragraph 1 of the Companies Act with its directors (Sadanobu Takemasu, Masayuki Itonaga, Miki Iwamura, Satoko Suzuki, and Kiyotaka Kikuchi) and Audit & Supervisory Board members (Jun Miyazaki, Shuichi Imagawa, Yuko Gomi, Keiko Yoshida, and Yuko Miyata), whereby the Company shall indemnify the expenses set forth in item (i) of the said Paragraph and the losses set forth in item (ii) of the said Paragraph within the limits prescribed by laws and regulations.

In addition, the Company takes measures to prevent the impairment of appropriate execution of duties by the Company’s officers by not providing compensation in cases where loss is attributable to bad faith or gross negligence in the execution of duties, or in cases where there is a reason that exempts the insurance provider from payment as stipulated in the directors and officers (D&O) liability insurance agreements concluded between the Company and the insurer and by setting a certain amount as a deductible for losses per event.

(4) Outline of Directors and Officers (D&O) Liability Insurance Agreements

The Company has entered into directors and officers (D&O) liability insurance agreements prescribed under Article 430-3, Paragraph 1 of the Companies Act with an insurance provider, whereby litigation expenses and damages arising from compensation payments to be borne by the insured shall be covered by the said insurance agreements. The insured under the directors and officers (D&O) liability insurance agreements shall be directors, Audit & Supervisory Board members, executive officers, etc. of the Company and its subsidiaries, and all insurance premiums for the insured shall be borne by the Company. In addition, the Company takes measures to prevent the impairment of appropriate execution of duties by the Company's officers by ensuring that the said insurance shall not be applied in cases where loss is attributable to bad faith or gross negligence in the execution of duties by the insured, or in cases where there is a reason that exempts the insurance provider from payment as stipulated in the said agreements.

(5) Amounts of Remuneration Paid to Directors and Audit & Supervisory Board Members

Remuneration paid to officers

Category	Total Compensation Paid (millions of yen)	Total Compensation Paid by Type (millions of yen)			Number of Corresponding Directors and Audit & Supervisory Board Members
		Fixed Compensation	Variable Compensation	Stock Options	
Directors (Including Outside Directors)	248	117	43	87	5
Outside Directors	30	26	–	4	2
Audit & Supervisory Board Members (Including Outside Audit & Supervisory Board Members)	87	87	–	–	6
Outside Audit & Supervisory Board Members	39	39	–	–	4
Total	336	205	43	87	11

(6) Policy on Decisions Concerning the Amount of Remuneration Paid to Directors

The Company resolved the following policy on decisions concerning the amount of remuneration paid to directors at its Board of Directors' meeting held on December 15, 2021.

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 and fairness, the amount of remuneration paid to the Company's directors is determined through the following processes:

i The limit on the amount of remuneration paid to directors is resolved at the general meeting of shareholders following the decision by the Board of Directors based on consultation with and recommendations of the Nomination and Compensation Committee.

ii Directors' remuneration system and calculation rules are determined by the Board of Directors based on consultation with and recommendations of the Nomination and Compensation Committee. The standard remuneration amount commensurate with the position is determined by the President of the Company based on consultation with and recommendations of the Nomination and Compensation Committee.

iii With regard to the amount of remuneration for each year, in accordance with the calculation rules, the amount of remuneration paid to individual directors is calculated based on the standard remuneration, taking into account the Company's financial performance, etc., and qualitative assessment. The total amount of remuneration is determined at the board of directors' meeting based on consultation with and the recommendations of the Nomination and Compensation Committee, and the amount of remuneration paid to individual directors is determined by Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board, CSO as entrusted by the board of directors. The Company has delegated the above authority to the President because it believes that a decision by the President is the most appropriate way to determine the amount of remuneration from a comprehensive perspective, taking into account the business environment and business performance of the Company and the execution of duties by each Executive Director. The amount of remuneration paid to individual directors is determined by the President of the Company based on consultation with and recommendations of the Nomination and Compensation Committee in order to ensure transparency and fairness as well as the appropriate execution of delegated authority.

As the amount of remuneration paid to individual directors for the current fiscal year was determined in accordance with these procedures, the Board of Directors has determined that the decision is in line with the basic policy.

Members of the Nomination and Compensation Committee:
Consisting exclusively of non-executive directors and outside Audit & Supervisory Board members (part-time) (5 independent directors out of 6 members)

Director	Kiyotaka Kikuchi	Outside Director	Miki Iwamura (Vice Committee Chairperson)
Outside Director	Satoko Suzuki	Outside Audit & Supervisory Board Member	Yuko Gomi (Committee Chairperson)
Outside Audit & Supervisory Board Member	Keiko Yoshida	Outside Audit & Supervisory Board Member	Yuko Miyata

③ **Details of remuneration paid to directors**

Remuneration paid to the Company’s directors is composed of basic compensation through monthly cash payments during the term of office 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 (60% of the total)

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

- Variable compensation (40% of the total)

  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 determined based on the percentage of budget achievement for EPS (earnings per share) and SDGs targets (CO_2 reduction rate per store, etc.). The EPS targets are aimed at better sharing value with shareholders and linking this to the Company’s operating results, while the SDGs targets are aimed at achieving the Company’s environmental vision of “Lawson Blue Challenge 2050!”((1) reducing CO_2 emissions; (2) reducing food waste; and (3) reducing plastic use (for containers, packaging and shopping bags)). The amount of variable compensation is determined based on the above by adding a qualitative assessment (10%) through the interview with the Nomination and Compensation Committee.

  Regarding 3 non-executive directors, Miki Iwamura, Satoko Suzuki, and Kiyotaka Kikuchi, 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.

[Targets and results concerning variable compensation for the current fiscal year (March 2023 through February 2024)]

KPI	Ratio	March 2022 through February 2023		Reasons for selecting indicators
		Targets	Results	
EPS budget	20%	100%	112.2%	To link compensation with the Company's financial performance and thereby create a shared interest with shareholders
SDGs targets	10%	100%	136.7%	Toward achieving "Lawson Blue Challenge 2050!"

Note: The variable compensation for the current fiscal year is calculated based on the financial results for the previous fiscal year ended February 2023.

We reviewed part of our KPIs from March 2023 and decided to add the percentage of budget achievement for business profit (index equivalent to consolidated operating profit by the Japanese standard, calculated by subtracting the cost of goods sold as well as selling, general, and administrative expenses from the operating profit). Laying out the same targets as employees will lead to improvement of the company's competitiveness.

[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.

[Targets and results concerning stock options as stock-based compensation for the current fiscal year (March 2023 through February 2024)]

KPI	March 2022 through February 2023	
	Targets	Results
EPS budget	100%	112.2%

Note: The stock options as stock-based compensation for the current fiscal year are calculated based on the financial results for the previous fiscal year ended February 2023.

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
  Number of directors: 20
- 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
  Number of directors: 9

(7) Policy on Decisions Concerning the Amount of Remuneration Paid to Audit & Supervisory Board Members

① Basic policy on decisions concerning the amount of remuneration paid to Audit & Supervisory Board members

Regarding the amount of remuneration paid to Audit & Supervisory Board members, it is the Company's basic policy to reward each Audit & Supervisory Board member 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 Audit & Supervisory Board members

The amount of remuneration paid to Audit & Supervisory Board members is determined based on discussions among Audit & Supervisory Board members and is within the remuneration amount limit resolved at the general meeting of shareholders.

③Details of remuneration paid to Audit & Supervisory Board members

The Company's Audit & Supervisory Board members receive basic compensation (fixed compensation) in cash.

The amount of basic compensation is decided based on discussions among Audit & Supervisory Board members, taking into consideration whether or not they are working on a full-time basis and segregation of auditing duties.

④Limit of the amount of remuneration paid to Audit & Supervisory Board members

The limit of the amount of remuneration paid to the Company's Audit & Supervisory Board members is determined at the general meeting of shareholders in accordance with laws and regulations.

Amount of remuneration paid to Audit & Supervisory Board members
Resolutions at the general meeting of shareholders as of May 27, 2020: 100 million yen or less per year
Number of Audit & Supervisory Board members: 5

(8) Outside Directors and Outside Audit & Supervisory Board Members

①Relationship between Major Positions Concurrently Held and the Company (As of February 29, 2024)

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Director (Independent)	Miki Iwamura	Google Japan LLC The University of Tokyo	Vice President, Asia-Pacific, Japan (Marketing) Executive Vice President	–
Outside Director (Independent)	Satoko Suzuki	Hitotsubashi University Business School School of International Corporate Strategy STANLEY ELECTRIC CO., LTD.	Professor Outside director	–
Outside Audit & Supervisory Board Member (Independent)	Yuko Gomi	T.Kunihiro & Co. Attorneys-at-Law ALPS ALPINE CO., LTD.	Partner Outside director Audit and supervisory committee member	–
Outside Audit & Supervisory Board Member (Independent)	Keiko Yoshida	Shiba Kaikei Jimusho Passlogy Co., Ltd.	Representative Outside director	–
Outside Audit & Supervisory Board Member (Independent)	Yuko Miyata	HR consultant Takeuchi Manufacturing Co., Ltd.	Sole proprietorship Outside Director, Audit and Supervisory Committee Member	–

Note: If there is an empty space 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	Outline of activities, provision of comments, and duties performed in line with expected roles
Outside Director (Independent)	Miki Iwamura	Ms. Iwamura attended 14 of 15 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 vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Satoko Suzuki	Ms. Suzuki attended all 15 board of directors' meetings held throughout the year during her term in office and, as an academic, appropriately questioned and/or expressed opinions based on her extensive knowledge of consumption behavior, marketing and brand management. Ms. Suzuki is also a member of the Company's Nomination and Compensation Committee.
Outside Audit & Supervisory Board Member (Independent)	Yuko Gomi	Ms. Gomi attended all 15 board of directors' meetings and all 17 Audit & Supervisory Board 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 chairperson of the Company's Nomination and Compensation Committee.
Outside Audit & Supervisory Board Member (Independent)	Keiko Yoshida	Ms. Yoshida attended all 15 board of directors' meetings and all 17 Audit & Supervisory Board meetings held throughout the year and, as a certified public accountant, appropriately questioned and/or expressed opinions based on her expertise in taxation, accounting and management. Ms. Yoshida is also a member of the Company's Nomination and Compensation Committee.
Outside Audit & Supervisory Board Member (Independent)	Yuko Miyata	Ms. Miyata attended all 12 board of directors' meetings and all 13 Audit & Supervisory Board meetings held throughout the year during her term in office and appropriately questioned and/or expressed opinions based on her experience of human resource management and her extensive knowledge in general business decision-making, governance, and compliance. Ms. Miyata is also a member of the Company's Nomination and Compensation Committee.

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 decimal place.

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	188 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	305 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 Audit & Supervisory Board gave its consent with regard to the remuneration of accounting auditors pursuant to Article 399, Paragraph 1 of the Companies Act.
3. 17 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 Audit & Supervisory Board, submit a proposal for dismissal or nonreappointment of the independent auditor to a general meeting of shareholders. In addition, the Audit & Supervisory Board 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 System to Ensure the Propriety of Business Operations

Based on improvements and the operation of the preceding "2022 Basic Policy for Improvement of Internal Control Systems," which was approved at the board of directors' meeting held on February 15, 2023, the Company passed a resolution called the "2023 Basic Policy for Improvement of Internal Control Systems," as indicated below.

(1)Systems to Ensure Compliance of the Execution of Duties by Directors, Senior Vice Presidents 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, 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 Audit & Supervisory Board Members 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 raise and maintain the awareness of directors, senior vice presidents and employees regarding compliance by thoroughly disseminating the Lawson Group Code of Conduct and the Lawson Ethical Mission Statement as well as measures that shall include, but not be limited to: establishing a specialist committee ("Compliance & Risk Management Committee"), appointing a Chief Compliance and Risk Management Officer and establishing a department that oversees compliance, assigning personnel in charge of compliance to each department, streamlining the rules in relation to compliance, and providing training on ethics and conducting compliance awareness surveys on a periodic basis.

⑤ The Legal Department shall establish 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. Especially for compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Subcontract Act, consumer-related laws including Act Against Unjustifiable Premiums and Misleading Representations, Food Labeling Act and Food Sanitation Act, the Intellectual Property Act, the Labor Standards Act, etc., the Company shall strive to disseminate information about applicable laws and regulations to employees.

⑥ The Internal Audit Department, which is independent from the business executing bodies, shall conduct efficient and effective audits of the status concerning the improvement of the internal control systems, and recommend improvements thereof, as required.

⑦ The Company shall establish and upgrade reporting routes for reporting any violations of laws, regulations, or internal rules as well as any negative impacts on human rights in carrying out the Company's business operations (hereinafter, "Violations of Laws and Regulations, etc."). Moreover, by establishing consulting and reporting points (internal contact points, a Group-wide consulting contact point, and a consulting contact point for employees and business counterparties for Lawson's franchised stores) that can be used by informants with anonymity and peace of mind and making prospective users aware of such facilities, the Company shall strive for early detection of Violations of Laws and Regulations, etc. across the entire Lawson Group and Lawson chain. If a Violation of Laws and Regulations, etc. is discovered, the Company shall act promptly to rectify the situation and prevent any recurrence.

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.

⑨ The Company shall rotate personnel periodically to prevent wrongdoings resulting from specific employees monopolizing certain business processes.

(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 regulations regarding the safeguarding of personal information and management of confidential business information and shall properly and safely store and manage personal information and important confidential business information.

⑤ The Company shall establish a specialist committee (Information Security Management Committee), appoint a Chief Information Security Officer and establish departments to generally control information security and allocate appropriate personnel thereto. The Company shall also strive to establish an information security system for the Lawson Group in order to promote information security risk management and System Technology Security in an interactive and comprehensive manner.

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, and improve rules related to risk management and group-wide risk-prevention systems during normal operations. Furthermore, each department shall identify risks that might have adverse effects on the Company's management in connection with its business purposes, analyze the probability of such risk factors materializing and their impact, and evaluate whether intensive countermeasures should be taken as part of measures tailored to the nature of risks.

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, subsidiaries and affiliated companies (hereinafter "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 As a designated public institution, the Company shall work to formulate a business continuity plan (BCP) and establish a business continuity management (BCM) system in order to maintain the essential infrastructure functions of convenience stores and minimize any disruption to operations caused by events that could have a detrimental impact on the Company, including a major disaster or infectious disease outbreak, such as that of a new strain of influenza. In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to improve effectiveness of the "Disaster Countermeasure Manuals" and the "BCP Manuals."

⑤ As for the risk of human rights violations in terms of business-related risks, the Company implements human rights due diligence based on the Lawson Group Human Rights Policy and promotes initiatives to prevent and mitigate any negative impacts on human rights.

(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 The Company shall promote digital transformation (DX) through the renewal of IT infrastructure.

④ In order to promote the proper communication of information and communications between officers and employees, the Company shall improve systems by which management guidelines and policies are disseminated to employees by corporate officers, and important field information is properly communicated by employees to corporate officers in a timely manner.

⑤ The Company shall seek to improve labor productivity by promoting job satisfaction reform and enhancing employees' willingness to work and job satisfaction.

(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 Systems for reporting to the Company on matters pertaining to the execution of duties by the Associated Companies' directors, etc., and systems for ensuring that the performance of duties by the Associated Companies' directors, etc. is efficient.

- The Company shall establish rules concerning the management of Associated Companies and endeavor to maintain and enhance the Lawson brand through close collaboration with them. However, with regards to affiliated companies, the Company will work to establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders, difference in laws, regulations and business customs and the like of foreign countries.
- While respecting the independence of Associated Companies, we shall step up action to optimize a system for supervising Associated Companies by taking into account the reasons that the Company has taken a stake in the Associated Company, engaging in negotiations or providing advice to Associated Companies as necessary, operating a system for receiving reports from them, etc.

② Rules and other systems for risk management by Associated Companies and systems for ensuring that the Associated Companies' directors, senior vice presidents 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 keep the Associated Companies fully informed of the Lawson Group Code of Conduct.
- The Company shall establish an organization with jurisdiction over Associated Companies, and a dedicated department

that can provide support to Associated Companies from technical standpoints, and endeavor to ensure the soundness of operations at Associated Companies.

- The Company shall appoint designated people at major Associated Companies to be responsible for promoting compliance and risk management (hereinafter, “People in Charge of Compliance and Risk Management at Associated Companies”). Moreover, the departments that oversee risk management and compliance for the Company also meet with the People in Charge of Compliance and Risk Management at Associated Companies on a regular basis to confirm the status of development of internal rules at Associated Companies and give advice if necessary, and thus strive to ensure appropriate business operations across the entire Lawson Group.
- The Company will establish a system that the People in Charge of Compliance and Risk Management at Associated Companies will report immediately to the Company if they are aware of the situation that could harm Associated 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 will report immediately to the parent company if they are aware of the situation that could harm the Company and Associated Companies.

(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 Audit & Supervisory Board Member Requests Employees to Assist with Duties

① The Company shall assign appropriate personnel to the auditors’ office (“Audit & Supervisory Board Members’ Staff”) as employees exclusively to assist Audit & Supervisory Board Members in the execution of their duties.

② Audit & Supervisory Board Members’ Staff may serve concurrently as Audit & Supervisory Board Members of Associated Companies.

③ Audit & Supervisory Board Members’ Staff shall have the authority to conduct investigations necessary for audits by Audit & Supervisory Board Members following the instructions of Audit & Supervisory Board Members.

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

Performance reviews of Audit & Supervisory Board Members’ Staff shall be conducted by the Audit & Supervisory Board Members to ensure that Audit & Supervisory Board Members’ Staff carry out their duties appropriately. Personnel changes and disciplinary action require the prior consent of the Audit & Supervisory Board Members.

(9)Systems for ensuring that directors, senior vice presidents and employees of the Company and directors, Audit & Supervisory Board Members, senior vice presidents and employees of Associated Companies make reports to Audit & Supervisory Board Members and other systems concerning reports to Audit & Supervisory Board Members

① Directors, senior vice presidents 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 Audit & Supervisory Board Members so that the Audit & Supervisory Board Members can carry out their duties effectively. Such important matters include compliance and risk-related issues and other matters relating to internal control.

② Should directors, senior vice presidents and employees of the Company and directors, Audit & Supervisory Board Members, senior vice presidents and employees of Associated Companies become aware of any fact or event that will likely cause the Company or Associated Companies to suffer significant damage or loss, they shall immediately so inform Audit & Supervisory Board Members of the Company.

③ Reports to Audit & Supervisory Board Members shall basically be made in good faith without fail, and shall be made promptly, if required, in addition to periodic reports.

④ The Company will establish a system for cross-external consultation and reporting content will be reported to the auditors in a timely manner.

⑤ No person shall be subject to disadvantageous treatment by reason of having made a report to Audit & Supervisory Board Members.

(10) Other Systems to Ensure Effective Audits by Audit & Supervisory Board Members

① The representative directors and Audit & Supervisory Board Members shall have regular meetings to enhance smooth communications with each other.

② Directors shall cooperate with the Audit & Supervisory Board Members with regards to communications, the collection and exchange of information and so on between the Audit & Supervisory Board Members and the corporate directors and the like of Associated Companies so that the Audit & Supervisory Board Members can perform their duties appropriately.

③ Directors shall also cooperate in conducting surveys of significant business partners, which the Audit & Supervisory Board Members deem necessary.

④ Directors shall enable the Audit & Supervisory Board Members to collaborate with outside experts such as lawyers and certified public accountants, if any Audit & Supervisory Board Member 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 Audit & Supervisory Board Member.

⑥ Expenses etc. incurred by Audit & Supervisory Board Members in the performance of their duties shall be promptly reimbursed, except in cases where the Company has proven that they were unnecessary for said performance of duties.

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 established internal rules on compliance and risk management. Along with that, the Company has formulated the Lawson Group Human Rights Policy, the Lawson Group Purchasing Policy, and other policies, in addition to the Lawson Ethical Mission Statement and the Lawson 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 to disseminate its content with the aim of ensuring the propriety of business operations across the Group.

③ The Company has appointed a CRO (Chief Compliance and Risk Management Officer) to promote and ensure compliance while promoting risk management. In addition, CR Managers are assigned at each division and company to take a leading role in promoting such measures. They are tasked with formulating, disseminating, and executing compliance measures as well as risk countermeasures in their respective organizations to promote the creation of a culture that emphasizes compliance with social norms.

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 need-based learning by providing training upon joining the Group and upon promotion to a managerial position, training conducted by external lecturers for company management, training by job types, and optional study group activities. 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 an internal consultation and reporting contact point for compliance and risk management matters including those related to human rights violations, misconduct/corruption, and labor issues. In addition, there is the Group Independent Whistleblower Hotline to 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 and a consultation contact point for FC store owners. 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. Furthermore, the Company has also established a consultation contact point exclusively for sexual harassment and power harassment, which is offered by the Human Resources Department, and a LGBTQ consultation contact point for anonymous consultation with a third party.

⑥ The Company has established the Legal Department that oversees compliance matters and the Risk and Information Security Management Department that oversees risk management matters under the leadership of the CRO. The two departments work in collaboration and act as the secretariat of the cross-organizational Compliance & Risk Management Committee meetings and manage the progress of measures by each department, and thus promote an effective compliance and risk management system. In addition, by working closely with the IT Department, the Risk and Information Security Management Department acts as the secretariat of the Information Security Committee meetings and further enhances measures to manage information security risks. Meanwhile, subcommittees have been separately established under the Compliance & Risk Management Committee meetings 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 principal Lawson Group companies, officers responsible for promoting compliance and risk management (the "Company Compliance & Risk Management Officers") have been appointed. Moreover, the departments that oversee risk management and compliance for the Company also meet with the Company Compliance & Risk Management Officers on a regular basis to confirm the status of development of internal rules of their companies and give advice if necessary, and thus strive to ensure appropriate business operations across the entire Lawson Group.

(2) Preparations against and Responses to Risks

① To prepare for risks, Lawson has established departments in charge of risk management, formulated risk management-related regulations, and created a group-wide system to prevent risks during normal times. In each department as well, we identify risks that may greatly influence management related to our business goals, analyze the probabilities of such risks occurring and the level of their impact, assess the risks to see if they require intensive measures, and take measures in accordance with the characteristics of the risks.

Furthermore, to secure the effectiveness of risk management, we have established the Compliance & Risk Management Committee meetings and Information Security Management Committee meetings while clearly defining the administrative authority and responsibilities of these committees and chairpersons. We have also appointed risk management personnel in each department and Associated Companies and implemented risk management training programs and drills to maintain and improve risk management awareness.

② To respond to risks when they occur, with the purpose of minimizing damage in the event of a situation that may lead to an emergency or crisis such as interruption of its business or damage due to a risk occurring in the Lawson Group or other situations that may cause such, Lawson has formulated rules to promptly take measures and report them in accordance with the predetermined report route and method as well as standards to establish the headquarters' response to critical risk situations when they occur. After measures are taken for risks that have occurred, we analyze their causes and then review and improve our measures to prevent any recurrence.

Furthermore, Lawson has established a system and rules related to business continuity management (BCM) to prepare for emergencies that are accompanied with serious damage to the Lawson Group in order to avoid interruption of important business, on the premise that people's safety is secured, and resume business activities by the target recovery time even if business activities are interrupted.

③ With regard to the food safety and hygiene management system, we strictly enforce food safety and hygiene management in the process of developing, manufacturing and selling original products.

We use raw materials from factories that have passed examination based on our voluntary standards, and after examination of product specifications, we take samples from the production line and inspect them to confirm their safety.

At our original product manufacturing plants, we have adopted a factory management method based on the HACCP concept, and we have established a system to record each priority management item, such as cooking time and product temperature, and to immediately investigate the cause of any problems and take measures when they occur.

Product information (thermal label) is displayed in compliance with laws and regulations, and the Quality Control Department and a third-party organization check the content of the labeling.

In order to ensure thorough hygiene management at our stores, voluntary inspections at our stores and hygiene inspections by the headquarters are conducted every month, and surprise inspections are conducted by external organizations.

④ With regard to the information security system, in order to promote the protection of personal information that the Lawson Group obtains and uses, we have established the Lawson Group Privacy Policy, put in place a management system for the protection of personal information, and appointed the manager of each division and the president of each company as the Personal Information Protection Administrator under the supervision of the CRO, who is an executive officer. To help employees specifically understand and put the Privacy Policy into practice, 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. For headquarters employees, the Company has compiled matters to be observed in the form of the Information Security Guidebook and periodically conducts tests to confirm that the rules are being followed.

We have established a system for specifying methods of gathering and storing information as well as information storage periods and for designating persons responsible for handling customers' valuable information in each instance after advance checking by specialist departments.

When consigning responsibility for handling 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 Lawson's conditions. An onsite or documented inspection is conducted annually, moreover, to ensure that the conditions are maintained.

In light of the increased risk of cyber-attacks in recent years, we are also striving to enhance our cyber-security by taking measures from multiple perspectives, including technical, process/personnel, and physical aspects, and are conducting drills during normal times to prepare for problems and reduce risks.

We also check our information security framework from a variety of perspectives to ensure that it remains robust by implementing information security audits by our internal audit departments and employing specialized outside companies to diagnose any vulnerabilities in our information systems.

(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 a company of the Lawson Group to the Company, information on risk cases at the Company or the Lawson Group is appropriately reported to the parent company on a timely basis.

② By establishing an organization in charge of the Lawson Group companies as well as a specialized department to support the Lawson Group from a specialist perspective, the Company shall strive to ensure the appropriateness of the operations of the Lawson Group companies.

(4) Securing Effectiveness of Performance of Audit & Supervisory Board Members

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

② With regard to reporting to Audit & Supervisory Board Members, matters that should be reported to Audit & Supervisory Board Members have been reported to Audit & Supervisory Board Members 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.

(TRANSLATION ONLY)

Consolidated Statement of Financial Position

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2023 (for reference)	As of February 29, 2024	Account item	As of February 28, 2023 (for reference)	As of February 29, 2024
Current assets	**679,839**	**715,868**	**Current liabilities**	**905,279**	**1,011,192**
Cash and cash equivalents	399,523	432,464	Trade and other payables	231,925	256,411
Trade and other receivables	223,648	234,295	Deposits received	274,224	202,954
Finance lease receivables	13,710	7,707	Borrowings	92,877	90,850
Other financial assets	3,595	879	Income taxes payable	10,800	16,012
Inventories	28,689	29,176	Other financial liabilities	273,465	418,774
Other current assets	10,671	11,345	Provisions	2,480	2,490
			Other current liabilities	19,505	23,699
			Non-current liabilities	1,083,284	997,005
			Borrowings	80,000	99
Non-current assets	**1,562,582**	**1,581,630**	Lease liabilities	923,588	916,105
Property and store equipment	186,398	193,270	Other financial liabilities	21,407	21,585
Right-of-use assets	1,069,233	1,058,069	Retirement benefit liability	16,797	17,280
Investment property	46,734	47,841	Deferred tax liabilities	430	386
Goodwill	50,150	52,258	Provisions	37,642	37,840
Intangible assets	51,416	64,003	Other non-current liabilities	3,417	3,706
Investments accounted for using equity method	6,532	6,665	**Total liabilities**	**1,988,563**	**2,008,197**
Guarantee deposits	92,916	97,502	Equity		
Other financial assets	5,742	8,399	**Total equity attributable to owners of parent**	249,941	284,752
Deferred tax assets	48,234	47,543	Share capital	58,506	58,506
Other non-current assets	5,223	6,077	Capital surplus	46,934	47,058
			Treasury shares	(948)	(947)
			Other components of equity	3,799	5,705
			Retained earnings	141,650	174,429
			Non-controlling interests	**3,916**	**4,548**
			Total equity	**253,858**	**289,300**
Total assets	**2,242,421**	**2,297,498**	**Total liabilities and equity**	**2,242,421**	**2,297,498**

(TRANSLATION ONLY)

Consolidated Statement of Profit and Loss

(Millions of yen)

Account item	From March 1, 2022 to February 28, 2023 (for reference)	From March 1, 2023 to February 29, 2024
Gross operating revenues	**1,000,385**	**1,087,964**
Cost of sales	**473,074**	**507,648**
Operating gross profit	**527,310**	**580,315**
Selling, general and administrative expenses	462,998	486,225
Other income	3,133	2,778
Other expenses	12,985	13,442
Finance income	1,468	2,104
Finance costs	9,158	9,488
Share of profit of investments accounted for using equity method	363	1,250
Profit before tax	**47,134**	**77,292**
Income taxes	17,461	24,604
Profit	29,673	52,687
Profit (loss) attributable to		
Owners of parent	29,708	52,148
Non-controlling interests	(34)	538

Consolidated Statement of Changes in Equity

(From March 1, 2023 to February 29, 2024)

(Millions of yen)

	Equity attributable to owners of parent									Non-controlling interests	Total equity
				Other components of equity							
	Share capital	Capital surplus	Treasury shares	Remeasure-ments of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations	Total	Retained earnings	Total		
Balance as of March 1, 2023	58,506	46,934	(948)	–	(1,278)	5,077	3,799	141,650	249,941	3,916	253,858
Profit								52,148	52,148	538	52,687
Other comprehensive income				(105)	268	1,637	1,800		1,800	97	1,897
Total comprehensive income				(105)	268	1,637	1,800	52,148	53,949	635	54,585
Purchase of treasury shares			(4)						(4)		(4)
Dividends of surplus								(19,264)	(19,264)	(2)	(19,267)
Exercise of share acquisition rights (issuance of treasury shares)		(5)	5						0		0
Share-based payment transactions		130							130		130
Transfer to retained earnings				105			105	(104)	1	(1)	(0)
Total transactions with owners	–	124	1	105	–	–	105	(19,369)	(19,138)	(3)	(19,142)
Balance as of February 29, 2024	58,506	47,058	(947)	–	(1,009)	6,715	5,705	174,429	284,752	4,548	289,300

Notes to Consolidated Financial Statements

(Notes on Important Matters Forming the Basis for Preparation of Consolidated Financial Statements)

1. Standards for preparation

Consolidated financial statements of Lawson, Inc. (the "Company") and its subsidiaries (collectively, the "Group") are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Regulations on Corporate Accounting. Some of the line items and notes required under IFRS have been omitted from the consolidated financial statements pursuant to the provision of the latter part of the Paragraph.

2. Scope of consolidation

Number of consolidated subsidiaries: 30

(Domestic) Lawson urbanworks, Inc.
Lawson Store100, Inc.
Lawson Minamikyushu, Inc.
SCI, Inc.
SEIJO ISHII CO., LTD.
Lawson Entertainment, Inc.
United Cinemas Co., Ltd.
Lawson Bank, Inc.
BestPractice, Inc.

(Foreign) Lawson (China) Holdings, Inc.
Shanghai Lawson, Inc.
Shanghai Le Song Trading Co., Ltd.
Shang Hai Gong Hui Trading Co., Ltd.
Zhejiang Lawson, Inc.
Chongqing Lawson, Inc.
Dalian Lawson, Inc.
Beijing Lawson, Inc.
BEIJING LUOSONG Co., Ltd.
Chengdu Lawson, Inc.
Guangdong Lawson, Inc.
Shenzhen Lawson, Inc.
Saha Lawson Co., Ltd.
Lawson Philippines, Inc.
And 7 other entities

Of the subsidiaries listed above, the Company acquired additional shares in Lawson Minamikyushu, Inc. to make it a consolidated subsidiary from an equity-method associate (joint venture).

Lawson (China) Holdings, Inc. changed its Chinese trade name on November 24, 2023.

United Cinemas Co., Ltd. will have changed its name to Lawson United Cinemas, Inc. effective March 1, 2024.

3. Application of the equity method

Number of equity-method associates: 11

Lawson Okinawa, Inc.
Lawson Kochi, Inc.
And 9 other entities

4. Summary of significant accounting policies

(1) Basis of consolidation

① Subsidiaries

The Company consolidates entities that it directly or indirectly controls. Therefore, entities in which the Group owns a majority of voting rights are generally treated as consolidated subsidiaries of the Group. However, even in cases where the Group does not own the majority of voting rights of an entity, the entity is treated as a consolidated subsidiary if the Group is deemed to effectively control the decision-making body of the entity.

A subsidiary is consolidated from the date of acquisition, or the date on which the Group obtains control, to the date on which the Group loses the control.

If any accounting policies applied to a subsidiary differ from those applied to the Group, adjustments are made to the financial statements of the subsidiary as necessary.

Intragroup transactions and balance of receivables/payables, as well as unrealized gains and losses arising from intragroup transactions are eliminated when preparing the consolidated financial statements.

Changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the parent's interest and non-controlling interest are adjusted to reflect changes in their relative interest in the subsidiaries. Any difference between the amount of non-controlling interest and the amount of consideration paid or received is recognized directly in equity and attributed to the parent.

If control over a subsidiary is lost, gains or losses arising from the loss of control are recognized in profit or loss.

② Associates

An associate refers to an entity that is not controlled by the Group but for which the Group has significant influence over the decisions on financial, operating, or business policies. If the Group has 20% or more but not more than 50% of the voting rights of another entity, the Group is presumed to have significant influence over that entity. Entities over which the Group has significant influence on their financial, operating, or business policy decisions are also included in associates even if it holds less than 20% of the voting rights. In contrast, the equity method is not applied in cases where the Group is deemed not to have significant influence even if it holds 20% or more of the voting rights.

An associate is accounted for using the equity method from the date on which the Group has come to have significant influence until the date on which the Group loses significant influence.

③ Joint arrangement

Joint arrangement is a contractual arrangement of which two or more parties have joint control. The Group classifies its involvement in joint arrangements into joint operations (where the Group has rights to the assets and obligations for the liabilities, relating to the arrangement) and joint ventures (where the Group only has rights to the net assets of the arrangement), depending on the rights and obligations of the parties to the arrangement. For the Group's joint operations, the assets, liabilities, revenues, and expenses relating to its interest in the joint operations are recognized, while joint ventures are accounted for using the equity method.

④ Reporting date

The consolidated financial statements include financial statements of subsidiaries whose closing dates are different from that of the Company and investments in equity-method associates, for which unification of the fiscal year end is impracticable due to the local legal system or relationship with other shareholders. The fiscal year end of most subsidiaries and equity-method associates is December 31, and adjustments have been made for the effects of significant transactions or events that occurred between their closing dates and that of the consolidated financial statements.

The closing date of Lawson Bank, Inc. is March 31. For the preparation of the consolidated financial statements, the Company uses financial statements prepared based on the provisional closing of accounts as of the end of the fiscal year.

(2) Business combinations

The Group accounts for business combinations by applying the acquisition method. The consideration transferred in a business combination is measured as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree, and the equity instruments issued by the Group in exchange for control over the acquiree. The non-controlling interests in the acquiree are measured at fair value. The acquisition-related costs incurred are recognized in profit or loss.

In cases where the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree exceeds the net of the amounts of the identifiable assets acquired and the liabilities assumed, goodwill is recognized and measured at the excess amount.

In cases where the sum of the consideration transferred and the amount of any non-controlling interest in the acquiree falls short of the net of the amounts of the identifiable assets acquired and the liabilities assumed, the difference is recognized in profit or loss.

In cases where a business combination is conducted in stages, the equity interests in the acquiree previously held by the Group are revalued at the acquisition-date fair value, and any such gain or loss on step acquisition is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are accounted for under the same method used by the acquirer in disposing of the interest.

If the initial accounting for a business combination has not been completed by the end of the reporting period in which the business combination occurs, the Group accounts for the transaction at provisional amounts. Subsequently, the provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date.

(3) Foreign currency translation

Items in financial statements denominated in a foreign currency are translated at the exchange rate at the transaction date, and monetary items are retranslated at the exchange rate as at the closing date. Non-monetary items measured at fair value are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost are not retranslated. The difference arising from the retranslation of monetary items is recorded in "Other income" or "Other expenses" in the consolidated statement of profit and loss.

The assets and liabilities of foreign operations, such as overseas subsidiaries and associates are translated into Japanese yen at the respective exchange rates on the closing date. Revenue and expense items are translated at the average exchange rates for the period, unless exchange rates have fluctuated significantly during that period. Exchange differences arising from translation are recognized in other comprehensive income, net of tax, and under "Other components of equity."

If control is lost due to the disposal of foreign operations, the cumulative amount of exchange difference is reclassified into profit or loss. In the case of partial disposal that does not lead to the loss of control of a subsidiary, the ratio of ownership interest in the cumulative amount of exchange difference is reallocated to non-controlling interests, but no amount is recognized in profit or loss. In other cases of partial disposal that leads to the loss of significant influence or joint control, the amount proportionate to the disposal of the cumulative amount of exchange difference is reclassified into profit or loss.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are recognized in "Other components of equity" and accumulated in equity.

(4) Financial instruments

① Financial assets

i. Classification

The Group classifies financial assets into those measured at amortized cost and those measured at fair value through other comprehensive income or profit or loss.

Financial assets measured at amortized cost

Financial assets are classified as those measured at amortized cost if both of the following conditions are met; otherwise, they are classified as financial assets measured at fair value:

- The assets are held for the purpose of collecting contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value

Of the financial assets other than those measured at amortized cost, debt instruments are classified as financial assets measured at fair value through other comprehensive income ("FVTOCI financial assets") if both of the following conditions are met:

- The assets are held for the purpose of both collecting contractual cash flows and selling the assets.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Of the financial assets other than those measured at amortized cost, those not stated above are classified as financial assets measured at fair value with fair value changes recognized through profit or loss ("FVTPL financial assets"). However, the Group elects to designate equity instruments not held for trading purposes as equity financial assets measured at fair value with fair value changes recognized through other comprehensive income ("FVTOCI financial assets"). A financial asset is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- It is a derivative (except a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

ii. Initial recognition and subsequent measurement

The Group determines the classification of financial assets at initial recognition. The Group initially recognizes trade and other receivables on the transaction date, and all other financial assets at the transaction date on which the Group became a party to the contract concerning such financial instruments.

Financial assets measured at amortized cost are recognized initially at fair value, plus transaction costs that are directly attributable to the acquisition of the financial assets. However, trade receivables are recognized initially at their transaction price if they do not contain any significant financing component. After initial recognition, financial assets are measured at amortized cost using the effective interest method.

Of the FVTOCI financial assets, changes in the fair value of equity financial assets are not recognized in profit or loss and directly transferred from other comprehensive income to retained earnings when the assets are derecognized. Dividend income from equity financial assets at FVTOCI is recognized in profit or loss as part of finance income at the time when the right to receive the dividend is established.

Of the FVTOCI financial assets, changes in the fair value of debt financial assets are recognized in profit or loss when the assets are derecognized.

FVTPL financial assets are measured at fair value with changes in the fair value being principally recognized in profit or loss.

iii. Impairment

The Group estimates expected credit losses, and recognizes and measures a loss allowance for financial assets measured at amortized cost and debt instruments classified as FVTOCI financial assets. If credit risk on a financial instrument at a reporting date has not increased significantly since the initial recognition, a loss allowance for the financial instrument is calculated based on expected credit losses arising from possible events of default within 12 months from the reporting date. Meanwhile, if credit risk on a financial instrument at a reporting date has increased significantly since the initial recognition, a loss allowance for the financial instrument is calculated based on expected credit losses arising from all possible events of default in expected life of the financial instrument (lifetime expected credit losses).

Based on past due information and other reasonable and supportable information that is available to the Group, the Group assesses whether credit risk has significantly increased. If the financial instrument is determined to have low credit risk at the end of the reporting period, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition.

Expected credit loss is measured based on the present value of the difference between all contractual cash flows that are due to the entity in accordance with the contract and all the cash flows that the entity expects to receive.

Evidence of credit impairment is determined through events, including significant financial difficulty of the issuer or the debtor, and a breach of contract, such as a default or past due event. When one or more of these events have occurred, the Group individually assesses the financial asset as a credit-impaired financial asset and measures the expected credit loss based primarily on historical credit loss experience and future recoverable amounts. For financial assets that are not credit impaired, expected credit losses are measured collectively based mainly on historical credit loss experience and provision rates adjusted, as necessary, for current and future economic conditions.

However, for trade receivables that do not contain any significant financing component, a loss allowance is always calculated at an amount equal to the lifetime expected credit losses, regardless of whether the credit risk has increased significantly since initial recognition.

When the Group determines that receivables are unlikely to be collected, it directly writes off the amount of expected credit losses from the receivables to derecognize them.

A provision for loss allowance on financial assets is recognized in profit and loss. If any event that reduces the loss allowance arises, reversal of loss allowance is recognized in profit or loss.

iv. Derecognition

The Group derecognizes financial assets when and only when the contractual rights to the cash flows from the financial assets expire, or when substantially all the risks and rewards of ownership have been transferred as a result of the transfer of the financial assets. In cases where the Group neither transfers nor retains substantially all the risks and rewards of ownership, but continues to control the assets transferred, the Group recognizes the retained interest in assets and related liabilities that might be payable.

② Financial liabilities

i. Classification

The Group classifies financial liabilities as those measured at amortized cost.

ii. Initial recognition and subsequent measurement

The Group initially recognizes financial liabilities on the transaction date when the Group becomes a party to the contract concerning such financial instruments. Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or a shorter period where appropriate) to the net carrying amount. At the time of initial recognition, there is no financial liability irrevocably designated as a financial liability measured at fair value through profit or loss.

iii. Derecognition

The Group derecognizes financial liabilities when the obligation specified in the contract is discharged, cancelled, or expires.

③ Offsetting financial assets and financial liabilities

If the Group currently has a legally enforceable right to offset the balance and has the intention either to settle on a net basis or to realize assets and settle liabilities simultaneously, the Group offsets financial assets against financial liabilities and presents the net amount in the consolidated statement of financial position.

④ Equity

i. Common shares

For equity instruments issued by the Company, the proceeds from issuance are recorded in “share capital” and “capital surplus,” and costs directly attributable to the issuance (after tax effect) are deducted from “capital surplus.”

ii. Treasury shares

When treasury shares are acquired, the consideration paid, including directly attributable transaction costs net of tax, is recognized as a deduction from equity.

(5) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments maturing in three months or less from the date of acquisition that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(6) Inventories

The cost of inventories comprises costs of purchase, costs of conversion, and all costs incurred in bringing the inventories to the present location and condition.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is presented in the amount of estimated selling price of inventories, less the estimated costs necessary to make the sale in the ordinary course of business.

The cost of inventories is determined mainly using the retail method or the weighted-average method. For the retail method, inventory grouping used for the calculation of profit margin is reviewed so that the results approximate cost.

(7) Property and store equipment

① Recognition and measurement

Property and store equipment are measured using the cost model and presented at cost, net of accumulated depreciation and accumulated impairment losses. Cost includes the expenses directly attributable to the acquisition of the assets, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs to be capitalized.

② Depreciation

Depreciation on assets other than land and construction in progress is recognized over their respective estimated useful lives using the straight-line method. The estimated useful lives of major classes of assets are as follows:

Buildings and structures:	10 to 34 years
Tools, furniture and fixtures:	5 to 8 years

The estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, and when any changes are made, those changes are applied prospectively as changes in accounting estimates.

③ Derecognition

Property and store equipment are derecognized upon disposal or when future economic benefits are no longer expected from their continued use or disposal. A gain or loss arising from the derecognition of an item of property and store equipment is included in profit or loss when the asset item is derecognized.

(8) Investment property

Investment property is property held to earn rentals or capital appreciation or for both. Investment property includes properties owned by the Group and those held as right-of-use assets.

The Group adopts the cost model to measure investment properties, and presents them at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation on assets other than land and right-of-use assets is calculated over their respective estimated useful lives, which are 10 to 34 years, using the straight-line method. Depreciation on right-of-use assets is calculated using the straight-line method over the shorter of their useful lives or lease terms.

(9) Goodwill and intangible assets

① Goodwill

Measurement of goodwill at initial recognition is described in “(2) Business combinations.”

After initial recognition, goodwill is presented at cost, less accumulated impairment losses.

Goodwill is not amortized, but is allocated to cash-generating units identified based on the geographic area and type of business in which they operate, and tested for impairment annually, or whenever there is an indication of impairment. Impairment loss on goodwill is recognized in profit or loss in the consolidated statement of profit and loss, and is not subsequently reversed.

② Intangible assets

Intangible assets are measured using the cost model and presented at cost, less accumulated amortization and accumulated impairment losses.

Separately acquired intangible assets are measured at cost at initial recognition. Cost of intangible assets acquired in a business combination is measured at fair value at the acquisition date. Expenditures on internally generated intangible assets are all recognized as expenses in the period when incurred, except development costs that qualify for capitalization.

Except for those with indefinite useful lives, intangible assets are amortized over their respective estimated useful life using the straight-line method. The estimated useful lives of major intangible assets are as follows:

- Software: 5 years
- Trademark rights: Primarily 20 years

The estimated useful lives, residual values, and amortization method are reviewed at the end of each reporting period, and if any changes are made, those changes are applied prospectively as changes in accounting estimates.

(10) Leases

① As a lessee

The Group recognizes right-of-use asset and lease liability at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The right-of-use asset is initially measured at the amount of the initial measurement of the lease liability, adjusted for any prepaid lease payments.

For subsequent measurement of right-of-use assets, a cost model is applied. Right-of-use assets are presented at cost, net of accumulated depreciation and accumulated impairment losses on the consolidated statement of financial position.

Right-of-use assets are depreciated using the straight-line method over the shorter of their respective useful lives or lease terms.

The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

For initial measurement of lease liabilities, they are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, they are discounted at the incremental borrowing rate.

After the initial recognition, lease liabilities are remeasured to reflect changes in lease payments when estimated useful life of right-of-use assets or changes in lease payments if lease terms or lease payments are revised. The amount of the remeasurement of lease liabilities is recognized as an adjustment to the carrying amount of the right-of-use asset. Impairment of right-of-use assets is as described in “(11) Impairment of non-financial assets.”

For short-term leases whose lease terms end within 12 months, exemptions are applied not to recognize right-of-use assets or lease liabilities, but to recognize lease payments related to the leases as expenses over the lease period by the straight-line method. For components of a contract, the Group has applied, for underlying properties, not to separate non-lease components from lease components, but to account for each lease component and any associated non-lease components as a single lease component.

② As a lessor

A lease is classified as a finance lease if, under the terms of contract, the Group transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The amount received from the lessee is presented in “Trade and other receivables” at an amount equal to the net investment in the lease. The finance income is allocated over the lease term on a rational basis against the gross investment in the lease.

Leases other than finance leases are classified as operating leases, and lease payments received are recognized evenly over the lease term.

(11) Impairment of non-financial assets

① Testing for impairment

The Group assesses at each reporting date the carrying amount of its non-financial assets, excluding inventories and deferred tax assets to determine whether there is any indication that an asset may be impaired. If there are any events or changes in circumstances indicating that the carrying amount may not be recoverable, the recoverable amounts of such assets are estimated by assuming that there are indications of impairment.

The recoverable amount of goodwill and intangible assets with indefinite useful lives are assessed at the same time every year.

Testing for impairment is conducted by asset, cash-generating unit or group of cash-generating units. If the carrying amount of the asset, cash-generating unit, or group of cash-generating units exceeds its recoverable amount, an impairment loss is recognized as loss.

The recoverable amount of the asset, cash-generating unit, or group of cash-generating units is the higher of the value in use or the fair value less costs to sell. Value in use is calculated by discounting the estimated future cash flows to the present value using the pretax discount rate reflecting the risks specific to the asset or the cash-generating unit.

② Cash generating units

In cases where multiple assets together generate cash inflows, the smallest unit that generates cash inflows that is largely independent of the cash inflows from other assets or group of assets is referred to as a cash-generating unit.

A cash-generating unit, including goodwill, is set as the smallest unit at which the goodwill is managed for internal reporting purposes, and that is smaller than an operating segment. If impairment loss is recognized on a cash-generating unit, the carrying amount of any goodwill allocated to the cash-generating unit is reduced first, and if there is any residual amount, the carrying amounts of the other assets of the unit are reduced proportionally.

③ Reversal of impairment loss

Impairment recognized in the past is reversed up to the recoverable amount if there are indications of reversal of impairment and changes in the estimates used to determine the asset's recoverable amount. However, no reversal is made for impairment losses recognized for goodwill. Reversal of impairment loss is recognized up to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

(12) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that the Group will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate calculated by taking into account the risks and uncertainties surrounding the obligation and is discounted when the time value of money is material. An increase in liabilities due to the unwinding of discount over a passage of time is recognized as finance costs.

Asset retirement obligations

An asset retirement obligation is recorded in an estimated cost required to restore the property to its original state mainly with respect to properly lease contracts for stores. The calculations are based on an estimated useful life of mainly 20 years from acquisition, and discount rates of mainly 1.1% to 1.5%.

(13) Employee benefits

① Postemployment benefits

The Group has adopted defined benefit plans and defined contribution plans as postemployment benefit plans for its employees.

i. Defined benefit plans

Obligations related to defined benefit plans are recognized in the amount of benefit obligations under such plans, net of the fair value of the plan assets, in the consolidated statement of financial position. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan. Benefit obligations and plan assets are remeasured in each period, and benefit obligations are calculated by qualified pension actuaries.

Changes in benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss.

The Group recognizes changes in obligations due to the remeasurement of benefit obligations and plan assets of defined benefit plans in other comprehensive income, and immediately reclassifies the amount accumulated in "Other components of equity" to "Retained earnings."

ii. Defined contribution plans

Defined contribution plans are postemployment benefit plans in which the employer makes a certain amount of contributions to fund postemployment benefits and does not bear obligations exceeding the amount contributed. The obligation to make contributions under defined contribution plans are recognized in profit or loss as expenses in the period during which services were provided by employees.

② Other employee benefits

Short-term employee benefits are measured on an undiscounted basis and are recognized as expenses when employees render the related service.

Bonuses are recognized as a liability in the amount estimated to be paid if the Group has a present legal or constructive obligation to make such payment and the amount can be reliably estimated.

Paid absence accruals are recognized as a liability in the amount estimated to be paid under the plan, if the Group has a legal or constructive obligation for the accumulating paid absence plan, and the amount can be reliably estimated.

(14) Share-based payments

The Company grants stock options to its directors to allow them to exercise their rights to purchase shares of the Company. Stock options are calculated based on the fair value at the grant date and expensed on a straight-line basis over the period in which the Company receives services as consideration, while a corresponding amount is recorded as equity. The fair value of stock options is calculated based on the Black-Scholes model.

(15) Revenue

① Methods for recognizing revenue

The Group recognizes revenue from contracts with customers by applying the following steps:

(Lease payments under IFRS 16 Leases ("IFRS 16") and interest and dividend income under IFRS 9 Financial Instruments ("IFRS 9") are excluded.)

Step 1: Identify the contracts with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

Since the consideration for transactions is received primarily within one month after the performance obligation is satisfied, the practical expedient is used, and no adjustment is made for significant financial components.

② Revenue recognition in the Group's main businesses

The Group primarily operates the Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business, and Overseas Business.

i. Revenue from franchised stores in the Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business

The Group has contractual obligations to franchisees in the Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business, to provide store opening preparation services, operational know-how, trademarks and other licenses, offer services including training and accounting paperwork, and lend store fixtures, signboards, and information systems. As these closely interrelated activities cannot be separated and performed as individual services, they are considered to be a single performance obligation, except for lease transactions. This performance obligation is considered to be satisfied over time and as services are rendered; however, because the transaction price for royalty income is a variable royalty based on the operating gross profit of the store, revenue is recognized over the contract period as such operating gross profit is generated.

ii. Revenue from the Domestic Convenience Store Business, Seijo Ishii Business, Entertainment-related Business, Financial Services Business, and Overseas Business

The Group sells consumer goods at its directly managed stores in the Domestic Convenience Business, Seijo Ishii Business and Overseas Business; and music and video software and concert tickets in the Entertainment-related Business. Revenue from the sale of these goods is recognized when merchandise is delivered to a customer, at which time control is deemed to have been transferred.

In addition, certain subsidiaries in the Domestic Convenience Store Business wholesale raw materials or merchandise. Revenue from the sale of these goods is recognized when merchandise is delivered to and accepted by a customer, at which time control is deemed to have been transferred.

In the Entertainment-related Business, which operates multiplex movie theaters, revenue is recognized when the screening is provided, at which time control is deemed to have been transferred.

The Financial Services Business provides, through ATMs, transactions using cash cards of partner financial institutions and deposit services for sales proceeds from franchised store owners.

In identifying performance obligations, the Group conducts principal versus agent consideration. If the nature of its promise is a performance obligation to provide specified goods or services itself, the Group presents revenue as the principal at the gross amount of the consideration; if it is a performance obligation to arrange for those goods or services to be provided by the other party, the Group presents revenue as agent at the fee or commission amount or net amount of the consideration in the consolidated statement of profit and loss.

To determine that the Group is a principal, the following three indicators are considered.

- The Group is primarily responsible for fulfilling the promise to provide the specified good or service.
- The Group has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer.
- The Group has discretion in establishing the price for the specified good or service.

Revenue is measured at the transaction price, less consideration paid to the customer, such as discounts, rebates, and refunds.

When the Group grants a customer an option to acquire additional goods or services and provides a material right, the transaction price is allocated to the option as a separate performance obligation, and revenue is recognized when those future goods or services are transferred or when the option expires.

(16) Government grants

Government grants are not recognized until there is a reasonable assurance that the conditions attached to the grants are satisfied and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that contain main conditions requiring the Group to acquire non-current assets by purchase, construction, or other method are recognized by deducting the costs of the related assets in the consolidated statement of financial position and are reclassified into profit or loss on a systematic and rational basis over their useful lives.

(17) Income taxes

Income taxes consist of current tax and deferred tax. They are recognized in profit or loss, except those related to business combinations and items recognized directly in equity or other comprehensive income.

Current tax is measured at the amount of income taxes expected to be payable to or recoverable from the taxation authorities. Tax amounts are calculated in accordance with the tax rates and tax laws that have been enacted or substantively enacted at the end of reporting period in the countries in which the Group operates and earns taxable profits or losses.

Deferred tax is recognized in respect of temporary difference between the carrying amount of assets and liabilities in the financial statements and the tax basis of these assets and liabilities.

A deferred tax asset or liability is recorded based on the temporary difference between the carrying amount of the assets and liabilities for financial accounting purposes and the tax basis of these assets and liabilities under the asset and liability method. Deferred tax assets and liabilities are not recorded for the following temporary differences arising from:

- Temporary differences arising from goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions (except business combinations) that do not affect either accounting profit or taxable income (loss) at the time of the transaction.
- Taxable temporary differences arising from investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary difference is reversed, based on the laws that have been enacted or substantively enacted by the end of consolidated reporting period.

Deferred tax assets are recognized only with respect to tax losses carryforward, tax credits carryforward, and deductible temporary differences where it is probable to reduce future taxable income. The recoverability of deferred tax assets is reviewed at the end of each fiscal year, and the carrying amount is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

The Company and its wholly owned domestic subsidiaries have adopted the group tax sharing system.

(18) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to common shareholders of the parent by the weighted average number of common shares issued and outstanding during the period, adjusted for the number of treasury shares. Diluted earnings per share are calculated by adjusting for the impact of all dilutive potential shares.

(19) Non-current assets held for sale and discontinued operations

A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable, and only if the Group's management is committed to implementing the plan of sale and, in principle, the completion of the sale is scheduled within one year. After being classified as held for sale, it is measured at the lower of its carrying amount and fair value, less costs to sell. The non-current asset or disposal group is not depreciated or amortized.

A discontinued operation consists of a component of an entity that either has been disposed of or is classified as held for sale. It is recognized if, it represents Group's separate major line of business or geographical area of operations; and is part of a plan to dispose of the separate major line of business or geographical area of operations.

(Changes in Accounting Policies)

IAS 12 Income Taxes

Deferred taxes on assets and liabilities arising from a single transaction

The Group has adopted amendments to IAS 12 "Income Taxes" (Clarification of accounting treatment for deferred taxes on assets and liabilities arising from a single transaction) effective from the fiscal year under review. There is no significant impact on the consolidated financial statements.

International tax reform － Pillar 2 model rules

A temporary exception was established providing an exemption from recognition and disclosure requirements of deferred tax assets and deferred tax liabilities related to the Pillar 2 Model Rules. As the Group applies the exception retrospectively, it does not recognize any deferred tax assets and deferred tax liabilities related to the Pillar 2 Model Rules. There are no Group companies that will be subject to the Income Inclusion Rule (the "IIR") in the next fiscal year (FY2024) based on the Pillar 2 Model Rules. From FY2025 onwards, the Company, as the ultimate parent entity, will file tax returns and make payments under the IIR, as well as GloBE information filing in Japan, in accordance with Japanese laws and regulations for all companies within the Group.

Meanwhile, regarding the Undertaxed Payment Rule (the "UTPR"), it is not applicable to the countries where companies within the Group are located in FY2024. As the Company will be able to file and pay taxes for all Group companies based on the IIR from FY2025, filing or paying taxes under the UTPR is not anticipated.

(Notes to Accounting Estimates)

Impairment of fixed assets

1. Amounts recorded in consolidated financial statements for the current fiscal year

Property and store equipment	4,780	million yen
Right-of-use assets	4,485	million yen
Intangible assets	118	million yen
Other	61	million yen

2. Information on significant accounting estimates concerning identified items

(1) Calculation method

The Group identifies each store as the smallest cash generating unit, and groups its assets. The Group recognizes an impairment loss if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.

The recoverable amount is measured at fair value, less costs of disposal or value in use. The fair value, less costs of disposal of land is determined based primarily on the real estate appraisal. The value in use is calculated by discounting the future cash flows primarily using the pretax weighted-average cost of capital of 4.6%.

(2) Major assumptions

The estimates of undiscounted future cash flows related to the recognition of impairment loss of fixed assets of the Company’s stores are based on profit forecasts by each store.

(3) Impact on consolidated financial statements for the next fiscal year

In cases where the assumptions used in the aforementioned estimates need to be reviewed due to changes in uncertain economic conditions in the future, additional impairment loss may be incurred in the consolidated financial statements for the next fiscal year and thereafter.

(Notes to Consolidated Statement of Financial Position)

1. Accumulated depreciation and impairment losses on assets

Property and store equipment	298,406	million yen
Right-of-use assets	529,781	million yen
Investment property	21,474	million yen
Intangible assets	53,808	million yen

2. Allowance for doubtful accounts deducted directly from assets

Trade and other receivables (Current assets)	21	million yen
Guarantee deposits	90	million yen
Other financial assets (Non-current assets)	928	million yen

(Notes to Consolidated Statement of Profit and Loss)

1. Revenue from contracts with customers

Regarding gross operating revenue, the Company does not separately present revenue from contracts with customers and revenue from other sources. The amount of revenue from contracts with customers is described in “Notes to Revenue Recognition, 1. Information on disaggregation of revenues recognized from contracts with customers” in the notes to the consolidated financial statements.

2. Impairment loss

The Group identifies each store as the smallest cash generating unit, and groups its assets. The Group recognizes an impairment loss if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.

The Group recognized impairment losses of 9,446 million yen for the fiscal year ended February 29, 2024, which are included in “Other expenses” in the consolidated statement of profit and loss. These are primarily due to reducing the carrying amount to the recoverable amount for assets (buildings and structures, tools, furniture and fixtures, etc.) of stores whose profitability has significantly declined.

The recoverable amount is measured at fair value, less costs of disposal or value in use. The fair value, less costs of disposal of land is determined based primarily on the real estate appraisal. The value in use is calculated by discounting the future cash flows primarily using the pretax weighted-average cost of capital of 4.6%.

The fair value is calculated based on an appraisal by an outside independent real estate appraiser in accordance with the valuation standards of the country where the property is located and is classified as Level 3 of the fair value hierarchy.

Business segment	Major cash-generating unit	Type	Impairment losses (Millions of yen)
Domestic Convenience Store Business	Lawson, Inc. stores	Buildings and structures, right-of-use assets	8,698
Seijo Ishii Business	SEIJO ISHII CO., LTD. stores	Buildings and structures, right-of-use assets	9
Entertainment-related Business	Lawson Entertainment, Inc. stores	Buildings and structures, right-of-use assets	141
Overseas Business	Lawson (China) Holdings, Inc. and Shanghai Lawson, Inc. stores	Buildings and structures, right-of-use assets	598

*The breakdown by type of assets for which impairment losses were recognized

Type	Impairment losses (Millions of yen)
Buildings and structures	4,169
Tools, furniture and fixtures	602
Other	8
Total property and store equipment	4,780
Software	118
Other	0
Total intangible assets	118
Right-of-use assets	4,485
Investment property	55
Other non-current assets (Long-term prepaid expenses)	5
Total impairment losses	9,446

(Notes to Consolidated Statement of Changes in Equity)

1. Number of outstanding shares and treasury shares

	Number of shares at the beginning of the 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	222	0	1	222

Notes:
1. The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit.
2. The decrease in treasury shares of 1 thousand shares resulted from decreases of 1 thousand shares due to 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 24, 2023)	Common stock	7,505	75.00	February 28, 2023	May 25, 2023
Directors' meeting (October 13, 2023)	Common stock	11,759	117.50	August 31, 2023	November 10, 2023

(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

Not applicable

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

106,000 shares

(Notes to Financial Instruments)

1. Matters relating to the status of financial instruments

The Group is exposed to various financial risks (credit, liquidity, foreign exchange, interest rate, and stock price fluctuation) in the course of performing business activities, requiring the Group to manage risks to mitigate these financial risks.

(1) Credit risk management

Credit risk is the risk that a counterparty will default on its contractual obligations, which may result in financial loss to the Group. The Group's maximum amount of the credit risk is the sum of trade and other receivables, guarantee deposits and other financial assets excluding equity instruments, and finance lease receivables.

For trade receivables, such as accounts receivable-due from franchised stores and accounts receivable-other, it manages due dates and balances for each business partner, while working to early identify and mitigate any collection concerns arising from deterioration in their financial position and standing. In addition, collateral and other security arrangements are made with some of the counterparties. Receivables due from closed franchised stores are treated as credit-impaired financial assets in objective circumstances where the Group faces difficulty in collecting receivables, such as substantial delinquencies or bankruptcy of the counterparty.

For loans receivable from associates, the Group strives to early identify and mitigate collection concerns by exercising voting rights at their general meetings of shareholders and providing management control and guidance through the dispatch of officers, or by gathering and assessing information about their financial position and standing.

With regard to guarantee deposits, the Group makes efforts to early identify collection concerns and mitigate credit risk by gathering and assessing information on the financial position and standing of the counterparty.

The Group has no exposure to credit risks that are over-concentrated in a single counterparty or a group to which the counterparty belongs.

(2) Liquidity risk management

Liquidity risk is the risk that payments cannot be executed on the due dates when the Group performs repayment obligations for maturing financial liabilities.

The Group is exposed to liquidity risk because it utilizes borrowings and leases to finance its working capital, banking business operations, and mergers and acquisitions, and to fund its capital expenditures, as well.

The Group manages liquidity risk by having each Group company prepare and update financing agreements in a timely manner and by maintaining sufficient liquidity on hand. In addition, line of credit agreements has been concluded with partner financial institutions to reduce liquidity risks.

(3) Foreign exchange fluctuation risk

Foreign exchange fluctuation risk arises from transactions conducted by the Group companies in currencies other than the functional currency.

As the exposure to foreign exchange fluctuation risk in the fiscal year ended February 29, 2024, is minimal, the impact on the Group is considered immaterial.

(4) Interest rate fluctuation risk

Interest rate fluctuation risk is defined as the risk that the fair value of, or future cash flows from, financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. With floating-rate borrowings, the Group is exposed to the risk of fluctuations in future cash flows.

(5) Stock price fluctuation risk

Stock price fluctuation risk arises primarily from the Group's holdings of equity financial assets (e.g., stocks) of entities with which the Group has business relationships. To manage the stock price fluctuation risk, the Group regularly monitors the fair values and financial conditions of the issuers and reviews the status of holdings on an ongoing basis in light of the relationship with the entities.

2. Fair value of financial instruments

(1) Categorization by level of fair value hierarchy

Financial instruments measured at fair value on a recurring basis after initial recognition are classified into three levels of the fair value hierarchy, according to the observability and materiality of the inputs used for the measurements.

In this categorization, the fair value hierarchy is defined as follows, in the descending order of the levels:

Level 1: Fair value measured at quoted price (unadjusted) in an active market for identical asset or liability

Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3: Fair value measured using unobservable inputs

When multiple inputs are used for the fair value measurement, the level of fair value is determined based on the lowest-level input that is significant to the entire measurement of fair value. Transfers of financial instruments between levels are recognized on each reporting date.

(2) Financial instruments measured at fair value on a recurring basis

The breakdown of assets measured at fair value on a recurring basis at the end of the period was as follows:

(Millions of yen)

Category	Fair Value			
	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets				
FVTPL financial assets	–	–	3,273	3,273
FVTOCI financial assets	883	–	3,908	4,791
Total assets	883	–	7,181	8,064

Note: For assets and liabilities held at the end of the period, there were no transfers between Level 1 and Level 2.

For financial assets measured within Level 3 on a recurring basis, the changes from the beginning balances to the ending balances were as follows:

(Millions of yen)

Beginning balance	4,471
Total gains and losses	
Profit or loss (Note 1)	594
Other comprehensive income (Note 2)	92
Purchase	2,066
Sale and redemption	(42)
Other	0
Ending balance	7,181

Notes:

1. Profit or loss included in total gains and losses is related to financial assets measured at fair value through profit or loss. These profits and losses are included in “Finance income” and “Finance costs.”
2. Other comprehensive income included in total gains and losses is related to financial assets measured at fair value through other comprehensive income. These profits and losses are included in “Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income.”

(3) Fair value of financial instruments measured at amortized cost

Carrying amounts and fair values of financial instruments measured at amortized cost were as follows. The table below does not include financial assets and liabilities whose fair values are equal or approximate to their carrying amounts, such as financial instruments that are settled in a short period of time from the end of the reporting period.

(Millions of yen)

	Carrying amount	Fair Value
Assets		
Other financial assets		
Loans receivable	23	22
Advances paid	180	179
Other	39	39
Guarantee deposits	97,502	95,135
Finance lease receivables	7,707	6,685
Liabilities		
Borrowings	50,099	50,099
Other financial liabilities		
Guarantee deposits received	19,183	18,508
Other	2,402	2,402

(4) Method of fair value measurement

Long-term loans receivable

Fair values of long-term loans receivable are measured by discounting the sum of the principal and interest at the interest rate assumed for similar loans, and are classified as Level 2.

Guarantee deposits

Fair values of guarantee deposits are measured by discounting the future cash flows related to the collection by the yield of government bond corresponding to the remaining period, and are classified as Level 2.

Finance lease receivables

Fair values of finance lease receivables are measured by discounting the future cash flows by the yield of government bond corresponding to the remaining period and are classified as Level 2.

Other financial assets

Fair values of listed shares are measured using quoted prices in active markets at the end of the period and are classified as Level 1. Fair values of unlisted shares are measured using appropriate valuation techniques, such as comparable multiple valuation method, and are classified as Level 3. Fair values of advances paid and bonds are measured by discounting their future cash flows by the yield of government bonds corresponding to the period to maturity, and are classified as Level 2.

Long-term borrowings (including current portion)

Those with fixed rate are measured by discounting the sum of the principal and interest at the interest rate assumed for similar borrowings. For those with floating rate, the carrying amounts are used as the fair values, and are classified as Level 2 because the market interest rate is reflected within a short period of time.

Guarantee deposits received

Fair values of guarantee deposits received are measured by discounting the future cash flows by the yield of government bond corresponding to the remaining period, and are classified as Level 2.

(Notes to Revenue Recognition)

1. Information on disaggregation of revenues recognized from contracts with customers

(Millions of yen)

Category	Reportable segment					Others	Adjustments	Total
	Domestic Convenience Store Business	Seijo Ishii Business	Entertainment-related Business	Financial Services Business	Overseas Business			
Operating revenues								
Revenue recognized from contracts with customers								
Income from franchised stores	273,005	877	–	–	3,681	–	–	277,563
Net sale Company-operated stores	86,348	111,542	64,923	–	86,060	–	–	348,875
Other	356,396	105	14,382	32,576	24,182	1,806	–	429,449
Other revenue	31,258	18	36	–	762	–	–	32,076
Revenue from external customers	747,008	112,544	79,342	32,576	114,686	1,806	–	1,087,964
Intersegment revenue or transfer	8,388	–	1,542	3,106	–	752	(13,789)	–
Total	755,397	112,544	80,884	35,682	114,686	2,559	(13,789)	1,087,964

Note: The business segments within the "Others" category that do not fall under the main reportable segments, include Consulting Business, etc.

2. Foundational information for understanding revenue from contracts with customers

"Foundational information for understanding revenue from contracts with customers" is described in "4. Summary of Significant Accounting Policies, (15) Revenue" in the Notes to Consolidated Financial Statements.

3. Information for understanding revenue of current fiscal year and subsequent years

(1) The balances of receivables from contracts with customers and contract liabilities etc.

Category	Current fiscal year (millions of yen)
Receivables from contracts with customers (beginning balance)	130,128
Receivables from contracts with customers (ending balance)	132,445
Contract liabilities (beginning balance)	4,130
Contract liabilities (ending balance)	4,529

"Contract liabilities" is included in "Other current liabilities" in the consolidated statement of financial position. Revenue recognized for the year ended February 29, 2024, that was included in the beginning balance of contract liabilities was 3,003 million yen.

(2) Transaction price allocated to remaining performance obligations

As the Group has no material transactions for which the expected term of individual contract exceeds one year, it has not disclosed information on remaining performance obligations of which duration was originally expected to be within one year, by applying the practical expedient in paragraph 121 of IFRS 15.

Moreover, there are no material amounts of the consideration arising from contracts with customers that are not included in the transaction price.

(Notes to Per-Share Data)

1. Equity attributable to owners of parent per share	2,845.30 yen
2. Basic earnings per share	521.08 yen

(Notes to Significant Subsequent Events)

At the meeting on February 6, 2024, the Board of Directors approved a resolution in favor of the tender offer (the "Tender Offer") that KDDI Corporation (the "Offeror") has decided to launch for the Company's shares, Share options and American Depository Receipts of the Company. The Company's opinion as of the same date was to express its opinion in favor of the Tender Offer if the Tender Offer is commenced, and recommend that the shareholders of the Company tender their shares in the Tender Offer, and that the Company recommend that the holders of the American Depositary Receipts surrender their American Depositary Receipts to the depositary bank in advance and accept the Tender Offer after receiving delivery of the Company shares represented by the American Depositary Receipts, and to leave it to the discretion of the holders of the Stock Acquisition Rights whether or not to accept the Tender Offer.

According to the "Notice Regarding Commencement of Tender Offer for Shares of Lawson, Inc. (Securities Code: 2651)" released by the Offeror on March 27, 2024, the Offeror has decided to commence the Tender Offer on March 28, 2024. In response, the Company once again expresses its opinion in favor of the Tender Offer and recommends that all shareholders of the Company tender their shares in the Tender Offer and that all holders of the American Depositary Receipts surrender their American Depositary Receipts to the Depositary Bank in advance and receive delivery of the Company shares represented by such American Depositary Receipts, and to leave it to the discretion of the holders of the Share options as to whether or not to accept the Tender Offer.

The above resolutions of the Board of Directors' meeting held on February 6, 2024 and the Board of Directors' meeting held on March 27, 2024 were passed on the assumption that, through a series of procedures scheduled after the Tender Offer, the Company's shareholders will be only the Offeror and Mitsubishi Corporation ("MC", the Offeror and MC collectively, the "Tender Offeror Parties") and that the Company's shares are scheduled to be delisted.

1. Summary of the Offeror

(1) Name	KDDI Corporation	
(2) Address	2-3-2 Nishishinjuku, Shinjuku-ku, Tokyo	
(3) Title/name of representative	Makoto Takahashi, President, Representative Director and CEO	
(4) Details of business	Telecommunications business	
(5) Stated capital	141,852 million yen (as of December 31, 2023)	
(6) Date of establishment	June 1, 1984	
(7) Major shareholders and shareholding ratio (as of September 30, 2023) (Note 1)	The Master Trust Bank of Japan, Ltd. (trust account)	16.37%
	Kyocera Corporation	16.00%
	Toyota Motor Corporation	12.08%
	Custody Bank of Japan, Ltd. (trust account)	6.96%
	STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.55%
	JP Morgan Securities Japan Co., Ltd.	1.19%
	SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1.05%
	JP MORGAN CHASE BANK 385781 (Standing Proxy: Settlement& Clearing Services Department, Mizuho Bank, Ltd.)	1.05%
	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	0.93%
	STATE STREET BANK AND TRUST COMPANY 505103 (Standing Proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	0.88%
(8) Relationship between the Company and the Offeror		
Capital relationship	As of March 27, 2024, the Offeror owns 2,110,000 Company Shares (Shareholding Ratio (Note 2): 2.11%).	
Personnel relationship	Not applicable.	
Business relationship	The Offeror has executed the capital and business alliance agreement with the Company. In addition, the Offeror has executed a business alliance agreement with the Company, MC, and menu, Inc.	
Applicable status of related parties	Not applicable.	

(Note 1) The description of shareholding ratio in "Major shareholders and shareholding ratio (as of September 30, 2023)" sets out the ratio of the number of shares held to the total number of the issued shares of the Offeror (excluding treasury shares) as of September 30, 2023 (round down to the second decimal place).

(Note 2) "Shareholding Ratio" refers to the ratio (rounded to the second decimal place) of the number of Company Shares to the number of shares (100,183,915 shares) which is the total number of issued shares as of January 12, 2024 described in the Third Quarterly Report for the 49th fiscal year (the "Company's Third Quarterly Report") submitted by the Company on January 12, 2024 of 100,300,000 shares, plus 106,000 Company Shares, to be issued upon exercise of 1,060 Share Options reported by the Company as remaining as of February 29, 2024, minus the number of treasury shares held by the Company as of February 29, 2024 as reported by the Company (222,085 shares).

2. Purchase price

(1) 10,360 yen per Company Shares

(2) Share options

1 yen per each of the share options listed below:

(i) Share option issued pursuant to the resolution of the Company's board of directors meeting held on March 25, 2015 (the "14th Series of Share Options") (the exercise period is from April 10, 2015 to March 24, 2035)

(ii) Share option issued pursuant to the resolution of the Company's board of directors meeting held on April 13, 2016 (the "16th Series of Share Options") (the exercise period is from May 2, 2016 to April 13, 2036)

(iii) Share option issued pursuant to the resolution of the Company's board of directors meeting held on April 12, 2017 (the "17th Series of Share Options") (the exercise period is from May 1, 2017 to April 11, 2037)

(iv) Share option issued pursuant to the resolution of the Company's board of directors meeting held on July 5, 2017 (the "18th Series of Share Options") (the exercise period is from July 21, 2017 to July 4, 2037)

(v) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 22, 2018 (the "19th Series of Share Options") (the exercise period is from June 8, 2018 to May 21, 2038)

(vi) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 21, 2019 (the "20th Series of Share Options") (the exercise period is from June 7, 2019 to May 20, 2039)

(vii) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 27, 2020 (the "21st Series of Share Options") (the exercise period is from June 12, 2020 to May 26, 2040)

(viii) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 25, 2021 (the "22nd Series of Share Options") (the exercise period is from June 11, 2021 to May 24, 2041)

(ix) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 25, 2022 (the "23rd Series of Share Options") (the exercise period is from June 10, 2022 to May 24, 2042)

(x) Share option issued pursuant to the resolution of the Company's board of directors meeting held on May 24, 2023 (the "24th Series of Share Options") (the exercise period is from June 9, 2023 to May 23, 2043)

(3) Depositary receipts for share certificates

10,360 yen per share of the Company Shares related to the American depositary shares deposited with Citibank, N.A. and Deutsche Bank Trust Company Americas and represented by the American depositary receipts related to the Company Shares issued by the Depositary Banks in the United States.

3. Number of share certificates to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
47,923,815 shares	14,458,500 shares	– shares

Since the Offeror intends to make only the Tender Offeror Parties the shareholders of the Company, if the Offeror is unable to acquire all of the shares subject to the Tender Offer in the Tender Offer, the Offeror plans to implement a series of procedures (reverse stock split) to make only the Tender Offeror Parties the shareholders of the Company.

4. Period of purchase, etc.

From March 28, 2024 (Thursday) to April 25, 2024 (Thursday) (21 business days)

(TRANSLATION ONLY)

Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2023 (for reference)	As of February 29, 2024	Account item	As of February 28, 2023 (for reference)	As of February 29, 2024
Current assets	**192,427**	**201,865**	**Current liabilities**	**367,066**	**386,391**
Cash and deposits	6,316	12,008	Accounts payable-trade	110,202	117,831
Accounts receivable-due from franchised stores	49,329	45,597	Short-term loans payable	11,900	10,000
Lease receivables	14,196	13,598	Short-term loans payable to subsidiaries and associates	53,930	66,750
Merchandise	907	833	Lease obligations	35,754	36,207
Prepaid expenses	15,444	16,130	Accounts payable-other	26,407	27,475
Accounts receivable-other	99,524	106,085	Income taxes payable	8,789	11,580
Other	6,708	7,611	Accrued expenses	2,386	2,308
Non-current assets	**612,940**	**618,662**	Deposits received	109,222	103,485
Property and store equipment	**312,118**	**312,865**	Provision for bonuses	3,349	3,317
Buildings	154,347	155,743	Other	5,123	7,435
Structures	22,136	20,220	**Non-current liabilities**	**198,227**	**167,724**
Tools, furniture and fixtures	10,017	9,821	Long-term loans payable	30,000	–
Land	8,374	8,354	Lease obligations	104,060	103,734
Leased assets	117,011	118,445	Provision for retirement benefits	15,064	15,173
Construction in progress	231	279	Provision for retirement benefits to executive officers and audits and supervisory board members	164	213
Intangible assets	**29,088**	**33,474**	Asset retirement obligations	32,989	33,088
Software	22,239	28,141	Other	15,948	15,514
Goodwill	6,565	5,077	**Total liabilities**	**565,294**	**554,115**
Other	284	255	Net assets		
Investments and other assets	**271,732**	**272,321**	**Shareholders' equity**	**238,806**	**264,263**
Investment securities	3,003	5,782	Capital stock	58,506	58,506
Shares of subsidiaries and associates	65,098	108,499	Capital surplus	47,760	47,759
Investments in capital of subsidiaries and associates	40,691	–	Legal capital surplus	47,696	47,696
Long-term loans receivable	36,164	33,323	Other capital surplus	64	62
Long-term loans receivable from subsidiaries and associates	470	17	Retained earnings	133,488	158,945
Long-term prepaid expenses	11,017	10,896	Legal retained earnings	727	727
Guarantee deposits	82,950	82,609	Other retained earnings		
Deferred tax assets	32,333	31,215	General reserve	50,000	50,000
Other	827	892	Retained earnings brought forward	82,760	108,218
Allowance for doubtful accounts	(823)	(915)	Treasury shares	(948)	(947)
			Valuation and translation adjustments	**938**	**1,694**
			Valuation difference on available-for-sale securities	1,007	1,763
			Revaluation reserve for land	(69)	(69)
			Subscription rights to shares	**328**	**453**
			Total net assets	**240,073**	**266,412**
Total assets	**805,367**	**820,527**	**Total liabilities and net assets**	**805,367**	**820,527**

Non-consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2022 to February 28, 2023 (for reference)		From March 1, 2023 to February 29, 2024	
Operating revenue				
Income from franchised stores	262,581		284,614	
Other operating revenue	68,569	331,151	76,883	361,497
Net sales				
Net sales	*26,419*	26,419	*30,295*	30,295
Gross operating revenue		357,571		391,793
Cost of sales	*19,217*	19,217	*21,920*	21,920
Gross profit	*7,202*		*8,374*	
Operating gross profit		338,354		369,872
Selling, general and administrative expenses		303,165		311,860
Operating income		35,188		58,011
Non-operating income				
Interest income	437		423	
Dividend income	7,100		12,605	
Other	1,446	8,985	1,096	14,124
Non-operating expenses				
Interest expenses	1,912		2,032	
Loss on cancellation of leases	1,099		398	
Other	543	3,555	776	3,207
Ordinary income		40,618		68,928
Extraordinary losses				
Loss on retirement of non-current assets	828		1,628	
Impairment loss	8,054		6,244	
Loss on novel coronavirus disease	5		–	
Other	647	9,536	196	8,068
Profit before income taxes		31,082		60,859
Income taxes – current	6,891		15,352	
Income taxes – deferred	1,595	8,486	784	16,137
Profit		22,595		44,722

Non-consolidated Statement of Changes in Equity

(From March 1, 2023 to February 29, 2024)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	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	47,760	727	50,000	82,760	133,488	(948)	238,806
Changes of items during period										
Dividends of surplus							(19,264)	(19,264)		(19,264)
Profit							44,722	44,722		44,722
Purchase of treasury shares									(4)	(4)
Exercise of subscription rights to shares (Delivery of treasury shares)			(1)	(1)					5	4
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	(1)	(1)	–	–	25,457	25,457	1	25,457
Balance at end of current period	58,506	47,696	62	47,759	727	50,000	108,218	158,945	(947)	264,263

(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	1,007	(69)	938	328	240,073
Changes of items during period					
Dividends of surplus					(19,264)
Profit					44,722
Purchase of treasury shares					(4)
Exercise of subscription rights to shares (Delivery of treasury shares)					4
Net changes of items other than shareholders' equity	755		755	125	881
Total changes of items during period	755	–	755	125	26,338
Balance at end of current period	1,763	(69)	1,694	453	266,412

Notes to the Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation basis and method for assets

(1) Marketable securities and investments in securities:

①Investments in subsidiaries and affiliated companies

Stated at cost determined by the moving-average method.

②Available-for-sale securities

With market quotations:

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.

Without market quotations:

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 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.

①Method 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.

②Method of amortizing actuarial differences and prior service costs

Prior service costs are recorded as expense over a certain number of years within the average remaining years of service of the corresponding employees at the time of occurrence (10 years) using the straight-line method.

Actuarial differences are accounted for as expenses over a certain number of years within the average remaining years of service of the corresponding employees (10 years) using the straight-line method, commencing with the consolidated fiscal year following the one in which they were incurred.

Treatment of unrecognized actuarial and unrecognized past service costs differences in the non-consolidated balance sheet differs from the consolidated statement of financial position.

(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. Basis for recording revenue and expenses

(1) Methods for recognizing revenue

The Company recognizes revenue from contracts with customers by applying the following five steps:
Step 1: Identify the contracts with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognized revenue when the entity satisfies a performance obligation.

Since the consideration for the transaction price is received within one month of satisfaction of the performance obligation, the practical expedient method is used and no adjustment for a significant financing component.

(2) Recognition of revenues for the major businesses

The primary business comprises the Domestic Convenience Store Business.

- Revenues from franchised stores in the Domestic Convenience Store Business

For franchised stores in its Domestic Convenience Store Business, Seijo Ishii Business, and Overseas Business, the Group has contractual obligations to prepare for their openings, provide knowledge on how to operate the stores, grant licenses for trademarks, etc., provide training, accounting and other services, and lease fixtures for sale, signboards, and information systems, among others. As these activities are closely inter-related and cannot be performed as separate services, they are collectively deemed as a single performance obligation except for the lease transactions. The performance obligation is deemed to be satisfied over time and when the services are provided, but as the royalty revenues fluctuate based on the operating gross profit of each franchised store, the revenues are recognized whenever the applicable operating gross profit is recognized throughout the contract period.

- Revenues from directly operated stores in the Domestic Convenience Store Business

We sell general consumer goods at our directly operated stores in the Domestic Convenience Store Business. Revenues from selling such goods are recognized when an item is handed over to the customer, at which point its control is deemed to have been transferred to the customer.

In identifying a performance obligation, we assess whether we are acting as a principal or an agent in performing the promise to provide the specified goods or services. In cases where the nature of the promise constitutes a performance obligation of us to provide the goods or services as a principal, the revenue in total amount of the consideration is recognized in the non-consolidated statement of income, whereas in cases where the performance obligation requires that we arrange a third party to provide the goods or services, the revenue as an agent is recognized therein in the amount of commissions or remunerations or the net amount of the consideration.

We consider the following indicators in assessing whether we are acting as a principal.

- We have the primary responsibility to fulfill the promise to provide the specified goods or services.
- We have an inventory risk either before the specified goods or services are transferred to the customer or after the control of the specified goods or services is transferred to the customer.
- We have discretion over the price of the specified goods or services.

Revenues are based on the transaction price less the consideration paid to the customer such as discounts and rebates. If the Company grants the customer an option to acquire additional goods or services and provides a material right to do so, transaction value is allocated to the optional transaction by deeming it as a separate performance obligation, for which revenues are recognized when the goods or services are transferred to the customer or when the option is extinguished.

(Changes in Accounting Policies)

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

On March 1, 2023, the Company applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (“ASBJ”) Guidance No.31, June 17, 2021, “Implementation Guidance on Accounting Standard for Fair Value Measurement”), and the new accounting policies stipulated in the Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively pursuant to the transitional treatment stipulated by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. The application had no impact on the financial statements.

(Notes to Accounting Estimates)

Impairment of fixed assets

(1) Amounts recorded in non-consolidated financial statements for the current fiscal year

Property and store equipment	6,237	million yen
Other	6	million yen

(2) Information on significant accounting estimates concerning identified items

The method used to calculate the amounts in (1) is the same as that described in the "Notes to Consolidated Financial Statements (Notes to Accounting Estimates)" of the Consolidated Financial Statements.

(Notes to the Non-consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 362,598 million yen

2. Due from/to subsidiaries and affiliated companies

Short-term receivables due from subsidiaries and affiliated companies	25,236	million yen
Long-term receivables due from subsidiaries and affiliated companies	39	million yen
Short-term payables due to subsidiaries and affiliated companies	8,042	million yen
Long-term payables due to subsidiaries and affiliated companies	214	million yen

3. Revaluation of land used for business

Land used for business was revalued on the basis prescribed by the Law Concerning Revaluation of Land (Law No. 34, March 31, 1998). The resulting revaluation difference has been included in net assets as "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 36 million yen.

4. Guarantee obligations

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

Lawson Bank, Inc.	15,000	million yen
SCI, Inc.	737	million yen
Lawson Entertainment, Inc.	412	million yen
Lawson USA Hawaii, Inc.	105	million yen

(Notes to the Non-consolidated Statement of Income)

Transaction amount with affiliated companies

Operating transactions		
Operating revenue	42,022	million yen
Goods purchased	143	million yen
Selling, general and administrative expenses	46,140	million yen
Transactions other than operating transactions	12,543	million yen

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

Number of treasury shares 222,085 shares

(Notes to Accounting for Income Taxes)

1. Components of deferred tax assets and liabilities

Enterprise taxes payable	985	million yen
Provision for bonuses	996	million yen
Loss on write-down of investments in affiliated companies	8,686	million yen
Excess of depreciation	9,344	million yen
Excess of amortization of software	224	million yen
Provision for retirement benefits	6,352	million yen
Allowance for doubtful accounts	287	million yen
Impairment loss	12,652	million yen
Other	2,095	million yen
Subtotal of deferred tax assets	41,627	million yen
Less valuation allowances	(10,412)	million yen
Total deferred tax assets	31,215	million yen
Deferred tax assets-net	31,215	million yen

2. Accounting for corporate tax and local corporate tax or tax effect accounting related to these taxes

From the current fiscal year, the Company has applied the group tax sharing system. In addition, the Company accounts for and discloses corporate tax and local corporate tax or tax effect accounting related to these taxes in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No.42 August 12, 2021).

(Notes to Related-Party Transactions)

Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrently				
Subsidiary	SCI, Inc.	Domestic Convenience Store Business	Direct holding 100.0%	SCM	Yes	Repayment of funds Borrowing of funds Borrowing interest	45,400 45,700 0	Short-term loans payable Accrued interest	12,300 0
Subsidiary	Lawson Entertainment, Inc.	Entertainment-Related Business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	32,000 33,000 3	Short-term loans payable Accrued interest	41,000 1
Subsidiary	SEIJO ISHII CO., LTD.	Seijo Ishii Business	Direct holding 100.0%	Purchase of merchandise	Yes	Repayment of funds Borrowing of funds Borrowing interest	2,400 13,700 0	Short-term loans payable Accrued interest	11,300 0
Subsidiary	Lawson Bank, Inc.	Financial Services Business	Direct holding 95.0%	Banking business	Yes	Guarantee obligations Receipt of guarantee fees	15,000 6	– –	– –

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) Shipping costs Receipt of shipping costs	10,033 (760,834) 56,554 62,428	Accounts payable-trade Accounts payable-other Accounts receivable-other	64,460 4,947 5,094
Subsidiary of the parent company	Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Contracted operations	–	Recipient of loans	No	Repayment of funds Borrowing of funds Borrowing interest	43,900 32,000 0	– – –	– – –
Subsidiary of the parent company	KCS Co., Ltd.	Sales of processed foods	–	Vendor	No	Purchases for company-operated stores (purchases for franchised stores)	2,152 (94,583)	Accounts payable-trade	8,218

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.

(Notes to Revenue Recognition)

Basic information to understand revenues

The notes are omitted as the same information is stated in "(Significant Accounting Policies), 4. Basis for recording revenue and expenses" in these Notes to Non-consolidated Financial Statements.

(Notes to Per-Share Data)

1.	Net assets per share	2,657.51 yen
2.	Profit per share	446.87 yen

(Notes to Significant Subsequent Events)

The notes are omitted as the same information is stated in (Notes to Significant Subsequent Events) in the Notes to Consolidated Financial Statements.

The above monetary amounts and the numbers of shares in these Financial Statements and notes thereto are rounded down to the nearest unit and percentages are rounded to the nearest one decimal place.

(TRANSLATION ONLY)

INDEPENDENT AUDITOR'S REPORT

April 12, 2024

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

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

Koji Ishikawa

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

Masumi Nakagawa

Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Lawson, Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group"), namely, the consolidated statement of financial position as of February 29, 2024 , and the related consolidated statements of profit and loss and changes in equity for the fiscal year from March 1, 2023 to February 29, 2024, and the related notes.

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, 2024, and the results of their operations for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Notes to Significant Subsequent Events of the consolidated financial statements, which describes that at a meeting on March 27, 2024, the Board of Directors of the Company reiterated approved a resolution in favor of the tender offer (the "Tender Offer") by KDDI Corporation for the Company Shares, Share options and American Depositary Receipts of the Company, and recommended that the shareholders of the Company tender their shares in the Tender Offer and that the Company recommend that the holders of the American Depositary Receipts surrender their American Depositary Receipts to the depositary bank in advance and accept the Tender Offer after receiving delivery of the Company shares represented by the American Depositary Receipts, and to leave it to the discretion of the holders of the Share options whether or not to accept the Tender Offer.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit &Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during over audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(TRANSLATION ONLY)

INDEPENDENT AUDITOR'S REPORT

April 12, 2024

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

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

Koji Ishikawa

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, 2024 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 49th fiscal year from March 1, 2023 to February 29, 2024, and the related notes and the accompanying supplemental schedules.

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, 2024, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Notes to Significant Subsequent Events of the financial statements, which describes that at a meeting on March 27, 2024, the Board of Directors of the Company reiterated approved a resolution in favor of the tender offer (the "Tender Offer")by KDDI Corporation for the Company Shares, Share options and American Depositary Receipts of the Company, and recommended that the shareholders of the Company tender their shares in the Tender Offer and that the Company recommend that the holders of the American Depositary Receipts surrender their American Depositary Receipts to the depositary bank in advance and accept the Tender Offer after receiving delivery of the Company shares represented by the American Depositary Receipts, and to leave it to the discretion of the holders of the Share options whether or not to accept the Tender Offer.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated 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 nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit &Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during over audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(TRANSLATION ONLY)

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

AUDIT REPORT

With respect to the directors' performance of their duties during the 49th business term from March 1, 2023 to February 29, 2024, 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 with regard to 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 paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the system developed and operated 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) 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 statement of financial position,, consolidated statement of income, consolidated statement of changes in equity,, and notes to consolidated financial statements)" and "financial statements (balance sheet, statement of income, statements of changes in net assets, and notes to financial statements) and supplementary schedules thereof" for this term.

2. Result of Audit

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

(i) We have found that business report and the supplementary schedules thereof fairly present the status of 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 17, 2024

The Audit & Supervisory Board of Lawson, Inc.
Audit & Supervisory Board Member Jun Miyazaki
(full-time)

(TRANSLATION ONLY)

Audit & Supervisory Board Member (full-time)	Shuichi Imagawa
Outside Audit & Supervisory Board Member	Yuko Gomi
Outside Audit & Supervisory Board Member	Keiko Yoshida
Outside Audit & Supervisory Board Member	Yuko Miyata