

May 2, 2022

To All Shareholders with Voting Rights

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

NOTICE OF THE 47th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially notified that the 47th Ordinary General Meeting of Shareholders will be held as follows.

If you do not attend the meeting, please exercise your voting rights using either of the methods described below after reading the attached REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS.

[Voting in Writing (by Mail)]

Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Tuesday, May 24, 2022.

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

Please exercise your voting rights by 5:45 p.m. on Tuesday, May 24, 2022, after reading the attached document “Exercising Voting Rights via the Internet, etc.”

1. Date and Time: 10:00 a.m., Wednesday, May 25, 2022
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 47th Fiscal Term (from March 1, 2021, to February 28, 2022), and the related Audit Reports

Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Partial Amendment to the Articles of Incorporation
- Proposal No. 3: Election of Five (5) Directors

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- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. You do not need to enter your approval or disapproval in the Voting Rights Exercise Form if you will attend.
 - 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.

BUSINESS REPORT

(March 1, 2021 through February 28, 2022)

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 2021 ended February 28, 2022, we continued to take rigorous prevention measures against the infection of the novel coronavirus and responded to new normal demand by exerting concerted Group-wide efforts. Specifically, under the leadership of our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020 to realize “Challenge 2025” formulated for 2025, the 50th anniversary of our establishment, we renovated our stores and revamped our product lineups in Domestic Convenience Store Business in response to changes in the business environment, and the whole Lawson Group endeavored to resolve medium to long-term issues for sustainable growth, acquire new revenue opportunities and foster job satisfaction.

As a result, for fiscal 2021 on a consolidated basis, gross operating revenue increased to 698,371 million yen (up 4.9% from previous fiscal year), operating income increased to 47,096 million yen (up 15.2% from previous fiscal year) and ordinary income increased to 47,571 million yen (up 26.5% from previous fiscal year). Profit attributable to owners of parent increased to 17,900 million yen (up 106.0% from previous fiscal year).

We also focused on improving our group-wide internal control system and addressing operating risks based on the 2021 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control going forward.

In addition, with a view to promoting the Sustainable Development Goals (SDGs) and focusing on environmental, social and governance (ESG) practices in management, we established the Lawson Group Human Rights Policy and Lawson Group Sustainability Policy in June and August 2021, respectively, and revised the Lawson Group Environmental Policy in August.

Operating results by business segment were as follows.

(Domestic Convenience Store Business)

During the fiscal year under review, the number of new COVID-19 cases increased, resulting in a state of emergency or quasi-emergency being declared in many prefectures, while vaccinations by municipalities and workplaces progressed. During the first half of the fiscal year, legal and voluntary restrictions were imposed on a variety of social activities, but in the second half, new infection cases started decreasing in October 2021, leading to the nationwide lifting of the state of emergency or quasi-emergency, an easing of restrictions on social activities, and a recovery trend in the movement of people. However, in January 2022, the movement of people started showing a decreasing trend again due to the rapid spread of the Omicron variant.

Under such circumstances, Lawson has been proceeding with store renovations in line with the business environment surrounding each store, helping them expand their merchandise assortment of frozen foods and other daily necessities to adapt to changes in customers’ lifestyles and better address customer needs. We renovated 2,636 stores in the fourth quarter, completing the refurbishment of 4,305 stores by the end of the fiscal year. Installation of the Machikado Chubo in-store kitchen service at stores also progressed, with 8,359 stores equipped with the service as of the end of February 2022.

In store operation, we are striving to establish LAWSON stores as convenience stores endorsed by all our customers. To this end, we are implementing measures to achieve our three commitments, namely, to pursue compelling taste, to be considerate to people, and to be environmentally friendly. 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 to strictly address environmental concerns such as reducing food loss, plastic usage, and CO₂ emissions, etc. We adopted an AI-based system that prompts stores to make timely discounts by providing reminders as part of our efforts to reduce food loss, conducted a pilot experiment on optimizing store delivery routes by using AI to reduce CO₂ emissions, and started selling food by weight at NATURAL LAWSON stores to reduce plastic.

[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 respond to customer needs and increase sales, we also focused on expanding our merchandise assortment to respond to changes in consumer lifestyles and values. Furthermore, we kept up our initiatives to increase the profitability of franchise

stores, including helping them streamline their store operation and reduce costs associated with food waste and utility expenses.

[Merchandising and Service Strategies]

Sales continued to surge in fresh foods, frozen foods, daily delivered foods, room temperature Japanese/Western desserts, and alcoholic beverages, whose assortments we have been endeavoring to expand with the aim of supporting the daily lives of customers. In the frozen food range, sales strengthened as a result of expanding our merchandise assortment in phases from November 2021 by developing groundbreaking items such as frozen dessert, as well as capturing customer needs for stocking up on ingredients and ready-made dishes. In the rice range, our “Korega BENTO” box lunch series, which was revamped into a long-lasting chilled range in March 2021, continued to record steady sales throughout the fiscal year under review, and our “Kinshari Onigiri Rice Ball” series also enjoyed robust sales along with the modified regular lineup of onigiri rice balls. Our original products consecutively became huge hits, exemplified by “Nama Gateau Chocolat,” our new dessert product, and “Pari Chiki,” our new fast-food counter item, launched in September and October 2021, respectively. Partly owing to customers having fewer opportunities to go out, the Machikado Chubo in-store kitchen service enjoyed especially strong demand for items its products with established popularity including the “Thick-Sliced Sangenton Pork Cutlet Sandwich,” and items offered in collaboration with food service companies that provide delicious dishes from specialty restaurants as well as the “Local Bowl” Series that responds to regional needs.

Regarding food delivery services, we started offering “Demae-can” in February 2022 in addition to the five services we already provide including Uber Eats, which was provided by Lawson for the first time in the convenience store sector. As a result, the combined number of stores listed on food delivery services reached 2,903 in 45 prefectures as of February 28, 2022. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 71 LAWSON stores in 14 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	1,190,886	53.9	103.0
Fast foods	480,260	21.7	103.8
Daily delivered foods	343,668	15.5	100.0
Nonfood products	197,166	8.9	97.2
Total	2,211,981	100.0	102.1

[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 483 stores. Meanwhile, we closed a total of 303. As of the end of February 2022, the total number of domestic stores was 14,656 *1. Based on the joint business agreement concluded with POPLAR Co., Ltd. in September 2020, we converted 122 stores from its brand to the LAWSON POPLAR or LAWSON brand stores from this year. Based on the comprehensive business alliance entered into with H2O Retailing Corporation in May 2021, Lawson converted 97 station stores and convenience stores operated by asnas Co., Ltd., an H2O Retailing Corporation Group company, from “asnas” stores into LAWSON stores.

In an effort to establish convenience store models catered to an aging population and a trend toward self-treatment, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented LAWSON stores that offer over-the-counter pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional LAWSON stores. The number of stores offering non-prescription drugs has reached 280 stores (includes 49 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2022. Moreover, the number of stores offering nursing care consultation services has reached 22 as of the end of February 2022. Furthermore, we have also been expanding our chain of “in-hospital LAWSON stores,” which feature strengthened focus on medical, sanitary, nursing and rehabilitation supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 337 as of the end of February 2022. 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 particularly among female customers for supporting their beauty, health, and comfortable lifestyles, marked their 20th anniversary in July 2021. NATURAL

LAWSON stores 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 offer high quality, safe and reliable 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 the end of February 2022, we operate 136 NATURAL LAWSON stores and 669 LAWSON STORE100 stores.

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

[Change in Total Number of Domestic Stores]

	Total stores as of February 28, 2021	Change during fiscal year	Total stores as of February 28, 2022
LAWSON	13,654	197	13,851
NATURAL LAWSON	143	(7)	136
LAWSON STORE100	679	(10)	669
Total	14,476	180	14,656

As a result, Domestic Convenience Store Business posted gross operating revenue of 424,567 million yen (up 0.5% from previous fiscal year) and segment profit of 28,396 million yen (down 1.2% from previous fiscal year).

(Seijo Ishii Business)

Seijo Ishii provides customers with well-selected, safe, and reliable 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 stores reached 169 as of the end of February 2022. Until the end of the first half of the fiscal year, street-side stores, which captured the demand that would have been fulfilled by supermarkets had it not been for the intermittent declarations of states of emergency. In the second half of the fiscal year, after the state of emergency was lifted in October 2021, sales growth slowed mainly at street-side stores primarily due to a decrease in demand from stay-at-home customers. Product wise, dishes produced in-house at our central kitchen continued to enjoy robust sales driven by a range of measures. 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 108,632 million yen (up 5.4% from previous fiscal year) and segment profit of 11,240 million yen (up 8.8% from previous fiscal year).

(Entertainment-related Business)

In our Entertainment-related Business undertaken by Lawson Entertainment, Inc., a large number of events were postponed, cancelled or restricted in terms of the number of admissions in the first half of the fiscal year as a result of the declaration of states of emergency and quasi-emergency. In the second half, however, as the states of emergency and quasi-emergency were lifted in October 2021, concerts began to be staged, which led to a recovery trend. In January 2022, a state of quasi-emergency was issued in response to the spread of the Omicron variant, adversely affecting our business environment by forcing us to cancel the scheduled sale of Go To Eat coupons and restricting the number of admission tickets for popular live events. Notwithstanding this situation, the ticket transaction value continued to display a recovery trend as a result of our concentrated efforts to secure an expanded lineup of concerts and sporting events. We are also continuing with our efforts to expand ticket transactions for online live performances, a fledgling market, while striving to further expand sales for our steady e-commerce business by putting our live commerce into full swing. In our product sales business, a total of 55 stores are in operation nationwide as of February 28, 2022. Stores are making efforts to

expand earnings through a range of measures including organizing store events and selling goods at concert venues.

In the first half of the fiscal year, United Cinemas Co., Ltd., an operator of cinema complexes, had been affected by the states of emergency and quasi-emergency in applicable regions, such as having to reduce seating capacity and adopt shorter operating hours, but in the second half, almost all theaters resumed their usual operating hours from October 2021, although business hours were shortened at cinemas in some regions after a state of quasi-emergency was declared in January 2022. Furthermore, the company has continued with its efforts to increase the number of visitors, such as by rolling out contents-based initiatives. As of February 28, 2022, 42 cinema complexes nationwide with 387 screens are operating.

As a result, Entertainment-related Business posted gross operating revenue of 62,996 million yen (up 8.8% from previous fiscal year) and segment profit of 2,275 million yen (segment loss was 297 million yen in previous fiscal year).

(Financial Services Business)

With respect to our Financial Services Business, we worked to expand our network of financial institution partners and improve the Lawson Bank ATM service in our foundational ATM business. As of the end of February 2022, the number of ATMs installed nationwide reached 13,547 (up 89 from previous fiscal year), with each ATM used 48.4 times a day on average. The total number of our financial institution partners reached 378 nationwide (up 249 from the previous fiscal year) with the addition of shinkin banks in April 2021. As of the end of February 2022, the “smartphone ATM (QR code deposit/withdrawal)”^{*2} service and “Immediate Account Settlement Service,”^{*3} had five partners and 12 partners (nine financial institutions and three other service operators), respectively. In addition to the conventional needs to withdraw cash, the use of our ATMs has been increasing, driven by the “ATM charge service,” where cash can be charged at an ATM to “au PAY,” “WebMoney Prepaid Card,” or “PayPay” mobile payment apps. Regarding LAWSON Ponta Plus credit cards issued by Lawson Bank, Inc, we are steadily expanding credit card membership by rolling out a range of promotional campaigns and strengthening promotional efforts at stores.

^{*2} 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.

^{*3} 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 33,603 million yen (up 6.4% from previous fiscal year) and segment profit of 2,962 million yen (up 69.0% from previous fiscal year).

(Overseas Business)

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

In the People’s Republic of China, where business is continuing to expand, the number of LAWSON stores exceeded 4,000 in September 2021, reaching 4,560 as of the end of February, up 1,216 from the end of the 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.

Chongqing Lawson, Inc. and Guangdong Lawson, Inc. agreed to acquire 100% of the shares of Sichuan WOWO Supermarket Chain Management Co., Ltd. in December 2021 and Tianhong Weiwo Convenience Store (Shenzhen) Co., Ltd. in January 2022, respectively. As a result, we are seeing an expansion of our store network in China and an increased recognition of Lawson in the country, which has led to rises in the number of franchised store applicants, franchised store openings, and directly operated stores converting to franchise stores. 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.

In other regions of the world, although some stores have suspended their operations in response to the spread of COVID-19, all other stores are carrying out normal operations with rigorous infection prevention measures in place, sustaining the daily lives of our customers as their most accessible store.

[Distribution of Lawson Brand Stores Overseas by Region]

Country/Region	Number of stores (as of February 28, 2021)	Change during fiscal year	Number of stores (as of February 28, 2022)
China Shanghai and surrounding area (Shanghai, Zhejiang, Jiangsu)	1,826	523	2,349
China Chongqing and surrounding area (Chongqing, Sichuan)	341	148	489
China Liaoning (Shenyang, Dalian)	327	134	461
China Beijing and surrounding area (Beijing, Tianjin, Hebei)	215	128	343
China Hubei (Wuhan, etc.)	441	85	526
China Anhui (Hefei, etc.)	106	69	175
China Hunan (Changsha, etc.)	65	52	117
China Hainan (Haikou, etc.)	23	77	100
Thailand	140	26	166
Indonesia	68	(3)	65
Philippines	67	2	69
United States of America Hawaii	2	—	2
Total	3,621	1,241	4,862

As a result, Overseas Business posted gross operating revenue of 80,039 million yen (up 30.5% from previous fiscal year) and segment profit of 2,342 million yen (up 189.4% from previous fiscal year).

(Measures to pursue Sustainable Development Goals (SDGs))

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

Specifically, we identified issues having significant impacts on the environment, society and economy across our business activities including our value chains, identified social issues that should be prioritized, and uphold them as our six material issues (materiality).

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

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

Issues	KPIs for 2030	KPIs for 2050
Reducing CO ₂ emissions	CO ₂ emissions per store Reduce by 50% over 2013 (Target revised upward in June 2021)	Reduce by 100%
Reducing food waste	Reduce by 50% over 2018	Reduce by 100%
Reducing plastic use (for containers and packaging)	Reduce by 30% over 2017 (50% of materials used for Lawson's original product containers and packaging are eco-friendly)	(100% of materials used for Lawson's original product containers and packaging are eco-friendly)
Reducing plastic use (Plastic shopping bags)	Plastic shopping bags Reduce by 100%	—

To reduce CO₂ emissions, we will start using solar-derived renewable energy in the fiscal year ending February 2023 at approximately 3,600 stores in the Kanto Koshinetsu region and Gifu, Shizuoka, Aichi and Mie prefectures in collaboration with Mitsubishi Corporation. This will lead to an annual CO₂ emissions reduction of about 19,000 tons. Moreover, Lawson, Inc. endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. To combat worsening climate change issues, we analyze climate-related risks and opportunities and have been disclosing the results on our official website since December 2020. We will identify impact on our business strategies, examine measures to take, and endeavor to proactively disclose information.

To reduce food waste, we strive to optimize the number of purchases and offer discounts at stores to sell out all stock by utilizing AI, and reduce unsold leftovers by selling special feature items on a reservation basis. In addition, we also seek to develop more bento box lunches and ready-made dishes with longer shelf lives and expand our frozen foods lineup, while reducing waste by introducing the Machikado Chubo in-store kitchen service at more stores.

To reduce plastic use, we have replaced the plastic cups used for iced coffee and café latte offered at “MACHI café” with paper cups. We started using paper containers for our bento box lunches and cooked noodles, and have adopted thinner plastics and environmentally friendly materials. At about 10 NATURAL LAWSON and LAWSON stores, we sell detergents and dried fruit and nuts by weight, and are looking to expand this sales format. In July 2021, we embarked on a pilot experiment at a store in Yokohama City with the aim of promoting the recycling of used plastic bottles in partnerships with Kirin Holdings Company, Limited and Kirin Beverage Company, Limited by using their infrastructure. Furthermore, timed with the enforcement of the Plastic Resource Circulation Act in April 2022, we will start introducing in phases from April 1 shorter plastic spoons and forks with an opening in the handle, which is expected to reduce plastic by approximately 67 tons.

Additionally, we implemented the following initiatives during the fiscal year under review in relation to SDGs.

In the area of education for children, we continued with our scholarship program for children from single-parent families, selecting 400 students to receive scholarships in fiscal 2021. Furthermore, in the second half of the fiscal year, we offered special in-hospital classes for children at university hospitals in three prefectures.

Since August 2019, Lawson has periodically donated original dessert products and processed foods that missed their store delivery deadlines (but were still well within their best-before dates) to the Japan Food Bank Promotion Group and Kodomo Takushoku Oendan, a charity organization that delivers food to children. The donated products are delivered to various bodies across Japan, which then provide them to families who need food aid, children's cafeterias, orphanages, facilities for people with disabilities, etc. In fiscal 2021, we donated a total of some 270,000 items (about 30 tons) of food products, including Lawson's original items and national-label products developed exclusively for Lawson.

While working to take protective measures against the spread of COVID-19 at our stores, we have also conducted various initiatives to support people who are forced to persevere amid difficult situations in their

day-to-day lives. In our efforts to support medical professionals and care managers, we offered a complimentary s-size MACHI café coffee to each registered member of a website dedicated to medical professionals and a website dedicated to care managers in May/June and August 2021, respectively. In December 2021, we presented a gift of some 900 Christmas cakes to students and other people in need of support amid the pandemic, as well as 282 sets of New Year's osechi meals to 846 medical professionals and children requiring support. Furthermore, December 31 and January 1, 2022, we sold "Hot Milk" at 65 yen including tax, half the regular price, to raise demand for milk, which had been suffering a delayed recovery in demand owing to the pandemic and reduced consumption due to schools closing for the winter holiday when no lunches are served. The initiative was extremely popular. We intend to continue providing support to people who are negatively affected by the spread of COVID-19.

(2) Capital Expenditures

Capital expenditures of the Group during the fiscal year under review totaled 44,991 million yen, of which 33,263 million yen was primarily for store facility investment in buildings, and 8,082 million yen was for the upgrading of information systems.

(3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2018 44 th Term	Fiscal 2019 45 th Term	Fiscal 2020 46 th Term	Fiscal 2021 47 th Term
Gross operating revenue (millions of yen)	700,647	730,236	666,001	698,371
Ordinary income (millions of yen)	57,700	56,346	37,610	47,571
Profit attributable to owners of parent (millions of yen)	25,585	20,108	8,689	17,900
Profit per share (yen)	255.71	200.95	86.84	178.87
Total assets (millions of yen)	1,342,329	1,357,732	1,365,430	1,337,245
Net assets (millions of yen)	281,982	275,347	272,931	278,473
Net assets per share (yen)	2,763.54	2,707.08	2,674.53	2,726.97

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

② Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2018 44 th Term	Fiscal 2019 45 th Term	Fiscal 2020 46 th Term	Fiscal 2021 47 th Term
Net sales of all convenience stores (millions of yen)	2,236,125	2,296,156	2,165,818	2,211,981
Gross operating revenue (millions of yen)	385,678	390,811	354,825	355,102
Ordinary income (millions of yen)	51,443	45,962	33,700	34,278
Profit (millions of yen)	31,002	15,486	15,894	13,470
Profit per share (yen)	309.85	154.76	158.84	134.61
Total assets (millions of yen)	838,260	858,770	839,426	793,925
Net assets (millions of yen)	240,280	233,705	234,977	233,294
Net assets per share (yen)	2,399.24	2,333.04	2,344.86	2,327.59

(4) Priority Issues of the Group**① Response to social issues**

The Company promotes ESG-focused management, and the SDGs Committee is 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 plastics in order to help bring about a sustainable society.

② Continue to ensure stable management of franchised stores

The Company recognizes that maintaining the stable management of franchised stores 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 simplify store operation, increase efficiency, 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 as well as measures to enable new franchised store owners to start their business with peace of mind while addressing shortages of FC store owners stemming from the declining birthrate, thereby building stronger partnerships with franchised stores.

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

By setting out and thoroughly implementing the Three Lawson Promises of “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness,” 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, we will shift to a system in which we formulate and implement sales, product, and store development strategies in each area.

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, a “Nomination and Compensation Advisory Committee” comprising only non-executive directors and non-fulltime outside Audit and Supervisory Board members, the majority of which are independent executives, has been voluntarily established to deliberate on executive compensation and candidates for representative director/director positions and to advise the Board of Directors, constituting a system able to ensure the highest levels of management transparency and fairness.

We conduct business activities under our corporate philosophy, “Creating Happiness and Harmony in Our Communities”. We continue to make companywide efforts to “master the basics”, “respond to changes” and “meet the challenge of further growth.”

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

2. Current Status at the End of February 2022**(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 118 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 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	675	Ibaraki	217	Kyoto	329	Ehime	212
Aomori	279	Tokyo	1,683	Shiga	154	Tokushima	135
Akita	182	Kanagawa	1,077	Nara	138	Kochi	138
Iwate	178	Shizuoka	275	Wakayama	153	Fukuoka	529
Miyagi	255	Yamanashi	137	Osaka	1,175	Saga	75
Yamagata	112	Nagano	174	Hyogo	698	Nagasaki	125
Fukushima	170	Aichi	717	Okayama	235	Oita	197
Niigata	226	Gifu	181	Hiroshima	297	Kumamoto	161
Tochigi	197	Mie	136	Yamaguchi	127	Miyazaki	109
Gunma	244	Ishikawa	103	Tottori	136	Kagoshima	202
Saitama	692	Toyama	181	Shimane	141	Okinawa	260
Chiba	600	Fukui	107	Kagawa	132	Total (domestic)	14,656

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

(Seijo Ishii Business)

SEIJO ISHII CO., LTD.

Major Business: Operates a chain of small supermarkets that seeks to develop and manufacture high-value-added products.
Head Office: Setagaya-ku, Tokyo

(Entertainment-related Business)

① Lawson Entertainment, Inc.

Major Business: Sells tickets for various events and music/video software inside LAWSON stores and others.
Head Office: Shinagawa-ku, Tokyo

② United Cinemas Co., Ltd.

Major Business: Manages multiplex movie theaters
Head Office: Shinagawa-ku, Tokyo

(Financial Services Business)

Lawson Bank, Inc.

Major Business: Operates a banking business
Head Office: Shinagawa-ku, Tokyo

(Overseas Business)

① Lawson (China) Holdings, Inc.

Major Business: Controls companies that operate overseas business in China.
Head Office: Shanghai, China

② Shanghai Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Shanghai, China

③ Shanghai Le Song Trading Co., Ltd.

Major Business: Operates Company-operated convenience stores.
Head Office: Shanghai, China

④ Shang Hai Gong Hui Trading Co., Ltd.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Shanghai, China

⑤ Zhejiang Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Hangzhou, China

⑥ Chongqing Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Chongqing, China

⑦ Dalian Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Dalian, China

⑧ Beijing Lawson, Inc.

Major Business: Operates Company-operated convenience stores and franchise stores.
Head Office: Beijing, China

⑨ BEIJING LUOSONG Co., Ltd.

Major Business: Operates Company-operated convenience stores.
Head Office: Beijing, China

⑩ Saha Lawson Co., Ltd.

Major Business: Operates stores under the store brand of LAWSON 108 and 108SHOP.
Head Office: Bangkok, Thailand

(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	5,218	(156)
Seijo Ishii Business	1,294	77
Entertainment-related Business	1,152	(26)
Financial Services Business	169	4
Overseas Business	2,393	84
Other Business	136	(6)
Total	10,362	(23)

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
4,617	(135)	41.3	14.3

Note: Number of employees is full-time employees.

(3) Major Lenders

Lenders	Amount Borrowed (millions of yen)
Syndicated loan	130,000
Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	52,062
Mizuho Bank, Ltd	19,000
Sumitomo Mitsui Banking Corporation	15,000

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

① Parent Company

Parent Company	Capital Stock (millions of yen)	Shareholding (%)	Major Business
Mitsubishi Corporation	204,446	50.2	Natural Gas, Industrial Materials, Petroleum & Chemicals Solution, Mineral Resources, Industrial Infrastructure, Automotive & Mobility, Food Industry, Consumer Industry, Power Solution, Urban Development, etc.

- Relationship with parent company
Mitsubishi Corporation, our parent company, holds 50,150,000 of our shares (50.2% of voting rights). Mitsubishi Corporation provides guarantees for loans payable and engages in other transactions with the Lawson Group.
- Information on transactions with the parent company:
 - a. Ensuring that engaging in these transactions is not harmful to our interests
We have entered into guarantee entrustment agreements with our parent company, and we have paid our parent company guarantee fees for some of our loans payable based on these agreements. In conducting these transactions, we have established transaction conditions that compare with prevailing market prices, as we do for general transactions.
 - b. Board of Directors' assessment on whether these transactions are harmful to our interests, and grounds for that assessment
Given the perspective in a. above, we solicit appropriate feedback on our management at Board of Directors' meetings attended by outside directors and outside Audit and Supervisory Board members, with decisions made after multi-faceted discussions, and we have determined that such transactions are not harmful to our interests.
 - c. Views of outside directors if they differ from the Board of Directors' assessment

Not applicable.

- 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; and
 - (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.

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
SCI, Inc.	10	million yen	100.0 %	Domestic Convenience Store Business
SEIJO ISHII CO., LTD.	100	million yen	100.0 %	Seijo Ishii Business
Lawson Entertainment, Inc.	100	million yen	100.0 %	Entertainment-related Business
Lawson HMV Entertainment United Cinema Holdings, Inc.	100	million yen	100.0 %	Entertainment-related Business
United Entertainment Holdings Co., Ltd.	100	million yen	100.0 %	Entertainment-related Business
United Cinemas Co., Ltd.	100	million yen	100.0 %	Entertainment-related Business
Lawson Bank, Inc.	11,600	million yen	95.0%	Financial Services Business
Lawson (China) Holdings, Inc.	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.	10	million Chinese yuan	100.0 %	Overseas Business
Chongqing Lawson, Inc.	240	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
Saha Lawson Co., Ltd.	1,367	million baht	49.2 %	Overseas Business
BestPractice, Inc.	10	million yen	100.0 %	Consulting Business

Notes:

- Shareholding includes indirectly held shares.

③ Significant Equity-method Associates

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

II. CURRENT STATUS OF THE COMPANY**1. Shares at the End of the Year****(1) Total Number of Shares Authorized to Be Issued:** 409,300,000 shares**(2) Total Number of Shares Issued and Outstanding:** 100,300,000 shares

(Including 228,807 shares of treasury shares)

(3) Number of Unit (*tangen*) Shares: 100 shares**(4) Number of Shareholders:** 31,941**(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)	7,176	7.2
Custody Bank of Japan, Ltd. (Trust account)	2,174	2.2
KDDI CORPORATION	2,110	2.1
NTT DOCOMO, INC.	2,092	2.1
Japan Securities Finance Co., Ltd.	1,522	1.5
STATE STREET BANK WEST CLIENT — TREATY 505234	1,456	1.5
Employee stockholding association	877	0.9
BNYM TREATY DTT 15	869	0.9
SMBC Nikko Securities Inc.	797	0.8

Notes:

1. The number of shares held in the above table is based on the register of shareholders.
2. The equity position in the above table is calculated after deducting treasury shares.

2. Status of Stock Acquisition Rights**(1) Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2022**

	14 th Stock Acquisition Rights	16 th Stock Acquisition Rights	17 th Stock Acquisition Rights	19 th Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	1 person (27 unit)	1 person (38 units)	1 person (62 units)	3 persons (91 units)
Outside Directors	0 person (0 units)	0 person (0 units)	1 person (5 units)	1 person (5 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. 6,700	Common stock of Lawson, Inc. 9,600
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen	1 yen	1 yen	1 yen
Exercise period	April 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

	20 th Stock Acquisition Rights	21 st Stock Acquisition Rights	22 nd Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)			
Directors (excluding Outside Directors)	3 persons (106 units)	3 persons (141 units)	3 persons (175 units)
Outside Directors	2 persons (10 units)	2 persons (10 units)	3 persons (15 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 11,600	Common stock of Lawson, Inc. 15,100	Common stock of Lawson, Inc. 19,000
Amount of property contributed upon the exercise of the share subscription rights (per share)	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
Main exercise conditions	Note 1	Note 1	Note 1

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

	22 nd Stock Acquisition Rights
Number of SVPs and the number of stock acquisition rights	
Senior Vice Presidents	11 persons (51 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 5,100
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	June 11, 2021 through May 24, 2041
Main exercise conditions	Note 1

Notes:

1. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of 10 days from the day after losing his or her position as either director and/or executive officer of the Company.
2. "Senior Vice Presidents" exclude those who concurrently serve as a member of the board.

The total number of shares subject to stock acquisition rights that remain unexercised as of February 28, 2022, is 86,000 shares, accounting for 0.09% of the total number of shares issued and outstanding.

3. Members of the Board and Corporate Auditors**(1) Positions, Names and Assignments (As of February 28, 2022)**

Name	Position, Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (6) Outside Directors and Outside Corporate Auditors	
Sadanobu Takemasu	President Representative Director, Chairman of the Board	CSO
Katsuyuki Imada	Senior Executive Managing Officer, Member of the Board	Senior Executive Managing Officer, - Corporate Strategy, - Human Resources, Head Director, New Business Division, Executive Assistant to Deputy CSO (CSR Promotion)
Satoshi Nakaniwa	Executive Vice President, Member of the Board	CFO
Keiko Hayashi	Member of the Board	Executive Vice President, Group CEO, Consumer Industry Group (Concurrently) Division COO, Retail Div. Mitsubishi Corporation
Miki Iwamura	Member of the Board	
Satoko Suzuki	Member of the Board	
Kiyotaka Kikuchi	Member of the Board	
Shuichi Imagawa	Audit and Supervisory Board Member (full-time)	
Jun Miyazaki	Audit and Supervisory Board Member (full-time)	
Eiko Tsujiyama	Audit and Supervisory Board Member	
Yuko Gomi	Audit and Supervisory Board Member	
Keiko Yoshida	Audit and Supervisory Board Member	

Notes:

- Three members of the Board (Keiko Hayashi, Miki Iwamura and Satoko Suzuki) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
- Three auditors (Eiko Tsujiyama, Audit and Supervisory Board Member, Yuko Gomi, Audit and Supervisory Board Member and Keiko Yoshida, Audit and Supervisory Board Member) are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Eiko Tsujiyama, Audit and Supervisory Board Member, has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting. Yuko Gomi, Audit and Supervisory Board Member, has a wealth of work experience of law and risk management mainly in relation to the legal affairs of companies, based on her viewpoint of law as a lawyer and her broad knowledge. Keiko Yoshida, Audit and 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.
- The following personnel changes were approved at the board of corporate auditors’ meeting and the 46th general meeting of shareholders held on May 25, 2021.

Appointment	Member of the Board Audit and Supervisory Board (full-time)	Kiyotaka Kikuchi Jun Miyazaki
Resignation	Member of the Board Member of the Board Audit and Supervisory Board (full-time)	Yutaka Kyoya Kazunori Nishio Masakatsu Gonai

[Reference] Members of the Boards and Senior Vice Presidents**(Excluding Non-Executive Directors) (As of March 1, 2022)**

Name	Position and Major Title	
Sadanobu Takemasu	President, Representative Director, Chairman of the Board	CSO
Satoshi Nakaniwa	Executive Vice President, Member of the Board	CFO
Masakatsu Gonai	Senior Executive Managing Officer	Chief Risk Officer, Division Director of Franchisee Business Support Division
Yuichi Wada	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
Akihito Watanabe	Executive Vice President	Lawson Entertainment, Inc., United Cinemas Co., Ltd. President and Representative Director
Tatsushi Sato	Executive Vice President	Division Director of IT Systems Solution Division
Hiroyuki Karasawa	Executive Vice President	Division Director of Corporate Strategy and Planning Division
Tatsuya Murase	Executive Vice President	Division Director of Store Sales Division
Suguru Kawabata	Executive Vice President	Division Director of Corporate Sales and Store Development Division
Kazuhiro Wakui	Executive Vice President	Merchandising Division Deputy Director
Yasuhiko Hirokane	Senior Vice President	Company President of Hokkaido Company
Toshihiko Chihiro	Senior Vice President	SEIJO ISHII CO., LTD. Member of the Board, Senior Executive Vice President (Temporary Transfer)
Satoshi Kumagai	Senior Vice President	Company President of Financial Services Company
Miwako Tate	Senior Vice President	Communication Division Director
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
Katsuaki Sakai	Senior Vice President	Company President of Incubation Company, General Manager of Open Innovation Center
Gyo Katsuta	Senior Vice President	Division Director of Marketing Strategy Division
Noboru Kakiuchi	Senior Vice President	Corporate Sales and Store Development Division Deputy Director
Hiroyuki Oki	Senior Vice President	Store Sales Division Deputy Director
Hiroko Otani	Senior Vice President	General Manager of CS Promotion Office

(2) Outline of Liability Limitation Agreements

The Company has entered into agreements with its directors (excluding persons who are executive directors, etc.) and corporate auditors to limit their liability with regard to the damages outlined under Article 423, Paragraph 1 of the Companies Act, whereby their liability shall be, at a maximum, the total sum of the amounts set forth in the respective relevant items of Article 425, Paragraph 1 of the Companies Act. The aforementioned liability limitation is valid only in cases where the said director or corporate auditor has performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.

(3) 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, Katsuyuki Imada, Satoshi Nakaniwa, Keiko Hayashi, Miki Iwamura, Satoko Suzuki, and Kiyotaka Kikuchi) and corporate auditors (Shuichi Imagawa, Jun Miyazaki, Eiko Tsujiyama, Yuko Gomi, and Keiko Yoshida), 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, corporate auditors, 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 Corporate Auditors**Remuneration paid to officers**

Category	Total Compensation Paid (millions of yen)	Total Compensation Paid by Type (millions of yen)			Number of Corresponding Directors and Corporate Auditors
		Fixed compensation	Variable compensation	Stock Options	
Directors (Including Outside Directors)	258	135	53	69	9
Outside Directors	35	30	—	5	3
Corporate Auditors (Including Outside Corporate Auditors)	84	84	—	—	6
Outside Corporate Auditors	36	36	—	—	3
Total	342	219	53	69	15

(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, Representative Director, 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)
(6 independent directors out of 7 members)

Director	Kiyotaka Kikuchi	Outside Director	Keiko Hayashi (Vice Committee Chairperson)
Outside Director	Miki Iwamura	Outside Director	Satoko Suzuki
Outside Corporate Auditor	Eiko Tsujiyama (Committee Chairperson)	Outside Corporate Auditor	Yuko Gomi
Outside Corporate Auditor	Keiko Yoshida		

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 paid in accordance with the degree to which targets for EPS (earnings per share) and SDGs targets (CO₂ reduction rate, etc.). As a result of the review of some KPIs in the 47th term, KPIs will be determined based on the percentage of budget achievement for "EPS" and "SDGs targets (CO₂ reduction rate, 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 CO₂ 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 4 non-executive directors, Keiko Hayashi, 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 2021 through February 2022)]

KPI	Ratio	March 2020 through February 2021		Reasons for selecting indicators
		Targets	Results	
EPS	20%	49.96 yen	86.84 yen	To link compensation with the Company's financial performance and thereby create a shared interest with shareholders
Year-on-year increase in total price mark-up (gross profit) at existing stores	10%	100.9%	91.6%	To increase franchise store profits

Note: The variable compensation for the current fiscal year is calculated based on the financial results for the previous fiscal year ended February 2021.

[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 2021 through February 2022)]

KPI	March 2020 through February 2021	
	Targets	Results
EPS	49.96 yen	86.84 yen

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 2021.

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 Corporate Auditors

① Basic policy on decisions concerning the amount of remuneration paid to corporate auditors

Regarding the amount of remuneration paid to corporate auditors, it is the Company's basic policy to reward each corporate auditor with a sufficient and adequate amount of compensation for the execution of their duties.

② Decision-making process for the amount of remuneration paid to corporate auditors

The amount of remuneration paid to corporate auditors is determined based on discussions among corporate auditors and is within the remuneration amount limit resolved at the general meeting of shareholders.

③ Details of remuneration paid to corporate auditors

The Company's corporate auditors receive basic compensation (fixed compensation) in cash.

The amount of basic compensation is decided based on discussions among corporate auditors, taking into consideration whether or not they are working on a full-time basis, and segregation of auditing duties. Regarding retirement benefits, the system itself was abolished.

④ Limit of the amount of remuneration paid to corporate auditors

The limit of the amount of remuneration paid to the Company's corporate auditors is determined at the general meeting of shareholders in accordance with laws and regulations.

Amount of remuneration paid to corporate auditors

Resolutions at the general meeting of shareholders as of May 27, 2020: 100 million yen or less per year

Number of corporate auditors: 5

(8) Outside Directors and Outside Corporate Auditors

① Relationship between Major Positions Concurrently Held and the Company

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Director (Independent)	Keiko Hayashi	DoCLASSE the Store, Co., Ltd. DoCLASSE Co., Ltd. IMA Holdings fitfit Co., Ltd. IMA People Co., Ltd.	President and CEO President and CEO President and CEO President and CEO President and CEO	—
Outside Director (Independent)	Miki Iwamura	Google Japan LLC 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	Associate Professor	—
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Waseda University NTT DOCOMO, INC.	Emeritus Professor Outside director (Audit and Supervisory Committee)	NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside director (Audit and Supervisory Committee), is a large shareholder of the Company, and has a business relationship with the Company in the telecommunications field under an extensive business alliance agreement.
Outside Corporate Auditor (Independent)	Yuko Gomi	T.Kunihiro & Co. Attorneys-at-Law NIPPON GAS CO., LTD. ALPS ALPINE CO., LTD.	Partner Outside corporate auditor Outside director Audit and supervisory committee member	—
Outside Corporate Auditor (Independent)	Keiko Yoshida	Shiba Kaikei Jimusho ----- Passlogy Co., Ltd.	Representative ----- Outside director	—

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)	Keiko Hayashi	Ms. Hayashi attended all 15 board of directors' meetings held throughout the year during her term in office and, as a management executive, appropriately questioned and/or remarked based on her abundant knowledge. Ms. Hayashi is also a vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Miki Iwamura	Ms. Iwamura attended all 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 member 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 Corporate Auditor (Independent)	Eiko Tsujiyama	Ms. Tsujiyama attended all 15 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on her deep knowledge of accounting as an emeritus professor in this field. Ms. Tsujiyama is also a chairperson of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Yuko Gomi	Ms. Gomi attended all 15 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and, as a lawyer, appropriately questioned and/or remarked based on her viewpoint of law as a lawyer and her broad knowledge. Ms. Gomi is also a member of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Keiko Yoshida	Ms. Yoshida attended all 15 board of directors' meetings and all 16 board of corporate auditors' meetings held throughout the year during her term in office 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.

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	197 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	317 million yen

Notes:

1. The audit agreement entered into by the independent auditor and the Company does not clearly distinguish the amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1) above indicates the total for the two audits.
2. As a result of confirmation and consideration of the content of the audit plan, former audits and actual remuneration paid in the past, and the basis for calculating remuneration estimates, etc. as well as the progress of discussions with accounting auditors, etc. in light of the Practical Guidance on Collaboration with Accounting Auditors issued by the Japan Audit and Supervisory Board Members Association, the Board of Corporate Auditors gave its consent with regard to the remuneration of accounting auditors pursuant to Article 399, Paragraph 1 of the Companies Act.
3. Ten of the important subsidiaries of Lawson overseas are subject to audit by an independent auditor other than Lawson's independent auditor.

(3) Details of Services Other Than Audit

The Company pays fees to Deloitte Touche Tohmatsu LLC for the "provision of information and advice concerning the application of the new accounting standards," which is a service other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(4) Policy on Decisions Concerning Dismissal or Nonreappointment of the Independent Auditor

If the independent auditor violates or infringes the Companies Act, the Certified Public Accountant Act, or other laws or regulations, or the Company considers it necessary to do so, the board of directors shall, after obtaining the agreement of the Board of Corporate Auditors, submit a proposal for dismissal or nonreappointment of the independent auditor to a general meeting of shareholders. In addition, the board of corporate auditors can dismiss the independent auditor with a unanimous resolution if it determines that any act or circumstance of the independent auditor falls under any items of Article 340, Paragraph 1, of the Companies Act.

III. SYSTEMS AND POLICIES OF THE COMPANY**1. Determination of Resolution of Systems to Ensure the Propriety of Business Operations**

Based on improvements and the operation of the preceding “2020 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on February 17, 2021, the Company passed a resolution called the “2021 Basic Policy for Improvement of Internal Control Systems,” as indicated below.

(1) Systems to Ensure Compliance of the Execution of Duties by Directors and Employees with Laws and Regulations and the Articles of Incorporation

- ① The board of directors shall determine the improvement policies and plans for internal control systems, including those for compliance with laws, regulations and the like (“Compliance”), and receive status reports thereof periodically.
- ② The board of directors shall maintain and improve the supervising function regarding the execution of duties by the directors by electing outside Directors on an ongoing basis.
- ③ The corporate auditors shall independently audit the execution of duties by the directors, including the status concerning the improvement of the internal control systems.
- ④ The board of directors shall maintain and raise the awareness of officers and employees regarding compliance by thoroughly disseminating the Group Code of Conduct and the Lawson Ethical Mission Statement by such measures as, including, but not limited to, appointing a Chief Compliance Officer, establishing a department to oversee compliance, assigning personnel in charge of compliance at each department, streamlining the rules in relation to compliance, and providing periodic training on ethics and awareness surveys on compliance.
- ⑤ The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company’s businesses and communicating the content thereof to the relevant departments and sections. Especially for compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Subcontract Act, Act Against Unjustifiable Premiums and Misleading Representations and other consumer-related laws, 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 normal reporting routes for reporting any violations of laws, regulations or internal rules, and by establishing consulting and reporting point (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 fully protect informants, the Company shall strive for early detection of violation or possible violation of laws, regulations, etc. across the entire Lawson chain. If a violation of laws, regulations or internal rules is discovered, the Company shall act promptly to rectify the situation and prevent recurrences.
- ⑧ The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on, and deal with, improper demands by consulting with lawyers the police and the like.
- 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 and maintain rules regarding the protection of personal information and the management of trade secrets, and appropriately and safely store and manage personal information and important trade secrets.
- ⑤ The Company shall establish and maintain an information security system for the Group by putting in place a Chief Information Security Officer and a division that oversees information security with the aim of promoting information security in a consolidated and unified manner in view of both risk management and system technology security.
- ⑥ The Company shall establish and maintain rules regarding the disclosure of important Company information, and upgrade the system for disclosing information that must be disclosed according to the requirements of laws, regulations and stock exchanges, in an appropriate, timely and fair manner

(3) Rules and Other Systems Regarding Risk Management

- ① The Company shall establish a department to oversee risk management, improve rules related to risk management, and improve group-wide risk prevention systems during normal operations. Moreover, the Company shall respond according to the characteristics of risks by identifying risks that might have adverse effects on the Company's management in connection with its business purposes in each department, analyzing the probability of such risk factors materializing and their impact, and evaluating whether intensive countermeasures should be taken.
- ② To ensure the effectiveness of risk management, the Company shall establish a specialist committee ("Compliance & Risk Management Committee") and clarify the authority and responsibility of the committee and its chairperson. Furthermore, the Company shall endeavor to increase awareness about risk management by assigning risk management staff to departments and associated companies and conducting risk management training.
- ③ The Company shall develop contingency systems and formulate policy for contingency response bodies in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events, which might have adverse effects on management of the Company, in order to provide a quick response to any actual occurrence thereof and to take effective measures to prevent a reoccurrence.
- ④ The Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management (BCM) system to minimize the business interruption and maintain the lifeline function of convenience stores in the event of the occurrence of situations or events inflicting substantial damage on the Company such as a large-scale natural disaster or an epidemic of an infectious disease including new-type influenza. In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to secure effectiveness of the "Disaster Countermeasure Manuals" and the "BCP" system.

(4) Systems to Ensure the Efficient Execution of Duties by Directors

- ① The Company shall clarify the functional authority and responsibility of corporate officers and employees for decision making and execution of business affairs. The Company shall also improve rules for the division of duties to ensure and encourage more appropriate division of duties and collaboration among organizational bodies.
- ② The Company shall work to raise operational efficiency by simplifying business processes, streamlining the organization and making appropriate use of IT.
- ③ 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 so that management guidelines and policies are disseminated to employees by corporate officers and important field information is properly communicated by employees to corporate officers in a timely manner.
- ⑤ The Company shall seek to improve labor productivity by promoting work style reform.

(5) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company, Its Parent Company, and Its Subsidiaries

- ① System for reporting to the Company on matters pertaining to the execution of duties by the subsidiary's directors, etc., and system for ensuring that the subsidiary's directors, etc., carry out their duties efficiently
 - The Company shall develop regulations to specify the management of subsidiaries and affiliated companies ("Associated Companies") and endeavor to maintain and enhance the Lawson brand through close collaboration with Associated Companies. However, with regard to affiliated companies, the Company will work to appropriately establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders differences in laws, regulations and business customs and the like of foreign countries.
 - While establishing a department that supervises the management system of Associated Companies and respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall strengthen measures aimed at optimizing the management system of Associated Companies by providing consultation and advice as required and establishing a reporting system from Associated Companies.
- ② Regulations and other systems for risk management by the subsidiary, and system for ensuring that the subsidiary's directors, etc., and employees execute their duties in conformity with laws, ordinances, and the articles of incorporation
 - While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall strive to ensure that the Group Code of Conduct is widely disseminated among Associated Companies.
 - By establishing an organization in charge of Associated Companies (responsible department, department in charge) as well as a specialized department to support Associated Companies from a specialist perspective, the Company shall strive to ensure the appropriateness of the operations of Associated Companies.
 - The Company shall appoint designated persons at major Associated Companies to be responsible for promoting compliance and risk management and promote communications between the Company and major subsidiaries with a view to ensuring appropriate business operations across the entire Group.
 - The Company shall develop a system in which immediate reporting is made by compliance managers of associated companies in the event that they have identified any facts that may cause material damage to their companies.
 - The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies and promote improvements based on the results of audits.
- ③ The Company shall develop a system in which the parent company is immediately notified in the event any facts that may cause material damage to the Company and its associated companies have been identified.

(6) Necessary Systems to Ensure Proper Financial Reporting by the Company and Its Group of Companies

- ① The Company shall enhance systems for preparing financial statements according to laws, regulations, and accounting standards and disclosing the same after they have been discussed, examined, and confirmed in accordance with regulations governing information disclosure in order to report financial information in a proper and timely manner.
- ② The Company shall establish a dedicated internal organization in order to properly implement the internal control reporting system required by the Financial Instruments and Exchange Act as an internal control for financial reporting. Furthermore, the Company shall establish a system for self-evaluation and third-party evaluation and improvement through the identification and recording of business processes at important business bases and the status of Company-wide internal controls. The results of these evaluations of, and improvements at, the Company and important subsidiaries shall be regularly reported to the board of directors.

(7) Matters Concerning Employees Where a Corporate Auditor Requests Employees to Assist with Duties

- ① The Company shall assign appropriate personnel to the auditors' office ("Corporate Auditors' Staff") as employees exclusively to assist corporate auditors in the execution of their duties.
- ② Corporate Auditors' Staff may serve concurrently as corporate auditors of Associated Companies.
- ③ Corporate Auditors' Staff shall have the authority to conduct investigations necessary for audits by corporate auditors following the instructions of corporate auditors.

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

Performance reviews of Corporate Auditors' Staff shall be conducted by the standing corporate auditors to ensure that Corporate Auditors' Staff carry out their duties appropriately. Personnel changes require the prior consent of the standing corporate auditors.

(9) Systems for Directors and Employees to Report to Corporate Auditors and Other Reporting Systems to the Corporate Auditors

- ① Directors and employees of the Company shall report important corporate management and business administration matters, as well as the status and results of the execution of their duties, to corporate auditors so that the corporate auditors can carry out their duties effectively. Such important matters include compliance- and risk-related issues and other matters relating to internal control.
- ② If directors become aware of any fact or event that will likely cause the Company to suffer significant damage or loss, they shall immediately inform the board of corporate auditors.
- ③ Reports to corporate auditors shall basically be made in good faith without fail, and shall be made promptly, if required, in addition to periodic reports.
- ④ The Company shall develop a system in which the contents of consultations sought or reports made to the Independent Whistleblower Hotline across the Group are reported to corporate auditors on a timely basis.
- ⑤ No person shall be subject to disadvantageous treatment by reason of having made a report to Corporate Auditors.

(10) Other Systems to Ensure Effective Audits by Corporate Auditors

- ① The representative directors and corporate auditors shall have regular meetings to enhance smooth communications with each other.
- ② Directors shall cooperate with the corporate auditors with regards to communications, the collection and exchange of information and so on between the corporate auditors and the corporate directors and the like of Associated Companies so that the corporate auditors can perform their duties appropriately.
- ③ Directors shall also cooperate in conducting surveys of significant business partners, which the corporate auditors deem necessary.
- ④ Directors shall enable the corporate auditors to collaborate with outside experts such as lawyers and certified public accountants, if any corporate auditor deems it necessary in executing his/her duties.
- ⑤ The Legal Affairs, Risk Management, Internal Audit, and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any corporate auditor.
- ⑥ Expenses etc. incurred by Corporate Auditors 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 streamlined the Lawson Ethical Mission Statement. Along with that, The Company has established The Group Code of Conduct as its code of conduct, published them in the "Lawson Group C&R Handbook," and distributed

the handbook to all employees in an effort to thoroughly disseminate its content with the aim of ensuring the propriety of business operations across the Group.

- ③ In order to promote compliance and establish and promote the risk management system, the CR Executive Officer is appointed as an executive officer, and the position of Compliance & Risk Management Officer (CRO) is established for each head office and region. CROs monitor the progress of such measures and formulate, disseminate and implement compliance measures and risk management measures of their own departments as leaders promoting such measures, in an effort to create a corporate culture that emphasizes compliance with social norms and prevents the occurrence of risk events.
- ④ On the educational/training front, the Company aims to further improve ethical awareness and the ability to withstand crises by conducting compliance and risk management training for all employees every year. In addition, the Company has established an educational system to enable systematic learning by providing training upon joining the Group and upon promotion to a managerial position, and training by job types and training conducted by external lecturers for company management. The Company is seeking measures to ensure that employees of various job positions and job types will be able to share problems to improve their operations by maintaining these educational/training programs while revising their content in line with changing risk conditions.
- ⑤ With respect to whistleblowing reports, the Company has established a consultation contact point exclusively for sexual harassment and power harassment, which is offered by the Human Resources Department, as well as an internal consultation and reporting contact point for compliance and risk management matters. In addition, there 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.
- ⑥ The Company has established the Legal Affairs Department that oversees compliance matters and the Risk and Information Security Management Department that oversees risk management matters under the leadership of the CR Executive Officer. The two departments work in collaboration and act as the secretariat of the cross-organizational Compliance & Risk Management Committee Meeting 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 Meeting and further enhances measures to manage information security risks. Meanwhile, five subcommittees (Food Safety and Hygiene Management Subcommittee, BC Subcommittee, Regional Office Crime Prevention and Disaster Defense Subcommittee, Intellectual Property and Patents and Representations Subcommittee, and Overseas Business-Related Compliance Subcommittee) have been separately established under the Compliance & Risk Management Committee Meeting in an effort to manage the progress of key measures and prevent risks.
- ⑦ In terms of monitoring activities, the Company continuously conducts awareness surveys targeting all employees and questionnaire surveys targeting the Company's business partners with regard to matters such as product delivery and store construction, and thus reviews and improves its compliance system from a broad perspective. In addition, the Company provides thorough guidance and improvement proposals based on the results of audits conducted by the Internal Audit Department.
- ⑧ At principal affiliated companies, officers in charge of compliance and risk management (Affiliated Company Compliance Officers; renamed Affiliated Company Compliance & Risk Management Officers in the second half of the current fiscal year) are appointed and participate in the Affiliated Company Compliance Officers Meeting (renamed Lawson Group Compliance & Risk Management Meeting in the second half of the current fiscal year). Affiliated Company Compliance Officers (Company Compliance and Risk Officers) strive to enhance awareness among employees by formulating the code of ethics and providing training while conducting employee awareness surveys and questionnaire surveys for business counterparts in collaboration with the Company. In addition, through the operational audits conducted on Associated Companies by the Company's Internal Audit Department and the liaison meetings for the Group's corporate auditors organized by the Company's corporate auditors, etc., support have been offered to improve the compliance and risk management systems of the Group.

(2) Preparations against and Responses to Risks

- ① The Company places particular emphasis on "food safety and hygiene management," "information security" and "disaster relief," and it has prepared a structure for responding to emergencies and resolving problems rapidly. In normal times, the Compliance & Risk management meetings and five sub-committees are organized to assess risks and formulate and promote risk prevention measures with the aim of preventing the occurrence of risk events. In the event of significant risk events, the Emergency Risk Management Committee is convened in an effort to swiftly solve issues and minimize damage. Once the problems have been resolved, the Company analyzes the factors contributing to their occurrence and reviews and improves the relevant countermeasures to prevent any recurrence.
- ② With regard to the 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 that have passed examination based on our voluntary standards, and after the examination of product specifications, we take samples from the production line 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.

- ③ With regard to the information security system, the “Lawson Group Privacy Policy” has been formulated to promote protection of personal information. To ensure that the relevant personnel understand the specific details of the contents and are prepared to implement them, the Company produces and publishes various manuals illustrating potential mistakes and complaints that may arise at the stores, accompanied by practical responses to them, for stores in an effort to raise awareness. Based on the Information Security Guidebook that compiles matters to be observed, headquarters employees are tested periodically to ensure that they are all complying with the information security rules. The Company also conducts training to respond to targeted email attacks.

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

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

Moreover, the Company carries out checks from various angles to ensure that there are no gaps in the information security system, including evaluation of the vulnerability of information systems, information security audits by the Internal Audit Department and office security audits by a specialized company.

- ④ We are reinforcing our emergency response capabilities through efforts such as formulating the Business Continuity Plan (BCP) and implementing disaster mitigation measures. Our aim is to institute a business continuity (BC) framework that prevents interruption of important business activities, even in the case of significant damage due to a large-scale disaster, etc. The Company believes that interruption of important business activities shall be avoided, while maintaining a priority on securing people’s safety and wellbeing. Even if business operations are unavoidably interrupted, critical functions shall be resumed quickly and life infrastructure functions of convenience stores shall be maintained in order to avoid undermining customer satisfaction or our corporate value. In order to achieve such objective, practical procedures are compiled in the Business Continuity Plan (BCP), and we are pursuing efforts to establish a BC framework in line with the BCP, and to sustain and enhance it, as an important issue for management. In an effort to enhance its ability to respond to crises across the Group, the Company has been constantly reviewing and improving both “hard” aspects such as office buildings and lifelines and “soft” aspects such as the BCP and manuals as well as the skills of employees and franchisees.

The Company has formulated the “Disaster Relief Manual” based on the disaster relief policy, defining its approach toward disaster relief and the standard of conduct of the organization and its employees in the event of a disaster.

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

In addition, the Company has been working to conclude agreements on the procurement of goods and support for stranded commuters during a large-scale disaster event with the aim of engaging in mutual cooperation with municipal governments in disaster stricken areas and fulfilling a lifeline function. We were named a designated public institution assigned by the Prime Minister pursuant to the Basic Act on Disaster Control Measures. To fulfill the lifeline functions expected of it as a designated public institution by maintaining store operations and providing emergency relief supplies to disaster-hit areas, the Company ordinarily prepares/revises disaster-prevention business plans, conducts disaster-prevention drills, stockpiles supplies/materials, and pursues other disaster-prevention approaches, implementing its disaster-response measures when disasters actually occur.

- ⑤ In light of the COVID-19 pandemic, we have been promoting thorough measures to prevent infection by prioritizing the measures to ensure that customers can use our stores with peace of mind as everyday infrastructure in their communities that provide food and general merchandise and to secure the safety of our employees working in our stores.

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

- ① Through a system that has been established for the reporting of any risks that occur at an associated company to the Company, information on risk cases at the Company or its associated companies is appropriately reported to the parent company on a timely basis.
- ② By establishing an organization in charge of Associated Companies as well as a specialized department to support Associated Companies from a specialist perspective, the Company shall strive to ensure the appropriateness of the operations of Associated Companies.

(4) Securing Effectiveness of Performance of Corporate Auditors

- ① Corporate Auditors' Staff are assigned to the auditors' office to provide exclusive assistance to corporate auditors in the execution of their duties. Corporate Auditors' Staff have the authority to conduct investigations necessary for audits by corporate auditors. In addition, relevant departments assist in conducting necessary investigations for audits by corporate auditors in accordance with the content of the audits.
- ② With regard to reporting to corporate auditors, matters that should be reported to corporate auditors have been reported to corporate auditors in a timely and appropriate manner.

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

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2021 (for reference)	As of February 28, 2022	Account item	As of February 28, 2021 (for reference)	As of February 28, 2022
Current assets	690,811	667,627	Current liabilities	767,754	704,691
Cash and deposits	402,584	388,463	Accounts payable-trade	127,486	125,681
Accounts receivable-due from franchised stores	46,385	47,202	Short-term loans payable	42,320	47,072
Lease receivables	16,621	15,071	Current portion of long-term loans payable	100,000	20,000
Merchandise	20,657	22,128	Lease obligations	44,584	45,955
Accounts receivable-other	161,062	146,443	Accounts payable-other	90,798	90,412
Other	43,519	48,334	Income taxes payable	4,078	7,368
Allowance for doubtful accounts	(20)	(17)	Deposits received	246,110	151,809
Non-current assets	674,618	669,618	Provision for bonuses	4,818	4,854
Property and store equipment	367,640	368,768	Call money	40,000	108,000
Buildings and structures	191,977	189,190	Deposits received for banking business	52,168	91,420
Tools, furniture and fixtures	19,044	22,762	Other	15,388	12,117
Land	8,468	8,507	Non-current liabilities	324,743	354,080
Leased assets-net	131,779	124,978	Long-term loans payable	130,000	160,000
Construction in progress	1,818	4,720	Lease obligations	121,491	118,445
Other-net	14,551	18,609	Deferred tax liabilities	485	449
Intangible assets	86,406	77,746	Provision for retirement benefits to executive officers and audits and supervisory board members	277	248
Software	39,088	34,884	Net defined benefit liability	16,278	17,438
Goodwill	38,215	34,459	Asset retirement obligations	35,694	36,622
Trademark right	8,349	7,721	Other	20,516	20,875
Other	752	680	Total liabilities	1,092,498	1,058,771
Investment and other assets	220,571	223,103	Net assets		
Investment securities	27,624	21,738	Shareholders' equity	262,508	265,327
Long-term loans receivable	40,621	38,044	Capital stock	58,506	58,506
Guarantee deposits	103,030	103,277	Capital surplus	46,494	46,495
Deferred tax assets	33,484	34,736	Retained earnings	158,498	161,299
Other	16,474	26,066	Treasury shares	(991)	(973)
Allowance for doubtful accounts	(663)	(759)	Accumulated other comprehensive income	5,123	7,563
			Valuation difference on available-for-sale securities	1,782	1,585
			Revaluation reserve for land	(207)	(69)
			Foreign currency translation adjustment	3,684	6,273
			Remeasurements of defined benefit plans	(134)	(227)
			Subscription rights to shares	333	368
			Non-controlling interests	4,965	5,213
			Total net assets	272,931	278,473
Total assets	1,365,430	1,337,245	Total liabilities and net assets	1,365,430	1,337,245

Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2020 to February 28, 2021 (for reference)		From March 1, 2021 to February 28, 2022	
Operating revenue				
Income from franchised stores	288,480		291,802	
Other operating revenue	101,576	390,056	114,331	406,134
Net sales				
Net sales	(275,945)	275,945	(292,237)	292,237
Gross operating revenue		666,001		698,371
Cost of sales	(188,441)	188,441	(199,738)	199,738
Gross profit	(87,503)		(92,498)	
Operating gross profit		477,559		498,633
Selling, general and administrative expenses		436,682		451,537
Operating income		40,876		47,096
Non-operating income				
Interest income	730		976	
Dividend income	403		369	
Gain on investments in investment partnerships	109		1,624	
Compensation income	490		483	
Employment adjustment subsidy due to novel coronavirus disease	793		1,762	
Other	2,016	4,544	1,202	6,420
Non-operating expenses				
Interest expenses	3,678		3,440	
Loss on cancellation of leases	2,065		1,423	
Expense due to system failure	828		—	
Other	1,238	7,810	1,081	5,944
Ordinary income		37,610		47,571
Extraordinary income				
Gain on sales of investment securities	6,232	6,232	1,103	1,103
Extraordinary losses				
Loss on retirement of non-current assets	3,213		1,746	
Impairment loss	16,635		16,616	
Loss on novel coronavirus disease	3,607		701	
Other	2,158	25,613	1,512	20,576
Profit before income taxes		18,230		28,098
Income taxes-current	9,197		11,226	
Income taxes-deferred	378	9,576	(1,160)	10,065
Profit		8,653		18,032
Profit attributable to non-controlling interests		(36)		131
Profit attributable to owners of parent		8,689		17,900

(TRANSLATION ONLY)

Consolidated Statement of Changes in Equity

(From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	58,506	46,494	158,498	(991)	262,508	1,782	(207)	3,684	(134)	5,123	333	4,965	272,931
Changes of items during period													
Increase by merger			49		49								49
Change in ownership interest of parent due to transactions with non-controlling shareholders		0			0								0
Dividends of surplus			(15,010)		(15,010)								(15,010)
Profit attributable to owners of parent			17,900		17,900								17,900
Purchase of treasury shares				(0)	(0)								(0)
Disposal of treasury shares				0	0								0
Reversal of revaluation reserve for land			(138)		(138)								(138)
Exercise of subscription rights to shares (Delivery of treasury shares)		0		17	18								18
Net changes of items other than shareholders' equity						(196)	138	2,589	(92)	2,439	34	248	2,722
Total changes of items during period	—	0	2,800	17	2,818	(196)	138	2,589	(92)	2,439	34	248	5,541
Balance at end of current period	58,506	46,495	161,299	(973)	265,327	1,585	(69)	6,273	(227)	7,563	368	5,213	278,473

(Notes to Consolidated Financial Statements)

(Accounting Policies for the Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 20

(Domestic)	Lawson urbanworks, Inc. Lawson Store100, Inc. SCI, Inc. SEIJO ISHII CO., LTD. Lawson Entertainment, Inc. Lawson HMV Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. 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. Saha Lawson Co., Ltd.

(2) Names of nonconsolidated subsidiaries and others

(Domestic)	LAWSONWILL, Inc. Seikaken, Inc. SEIJO ISHII SYUHAN CO., LTD. TOKYO EUROPE TRADE CO., LTD. Lawson Digital Innovation Inc.
(Foreign)	Lawson USA Hawaii, Inc. Jiangsu Lawson, Inc. Lawson Philippines, Inc. LAWSON (TIANJIN) INC. SLV Retail Company Limited Shenyang LAWSON Inc. Guangdong Lawson, Inc. Chengdu Lawson, Inc.

(Reasons for exclusion from the scope of consolidation)

The above nonconsolidated subsidiaries have been excluded from the scope of consolidation because they are all small in scale and their total assets, net sales, profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) and others have no material influence on the consolidated financial statements.

2. Application of the equity method**(1) Equity-method associates: 3**

- (Domestic) Lawson Okinawa, Inc.
 Lawson Minamikyushu, Inc.
 Lawson Kochi, Inc.

(2) Nonconsolidated subsidiaries and entities excluded from the scope of the equity-method application

Nonconsolidated subsidiaries (LAWSONWILL, Inc., Seikaken, Inc., SEIJO ISHII SYUHAN CO., LTD., TOKYO EUROPE TRADE CO., LTD., Lawson Digital Innovation Inc., Lawson USA Hawaii, Inc., Jiangsu Lawson, Inc., Lawson Philippines, Inc., LAWSON (TIANJIN) INC., SLV Retail Company Limited and Shenyang LAWSON Inc., Guangdong Lawson, Inc., Chengdu Lawson, Inc.) and entities (Double Culture Partners Co., Ltd., Loyalty Marketing, Inc., Lawson Staff, Inc., TA Platform Corporation, LTF Co., Ltd., StageAround TOKYO Production Committee, Jiangyin Hualian Guzhitian Food Co., Ltd., POPLAR Co., Ltd., New Designed by Tokyo Ltd., Boogie Woogie Entertainment Co., Ltd., TA PlatformSoftware, and Lawson Farm Chiba and others) were excluded from the scope of the equity-method application because their profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these entities are not significant either individually or in aggregate to the consolidated financial statements.

3. Fiscal year end of the consolidated subsidiaries

The balance sheet date of 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., and Saha Lawson Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

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

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

4. Summary of Significant Accounting Policies**(1) Valuation basis and method for significant assets****① Securities:**

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Other:

Stated at cost determined by the moving-average method.

② Inventories:

Merchandise:

Stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability).

(2) Depreciation method of depreciable significant assets**① Property and store equipment (except for leased assets):**

Mainly computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

② Intangible assets (except for leased assets):

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the estimated useful life. Furthermore, for right of trademark, amortization is mainly computed using the straight-line method over 20 years.

③ Leased assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

④ Rights-of-use assets:

Rights-of-use assets of the Company's foreign consolidated subsidiaries that apply International Financial Reporting Standard 16 (IFRS 16) "Leases"

The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

(3) Accounting standard for significant reserves

① Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables and on estimated recoverability for specific doubtful receivables.

② Provision for bonuses:

Provision for bonuses is provided for payments of employees' bonuses based on the estimated amounts.

③ Provision for retirement benefits to executive officers and audit and supervisory board members:

Provision for retirement benefits to executive officers of the Company and audit and supervisory board members of consolidated subsidiaries is recorded under internal regulations.

(4) Accounting method for retirement benefits

① Period attributable method of estimated amount of retirement benefits

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

② Cost treatment method of actuarial difference and prior service cost

Prior service cost is amortized starting the fiscal year incurred mainly on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.

Actuarial differences are mainly amortized from the following fiscal year on a straight-line basis over a certain period (10 years) within an average remaining service period of employees at the time of their recognition.

Certain consolidated subsidiaries apply the simplified method to estimate the amount required for voluntary resignations at the end of the fiscal year as the retirement benefit liability in order to calculate net defined benefit liability and retirement benefit expenses.

(5) Significant foreign currency transactions and foreign currency financial statements

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income. The consolidated balance sheet accounts as well as revenue and expense accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "foreign currency translation adjustments" and "non-controlling interests," a separate component of net assets.

(6) Amortization method and period of goodwill

Goodwill is amortized on a straight-line basis over the relevant years, depending on the reason for the occurrence of goodwill, with a maximum of 20 years.

(7) Accounting for consumption tax

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

(8) Adoption of consolidated taxation system

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

(9) Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and certain domestic consolidated subsidiaries have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with tax laws in effect before amendment based on the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical

Issues Task Force No.39, March 31, 2020) instead of applying the provision in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(Changes in Presentation)

In the “Current liabilities” section, “Call money” (40,000 million yen for the previous fiscal year) was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is presented separately in the current fiscal year (108,000 million yen).

In the “Current liabilities” section, “Deposits received for banking business” (52,168 million yen for the previous fiscal year) was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is presented separately in the current fiscal year (91,420 million yen).

In the “Non-operating income” section, “Gain on investments in investment partnerships” (109 million yen for the previous fiscal year) was included in “Other” in the previous fiscal year. Due to an increase in financial materiality, it is presented separately in the current fiscal year (1,624 million yen).

In the “Non-operating income” section, “Share of profit of entities accounted for using equity method” (50 million yen for the previous fiscal year) was presented separately in the previous fiscal year. Due to a decline in financial materiality, it is now included in “Other.”

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, March 31, 2020) has been applied to the consolidated financial statements from the current the fiscal year, and the consolidated financial statements include notes to accounting estimates.

(Notes to Accounting Estimates)

Impairment of fixed assets

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

Property and store equipment	16,189	million yen
Intangible assets	67	"
Other	359	"

(2) Information on significant accounting estimates concerning identified items

(i) Calculation method

The Company and its consolidated subsidiaries (collectively, the “Group”) identify each store as the smallest cash generating unit. With regard to asset groups showing signs of impairment, undiscounted future cash flows were calculated, and when they were less than the carrying value, the recoverable amount was measured based on the net selling price or value in use and the carrying value was written down, with the difference recognized as an impairment loss under extraordinary losses. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 2.6%.

(ii) 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. In addition, it is assumed that the impact of the COVID-19 pandemic will continue even after the fiscal year ending February 2023 in some stores, and such impact is incorporated into profit forecasts.

(iii) 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 (extraordinary loss) may be incurred in the consolidated financial statements for the next fiscal year and thereafter.

(Notes to Consolidated Balance Sheet)

1. Accumulated depreciation of property and store equipment: 416,609 million yen

2. Revaluation of land used for business

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

Revaluation method: The value of land is determined based on the notified prices adjusted reasonably as stipulated in Article 2, Item 4 of the Ordinance Implementing the Law Concerning Revaluation of Land (Government Ordinance No. 119, March 31, 1998) and the assessed value as stipulated in Article 2, Item 5 of the same ordinance.

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the consolidated balance sheet date was 9 million yen.

3. Guarantee obligations

The Company guarantees the borrowings from financial institutions of the following subsidiary.

Lawson Philippines, Inc. 1,163 million yen

Lawson USA Hawaii, Inc. 92 million yen

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

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

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

Category by use	Location	Assets	Impairment loss (millions of yen)
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	2,644
	Osaka	"	1,500
	Others	"	12,353
Other	—	Land	50
	—	Software	67
Total	—	—	16,616

Category by non-current assets

Buildings and structures	9,812	million yen
Tools, furniture and fixtures	678	"
Land	50	"
Leased assets	5,648	"
Software	67	"
Other	359	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 2.6%.

(Notes to Consolidated Statement of Changes in Equity)**1. Number of outstanding shares and treasury shares**

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding shares				
Common stock	100,300	—	—	100,300
Treasury shares				
Common stock	232	0	4	228

Notes:

- The increase in treasury shares of 0 thousand shares resulted from purchases of stock of less than one share unit.
- The decrease in treasury shares of 4 thousand shares resulted from decreases of 4 thousand shares due to the exercise of stock option rights and 0 thousand shares due to requests for additional purchases of stock of less than one share unit.

2. Dividend**(1) Dividend payment**

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 25, 2021)	Common stock	7,505	75.00	February 28, 2021	May 26, 2021
Directors' meeting (October 7, 2021)	Common stock	7,505	75.00	August 31, 2021	November 10, 2021

(2) Dividends for which the record date is in the current period and the effective date is after the year-end consolidated balance sheet date

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 25, 2022)	Common stock	Retained earnings	7,505	75.00	February 28, 2022	May 26, 2022

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

86,000 shares

(Notes to Financial Instruments)**1. Matters relating to the status of financial instruments****(1) Policy for financial instruments**

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

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

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

Investment securities are primarily shares of companies with business relationships and listed shares which are exposed to the risk of market price fluctuations. With regard to this risk, the Company monitors the financial conditions of business counterparties on a regular basis.

Long-term loans receivable (mainly construction cooperation payments) and guarantee deposits are exposed to credit risks of borrowers and landlords, etc. With regard to this risk, the Company manages credit on a daily basis at the relevant division and seeks early acknowledgement and minimization of collection concerns due to deterioration in a borrower's financial situation, etc.

Among trade payables, most of the accounts payable-trade, accounts payable-trade for franchised stores, accounts payable-other and deposits received held as a result of bill settlement services have payment due dates within one month, while most deposits received held as a result of ticket sales transactions have payment due dates within 6 months.

Short-term loans payable and call money are mainly for the purpose of procuring working capital, and are due within 1 year. These are exposed to liquidity risks, including a situation in which necessary funding cannot be secured under certain environments.

Deposits received for banking business, which are the deposits of customers received by domestic consolidated subsidiaries engaged in the banking business, are exposed to interest rate fluctuation risks.

Long-term loans payable are mainly for the purpose of funding necessary for the banking business and M&A, and are due within 5 years.

The primary purpose of lease obligations related to finance lease transactions is securing the funds required for capital investments and the maximum redemption period is 15 years after the consolidated balance sheet date.

With regard to the liquidity risk associated with fundraising (risk that payments cannot be executed on the payment due dates), the Company prepares and updates financial plans on a timely basis and manages liquidity risk by measures including maintaining adequate liquidity on hand.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Since multiple factors are considered in the estimation of fair value, the results of the estimation might differ if other valuation techniques were used.

2. Matters relating to the fair values of financial instruments

The carrying amount, fair values, and difference as of February 28, 2022 are as follows. (Financial instruments whose fair value cannot be reliably determined are not included as described in “(Note 2) Financial instruments whose fair values cannot be reliably determined.”)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	388,463	388,463	—
(2) Accounts receivable-due from franchised stores	47,202	47,202	—
(3) Lease receivables	15,071	14,130	(940)
(4) Accounts receivable-other	146,443		
Allowance for doubtful accounts (*1)	(5)		
	146,437	146,437	—
(5) Short-term and long-term investment securities			
Available-for-sale securities (*2)	7,513	7,513	—
(6) Long-term loans receivable	43,881		
Allowance for doubtful accounts (*1.4)	(76)		
	43,805	43,782	(22)
(7) Guarantee deposits	103,277		
Allowance for doubtful accounts (*1)	(445)		
	102,831	100,948	(1,883)
Total assets	751,326	748,479	(2,846)
(1) Accounts payable-trade	125,681	125,681	—
(2) Short-term loans payable	47,072	47,072	—
(3) Accounts payable-other	90,412	90,412	—
(4) Deposits received	151,809	151,809	—
(5) Call money	108,000	108,000	—
(6) Deposits received for banking business	91,420	91,420	—
(7) Long-term loans payable (*3)	180,000	180,002	2
(8) Lease obligations (*3.4)	170,238	166,106	(4,132)
Total liabilities	964,634	960,504	(4,130)

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

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

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

(*4) As long-term loans receivable and lease obligations satisfy the offsetting requirements, long-term loans receivable are offset against lease obligations and the net amount is shown in the consolidated balance sheets. The offset amount is 5,837 million yen.

(Note 1) Method of calculating the fair values of financial instruments

Assets

(1) Cash and deposits and (2)Accounts receivable-due from franchised stores and (4) Accounts receivable-other

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

(3) Lease receivables

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

(5) Short-term and long-term investment securities

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

(6) Long-term loans receivable

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

(7) Guarantee deposits

Guarantee deposits are determined by discounting future cash flows, which reflect the collectability, using the yield rate of

government bonds over the remaining period.

Liabilities

(1) Accounts payable-trade, (3) Accounts payable-other and (4) Deposits received

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

(2) Short-term loans payable

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

(5) Call money

The fair values of these instruments are stated at their carrying values, because their contract period is short (within one year) and their carrying values are approximately the same as their fair values.

(6) Deposits received for banking business

The fair values of demand deposits are stated at the amount to be paid if demanded on the balance sheet date (carrying values). In addition, the fair values of term deposits are stated at their carrying values, because their contract period is short (within one year) and their carrying values are approximately the same as their fair values.

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

The fair values of long-term loans payable with fixed interest rates are calculated based on the present value of the total amount of principal and interest discounted at the expected interest rate for similar borrowings. The fair values of long-term loans payable with floating interest rates are stated at their carrying values, because they are determined using floating interest rates that reflect market rates in a short-time and their carrying values are approximately the same as their fair values.

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

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

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

Category	Carrying amount (millions of yen)
Unlisted equity securities	383
Investments in subsidiaries and affiliated companies	17,940
Other	2,900

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined, they are not included in “(5) Short-term and long-term investment securities.”

(Notes to Per-Share Data)

1. Net assets per share	2,726.97 yen
2. Profit per share	178.87 yen

(Notes to Significant Subsequent Events)

Not applicable.

Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2021 (for reference)	As of February 28, 2022	Account item	As of February 28, 2021 (for reference)	As of February 28, 2022
Current assets	209,085	173,022	Current liabilities	384,184	363,285
Cash and deposits	38,022	5,028	Accounts payable-trade	106,756	101,427
Accounts receivable-due from franchised stores	46,057	46,386	Short-term loans payable	38,070	41,062
Lease receivables	16,621	15,480	Short-term loans payable to subsidiaries and associates	35,050	24,730
Merchandise	1,062	934	Current portion of long-term loans payable	-	20,000
Prepaid expenses	17,897	17,629	Lease obligations	35,564	35,614
Accounts receivable-other	79,468	79,989	Accounts payable-other	21,581	24,676
Other	9,954	7,573	Income taxes payable	1,985	5,142
Non-current assets	630,340	620,902	Accrued expenses	2,371	2,292
Property and store equipment	316,157	309,252	Deposits received	132,989	102,241
Buildings	154,345	154,144	Provision for bonuses	2,942	3,048
Structures	27,486	24,484	Other	6,873	3,049
Tools, furniture and fixtures	10,182	10,266	Non-current liabilities	220,264	197,345
Land	8,422	8,461	Long-term loans payable	50,000	30,000
Leased assets	114,673	111,020	Lease obligations	105,735	102,414
Construction in progress	1,047	876	Provision for retirement benefits	13,553	14,360
Intangible assets	36,151	31,451	Provision for retirement benefits to executive officers	200	151
Software	24,106	21,261	Asset retirement obligations	31,803	32,795
Goodwill	11,475	9,647	Other	18,971	17,623
Other	568	542	Total liabilities	604,449	560,631
Investments and other assets	278,031	280,198	Net assets		
Investment securities	8,367	3,276	Shareholders' equity	233,069	231,409
Shares of subsidiaries and associates	64,658	63,866	Capital stock	58,506	58,506
Investments in capital of subsidiaries and associates	29,832	40,691	Capital surplus	47,760	47,761
Long-term loans receivable	39,966	37,430	Legal capital surplus	47,696	47,696
Long-term loans receivable from subsidiaries and associates	494	482	Other capital surplus	64	64
Long-term prepaid expenses	13,575	12,294	Retained earnings	127,793	126,114
Guarantee deposits	88,914	88,669	Legal retained earnings	727	727
Deferred tax assets	32,344	33,580	Other retained earnings		
Other	531	666	General reserve	50,000	50,000
Allowance for doubtful accounts	(653)	(759)	Retained earnings brought forward	77,065	75,387
			Treasury shares	(991)	(973)
			Valuation and translation adjustments	1,574	1,516
			Valuation difference on available-for-sale securities	1,782	1,585
			Revaluation reserve for land	(207)	(69)
			Subscription rights to shares	333	368
			Total net assets	234,977	233,294
Total assets	839,426	793,925	Total liabilities and net assets	839,426	793,925

Non-consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2020 to February 28, 2021 (for reference)		From March 1, 2021 to February 28, 2022	
Operating revenue				
Income from franchised stores	285,847		289,038	
Other operating revenue	35,803	321,650	36,841	325,880
Net sales				
Net sales	(33,175)	33,175	(29,222)	29,222
Gross operating revenue		354,825		355,102
Cost of sales	(24,224)	24,224	(21,318)	21,318
Gross profit	(8,950)		(7,903)	
Operating gross profit		330,600		333,784
Selling, general and administrative expenses		304,449		307,913
Operating income		26,150		25,870
Non-operating income				
Interest income	496		476	
Dividend income	11,129		8,811	
Gain on investments in investment partnerships	109		1,624	
Other	1,948	13,682	1,388	12,301
Non-operating expenses				
Interest expenses	2,079		1,921	
Loss on cancellation of leases	1,838		1,414	
Expense due to system failure	828		—	
Other	1,385	6,132	558	3,894
Ordinary income		33,700		34,278
Extraordinary income				
Gain on sales of investment securities	6,232		1,103	
Other	221	6,454	—	1,103
Extraordinary losses				
Loss on retirement of non-current assets	2,592		1,360	
Impairment loss	16,213		15,741	
Loss on novel coronavirus disease	656		187	
Other	1,408	20,871	1,256	18,546
Income before income taxes		19,283		16,834
Income taxes – current	4,255		4,512	
Income taxes – deferred	(866)	3,388	(1,148)	3,364
Profit		15,894		13,470

Non-consolidated Statement of Changes in Equity

(From March 1, 2021 to February 28, 2022
)

(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	77,065	127,793	(991)	233,069
Changes of items during period										
Dividends of surplus							(15,010)	(15,010)		(15,010)
Profit							13,470	13,470		13,470
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			0	0					0	0
Reversal of revaluation reserve for land							(138)	(138)		(138)
Exercise of subscription rights to shares (Delivery of treasury shares)			0	0					17	18
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	0	0	—	—	(1,678)	(1,678)	17	(1,660)
Balance at end of current period	58,506	47,696	64	47,761	727	50,000	75,387	126,114	(973)	231,409

(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	1,782	(207)	1,574	333	234,977
Changes of items during period					
Dividends of surplus					(15,010)
Profit					13,470
Purchase of treasury shares					(0)
Disposal of treasury shares					0
Reversal of revaluation reserve for land					(138)
Exercise of subscription rights to shares (Delivery of treasury shares)					18
Net changes of items other than shareholders' equity	(196)	138	(57)	34	(22)
Total changes of items during period	(196)	138	(57)	34	(1,682)
Balance at end of current period	1,585	(69)	1,516	368	233,294

(Notes to the Non-consolidated Financial Statements)

(Significant Accounting Policies)

1. Valuation basis and method for assets

(1) Marketable securities and investments in securities:

- ① Investments in subsidiaries and affiliated companies

Stated at cost determined by the moving-average method.

- ② Available-for-sale securities

Securities whose market value is readily determinable:

Recorded at market value with net unrealized gains and losses as a separate component of net assets. The cost of securities sold is determined based on the moving-average method.

Other:

Stated at cost determined by the moving-average method.

(2) Merchandise inventories:

Merchandise:

Stated at cost determined mainly by the retail method (the book value in the balance sheet is written down based on the decline in profitability).

2. Depreciation method of depreciable assets

(1) Property and store equipment (except for leased assets):

Computed by the straight-line method.

The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for tools, furniture and fixtures.

(2) Intangible assets (except for leased assets):

Computed by the straight-line method.

Costs of software for internal use are amortized by the straight-line method over 5 years, which is the estimated useful life.

(3) Leased assets:

Leased assets related to finance leases that do not transfer ownership of leased property

The Company applies the straight-line method using the lease term as the useful life and a residual value of zero.

(4) Long-term prepaid expenses:

Computed by the straight-line method.

3. Accounting standard for significant reserves

(1) Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at the amount of possible losses from uncollectible receivables based on the actual rate of losses from bad debt for ordinary receivables and on estimated recoverability for specific doubtful receivables.

(2) Provision for bonuses:

Accrued employees' bonuses are provided for payments of employees' bonuses based on the estimated amounts.

(3) Provision for retirement benefits:

Provision for retirement benefits is provided at the amount calculated based on the retirement benefit liability and pension assets at the consolidated balance sheet date.

- ① Method of attributing the estimated amount of retirement benefits to periods

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

- ② Method 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 (generally 1 year for the defined benefit corporate pension plan and generally 10 years for the retirement lump-sum payment plan) 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 balance sheet

(4) Provision for retirement benefits to executive officers:

Provision for retirement benefits to executive officers prepared for required payments at the end of the current fiscal year is recorded under internal regulations.

4. Accounting for consumption tax

Consumption tax and local consumption tax are accounted for using the tax exclusion method.

5. Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

6. Application of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company have calculated the amounts of deferred tax assets and deferred tax liabilities in accordance with tax laws in effect before amendment based on the treatment of Paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force No.39, March 31, 2020) instead of applying the provision in Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No.28, February 16, 2018), regarding the transition to group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and items for which the non-consolidated taxation system has been reviewed in the line with the transition to the group tax sharing system.

(Changes in Presentation)

In the “Non-operating income” section, “Gain on investments in investment partnerships” (109 million yen for the previous fiscal year), which was included in “Other” in the non-consolidated statement of income in prior periods, is now separately presented as “Gain on investments in investment partnerships” (1,624 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.

In the “Non-operating expenses” section, “Penalty” (37 million yen for the current fiscal year), which was separately presented in the non-consolidated statement of income in prior periods, is now included in “Other” from the current fiscal year due to a decline in financial materiality.

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No.31, March 31, 2020) has been applied to the non-consolidated financial statements from the current fiscal year, and the non-consolidated financial statements include notes to accounting estimates.

(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	15,662	million yen
Intangible assets	20	"
Other	58	"

(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:	336,023	million yen
2. Due from/to subsidiaries and affiliated companies		
Short-term receivables due from subsidiaries and affiliated companies	26,672	million yen
Long-term receivables due from subsidiaries and affiliated companies	35	"
Short-term payables due to subsidiaries and affiliated companies	4,603	"
Long-term payables due to subsidiaries and affiliated companies	333	"

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 9 million yen.

4. Guarantee obligations

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

Lawson Bank, Inc.	95,000	million yen
Lawson Philippines, Inc.	1,163	
SCI, Inc.	311	"
Lawson Entertainment, Inc.	171	
Lawson USA Hawaii, Inc.	92	"

(Notes to the Non-consolidated Statement of Income)

Transaction amount with affiliated companies

Operating transactions		
Operating revenue	35,339	million yen
Goods purchased	233	"
Selling, general and administrative expenses	48,897	"
Transactions other than operating transactions	8,614	"

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

Number of treasury shares 228,807 shares

(Notes to Accounting for Income Taxes)

Components of deferred tax assets and liabilities

Enterprise taxes payable	539	million yen
Accrued employees' bonuses	933	"
Loss on write-down of investments in affiliated companies	8,538	"
Excess of depreciation	8,607	"
Excess of amortization of software	362	"
Provision for retirement benefits	6,104	"
Allowance for doubtful accounts	232	"
Impairment loss	15,550	"
Other	2,377	"
Subtotal of deferred tax assets	43,247	million yen
Less valuation allowances	(9,667)	"
Total deferred tax assets	33,580	million yen
Deferred tax assets-net	33,580	million yen

(Notes to Related-Party Transactions)

Parent Company

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrentl				
Parent Company	Mitsubishi Corporation	General Trading Company	Direct holding 50.2%	Transactions under a business collaboration agreement	No	Receipt of debt guarantees	22,062	—	—
						Payment of guarantee fees	0	—	—

Transaction conditions and the policies for determining those conditions:

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

Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrentl				
Subsidiary	SCI, Inc.	Domestic Convenience Store Business	Direct holding 100.0%	SCM	Yes	Repayment of funds	41,800	Short-term loans payable Accrued interest	9,500
						Borrowing of funds	42,400		0
						Borrowing interest	0		0
	Lawson Entertainment, Inc.	Entertainment-Related Business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds	5,000	Short-term loans payable Accrued interest	13,500
Borrowing of funds						6,000	1		0
SEIJO ISHII CO., LTD.	Seijo Ishii Business	Direct holding 100.0%	Purchase of goods Supervision of management	Yes	Repayment of funds	17,800	Short-term loans payable Accrued interest	—	
					Borrowing of funds	6,100		0	0
Lawson Bank, Inc.	Financial Services Business	Direct holding 95.0%	Banking business	Yes	Guarantee obligations Receipt of guarantee fees	95,000 11	— Accounts receivable-other	— 2	

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)	10,011 (689,330)	Accounts payable-trade	54,552
						Shipping costs	56,354	Accounts payable-other	4,789
						Receipt of shipping costs	56,174	Accounts receivable-other	4,332
Subsidiary of the parent company	Mitsubishi Corporation Financial & Management Services (Japan) Ltd.	Contracted operations	—	Recipient of loans	No	Repayment of funds	63,250	Short-term loans payable	22,062
						Borrowing of funds	71,242	Accrued interest	0
						Borrowing interest	0		

Transaction conditions and the principles on the decision thereof:

1. The terms and conditions for goods purchased transactions are determined to be same as those for other general business transactions. Furthermore, regarding purchases for the franchised stores, the Company acts as an alternative payer but not as a direct party for the purchase.
2. The interest rates for borrowings are determined rationally taking into account market interest rates.
3. The transaction amount does not include consumption taxes. However, the ending balance includes consumption taxes.

(Notes to Per-Share Data)

1. Net assets per share 2,327.59 yen
2. Profit per share 134.61 yen

(Notes to Significant Subsequent Events)

Not applicable.

INDEPENDENT AUDITOR'S REPORT

April 5, 2022

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

Tokyo office

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

Kazuaki Furuuchi

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, namely, the consolidated balance sheet as of February 28, 2022 of Lawson, Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from March 1, 2021 to February 28, 2022, 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 28, 2022, and the results of their 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

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

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 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 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 principles generally accepted in Japan, 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

INDEPENDENT AUDITOR'S REPORT

April 5, 2022

To the Board of Directors of
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

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

Kazuaki Furuuchi

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

Masumi Nakagawa

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of February 28, 2022 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 47th fiscal year from March 1, 2021 to February 28, 2022, 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 28, 2022, 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.

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

(TRANSLATION ONLY)

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 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 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

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

AUDIT REPORT

With respect to the directors' performance of their duties during the 47th business term from March 1, 2021 to February 28, 2022, 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 by using such means as the telephone and the Internet as necessary, 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 item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors, described in business report, complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company and corporate group consisting of its subsidiaries. In connection with internal control over financial reporting, we received reports from the Directors and other relevant personnel, and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control respectively, and asked for explanations whenever necessary.
 - (iii) Regarding the transaction with the parent company described in the business report, we have carefully examined the matter noted in item (v)-(a) of Article 118 of the Ordinance for

Enforcement of the Companies Act and the judgment and its reasons in item (v)-(b) based on the status of deliberations of the Board of Directors and others.

- (iv) We have monitored and verified whether Accounting Auditor maintained its independence and properly conducted its audit, and we received reports from Accounting Auditor regarding the status of the execution of its duties and, whenever necessary, asked for explanations. In addition, we have received the notice from the Accounting Auditor that “System for ensuring proper execution of duties” (matters set forth in each item of Article 131 of the Company Accounting Regulations) is organized in accordance with the “Quality Control Standards for Audits” (Business Accounting Council, October 28, 2005) and the like, and, when necessary, asked for explanations.

Based on the above methods, we have examined the “business report and the supplementary schedules thereof,” the “consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in net assets, and notes to consolidated financial statements)” and “financial statements (balance sheet, statement of income, statements of changes in net assets, and notes to financial statements) and supplementary schedules thereof” for this term.

1. Result of Audit

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

- (i) We have found that business report and the supplementary schedules thereof fairly present the status of our company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
- (ii) Regarding the execution of duties by the Directors, we have found no misconduct or material matter that violates applicable laws and regulations or the Articles of Incorporation.
- (iii) We have found that the content of the resolution of the Board of Directors regarding the Internal Control System is adequate. In addition, we have found no matters on which to give remarks in regard to the relevant description in the business report and execution of duties by the Directors concerning Internal Control System.
- (iv) Regarding the transaction with the parent company described in the business report, we have found no matters on which to give remarks in regard to the particulars being given due consideration so as not to harm the interests of our company in carrying out the transaction and the judgment of the Board of Directors and its reasons related to whether or not the transaction would harm the interests of our company.

(2) Result of Audit of Consolidated Financial Statements

We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are adequate.

(3) Result of Audit of Financial Statements and Supplementary Schedules thereof.

We have found that methods and the result of the audit by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are adequate.

April 8, 2022

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

(TRANSLATION ONLY)

Audit & Supervisory Board Member Jun Miyazaki
(full-time)

Outside Audit & Supervisory Board Member Eiko Tsujiyama

Outside Audit & Supervisory Board Member Yuko Gomi

Outside Audit & Supervisory Board Member Keiko Yoshida

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company regards the ROE (consolidated return on equity) as a significant management indicator and has been conducting business activities. In addition, the Company's policy for dividend payment is to set the target for consolidated dividend payment ratio at 50%, with the stable minimum annual amount of ¥150 per share, while securing internal reserves necessary for future business development during the course of sustainable growth of the Lawson Group.

We intend to maintain year-end dividends for the current fiscal term at ¥75 per share, the same amount as in the previous term. Accordingly, full-year dividends, including interim dividends of ¥75 per share, will be ¥150 per share.

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

We will endeavor to raise the Company's corporate value by appropriating internal reserves for necessary business investments such as opening new stores, renovating existing stores and new business development.

Year-end dividends:

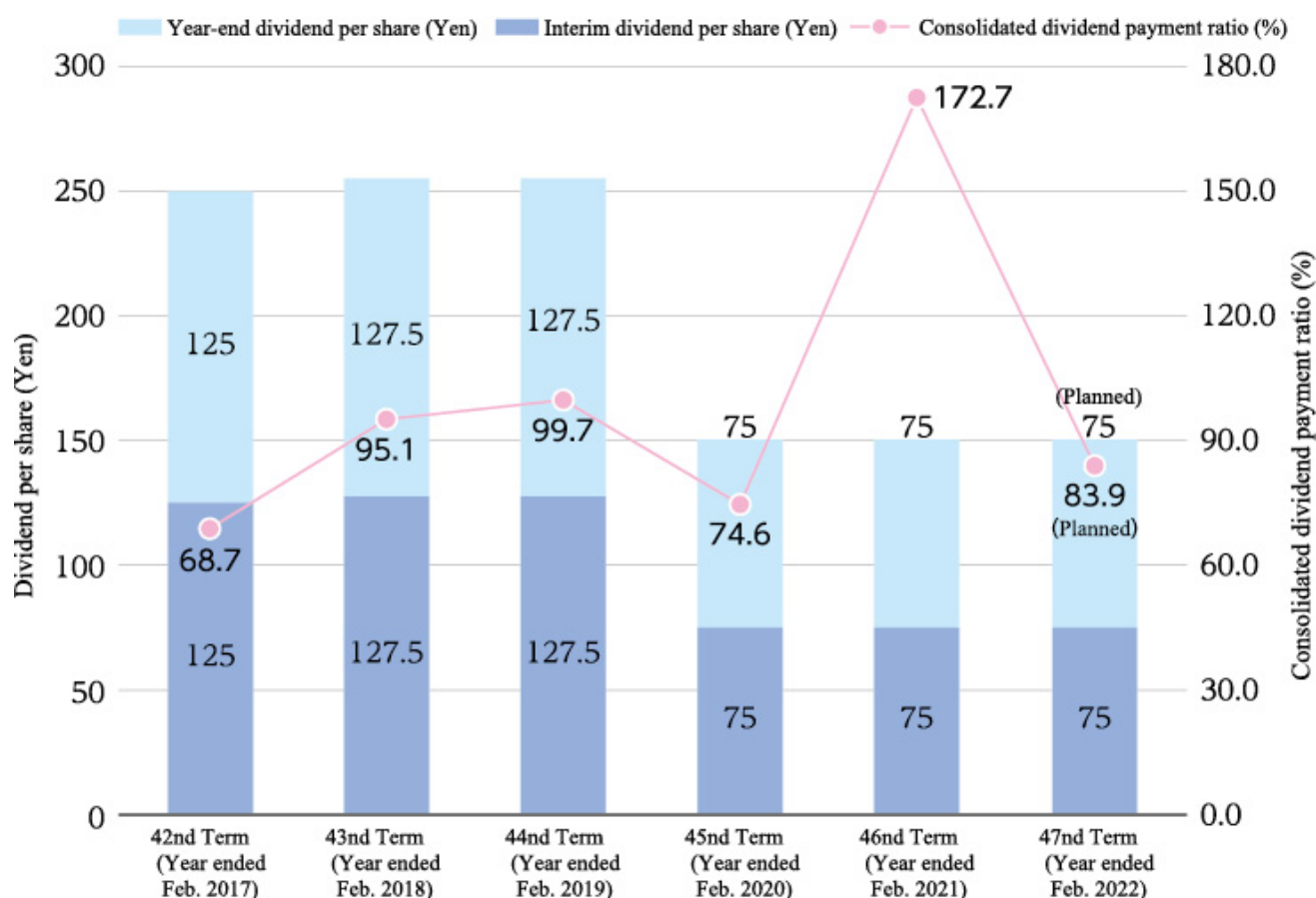
(1) The assignment of the dividend property to shareholders and total amount thereof:

¥75 per share of the Company's common stock at a total of ¥7,505,339,475

(2) Effective date of the dividends from surplus:

Thursday, May 26, 2022

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



	42nd Term	43rd Term	44th Term	45th Term	46th Term	47th Term (Current Period)
Interim dividend per share	¥125	¥127.50	¥127.50	¥75	¥75	¥75
Year-end dividend per share	¥125	¥127.50	¥127.50	¥75	¥75	¥75 (Planned)
Annual dividend per share	¥250	¥255	¥255	¥150	¥150	¥150 (Planned)
Consolidated net income per share	¥363.96	¥268.16	¥255.71	¥200.95	¥86.84	¥178.87
Consolidated dividend payment ratio	68.7%	95.1%	99.7%	74.6%	172.7%	83.9% (Planned)
ROE	13.5%	9.7%	9.3%	7.3%	3.2%	6.6%

Notes:

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

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

1. Reasons for amendment

The revising provisions stipulated in the proviso to Article 1 of the Supplementary Provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) are due to come into effect on September 1, 2022. Accordingly, to prepare to introduce a system for providing materials for the General Meeting of Shareholders in electronic format, the Company will amend its Articles of Incorporation as described below.

It has been stipulated under laws and regulations that certain parts of materials for the General Meeting of Shareholders are deemed provided to shareholders by posting them on website, etc., on the Internet, and the Company has provided such materials accordingly. Due to the revision of the Companies Act, however, starting with the General Meeting of Shareholders of the Company to be held after March 1, 2023, the Company will post materials for the General Meeting of Shareholders on the Company’s website, etc., on the Internet, making the materials available to shareholders, instead of sending paper copies by mail, unless shareholders request the delivery of such paper copies. Accordingly, the Company will make required amendment as below.

- (1) Paragraph 1, Article 14 in the proposed amendment stipulates that the Company shall take measures for providing information that is the content of reference documents, etc. for the General Meeting of Shareholders in electronic format.
- (2) Paragraph 2, Article 14 in the proposed amendment establishes a provision for limiting the scope of matters to be described in the paper copy delivered to shareholders who requested the delivery of such paper copy.
- (3) Accordingly, the provision on Internet Disclosure and Deemed Provision of Reference Documents, etc., for the General Meeting of Shareholders (the current Article 14 of the Articles of Incorporation) will become unnecessary, and the Company will delete it.
- (4) With the additions and deletion mentioned above, a supplementary provision concerning the effective date, etc., will be established.

2. Particulars of amendment

The particulars of the proposed amendment are described below.

(Suggested amendments are underlined in the text.)

Current Provision of the Articles of Incorporation	Proposed Amendment
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents, etc., for the General Meeting of Shareholders)</u> <u>Article 14</u> 1. <u>In convening a General Meeting of Shareholders, the Company may disclose information concerning matters required to be described or presented in reference documents for the General Meeting of Shareholders, business reports, nonconsolidated financial statements and consolidated financial statements via the Internet in a manner set forth in the ministerial ordinances of the Ministry of Justice.</u> 2. <u>In case of disclosure as set forth in the preceding paragraph, the Company shall be deemed to have provided information concerning said matters to shareholders pursuant to the ministerial ordinances of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>(Provision of Materials for the General Meeting of Shareholders in Electronic Format, etc.)</u> <u>Article 14</u> 1. <u>In convening a General Meeting of Shareholders, the Company shall provide information that is the content of the reference documents, etc., for the General Meeting of Shareholders in an electronic format.</u></p>

Proposal No. 3: Election of Five (5) Directors

The terms of office of all seven (7) Directors expire at the conclusion of this 47th Ordinary General Meeting of Shareholders. Accordingly, we propose the election of five (5) Directors, including one (1) new candidate, after reducing the number of Directors by two (2) in order to further streamline the management system.

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 66 to 71 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 73 for the policy and procedures of the Company's Board of Directors for nominating candidates for Directors.

No.	Name	Position at the Company, etc.		Board of Directors' meeting attendance rate
1	Sadanobu Takemasu	President, Representative Director	Reappointment	100%
2	Masayuki Itonaga	Financial Administration Division	New appointment	–
3	Miki Iwamura	Member of the Board	Reappointment, outside, independent	100%
4	Satoko Suzuki	Member of the Board	Reappointment, outside, independent	100%
5	Kiyotaka Kikuchi	Member of the Board	Reappointment	100%

Notes:

- Ms. Miki Iwamura's legal name is Miki Oku.
- Positions at the Company, etc., are as of April 11, 2022.

No.
1

Sadanobu Takemasu
(August 12, 1969)

Reappointment

- Number of the Company's shares held:
8,900
- Attendance at Board of Directors' meetings
15 out of 15 (100%)
- Years in office
Eight years (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
June 2010	Executive Assistant to President and Chief Executive Officer, Corporate Administration Department and Corporate Strategy and Planning Department, Mitsubishi Corporation
May 2014	Senior Executive Vice President, Representative Director, Division Director of Corporate Sales Division — Lawson Mart, Lawson, Inc.
March 2016	Senior Executive Vice President, Representative Director — Corporate Staff Divisions; SEIJO ISHII, Natural Lawson and Lawson Store100 Business; Overseas Business; and Entertainment and Consumer Service Business, and Division Director of Corporate Sales and Store Development Division, Lawson, Inc.
June 2016	President and COO, Representative Director, Lawson, Inc.
March 2017	President, Representative Director, and Division Director of Marketing Division, Lawson, Inc.
September 2017	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Entertainment Business Division, Lawson, Inc.
February 2019	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Marketing Division, Lawson, Inc.
March 2019	President and CEO, Representative Director, Chairman of the Board, CHO, and Division Director of Marketing Strategy Division, Lawson, Inc.
March 2020	President and CEO, Representative Director, Chairman of the Board, and CHO, Lawson, Inc.
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)

New appointment

■ Number of the Company's shares held:

—

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1990	Joined Information Systems and Services Administration Department, 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. (Current position)

Reasons for nomination as Director

Mr. Masayuki Itonaga has been nominated as a candidate for Director, as he has a wealth of knowledge on administrative operations in general, mainly in finance and accounting, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc., as well as his secondment to overseas companies. Having served as Representative Director, President and CEO of Mitsubishi Corporation Financial and Management Services (Japan) Ltd., a subsidiary of Mitsubishi Corporation, Mr. Itonaga also has extensive knowledge on corporate management in general. 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.

No.
3

Miki Iwamura
(October 24, 1965)

Reappointment, outside,
independent

- Number of the Company's shares held:
700
- 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 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, Tokyo University (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 outside Audit and Supervisory Board members (part-time). She has also been registered as an Independent Director/Audit and Supervisory Board Member with the Tokyo Stock Exchange, Inc., pursuant to the rules specified by the exchange.

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

There are no particular conflicts of interest between the Candidate and Lawson, Inc. Ms. Miki Iwamura's legal name is Miki Oku.

No.
4

Satoko Suzuki
(November 17, 1977)

Reappointment, outside,
independent

- Number of the Company's shares held:
200
- Attendance at Board of Directors' meetings
15 out of 15 (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 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 (Current position)
May 2020	Outside Director, Lawson, Inc. (Current position)
June 2022	Outside Director, Stanley Electric Co., Ltd. (Scheduled to assume office)

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 outside Audit and Supervisory Board members (part-time). She has also been registered as an Independent Director/Audit and Supervisory Board Member with the Tokyo Stock Exchange, Inc., pursuant to the rules specified by the exchange.

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

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

No.
5

Kiyotaka Kikuchi
(November 19, 1966)

Reappointment

■ Number of the Company's shares held:

—

■ Attendance at Board of Directors' meetings
12 out of 12 (100%)

■ Years in office

One year (as of the conclusion of the meeting of shareholders)

Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1989	Joined Mitsubishi Corporation
June 2009	Seconded to Itoham Foods Inc. as Director Executive Officer
February 2013	Living Essentials Group CEO Office, Mitsubishi Corporation
April 2014	General Manager, Food Retail Dept., Retail Div., Mitsubishi Corporation
October 2015	Deputy Division COO, Living Essential Resources Div., Mitsubishi Corporation
April 2016	Division COO, Fresh Food Products Div., Mitsubishi Corporation
April 2017	General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation
April 2019	General Manager, Consumer Industry Group CEO Office, Mitsubishi Corporation
April 2020	Senior Vice President, General Manager, Consumer Industry Group CEO Office, Mitsubishi Corporation
April 2021	Executive Vice President, Group CEO, Consumer Industry Group (Concurrently) Division COO, Retail Div., Mitsubishi Corporation (Current position)
May 2021	Member of the Board, Lawson, Inc. (Current position)

Reasons for nomination as Director

Mr. Kiyotaka Kikuchi has been nominated as a candidate for Director, as he has a wealth of knowledge on the consumer industry field, mainly in the food industry, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc., as well as his secondment to a meat processing manufacturer. We have been receiving his proactive opinions and suggestions regarding the Company's management at Board of Directors' meetings, and we would like to continue to benefit from his supervision of the Company's management by leveraging his experience.

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

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

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

Notes:

- In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with Ms. Miki Iwamura, Ms. Satoko Suzuki and Mr. Kiyotaka Kikuchi. 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 has entered into indemnity agreements as prescribed under Article 430-2, Paragraph 2 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 conclude the same indemnity agreement with Mr. Masayuki Itonaga if he is elected and assumes office as a Director.
- 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

(TRANSLATION ONLY)

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 11, 2022.

Reference: Proposed management system following the approvals of Proposals No. 3

Name	Position	New appointment / reappointment	Outside officer	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				8	●			●	●	●	●
Masayuki Itonaga	Member of the Board, Executive Vice President	New appointment				0	●	●				●	
Miki Iwamura	Member of the Board	Reappointment	○	○	○	4	●			●	●	●	
Satoko Suzuki	Member of the Board	Reappointment	○	○	○	2				●		●	●
Kiyotaka Kikuchi	Member of the Board	Reappointment			○	1	●		●			●	●
Shuichi Imagawa	Audit and Supervisory Board Member (full-time)	-				2			●	●			●
Jun Miyazaki	Audit and Supervisory Board Member (full-time)	-				1			●	●			●
Eiko Tsujiyama	Audit and Supervisory Board Member	-	○	○	◎	11		●					
Yuko Gomi	Audit and Supervisory Board Member	-	○	○	○	3			●				
Keiko Yoshida	Audit and Supervisory Board Member	-	○	○	○	2		●					

Notes:

- 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
- The double circle, ◎, indicates the chair, who will be elected by the committee members.

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

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

In addition, as an advisory organ that recommends candidates for directors, candidates for representative directors, and posts to the Board of Directors, we have voluntarily established a Nomination and Compensation Advisory Committee. All seven members of the committee are non-executive directors or Audit and Supervisory Board members (part-time), 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 net sales (gross operating revenues) or more
- (3) A consultant, accounting expert or legal expert who receives substantial monies or other property from the Lawson Group other than as director/Audit and Supervisory Board member remuneration.
A consultant, accounting expert such as a certified public accountant, or a legal expert such as a lawyer, who receives substantial monies or other property from the Lawson Group other than as director/Audit and Supervisory Board member remuneration, and who has received compensation of 5 million yen per year or more over the past two years
- (4) A major shareholder of Lawson, Inc. (if the major shareholder is a corporation, an executive officer of the corporation)
- (5) (A close relative is) An executive officer of the Lawson Group
- (6) (A close relative is) A non-executive director or accounting advisor (if the Independent Director/Audit and Supervisory Board Member is an outside Audit and Supervisory Board member) of the Lawson Group
- (7) A person whose total term of office at the time of re-appointment exceeds eight years for outside director and 12 years for outside Audit and Supervisory Board member
Even if the person falls under any of the above, said person can be elected as a candidate for an independent outside director/Audit and Supervisory Board member if the Board of Directors deems said person to have substantial independence. In such case, the reason will be explained and disclosed at the time of his/her election as outside director/Audit and Supervisory Board member.