

May 1, 2015

To All Shareholders with Voting Rights

Genichi Tamatsuka  
President and CEO, Representative Director  
Lawson, Inc.  
11-2, Osaki 1-chome, Shinagawa-ku, Tokyo

## NOTICE OF THE 40th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 40th Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting, please exercise your voting rights using either of the methods described below after reading the attached REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS.

### [Voting in Writing (by Mail)]

**Please indicate your approval or disapproval of the matters to be resolved on the Voting Rights Exercise Form enclosed herewith and return it so that it reaches us by 5:45 p.m. on Monday, May 25, 2015.**

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

**Please exercise your voting rights by 5:45 p.m. on Monday, May 25, 2015 after reading the attached document "Exercising Voting Rights via the Internet, etc."**

1. Date and Time: 10:00 a.m., Tuesday, May 26, 2015

2. Venue: Tokyo International Forum, Hall C, 5-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Objectives of the Meeting

Reports:

The Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 40th Fiscal Term (from March 1, 2014 to February 28, 2015), and the Audit Reports Thereof

Matters to Be Resolved:

Proposal No. 1: Appropriation of Surplus

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

Proposal No. 3: Election of Two (2) Corporate Auditors

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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. The reception desk will open at 9:00 a.m. Please arrive a little early because the reception desk can be congested immediately before the meeting begins.
  - If you wish to exercise your voting rights by proxy, your proxy is requested to present a document evidencing his/her proxy, such as a power of attorney, together with the Voting Rights Exercise Form in the proxy's own name at the reception desk. (The qualified proxy is limited to one shareholder having voting rights for this meeting as per the relevant provision in the Articles of Incorporation.)

## BUSINESS REPORT

(March 1, 2014, through February 28, 2015)

### I. CURRENT STATUS OF THE CORPORATE GROUP

#### 1. Summary of Operations

##### (1) Business Developments and Results of Operations

During the consolidated fiscal year under review, or fiscal 2014 ended February 28, 2015, the Lawson Group (hereinafter, the “Group” or “Lawson”) implemented measures to reinforce its social infrastructure function that provides essential items and services at the local level with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in Our Communities.”. Based on its analysis of purchase data retrieved from the multi-partner loyalty program, Ponta, the Group focused on customer relationship management (CRM)<sup>\*1</sup> and supply chain management (SCM)<sup>\*2</sup> in order to offer a merchandise assortment that meets the specific needs of customers in each neighborhood.

Meanwhile, we also focused on promoting internal control and addressing operating risks across the entire Group based on the 2014 Basic Policy for Improvement of Internal Control Systems. We will continue promoting internal control across the board including companies that newly joined the Group.

In terms of operating results for the fiscal year under review, gross operating revenue increased to ¥497,913 million (up 2.6% from last year), resulting from an increase of ¥6,780 million in operating revenue due to an increase in number of franchised stores, and an increase of ¥5,884 million in net sales resulting from acquiring United Cinemas Co., Ltd. in August and SEIJO ISHII CO., LTD. in October despite a decrease in the number of company-operated stores. As a result, cost of sales increased by ¥1,478 million to ¥128,116 million (up 1.2% from last year) and selling, general and administrative expenses climbed ¥8,831 million to ¥299,315 million (up 3.0% from last year). Thus, operating income increased by ¥2,355 million to ¥70,482 million (up 3.5% from last year). Furthermore, despite ordinary income income grew ¥2,834 million to ¥71,714 million (up 4.1% from last year), since extraordinary losses increased by ¥4,908 million to ¥14,469 million (up 51.3% from last year) due to closures of unprofitable LAWSON STORE100 stores and withdrawal of Lawson Mart business, net income decreased by ¥5,279 million to ¥32,686 million (down 13.9% from last year).

<sup>\*1</sup> CRM: A marketing management method for providing merchandise and services that meet the specific needs of customers.

<sup>\*2</sup> SCM: A business administration method for comprehensively managing all stages of business, from procurement to sales, to streamline and optimize the entire business process.

Operating results by business segment were as follows.

#### [Domestic Convenience Store Business]

##### (Merchandise Strategy)

On the merchandise front, we promoted a variety of initiatives in order to enhance satisfaction of customers visiting our stores. One of those we reviewed is coffee sizes and prices offered on the menu at “MACHI Café”. In response to high demand from customers, we newly introduced blend coffee and iced coffee in S size at a price of 100 yen, including tax, while expanding menu options by adding café latte and other items. As a result, MACHI Café achieved robust sales. We also strengthened our merchandise assortment of ready-made dishes and daily-delivered foods with the aim of attracting female and senior customers, who usually shop at supermarkets.

In our lineup of ready-made meals, high-priced items such as Niigata-produced koshihikari rice balls stuffed with fatty pork, beef harami (innards) and nakauchi kalbi (between-the-ribs) recorded strong sales. Chilled gyudon (beef bowl) lunch boxes launched in November 2014 were also popular. In addition, we strived to boost sales in the sandwich category by offering high-value-added fruit sandwiches (Mont Blanc chestnuts, shine Muscat grapes, etc.) on an ongoing basis.

In the over-the-counter (OTC) fast foods category, “Ougon Chicken Umashio,” a tender and juicy fried

chicken product flavored with rock salt and black pepper, was well received.

Moreover, as a “Health and wellness in communities,” we also placed emphasis on selling health-oriented products. Specifically, we offered “Bran Bread<sup>\*3</sup>” on an ongoing basis for carbohydrate-conscious consumers, as well as “Soba [buckwheat] Noodles Containing Dietary Fiber” approved as food for specified health uses (“Tokuho” in Japanese) and “Pre-cut Vegetables” made with vegetables produced based on the “Nakashima Farming Method<sup>\*4</sup>” in some areas.

There are currently 22 Lawson Farms in which Lawson, Inc. (hereinafter, the “Company”) holds equity stakes. The farms continue to assume the role of stably supplying fruits and vegetables to the Group’s stores and factories that produce Lawson’s original products.

Based on these initiatives, we will further boost Lawson’s corporate brand image as a “Health-promoting Company.”

In addition to the strengthening of these product line-up, we are increasing our lineup of “Gift Cards<sup>\*5</sup>” offered at our stores.

In sales promotions, we implemented a point-reward campaign targeting Ponta members to encourage purchasing with the aim of increasing the rate of repeat visits. Total Ponta members reached 68 million as of the end of February 2015, including members that joined through other participating companies. The sales ratio of Ponta members reached approximately 48%.

<sup>\*3</sup> Bran: The external layer of wheat. Contains abundant nutrition including dietary fiber, iron, calcium, magnesium, zinc, and copper. The food is noted for its low level of carbohydrate.

<sup>\*4</sup> Nakashima Farming Method: A cultivation method that supplies appropriate nutrients in accordance with the growth status of crops and the nutritional balance of the soil (mineral balance). Uses techniques for developing healthy soil based on diagnosis of soil conditions in conjunction with techniques to control the growth process of crops to maintain healthy growth.

<sup>\*5</sup> Gift Cards: Collective term for prepaid cards that can be used for online transactions.

### **(Store Operations)**

In store operations, we continued to reinforce 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 addition to expanding our lineup of health-conscious products. Notably, with the increasing number of stores equipped with “MACHI Café” store employees are more capable of offering products and services in a caring manner through better communication with customers. We strived to further improve the quality of stores by clarifying the customer service goals to be pursued by store employees and fostering leaders among them. We will continue to promote merchandise assortments that best suit customers in each neighborhood by leveraging store-by-store analysis reports on Ponta members’ purchase data, shelf allocation tailored to the locational characteristics of each store, and sharing of best practices presented at monthly area-based meetings where we discuss area strategies with franchise store owners.

### **(Store Development and Store Format Strategy)**

In opening new stores, the Group prioritized profitability based on its proprietary return on investment-focused store development standard.

In December 2014, Lawson, Inc. concluded an absorption-type company split agreement with SUNNY MART Co., Ltd., the parent company of Three-F Chu-Shikoku Co., Ltd. Based on this agreement, we have taken a phased approach to transforming Three-F stores in Shikoku into LAWSON stores. Effective April 1, 2015, Lawson Kochi, Inc. will be established, with SUNNY MART Co., Ltd. and Lawson, Inc. holding 51% and 49% equity stakes, respectively. LAWSON stores in Kochi prefecture will be operated by Lawson Kochi, Inc.

Furthermore, the Group has been striving to expand the number of stores offering non-prescription drugs, and it reached 104 stores as of the end of February 2015. Moreover, by building partnerships in local area, in addition to healthcare items including OTC pharmaceuticals, cosmetics, and daily necessities, the stores offer a merchandise assortment of around 5,000 items, twice as many as conventional LAWSON stores. In total, the number of Pharmacy Lawson stores equipped with drug-dispensing pharmacies reached 39 as of the end of

February 2015.

LAWSON MART, a store format that the Group launched in February 2014, has endeavored to capture customer needs as an evolutionary fresh foods convenience store by fostering its expertise in functioning as a supermarket alternative and to better support the daily lives of customers in residential areas. We have decided to incorporate the expertise developed by LAWSON MART into LAWSON stores. At the same time, with regard to LAWSON STORE100, we intend to expand its merchandise assortment of fresh foods and value-for-money 100-yen products in order to better support the daily lives of customers. The Group as a whole will thus address increasingly polarizing customer needs.

As a result, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 (including LAWSON MART) stores opened and closed during the fiscal year under review stood at 979 and 400 stores, respectively, with the total number of stores in Japan reaching 11,900 as of the end of February 2015. Furthermore, Lawson Minamikyushu, Inc., an affiliated company accounted for by equity method, operates 202 LAWSON chain stores in Kagoshima prefecture and Lawson Okinawa, Inc. operates 174 LAWSON chain stores in Okinawa prefecture as of the end of February 2015.

#### [Change in Total Number of Stores]

	Total stores as of February 28, 2014	Change during fiscal year	Total stores as of February 28, 2015
LAWSON	10,108	525	10,633
NATURAL LAWSON	107	9	116
LAWSON STORE100 / LAWSON MART	1,202	(51)	1,151
Total	11,417	483	11,900

Note: 1. Small stores are included in this figure.

2. For change during fiscal year, it includes a decrease of 120 stores based on absorption-type split contract of Lawson Group and Lawson Minamikyushu, Inc., and an increase of 24 stores based on absorption-type split contract of Lawson Group and Lawson Kumamoto, Inc. on March 1, 2014.

#### [Gross Operating Revenues in the Domestic Convenience Store Business]

Gross operating revenues (millions of yen)	Year on Year (%)
395,380	96.4

**[Net Sales of All Convenience Stores in the Domestic Convenience Store Business by Product Group]**

Product group	Sales (millions of yen)	Percentage of total (%)	Year on Year (%)
Processed foods	1,034,355	53.5	97.5
Fast foods	429,212	22.2	105.0
Daily delivered foods	277,210	14.4	100.6
Nonfood products	192,020	9.9	99.6
Total	1,932,798	100.0	99.8

**[Other Businesses]**

In addition to Domestic Convenience Store Business, the Group is involved in Overseas Business, Entertainment and Home Convenience Store Business, Financial Services-related Business, Seijo Ishii Business and other businesses.

With regard to Overseas Business, the Group's operating companies opened LAWSON stores in Shanghai, Chongqing, Dalian, and Beijing in the People's Republic of China. In Thailand, Saha Lawson Co., Ltd., a joint venture between LAP and the SAHA Group, Thailand's leading distributor of consumer goods, operates stores under the store brand of LAWSON 108 and 108SHOP. In addition, in Hawaii in the United States, Lawson USA Hawaii, Inc. operates LAWSON stores. Furthermore, in Indonesia, PT MIDI UTAMA INDONESIA Tbk also operates LAWSON stores.

**[Distribution of Lawson Brand Stores Overseas by Region]**

Company	Country/region	Number of stores (as of February 28, 2014)	Change during fiscal year	Number of stores (as of February 28, 2015)
Shanghai Hualian Lawson, Inc.	Shanghai, China	289	65	354
Chongqing Lawson, Inc.	Chongqing, China	77	27	104
Dalian Lawson, Inc.	Dalian, China	18	12	30
Beijing Lawson, Inc.	Beijing, China	5	14	19
Saha Lawson Co., Ltd.	Bangkok, Thailand	29	3	32
Lawson USA Hawaii, Inc.	Hawaii, U.S.A.	4	(1)	3
PT MIDI UTAMA INDONESIA Tbk	Capital City of Jakarta and its suburbs, Indonesia	61	(13)	48
Total		483	107	590

Note: Saha Lawson Co., Ltd. operates 169 stores other than LAWSON 108.

With regard to Entertainment and Home Convenience Store Business, Lawson HMV Entertainment, which forms the core of entertainment related business, posted a solid performance led by an increase in ticket sales and continued to secure top position in the ticketing industry. The number of HMV stores that sell music CDs and DVDs totaled 53 as of the end of February 2015. Furthermore, United Cinemas Co., Ltd., which became a consolidated subsidiary in August 2014, operates a total of 331 screens at its cinemas nationwide. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our ticketing business.

Furthermore, we entered into a partnership with Amazon Japan K.K. in November 2014 and launched a new service in Shizuoka prefecture, which enables customers to pick up items ordered online from Amazon at

LAWSON stores. We will strive to enhance customer convenience by additionally partnering with other companies to establish an “Open Platform” based on the networks of LAWSON stores that offer a range of services encompassing ordering, collection, and home delivery.

Lawson ATM Networks, Inc., which operates a Financial Services-related Business, continued contributing to consolidated results owing to an increase in the number of ATMs installed. In this fiscal year 2015, we strengthened partnership with new financial institution bringing the total number of our financial institution partners to 71 nationwide (up six from last year), including online banks, and the number of ATMs installed nationwide to 10,767 (up 649 from last year) as of the end of February 2015.

Finally, in October 2014, Lawson, Inc. acquired all shares of SEIJO ISHII CO., LTD., which operates Seijo Ishii, a chain of small supermarkets that seeks to develop and manufacture high-value-added products. The number of company-operated stores of Seijo Ishii reached to 107 stores as of the end of February 2015. By leveraging the business infrastructure of the Lawson Group, we aim to further reinforce Seijo Ishii’s strengths and contribute to its enhancement of corporate value. At the same time, we will strive to strengthen our Domestic Convenience Store Business by absorbing Seijo Ishii’s knowhow acquired as a manufacturing retailer and expertise in product selection and presentation, including its central kitchen function.

#### [Gross Operating Revenues in Other Businesses]

Gross Operating Revenues (millions of yen)	Year on Year (%)
108,032	135.5

#### [Environmental and Social Contribution Activities]

The Group’s Social Contribution Division promoted environmental protection and social contribution activities, working together with franchise store owners and Group employees.

Furthermore, as part of our initiative to reduce environmental impact on the entire supply chain, we will endeavor to save energy, resources and promote waste reduction not only at LAWSON stores but also throughout the entire supply chain.

In particular, we promoted the introduction of a state-of-the-art energy-saving chlorofluorocarbon-free (CO<sub>2</sub> refrigerant) refrigerator/freezer system with the aim of reducing electricity consumption at our stores. As of the end of February 2015, the system was installed in approximately 580 stores. Compared to conventional equipment used in our stores, the new system reduces annual CO<sub>2</sub> emissions per store by around 50%, and electricity consumption per store by around 12%. By putting into practical use an energy-saving package model centered on this system, the Group will aim to achieve its medium-term energy conservation target of using 20% less electricity per store by fiscal 2020 compared to the fiscal 2010 level. Furthermore, the Group received the Director-General of the Food Industry Affairs Bureau Award at the Second Food Industry Mottainai Awards in recognition of its contribution to the reduction of CO<sub>2</sub> emissions through these efforts to save and generate energy. We will strive to make improvements by verifying the outcome at these stores, and apply our accumulated expertise and knowhow to LAWSON stores nationwide.

In our efforts to undertake social contribution activities at our stores, we continued activity named “Happiness in Communities,” which was combined of three activities “LAWSON Green Fund,” “Support for Dreams Fund” and “TOMODACHI Fund.”

In addition, the Group issues the Lawson Integrated Report, which incorporates both financial and non-financial information for all stakeholders, while also making efforts to disclose on its website an increasingly wider scope of information in the social and environmental fields.

As a member of society, the Group will continue to make unified group-wide efforts to implement initiatives that aim to address social and environmental issues together with franchised stores, its customers and business partners.

## (2) Capital Expenditures and Financing

Capital expenditures of the Group during the fiscal year totaled ¥65,823 million, of which ¥55,771 million was primarily for store facility investment in land and buildings, and ¥8,217 million was for the upgrading of information systems.

Furthermore, capital expenditures required for facility investments and others carried out in the current period are devoted from shareholders' equity.

## (3) Changes in Operating Results and Financial Position

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

Category/Fiscal Term	Fiscal 2011 37 <sup>th</sup> Term	Fiscal 2012 38 <sup>th</sup> Term	Fiscal 2013 39 <sup>th</sup> Term	Fiscal 2014 40 <sup>th</sup> Term
Gross operating revenue (millions of yen)	478,957	487,445	485,247	497,913
Ordinary income (millions of yen)	61,728	65,926	68,880	71,714
Net income (millions of yen)	24,885	33,182	37,965	32,686
Net income per share (yen)	249.17	332.20	380.04	327.08
Total assets (millions of yen)	531,453	579,809	620,992	764,614
Net assets (millions of yen)	214,662	230,181	250,497	263,797
Net assets per share (yen)	2,144.00	2,267.17	2,455.25	2,561.25

### (2) Changes in Operating Results and Financial Position of the Company

Category/Fiscal Term	Fiscal 2011 37 <sup>th</sup> Term	Fiscal 2012 38 <sup>th</sup> Term	Fiscal 2013 39 <sup>th</sup> Term	Fiscal 2014 40 <sup>th</sup> Term
Net sales of all convenience stores (millions of yen)	1,621,328	1,693,435	1,758,656	1,932,798
Gross operating revenue (millions of yen)	272,498	282,752	298,778	316,340
Ordinary income (millions of yen)	56,110	59,459	62,171	61,649
Net income (millions of yen)	22,462	30,314	33,625	26,200
Net income per share (yen)	224.91	303.49	336.59	262.18
Total assets (millions of yen)	500,667	532,619	589,793	693,811
Net assets (millions of yen)	216,826	227,974	240,648	243,420
Net assets per share (yen)	2,166.35	2,277.90	2,403.21	2,432.00

#### **(4) Pressing Issues**

##### **① Increase franchise store earnings**

With the aim of increasing franchise store earnings, the Group will push forward its operational reform in conjunction with franchise stores and reinforce their retail spaces and merchandise appeal from the customers' perspective.

##### **② Generate synergistic effects within the Group**

The Group will capitalize on its range of store formats tailored to meet an expanded customer base, diversified needs and health-oriented preferences, while strengthening and evolving its merchandise assortment. In addition, by making maximum use of each Group company's distinctive features, we will strive to generate synergistic effects within the Group.

##### **③ Develop Overseas Business**

The Group will establish profitable business models that suit each country/region by striving to understand local customer needs, differentiate its products and services from competitors, and enhance its brand recognition.

##### **④ Promote internal control systems and address operating risks**

In order to ensure business continuity, it is imperative to foster the Group's internal control in its entirety and address operating risks. In addition, we believe that taking a proactive approach to corporate governance is not only strongly desired by all the stakeholders of the Group, but also the right way to enhance corporate value. We will therefore continue to focus on promoting internal control and addressing operating risks.

The Group will aim to increase its corporate value by striving to improve customer satisfaction on an ongoing basis.

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



## 2. Current Status at the End of February 2014

### (1) Major Business Operations and Principal Offices

#### (Domestic Convenience Store Business)

##### 1) Lawson, Inc.

Major Business: Lawson, Inc. primarily operates the Lawson-brand franchise system as well as undertaking management of company-operated stores as the head office of LAWSON, NATURAL LAWSON, LAWSON STORE 100 and LAWSON MART convenience store chains.

Head Office: Shinagawa-ku, Tokyo

Principal Offices: Hokkaido Lawson Branch (Kita-ku, Sapporo), Tohoku Lawson Branch (Aoba-ku, Sendai), North Kanto Lawson Branch (Shinagawa-ku, Tokyo), South Kanto Lawson Branch (Shinagawa-ku, Tokyo), Chubu Lawson Branch (Naka-ku, Nagoya), Kinki Lawson Branch (Suita, Osaka), Chugoku & Shikoku Lawson Branch (Kita-ku, Okayama) and Kyushu Lawson Branch (Hakata-ku, Fukuoka)

Note: In addition to the above sites, the Company has 87 offices throughout Japan, including branches.

##### 2) Lawson Mart, Inc.

Major Business: Lawson Mart, Inc. operates LAWSON STORE100 and LAWSON MART stores, provides guidance to them, and engages in merchandise-related businesses.

Head Office: Shinagawa-ku, Tokyo

##### 3) SCI, Inc.

Major Business: SCI, Inc. operates the wholesale of meats, such as processed foods and frozen foods, and 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	619	Ibaraki	150	Kyoto	324	Ehime	189
Aomori	208	Tokyo	1,597	Shiga	155	Tokushima	130
Akita	184	Kanagawa	862	Nara	131	Kochi	107
Iwate	161	Shizuoka	225	Wakayama	124	Fukuoka	442
Miyagi	227	Yamanashi	111	Osaka	1,036	Saga	67
Yamagata	78	Nagano	150	Hyogo	634	Nagasaki	105
Fukushima	103	Aichi	583	Okayama	145	Oita	166
Niigata	130	Gifu	151	Hiroshima	177	Kumamoto	135
Tochigi	141	Mie	111	Yamaguchi	123	Miyazaki	103
Gunma	93	Ishikawa	102	Tottori	111		
Saitama	514	Toyama	188	Shimane	117		
Chiba	463	Fukui	106	Kagawa	122	<b>Total (domestic)</b>	<b>11,900</b>

## (Other Businesses)

### ① Seijo Ishii Business

SEIJO ISHII CO., LTD.

Major Business: SEIJO ISHII CO., LTD. operates a chain of small supermarkets that seeks to develop and manufacture high-value-added products.

Head Office: Yokohama city, Kanagawa

Note: SEIJO ISHII CO., LTD. became a consolidated subsidiary of Lawson Inc., which acquired all outstanding shares of SEIJO ISHII CO., LTD. in October 2014.

### ② Overseas Business

#### 1) Lawson (China) Holdings, Inc.

Major Business: Lawson (China) Holdings, Inc. controls companies that operate overseas businesses in China.

Head Office: Shanghai, China

#### 2) Shanghai Hualian Lawson, Inc.

Major Business: Shanghai Hualian Lawson, Inc. operates Company-operated convenience stores and franchise stores.

Head Office: Shanghai, China

#### 3) Chongqing Lawson, Inc.

Major Business: Chongqing Lawson, Inc. operates Company-operated convenience stores.

Head Office: Chongqing, China

#### 4) Dalian Lawson, Inc.

Major Business: Dalian Lawson, Inc. operates Company-operated convenience stores.

Head Office: Dalian, China

#### 5) Lawson Asia Pacific Holdings Pte, Ltd.

Major Business: Lawson Asia Pacific Holdings Pte, Ltd. controls the Company's subsidiaries and affiliates that operate overseas businesses (excluding China).

Head Office: Singapore

#### 6) Saha Lawson Co., Ltd.

Major Business: Saha Lawson Co., Ltd. operates stores under the store brand of LAWSON 108 and 108SHOP.

Head Office: Bangkok, Thailand

### ③ Entertainment and Home Convenience Store Business

#### 1) Lawson HMV Entertainment, Inc.

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

Head Office: Shinagawa-ku, Tokyo

#### 2) Lawson HMV Entertainment United Cinema Holdings, Inc.

Major Business: Holding company that owns shares of United Entertainment Holdings Co., Ltd.

Head Office: Shinagawa-ku, Tokyo

Note: Lawson HMV Entertainment United Cinema Holdings, Inc. was established in July 2014 by Lawson HMV Entertainment, Inc., the Company's wholly owned subsidiary.

3) United Entertainment Holdings Co., Ltd.

Major Business: Holding company that owns shares of United Cinemas Co., Ltd.

Head Office: Shinagawa-ku, Tokyo

Note: Lawson HMV Entertainment United Cinema Holdings, Inc., the Company's wholly owned subsidiary, acquired 100% of outstanding shares of United Entertainment Holdings Co., Ltd. in August 2014 and made it and its wholly owned subsidiary, United Cinemas Co., Ltd., consolidated subsidiaries.

4) United Cinemas Co., Ltd.

Major Business: Constructs and manages multiplex movie theaters

Head Office: Shinagawa-ku, Tokyo

④ Financial Services-Related Business

Lawson ATM Networks, Inc.

Major Business: Installs jointly operated ATMs in LAWSON stores, etc.

Head Office: Shinagawa-ku, Tokyo

⑤ 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

Designation of Business Segment	Number of Employees	Year on Year Change
Domestic Convenience Store Business	4,625	85
Seijo Ishii Business	847	847
Overseas Business	969	176
Entertainment and Home Convenience Store Business	971	142
Financial Services-related Business	25	1
Consulting Business	169	19
Total	7,606	1,270

### 2) Employees of the Company

Number of Employees	Year on Year Change	Average Age	Average Years of Service
3,679	135	39.8	12.9

### (3) Status of Major Business Combinations

#### 1) Important Subsidiaries

Company Name	Common Stock	Shareholding	Major Business
Lawson Mart, Inc.	¥99 million	100.0 %	Domestic Convenience Store Business
SCI, Inc.	¥10 million	100.0 %	Domestic Convenience Store Business
SEIJO ISHII CO., LTD.	¥5,250 million	100.0 %	Seijo Ishii Business
Lawson (China) Holdings, Inc.	CNY930 million	100.0 %	Overseas Business
Shanghai Hualian Lawson, Inc.	CNY353 million	94.0 %	Overseas Business
Chongqing Lawson, Inc.	CNY190 million	100.0 %	Overseas Business
Dalian Lawson, Inc.	CNY66 million	98.3 %	Overseas Business
Lawson Asia Pacific Holdings Pte, Ltd.	S\$29 million	100.0 %	Overseas Business
Saha Lawson Co., Ltd.	THB837 million	49.0 %	Overseas Business
Lawson HMV Entertainment, Inc.	¥100 million	100.0 %	Entertainment and Home Convenience Store Business
Lawson HMV Entertainment United Cinema Holdings, Inc.	¥2,125 million	100.0 %	Entertainment and Home Convenience Store Business
United Entertainment Holdings Co., Ltd.	¥100 million	100.0 %	Entertainment and Home Convenience Store Business
United Cinemas Co., Ltd.	¥100 million	100.0 %	Entertainment and Home Convenience Store Business
Lawson ATM Networks, Inc.	¥3,000 million	76.5 %	Financial Services-related Business
BestPractice, Inc.	¥10 million	100.0 %	Consulting Business

Notes:

1. The shareholder percentage includes indirectly held shares.
2. SEIJO ISHII CO., LTD. was made the Company's consolidated subsidiary as a result of the acquisition of 100% of its outstanding shares by the Company in October 2014.
3. Lawson HMV Entertainment United Cinema Holdings, Inc. was established in July 2014 by Lawson HMV Entertainment, Inc., the Company's wholly owned subsidiary, and was made its consolidated subsidiary. Lawson HMV Entertainment United Cinema Holdings, Inc., the Company's wholly owned subsidiary, acquired 100% of outstanding shares of United Entertainment Holdings Co., Ltd. in August 2014 and made it and its wholly owned subsidiary, United Cinemas Co., Ltd., consolidated subsidiaries.
4. Smart Kitchen, Inc., which was a consolidated subsidiary of the Company in the previous term, was excluded from the scope of consolidation due to liquidation in January 2015.

## 2) Other Important Business Combinations

### ① Important Affiliated Companies

Company Name	Common Stock	Shareholding	Major Business
Lawson Okinawa, Inc.	¥10 million	49.0 %	Domestic Convenience Store Business
Lawson Minamikyushu, Inc.	¥100 million	49.0 %	Domestic Convenience Store Business

Notes:

1. Lawson Minamikyushu, Inc. has been included within the scope of equity method affiliates due to the rise in its importance, as the Company owns 49% of its shares.
2. PT MIDI UTAMA INDONESIA Tbk, which was an equity method affiliate of Lawson Asia Pacific Holdings Pte. Ltd., the Company's wholly owned subsidiary, in the previous term, was excluded from the scope of equity method affiliates, since all of its shares owned were sold in December 2014.

### ② Important Business Alliances

Mitsubishi Corporation holds 32.4% of the total voting rights (32,399 thousand shares) of the Company (including indirect holdings). Recognizing Mitsubishi Corporation as the most important strategic partner, the Company has entered into an extensive business tie-up agreement with Mitsubishi Corporation for the enhancement of existing businesses and the development of new businesses.

## 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 301,084 shares of treasury shares)

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

(4) Number of Shareholders: 30,618

(5) Top 10 Major Shareholders:

Shareholder's Name	Investment in the Company	
	Number of Shares Held (thousands)	Shareholding (%)
Mitsubishi Corporation	32,089	32.1
The Master Trust Bank of Japan, Ltd. (trust account)	2,691	2.7
Japan Trustee Services Bank, Ltd. (trust account)	2,635	2.6
NTT DOCOMO, INC.	2,092	2.1
Nomura Securities Co., Ltd.	1,867	1.9
JP MORGAN CHASE BANK 380055	1,474	1.5
MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	1,381	1.4
BBH FOR MATTHEWS ASIAN GROWTH AND INCOME FUND	1,275	1.3
National Mutual Insurance Federation of Agricultural Cooperatives	1,259	1.3
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,056	1.1

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

### Stock Acquisition Rights Held by Corporate Officers of the Company as of February 28, 2015

	5 <sup>th</sup> Stock Acquisition Rights	6 <sup>th</sup> (a) Stock Acquisition Rights	7 <sup>th</sup> (a) Stock Acquisition Rights	8 <sup>th</sup> (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	0 person (0 units)	0 persons (0 units)	0 persons (0 units)	0 persons (0 units)
Outside Directors	2 persons (10 units)	2 persons (8 units)	2 persons (8 units)	2 persons (12 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 800	Common stock of Lawson, Inc. 800	Common stock of Lawson, Inc. 1,200
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	October 13, 2005 through May 31, 2025	October 27, 2006 through May 26, 2026	September 6, 2007 through August 20, 2027	January 17, 2009 through December 15, 2028
Main exercise conditions	Note 1	Note 2	Note 2	Note 2

	9 <sup>th</sup> Stock Acquisition Rights	10 <sup>th</sup> Stock Acquisition Rights	11 <sup>th</sup> Stock Acquisition Rights	12 <sup>th</sup> (a) Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	0 persons (0 units)	0 persons (0 units)	0 persons (0 units)	1 persons (65 units)
Outside Directors	2 persons (10 units)	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. 1,000	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 1,000	Common stock of Lawson, Inc. 8,000
Value of property invested in exercising stock acquisition rights (per share)	¥1	¥1	¥1	¥1
Exercise period	February 18, 2010 through February 1, 2030	February 26, 2011 through February 10, 2031	February 18, 2012 through February 1, 2032	April 12, 2013 through March 26, 2033
Main exercise conditions	Note 2	Note 2	Note 2	Note 3

	13 <sup>th</sup> Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)	
Directors (Excluding Outside Directors)	1 persons (53 units)
Outside Directors	4 persons (20 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 7,300
Value of property invested in exercising stock acquisition rights (per share)	¥1
Exercise period	April 10, 2014 through March 23, 2034
Main exercise conditions	Note 3

Notes:

1. A stock acquisition rights holder may exercise his or her rights only for a period of 5 years from the day after losing his or her position as a director of the Company.
2. A stock acquisition rights holder may exercise his or her rights within the exercise period only for a period of 5 years from the day after losing his or her position as either director and/or executive officer of the Company.
3. 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.

The total number of shares subject to stock acquisition rights that remain unexercised as of February 28, 2015, is 64,600 shares, accounting for 0.1% of the total number of shares issued and outstanding.



### 3. Directors and Corporate Auditors

#### (1) Positions, Names and Assignments (As of February 28, 2015)

Name	Position	Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (5) Outside Directors and Outside Corporate Auditors
Genichi Tamatsuka	Representative Director, President and CEO	Store Operations Division Director
Sadanobu Takemasu	Representative Director, Senior Executive Vice President	—Corporate Staff Divisions and Lawson Mart/ Lawson Store 100 Business, Corporate Sales and Store Development Division Director
Masakatsu Gonai	Director, Executive Vice President	—Compliance & Risk Management and Human Resources
Reiko Yonezawa	Director	
Takehiko Kakiuchi	Director	
Emi Osono	Director	
Yutaka Kyoya	Director	
Sakie Akiyama	Director	
Atsuhiko Seki	Standing Corporate Auditor	
Shinichi Hokari	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Eiko Tsujiyama	Corporate Auditor	

#### Notes:

- Five directors (Reiko Yonezawa, Takehiko Kakiuchi, Emi Osono, Yutaka Kyoya and Sakie Akiyama) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
- Three auditors (standing corporate auditor Shinichi Hokari, corporate auditor Tetsuo Ozawa and corporate auditor Eiko Tsujiyama) are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Standing corporate auditor Shinichi Hokari has assumed responsible posts for many years on the Board of Audit of Japan and therefore has considerable expertise in finance and accounting.  
Corporate auditor Tetsuo Ozawa, lawyer, has practiced law and advised on legal matters and risk management mainly in relation to the legal affairs of companies and therefore has considerable expertise in finance and accounting.  
Corporate auditor Eiko Tsujiyama has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.
- Changes in appointment, approved with resolutions by the 39th Ordinary General Meeting of Shareholders held on May 27, 2014 are as follows:

Appointment	Representative Director	Sadanobu Takemasu
	Director	Masakatsu Gonai
	Director	Sakie Akiyama
Resignation from office	Director	Yoshiyuki Yahagi
- Takeshi Niinami retired from director and the chairman of the board’s position on July 31, 2014.

[Reference] Members of the Boards and Senior Vice Presidents

(Exclude Outside Corporate Auditors) (As of March 1, 2015)

Name	Position and Major Title	
Genichi Tamatsuka	Representative Director, President and CEO	
Sadanobu Takemasu	Representative Director, Senior Executive Vice President	—Corporate Staff Divisions and Lawson Store 100 Business, Store Development Division Director
Masahiro Oyama	Senior Executive Vice President	—Merchandising and Merchandising Group Innovation Officer
Masaharu Kamo	Senior Executive Vice President	—Strategy of Information Systems and Home CVS Business Division, Entertainment and Consumer Service Business Division Director, BPR and Information Systems Division Director, Corporate Strategy and Planning Division Deputy Director and Lawson HMV Entertainment, Inc. Representative Director
Masakatsu Gonai	Director, Executive Vice President	—Compliance & Risk Management and Human Resources and Franchisee Business Support Division Director
Yutaka Yoshitake	Executive Vice President	CFO
Katsuyuki Imada	Executive Vice President	Corporate Strategy and Planning Division Director
Jun Miyazaki	Executive Vice President	Corporate Communications Division Director and Human Resources
Norikazu Nishiguchi	Senior Vice President	Healthcare Business Division Director and BPR & Information Systems Division Deputy Director
Yuichi Wada	Senior Vice President	Merchandising Division Director
Tetsu Yamada	Senior Vice President	International Business Division Director
Shuichi Imagawa	Senior Vice President	Sales Strategy and Marketing Division Director
Takaki Mizuno	Senior Vice President	Executive Assistant to CEO (—Western Japan)
Shigeaki Kawahara	Senior Vice President	Lawson Store 100 Business Division Director, Seijo Ishii Business Division Director and Lawson Mart, Inc. Representative Director
Hisashi Yasuhira	Senior Vice President	Executive Assistant to CEO (Strengthen Life Support) and Sales Strategy and Marketing Division Deputy Director
Yasuhiko Hirokane	Senior Vice President	Store Operations Division Director and Management Owner Promotion Division
Kazuya Nobe	Senior Vice President	Home CVS Business Division Director
Tatsushi Sato	Senior Vice President	BPR and Information Systems Division Deputy Director
Hajime Kawamura	Senior Vice President	Franchisee Business Support Division Deputy Director
Motonobu Miyake	Senior Vice President	International Business Division Deputy Director, Lawson (China) Holdings, Inc. General Manager
Atsushi Maeda	Senior Vice President	Merchandising Division Deputy Director
Akihito Watanabe	Senior Vice President	Entertainment and Consumer Service Business Division Deputy Director and United Cinemas Co., Ltd. Representative Director
Yasuhiro Iseki	Senior Vice President	Corporate Sales and Store Development Division Deputy Director
Taiki Hasegawa	Senior Vice President	Entertainment and Consumer Service Business Division Deputy Director and Sales Strategy and Marketing Division Deputy Director
Akira Ushijima	Senior Vice President	Lawson (China) Holdings, Inc. COO and Beijing Lawson, Inc. General Manager

## (2) Amounts of Remuneration, etc., 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 Directors and Corporate Auditors Applicable
		Basic Compensation	Stock Options	
Directors (Including Outside Directors)	324	194	130	10
(Outside Directors)	(48)	(37)	(10)	(5)
Corporate Auditors (Including Outside Corporate Auditors)	70	70	–	4
(Outside Corporate Auditors)	(46)	(46)	(–)	(3)
Total	395	264	130	14

Notes:

1. As of February 28, 2015, the number of directors in office was 8 and that of corporate auditors was 4.
2. The above figures include remuneration paid to 1 director who resigned at the conclusion of the 39th Ordinary General Meeting of Shareholders held on May 27, 2014, and 1 director who resigned on July 31, 2014.

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

### ① Basic policy on decisions concerning the amount of remuneration paid to directors

Regarding the amount of remuneration paid to directors, it is the Company's basic policy to design the remuneration system in close correlation with shareholder returns while ensuring that it will function sufficiently as an incentive for the enhancement of corporate value, sustainable growth and improvement of operating performance, and reward each director with a sufficient and adequate amount of compensation for the execution of their duties.

### ② Decision-making process for the amount of remuneration paid to directors

In order to enhance management transparency, the amount of remuneration paid to directors is determined at the board of directors meeting based on recommendations by the Company's Compensation Committee, which consists exclusively of outside officers (four outside directors and two outside corporate auditor).

Members of the Nomination and Compensation Committee:

Outside Director	Reiko Yonezawa	Outside Director	Takehiko Kakiuchi
Outside Director	Emi Osono (Vice Committee Chairperson)	Outside Director	Sakie Akiyama
Outside Corporate Auditor	Tetsuo Ozawa (Committee Chairperson)	Outside Corporate Auditor	Eiko Tsujiyama

### ③ Details of remuneration paid to directors

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

#### [Basic compensation]

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

#### i) Fixed compensation

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

#### ii) Variable compensation

In order to link the remuneration of directors with shareholder returns, the Company has adopted a compensation system that is linked to the Company's financial performance.

Variable compensation is paid in accordance with earnings indicators such as EPS (consolidated net income

per share). Regarding nonexecutive directors, including Reiko Yonezawa, Takehiko Kakiuchi Emi Osono, Yutaka Kyoya and Sakie Akiyama, variable compensation is not applicable as they are focused on their supervisory and advisory roles as the Company's representative directors and in the board of directors meetings.

#### **[Stock price-linked compensation]**

Stock options as stock-based compensation

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

Exercise price on stock options as stock-based compensation is ¥1 per share and the amount of units granted is determined in accordance with the position of directors. In addition, stock options as stock-based compensation can be exercised only during designated periods after retirement from office; directors are not allowed to exercise their stock option rights during their term in office.

#### **④ Limit on the amount of remuneration paid to directors**

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

i) Amount of remuneration paid to directors

Resolutions at the general meeting of shareholders as of May 24, 2001: ¥400 million or less per year

ii) Amount of stock options granted to directors

Resolutions at the general meeting of shareholders as of May 27, 2014: ¥300 million or less per year

#### **(4) Policy on Decisions Concerning the Amount of Remuneration Paid to Corporate Auditors**

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

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

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

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

##### **③ Details of remuneration paid to corporate auditors**

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

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

##### **④ Limit of the amount of remuneration paid to corporate auditors**

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

Amount of remuneration paid to corporate auditors

Resolutions at the general meeting of shareholders as of May 29, 2012: ¥80 million or less per year

**(5) 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)	Reiko Yonezawa	The R Co., Ltd.	Chairperson	The Company and The R Co., Ltd. (Chairperson Reiko Yonezawa), have a business relationship consisting of reception services for the Company's head office provided by the latter. The Company entrusted The R Co., Ltd. to provide services after receiving bids from several suitable companies and verifying their economic efficiency.
Outside Director	Takehiko Kakiuchi	Mitsubishi Corporation  Mitsubishi Shokuhin Co., Ltd	Executive Vice President, Group CEO, Living Essentials Group  Outside director	The Company and Mitsubishi Corporation, of which Mr. Kakiuchi is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.
Outside Director (Independent)	Emi Osono	Hitotsubashi University Graduate School of International Corporate Strategy Resona Holdings, Inc.	Professor  Outside director	
Outside Director	Yutaka Kyoya	Mitsubishi Corporation	Division COO, Foods (Commodity) Div.	The Company and Mitsubishi Corporation, of which Mr. Kyoya is an employee and which is a large shareholder of the Company, have a business relationship under an extensive business alliance agreement.
Outside Director (Independent)	Sakie Akiyama	Saki Corporation	CEO and Founder	

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Corporate Auditor (Independent)	Shinichi Hokari			
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Tokyo Fuji Law Office  CEMEDINE CO., LTD.  Sekisui Chemical Co., Ltd.	Lawyer (Partner)  Outside corporate auditor Outside corporate auditor	
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Waseda University School of Commerce and Graduate School of Commerce  Mitsubishi Corporation  ORIX Corporation NTT DOCOMO, INC. Shiseido Company, Limited	Professor  Outside corporate auditor Outside director Outside corporate auditor Outside corporate auditor	Mitsubishi Corporation, for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship between the two companies based on a comprehensive business alliance agreement. NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company and there is a business relationship in the telecommunications field between the two companies based on a comprehensive business alliance agreement.

Note: Where nothing is written in the column Relationship between the Company and company Where Position Concurrently Held, it means that the Company has no important business or other relationship with that company.

## 2) Major Activities during the Year

Position in the Company	Name	Major Activities
Outside Director (Independent)	Reiko Yonezawa	Ms. Yonezawa attended 11 of 13 board of directors' meetings held during the year and appropriately questioned and/or remarked based on her abundant experience and knowledge as a management executive. Ms. Yonezawa is also a member of the Company's Nomination and Compensation Committee.
Outside Director	Takehiko Kakiuchi	Mr. Kakiuchi attended 11 of 13 board of directors' meetings held during the year and appropriately questioned and/or remarked based on his deep knowledge about the consumer lifestyles industry. Mr. Kakiuchi is also a member of the Company's Nomination and Compensation Committee.
Outside Director (Independent)	Emi Osono	Ms. Osono attended 11 of 13 board of directors' meetings held during the year, and as an academic, appropriately questioned and/or remarked based on her abundant knowledge of global corporate management, corporate strategy and organizational behavior, etc. Ms. Osono is also a vice chairperson of the Company's Nomination and Compensation Committee.
Outside Director	Yutaka Kyoya	Mr. Kyoya attended 11 of 13 board of directors' meetings held during the year, and appropriately questioned and/or remarked based on his abundant knowledge of fields related to the daily lives of consumers.
Outside Director (Independent)	Sakie Akiyama	Ms. Akiyama attended all 11 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. Akiyama is also a member of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Shinichi Hokari	As a standing corporate auditor, Mr. Hokari examined financial documents and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Hokari monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Hokari attended all 13 board of directors' meetings and all 16 board of corporate auditors' meetings held throughout the year during his term in office and appropriately questioned and/or remarked based on his deep knowledge finance and accounting and using his experience of assuming responsible posts for many years on the board of audit of Japan.
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Mr. Ozawa attended 12 of 13 board of directors' meetings and all 16 board of corporate auditors' meetings held during the year and appropriately questioned and/or remarked based on his abundant experience and knowledge as a lawyer. Mr. Ozawa is also a chairperson of the Company's Nomination and Compensation Committee.
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Ms. Tsujiyama attended all 13 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 a university professor in this field. Ms. Tsujiyama is also a member of the Company's Nomination and Compensation Committee.

## **(6) Judgment Criteria Concerning Independence**

With the aim of enhancing corporate governance, the Company has specified the following judgment criteria regarding Independent Directors/Auditors and has appointed outside directors and/or outside corporate auditors who do not meet the judgment criteria as Independent Directors/Auditors as specified in the rules set forth by the Tokyo Stock Exchange, Inc.

- ① Those who are engaged in business operations of the Company's parent company
- ② Those who are engaged in business operations of the Company's sister companies
- ③ Those who conduct business transactions with the Group as a major business partner or those who are engaged in such business operations

Business partner groups that provide the Group with products and/or services and whose total amount of business transactions with the Group during the latest fiscal year account for 2% or more of their consolidated net sales

- ④ The Group's major business partners or those who are engaged in such business operations

Business partner groups to which the Group provides its products and/or services and for which the Group's total amount of business transactions during the latest fiscal year accounted for 2% or more of the Company's consolidated net sales (total operating revenues)

- ⑤ Consultants, accounting professionals, and legal professionals who have received any monetary or property benefits from the Group other than remuneration paid to officers

Consultants, accounting professionals such as certified accountants, and legal professionals such as lawyers who have received any monetary or property benefits from the Group other than remuneration paid to officers and who have received remuneration totaling ¥5 million or more per year

- ⑥ The Company's major shareholders (those who are engaged in business operations of applicable corporations in cases where major shareholders are corporations)

- ⑦ Those with close family members who are engaged in business operations of the Group

- ⑧ Those with close family members who are nonexecutive directors or accounting advisors of the Company (in cases where Independent Directors/Auditors are outside corporate auditors)

## **(7) Outline of Liability Limitation Agreements with Outside Directors and Outside Corporate Auditors**

The Company has entered into agreements with the outside directors and outside 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.



#### 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	93 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	158 million yen

Note:

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. Six of the important subsidiaries of Lawson overseas are subject to audit by an independent auditor other than Lawson's independent auditor.

##### (3) Nonaudit Services

The Company entrusts the following services, which do not come under the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Act (nonaudit services), to the independent auditor:

- Advice and guidance on the preparation of documents translated into English for earnings reports and various other financial documents.

##### (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 TO ENSURE COMPLIANCE OF THE DIRECTORS' EXECUTION OF DUTIES WITH LAWS AND REGULATIONS AND THE ARTICLES OF INCORPORATION, AS WELL AS OTHER SYSTEMS TO ENSURE THE PROPRIETY OF BUSINESS OPERATIONS**

At the board of directors' meeting held on February 18, 2015, based on improvements and the operation of the preceding "2014 Basic Policy for Improvement of Internal Control Systems," which was approved at the board of directors' meeting held on February 18, 2014, the Company passed a resolution called the "2014 Basic Policy for Improvement of Internal Control Systems," as indicated below.

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

- 1) The board of directors shall determine the improvement policies and plans for internal control systems, including those for compliance with laws, regulations and the like (the "Compliance"), and receive status reports 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 Internal Audit Department, which is independent from the business-executing bodies, shall audit the status concerning the improvement of the internal control systems and recommend improvements thereof, as required.
- 5) The board of directors shall maintain and raise the awareness of officers and employees regarding compliance by thoroughly disseminating the Group Code of Conduct and the Lawson Ethical Mission Statement by such measures as, including, but not limited to, appointing a Chief Compliance Officer, establishing a department to oversee compliance, assigning personnel in charge of compliance at each department, streamlining the rules in relation to compliance, and providing periodic training on ethics and awareness surveys on compliance.
- 6) The Legal Affairs Department shall be reinforced to fortify foundations for complying with legal requirements by identifying the laws and regulations applicable to the Company's businesses and communicating the content thereof to the relevant departments and sections.
- 7) With the aim to strive for the early detection of violations or possible violations of laws, regulations, etc. across the Group and the entire chain, the Company shall establish and upgrade normal reporting routes for reporting any violations of laws, regulations or internal rules. It shall establish reporting and consulting systems (internal consulting contact points, group-wide outside consulting contact points and consulting contact points for employees and business counterparties for Lawson's franchised stores) that fully protect those who make such reports.
- 8) The Company shall never become involved with antisocial forces or bodies that threaten the order and security of society, and shall take a firm stance on, and deal with, improper demands by consulting with lawyers the police and the like.

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

- 1) The Company shall record, preserve and manage information relating to decision making at important meetings such as those of the board of directors and the management council, and authorizing documents, including those approved by the president, 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. In particular, the Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management system to minimize the business interruption in the event of the occurrence of situations or events inflicting substantial damage on the Company such as a large-scale natural disaster or an epidemic of a new-type influenza.
- 4) In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to improve effectiveness of the "Disaster Countermeasure Manuals" and the "BCP" system.

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

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

### **(5) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and its Subsidiaries**

- 1) The Company shall endeavor to maintain and enhance the Lawson brand through close collaboration with subsidiaries and affiliated companies ("Associated Companies"). However, with regard to affiliated

companies, the Company will work to appropriately establish and maintain systems through phased implementation, taking into account such factors as relations with other leading shareholders differences in laws, regulations and business customs and the like of foreign countries.

- 2) While respecting the independence of Associated Companies, in view of the purpose of the Company's equity participation in Associated Companies, the Company shall establish Group regulations such as basic policies for the management of Associated Companies and management policies thereof, and keep the Associated Companies fully informed of the Group Code of Conduct.
- 3) 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.
- 4) 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.

#### **(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.
- 4) The Legal Affairs, Risk Management and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any corporate auditor.

#### **(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.

**(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.

The above amounts and the number of shares in this Business Report are rounded down to the nearest unit and the ratios are rounded to the nearest whole number.

## Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2014 (for reference)	As of February 28, 2015	Account item	As of February 28, 2014 (for reference)	As of February 28, 2015
<b>Current assets</b>	<b>195,784</b>	<b>223,642</b>	<b>Current liabilities</b>	<b>246,706</b>	<b>301,069</b>
Cash and deposits	76,763	76,758	Accounts payable-trade	9,726	20,072
Accounts receivable-due from franchised stores	32,186	37,052	Accounts payable-trade for franchised stores	79,444	83,385
Merchandise	9,596	17,044	Due to franchised stores	1,405	1,507
Prepaid expenses	10,716	12,235	Short-term loans payable	680	1,740
Accounts receivable-other	54,193	58,666	Current portion of long-term loans payable	—	575
Deferred tax assets	4,481	5,299	Lease obligations	16,585	19,948
Other	10,240	19,164	Accounts payable-other	29,344	43,518
Allowance for doubtful accounts	(2,393)	(2,578)	Income taxes payable	14,330	13,301
<b>Non-current assets</b>	<b>425,208</b>	<b>540,971</b>	Deposits received	87,585	103,634
<b>Property and store equipment</b>	<b>233,436</b>	<b>274,436</b>	Provision for bonuses	2,372	2,976
Buildings and structures	128,835	153,375	Other	5,232	10,408
Furniture, fixtures, and equipment	12,083	14,825	<b>Non-current liabilities</b>	<b>123,788</b>	<b>199,746</b>
Land	8,773	9,640	Long-term loans payable	—	58,425
Lease assets	80,767	91,661	Lease obligations	61,666	76,174
Construction in progress	2,977	4,810	Provision for retirement benefits	11,082	—
Other	—	123	Provision for retirement benefits to executive officers and audit & supervisory board members	408	367
<b>Intangible assets</b>	<b>28,480</b>	<b>79,530</b>	Net defined benefit liability	—	12,958
Software	14,902	11,806	Long-term guarantee deposited	32,252	29,992
Software in progress	3,360	6,993	Asset retirement obligations	17,874	21,530
Goodwill	9,719	48,189	Other	502	297
Right of trademark	106	11,989	<b>Total liabilities</b>	<b>370,494</b>	<b>500,816</b>
Other	391	550	<b>Net assets</b>		
<b>Investments and other assets</b>	<b>163,291</b>	187,004	<b>Shareholders' equity</b>	<b>242,832</b>	<b>252,107</b>
Investment securities	12,821	18,118	Capital stock	58,506	58,506
Long-term loans receivable	33,727	37,232	Capital surplus	47,741	47,696
Long-term prepaid expenses	8,260	9,912	Retained earnings	138,141	147,177
Guarantee deposits	86,150	93,205	Treasury shares	(1,556)	(1,272)
Deferred tax assets	21,627	26,251	<b>Accumulated other comprehensive income</b>	<b>2,456</b>	<b>4,014</b>
Other	1,669	3,404	Valuation difference on available-for-sale securities	(93)	(393)
Allowance for doubtful accounts	(965)	(1,121)	Revaluation reserve for land	(567)	(566)
			Foreign currency translation adjustment	3,118	5,492
			Remeasurements of defined benefit plans	—	(518)
			<b>Subscription rights to shares</b>	<b>557</b>	<b>223</b>
			<b>Minority interests</b>	<b>4,650</b>	<b>7,452</b>
			<b>Total net assets</b>	<b>250,497</b>	<b>263,797</b>
<b>Total Assets</b>	<b>620,992</b>	764,614	<b>Total Liabilities and Net Assets</b>	<b>620,992</b>	<b>764,614</b>

Note: Figures as of February 28, 2014, are included in the table above for comparative purposes only.

## Consolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2013 to February 28, 2014 (for reference)		From March 1, 2014 to February 28, 2015	
Operating revenue				
Income from franchised stores	242,078		247,681	
Other operating revenue	75,009	317,088	76,188	323,869
Net sales				
Net sales	(168,159)	168,159	(174,044)	174,044
Gross operating revenue		485,247		497,913
Cost of sales	(126,637)	126,637	(128,116)	128,116
Gross profit	(41,521)		(45,928)	
Operating gross profit		358,610		369,797
Selling, general and administrative expenses		290,483		299,315
Operating income		68,126		70,482
Non-operating income				
Interest income	860		830	
Foreign exchange gains	272		1,585	
Penalty income	142		618	
Other	1,920	3,195	1,712	4,746
Non-operating expenses				
Interest expenses	1,294		1,520	
Loss on cancellation of store lease contract	570		1,168	
Other	577	2,442	825	3,514
Ordinary income		68,880		71,714
Extraordinary income				
Gain on sales of investment securities	403		369	
Gain on change in equity	—		756	
Gain on sales of non-current assets	51		—	
Other	11	466	—	1,126
Extraordinary losses				
Loss on retirement of non-current assets	2,648		2,966	
Impairment loss	5,744		8,263	
Loss on liquidation of business	—		1,519	
Other	1,168	9,560	1,719	14,469
Income before income taxes and minority interests		59,785		58,370
Income taxes-current	26,758		24,938	
Income taxes-deferred	(5,136)	21,622	312	25,250
Income before minority interests		38,163		33,120
Minority interests in income		197		433
Net income		37,965		32,686

Note: Figures from March 1, 2013 to February 28, 2014, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

**Consolidated Statement of Changes in Equity**

(From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Minority 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	47,741	138,141	(1,556)	242,832	(93)	(567)	3,118	—	2,456	557	4,650	250,497
Changes of items during period													
Dividends of surplus			(22,979)		(22,979)								(22,979)
Change of scope of equity method			(608)		(608)								(608)
Net income			32,686		32,686								32,686
Purchase of treasury shares				(289)	(289)								(289)
Disposal of treasury shares		0		0	0								0
Reversal of revaluation reserve for land			(1)		(1)								(1)
Exercise of subscription rights to shares (delivery of treasury shares)		(44)	(63)	573	465								465
Net changes of items other than shareholders' equity						(299)	1	2,374	(518)	1,557	(334)	2,801	4,024
Total changes of items during period	—	(44)	9,035	284	9,274	(299)	1	2,374	(518)	1,557	(334)	2,801	13,299
Balance at end of current period	58,506	47,696	147,177	(1,272)	252,107	(393)	(566)	5,492	(518)	4,014	223	7,452	263,797



**(Notes to the Consolidated Financial Statements)****(Significant Accounting Policies)****1. Scope of consolidation****(1) Number of consolidated subsidiaries: 15**

- (Domestic) Lawson HMV Entertainment, Inc.  
Lawson ATM Networks, Inc.  
BestPractice, Inc.  
SCI, Inc.  
Lawson Mart, Inc.  
Lawson HMV Entertainment United Cinemas Holdings, Inc.  
United Entertainment Holdings Co., Ltd.  
United Cinemas Co., Ltd.  
SEIJO ISHII CO., LTD.
- (Foreign) Chongqing Lawson, Inc.  
Shanghai Hualian Lawson, Inc.  
Dalian Lawson, Inc.  
Lawson (China) Holdings, Inc.  
Lawson Asia Pacific Holdings Pte. Ltd.  
Saha Lawson Co., Ltd.

Among the companies mentioned above, Lawson HMV Entertainment United Cinema Holdings, Inc., which was established during the current fiscal year, has been included in the scope of consolidation.

United Entertainment Holdings Co., Ltd. and its subsidiary United Cinemas Co., Ltd. have been included in the scope of consolidation as a result of acquisition of shares of United Entertainment Holdings Co., Ltd. from the current fiscal year.

SEIJO ISHII CO., LTD. has been included in the scope of consolidation as a result of acquisition of its shares from the current fiscal year.

Smart Kitchen, Inc. was excluded from the scope of consolidation since its liquidation was completed as of January 28, 2015.

**(2) Names of major nonconsolidated subsidiaries, etc.**

- (Domestic) LAWSONWILL, Inc.  
HATS UNLIMITED CO., LTD.  
Food Marketing Japan, Inc.  
Seikaken, Inc.  
Lawson Syuhan, Inc.  
Lawson Staff, Inc.  
TOKYO EUROPE TRADE CO., LTD.
- (Foreign) Lawson USA Hawaii, Inc.  
Shanghai Le Song Trading Co., Ltd.  
Hangzhou Lawson, Inc.  
Beijing Lawson, Inc.  
BEIJING LUOSONG Co., Ltd.

Nonconsolidated subsidiaries were excluded from the scope of consolidation because they have a negligible impact on total assets, total operating revenues, net income, retained earnings, etc., and do not interfere with reasonable judgments of the Corporate Group's financial condition and business results.

**2. Application of the equity method****(1) Number of unconsolidated subsidiaries and affiliated companies to which the equity method is applied: 2**

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

Lawson Minamikyushu, Inc., 49% of the shares of which the Company owns, has been included in the scope of the equity method affiliate starting from the current consolidated fiscal year due to increasing materiality.

PT MIDI UTAMA INDONESIA Tbk, which had been an equity method affiliate in the previous consolidated fiscal year, was excluded from the scope of the equity method affiliate since all of its owned shares were sold.

**(2) Nonconsolidated subsidiaries and affiliated companies to which the equity method is not applied**

Nonconsolidated subsidiaries LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., Lawson Staff, Inc., TOKYO EUROPE TRADE CO., LTD., Lawson USA Hawaii, Inc., Shang Hai Le Song Trading Co., Ltd., Hangzhou Lawson, Inc., Beijing Lawson, Inc., BEIJING LUOSONG Co., Ltd. and affiliated companies Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Kyodo Classics, Inc., Loyalty Marketing, Inc., Shang Hai Gong Hui Trading Co., Ltd., Lawson Farm Chiba and others were excluded from the scope of the equity-method affiliate because net income/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these nonconsolidated subsidiaries and affiliated companies have minimal influence on the consolidated financial statements and are negligible even in aggregate.

**3. Fiscal year end of the consolidated subsidiaries**

The balance sheet date of SEIJO ISHII CO., LTD., Chongqing Lawson, Inc., Shanghai Hualian Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc. 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. Also the balance sheet date of Lawson HMV Entertainment United Cinema Holdings, Inc., United Entertainment Holdings Co., Ltd. and United Cinemas Co., Ltd. is March 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of recent quarterly results dates, and significant transactions which occur between the recent quarterly results dates and the consolidated balance sheet date are adjusted as required for consolidation. The fiscal year end date for the other consolidated subsidiaries corresponds with the balance sheet date.

**4. Summary of significant accounting policies****(1) Valuation basis and method for important assets****Marketable securities and investments in securities:**

**Held-to-maturity debt securities:** Carried at amortized cost (straight-line method)

**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.

**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).

Merchandise of some consolidated subsidiaries is stated at cost determined by the gross-average method (the book value in the balance sheet is written down based on the decline in profitability).

**(2) Depreciation**

**Property and store equipment (except for lease assets):**

Depreciation is mainly computed using the declining balance method at rates based on estimated useful lives of the assets. The ranges of useful lives are from 10 to 34 years for buildings and structures and from 5 to 8 years for furniture, fixtures and equipment.

**Intangible assets (except for lease assets):**

Amortization of intangible assets is 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.

**Lease assets:**

In terms of the depreciation method for 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 0 yen.

Finance leases without ownership transfer of the leased property to the lessee and for which the lease inception was before February 28, 2009, are accounted for as operating lease transactions.

**Long-term prepaid expenses:**

Amortization of long-term prepaid expenses is computed by the straight-line method.

**(3) Accounting policies for important reserves**

**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.

**Provision for Bonuses:**

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

**Provision for Retirement Benefits to Executive Officers and Audit & Supervisory Board Members:**

Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries is recorded as a liability at 100% of the amount that would be required if all audit & supervisory board members, executive officers, and directors terminated their services with the Company at the consolidated balance sheet date.

**(4) Accounting method for retirement benefits:**

Allowance for employees' retirement benefits is provided at the amount accrued based on the retirement benefit liability and pension assets at the balance sheet date for provision for retirement benefits to employees.

- 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 straight-line attribution basis.

- 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 occurrence.

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 occurrence.

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) Foreign currency translation 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", a separate component of net assets.

**(6) Amortization 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 is excluded from income and expense.

**5. Changes in accounting policies and others**

**(Change in accounting policies)**

The Company adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, hereinafter "Accounting Standard Retirement Benefits") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, hereinafter "Guidance Retirement Benefits") from the end of the current consolidated fiscal year (excluding stipulations stated in the main clause of paragraph 35 of ASBJ Statement No. 26, and the main clause of paragraph 67 of ASBJ Guidance No. 25), changed the method recorded as the net defined benefit liability that has deducted pension assets from retirement benefit liabilities, and recorded as net defined benefit liability the unrecognized actuarial difference and prior service cost. The application of Accounting Standards for Retirement Benefits, etc. has followed the transitional treatment stipulated in paragraph 37 of ASBJ Statement No. 26, and the impact of the change was charged to the Remeasurements of defined benefit plans in Accumulated other comprehensive income at the end of the current consolidated fiscal year.

As a result, at the end of the current consolidated fiscal year, 12,958 million yen was record for net defined benefit liability. Furthermore, accumulated other comprehensive income decreased by 518 million yen.

The impact on information per share date is described in the relevant section.

**(Change in accounting policy that is not easily distinguished from change of accounting estimation)**

**Depreciation method of property and store equipment**

The Company and domestic consolidated subsidiaries changed the depreciation method for property and store equipment (excluding lease assets) from the declining-balance method to the straight-line method which had been adopted primarily, from the current fiscal year.

The Group, under the policy of placing emphasis on existing stores, reviewed the depreciation method of its property and store equipment upon the adoption of a strategy to reinforce the competitiveness of its existing stores, which includes the utilization of membership card data and the restructuring of the Group. As a result, the depreciation method was changed to the straight-line method from the current consolidated fiscal year because an even distribution of depreciation is considered to be more appropriate going forward since it is anticipated that the number of visiting customers, which is proportionate to equipment utilization (the main factor behind economic depreciation), will be maintained as store assets age.

Due to this change, operating income, ordinary income, and income before income taxes and minority interests for the current consolidated fiscal year increased by 9,422 million yen compared to the previous method.

**(Changes in Method of Presentation)**

1. In the “Intangible assets” section, “Right of trademark” (¥106 million for the previous fiscal year) was included in “Other” in the consolidated balance sheet before. Due to an increase in financial materiality, “Right of trademark” (¥11,989 million for the current fiscal year) is separately presented for the current fiscal year.
2. In the “Current liabilities” section, “Provision for point card certificates” was separately listed in the consolidated balance sheet before. Due to a decline in financial materiality, “Provision for point card certificates” (¥91 million for the current fiscal year) is included in “Other” for the current fiscal year.
3. In the “Non-operating income” section, “Foreign exchange gains” (¥272 million for the previous fiscal year) was included in “Other” in the consolidated statement of income before. Due to an increase in financial materiality, “Foreign exchange gains” (¥1,585 million for the current fiscal year) is separately presented for the current fiscal year.
4. In the “Non-operating income” section, “Compensation income” was separately listed in the consolidated statement of income before. Due to a decline in financial materiality, “Compensation income” (¥365 million for the current fiscal year) is included in “Other” for the current fiscal year.
5. In the “Non-operating income” section, “Penalty income” (¥142 million for the previous fiscal year) was included in “Other” in the consolidated statement of income before. Due to an increase in financial materiality, “Penalty income” (¥618 million for the current fiscal year) is separately presented for the current fiscal year.
6. In the “Non-operating income” section, “Share of profit of entities accounted for using equity method” was separately listed in the consolidated statement of income before. Due to a decline in financial materiality, “Share of profit of entities accounted for using equity method” (¥365 million for the current fiscal year) is included in “Other” for the current fiscal year.

**(Notes to the Consolidated Balance Sheet)**

**1. Accumulated depreciation of property and store equipment:** 283,656 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 land revaluation difference.

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 314 million yen.

**3. Collateral assets and liabilities collateralized**

Assets pledged as collateral and liabilities collateralized are as follows.

	Millions of yen
Cash and deposits	416

In addition to the above, consolidated subsidiary shares to be pledged as collateral are as follows.

	Millions of yen
Shares of consolidated subsidiaries (Amount before elimination)	16,614

Collateralized debts are as follows.

	Millions of yen
Short-term loans payable	1,000
Current portion of long-term loans payable	575
Long-term loans payable	8,425
Total	10,000

**(Notes to the Consolidated Statement of Income)****1. Impairment loss**

The Company and the consolidated subsidiaries (together, the "Group") recognized an impairment loss mainly for each store as the smallest category having cash flows.

The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment loss as special losses on the following assets due to a decline in the value of the related asset categories mainly due to continuous operating losses. Furthermore, regarding impairment loss, part of the unamortized balance resulting from elimination of the difference between investment and capital of shares acquired from some consolidated subsidiaries, for which profitability has deteriorated, was recognized as impairment loss.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures; furniture, fixtures and equipment; and others	1,307
	Osaka	Buildings and structures; furniture, fixtures and equipment; and others	770
	Others	Buildings and structures; furniture, fixtures and equipment; and others	4,240
Others	—	Land	29
	—	Software	17
	—	Goodwill	1,897
Total	—	—	8,263

## Category by fixed assets

	(Millions of yen)
Buildings and structures	3,658
Furniture, fixtures and equipment	464
Land	29
Leased property	2,172
Software	17
Goodwill	1,897
Other	24

Recoverable value of the assets of the Group is the higher of net selling price or value in use. 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 to which a discount rate of 4.8% was mainly applied.

**2. Business liquidation loss**

The Company recorded losses due to store closures and withdrawal cost of Lawson Mart business due to business liquidation of the Company and its consolidated subsidiaries in this fiscal year as extraordinary losses. The company recorded extraordinary loss related to withdrawal cost of Lawson Mart business due to business liquidation and store closure in this fiscal year.

## Breakdown of business liquidation loss

	(Millions of yen)
Loss on cancellation of rental contracts	429
Loss on cancellation of FC contracts	370
Loss on abandonment of goods	369
Other	351

In addition, an impairment loss of 2,753 million yen due to the business liquidation is included in "1. Impairment loss".

**(Notes to the Consolidated Statement of Changes in Equity)****1. Number of issued 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)
Issued shares				
Common stock	100,300	—	—	100,300
Treasury shares				
Common stock (notes)	395	40	135	301

## Notes:

- The 40 thousand share increase in treasury stock resulted from the acquisition of treasury stock due to the purchase request of dissenting shareholders opposed to a merger (an increase of 40 thousand) and the purchase of stock of less than one share unit (an increase of 0 thousand.)
- The 135 thousand share decrease in treasury stock resulted from the exercise of stock acquisition rights and the 0 thousand share decrease due to requests for additional purchase of stock of less than one share unit.

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

Date of resolution	Class of shares	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 27, 2014)	Common stock	10,989	110	As of February 28, 2014	As of May 28, 2014
The Board of Directors' meeting (October 7, 2014)	Common stock	11,989	120	As of August 31, 2014	As of November 10, 2014

**(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	Reserve of Dividend	Amount of dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
The General meeting of shareholders (May 26, 2015)	Common stock	Retained earnings	11,999	120	As of February 28, 2015	As of May 27, 2015

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

Common stock 64,600 shares



**(Notes to Financial Instruments)**

**1. Matters relating to the status of financial instruments**

**(1) Policy for financial instruments**

LAWSON 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-other are exposed to credit risk from business counterparties.

Guarantee deposits are exposed to credit risks of lenders, 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 the financial situation, etc.

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.

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 six months.

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

The primary purpose of lease obligations related to finance lease transactions is securing the funds required for capital investments and the maximum redemption dates 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 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, 2015, 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	76,758	76,758	—
(2) Accounts receivable-other	58,666		
Allowance for doubtful accounts (*1)	(2,473)		
	56,193	56,193	—
(3) Investment securities			
Available-for-sale securities	5,575	5,575	—
(4) Guarantee deposits	93,205		
Allowance for doubtful accounts (*1)	(487)		
	92,718	89,755	(2,963)
Total assets	231,245	228,282	(2,963)
(1) Accounts payable-trade and			
Accounts payable-trade for franchised stores	103,458	103,458	—
(2) Accounts payable-other	43,518	43,518	—
(3) Deposits received	103,634	103,634	—
(4) Long-term loans payable (*2)	59,000	59,000	—
(5) Lease obligations (*2)	96,122	96,005	(116)
Total liabilities	405,734	405,617	(116)

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

(\*2) Long-term loans payable and lease obligations include liabilities maturing within one year.

**(Note 1) Method of calculating the fair values of financial instruments****Assets****(1) Cash and deposits and (2) Accounts receivable-other**

The carrying values of cash and deposits and accounts receivable-other approximate fair value because of their short maturities.

**(3) Investment securities**

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

**(4) Guarantee deposits**

The fair values of guarantee deposits are determined by discounting future cash flows, which reflect the collectability, using the yield rate of government bonds for the remaining period.

**Liabilities****(1) Accounts payable-trade and Accounts payable-trade for franchised stores, (2) Accounts payable-other and (3) Deposits received**

The carrying values of accounts payable—trade and deposits received approximate fair value because of their short maturities.

**(4) Long-term loans payable**

The current price of long-term loans payable is calculated from the current value, derived by discounting the total amount of principal and interest by the expected rate of interest if a similar new loan is made.

**(5) Lease obligations**

The fair values of lease obligations are determined by discounting the cash flows related to the obligations at the Group's assumed corporate discount rate.

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

Category	Carrying amount (millions of yen)
Unlisted equity securities	1,312
Investments in subsidiaries and affiliated companies	9,784
Other	1,445

Because financial instruments listed above do not have market prices and their fair values cannot be reliably determined, they are not included in “(3) Investment securities.”

**(Notes to Income Taxes)****1. Components of deferred tax assets and liabilities**

	(Millions of yen)
Enterprise taxes payable	1,063
Accrued employees' bonuses	1,030
Excess of depreciation	14,838
Excess of amortization of software	348
Net defined benefit liability	6,584
Allowance for doubtful accounts	1,011
Impairment loss	3,559
Tax loss carry forwards	13,519
Other	7,577
Subtotal of deferred tax assets	49,533
Less valuation allowances	(13,759)
Total deferred tax assets	35,774
Right of trademark	(4,223)
Total deferred tax liabilities	(4,223)
Deferred tax assets-net	31,551

**2. Revision of deferred tax assets due to change of statutory tax rate**

On March 31, 2014, a tax reform law was enacted in Japan by which the Special Income Tax for Reconstruction was no longer levied from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences decreased from 38% to 35.6% for the fiscal years beginning on or after March 1, 2015.

The effect of this change is immaterial.

**3. Change of corporate tax rates after the consolidated balance sheet date**

On March 31, 2014, a tax reform law was enacted in Japan which reduced corporate tax rates from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences decreased from 35.6% to 33.1% for the fiscal years beginning on or after March 1, 2016 and decreased to 32.3% for the fiscal years beginning on or after March 1, 2017.

Due to this change in the tax rate, deferred tax assets (net of deferred tax liabilities) is expected to decrease by 2,198 million yen and income taxes-deferred is expected to increase by 2,156 million yen.

**(Notes to Retirement Benefits)****1. Outline of the adopted retirement benefit system**

For employees' retirement benefits, the Company and some consolidated subsidiaries adopt a funded defined benefit type lump-sum retirement allowance plan and a defined contribution type pension plan.

The lump-sum retirement allowance plan (unfunded, but some are funded as a result of setting an employee pension trust) pays a lump sum as a retirement benefit based on salary and length of service of the employee.

The lump-sum retirement allowance plan employed by some consolidated subsidiaries calculates liabilities related to retirement benefits and retirement benefit expenses by the simplified method.

**2. Defined benefit plan (excluding plans for which the simplified method is applied)****(1) Adjustment sheet for the beginning of term and end of term balance of retirement benefits**

	(Millions of yen)
Retirement benefit liabilities – balance at the beginning of term	17,416
Service cost	1,405
Interest cost	208
Actuarial differences	85
Amount of retirement benefit paid	(803)
Other	35
Retirement benefit liabilities – balance at the end of term	18,347

**(2) Adjustment sheet for the beginning of term and end of term balance of pension assets**

	(Millions of yen)
Pension assets – balance at the beginning of term	5,588
Actuarial differences	0
Pension assets – balance at the end of term	5,589

**(3) Adjustment sheet for end of term balance of the retirement benefit liability and pension assets, and net defined benefit liability that were recorded in the consolidated balance sheet**

	(Millions of yen)
Retirement benefit liability of the funded pension plan	17,053
Pension assets	(5,589)
	11,463
Retirement benefit liability of the unfunded pension plan	1,294
Net amounts of liabilities and assets recorded in the balance sheet	12,758
Net defined benefit liability	12,758
Net amounts of liabilities and assets recorded on the balance sheet	12,758

**(4) Breakdown of retirement benefit expenses**

	(Millions of yen)
Service cost	1,405
Interest cost	208
Amortization of actuarial differences	114
Amortization of prior service cost	4
Other	(8)
Retirement benefit expenses of defined retirement plans	1,724

**(5) Retirement of defined benefit plans**

A breakdown of the items recorded in adjusted benefits (tax effect before deduction) is as follows.

	(Millions of yen)
Unrecognized of prior service cost	29
Unrecognized of actuarial differences	712
Total	741

**(6) Matters related to pension assets**

## ① Breakdown of pension assets

The ratio of major categories to total pension assets is as follows:

Cash and deposits	100%
<u>Total</u>	<u>100%</u>

Note: Regarding pension assets, it is the retirement benefit trust that was set up for the lump-sum year plan.

## ② Method of establishing long-term expected rate of return

In order to decide the long-term expected rate of return of pension assets, the Company has taken into consideration the current and expected allocation of pension assets and the current and expected long-term rate of return from various assets that constitute pension assets.

**(7) Matters related to actuarial assumptions**

Major actuarial assumptions as of the end of the current consolidated accounting period

Discount rate	1.2% (mainly)
<u>Long-term expected rate of return</u>	<u>0%</u>

**3. Defined-benefit plan for which the simplified method is applied**

Adjustment sheet for the beginning of term and end of term balance of net defined benefit liability for the plan for which the simplified method is applied

	(Millions of yen)
Net defined benefit liability – balance at the beginning of term	192
Retirement benefit expenses	9
Amount of retirement benefit paid	(1)
<u>Net defined benefit liability – balance at the end of term</u>	<u>200</u>

Adjustment sheet for end of term balance of the retirement benefit liability and pension assets, and liabilities and assets related to retirement benefits that were recorded in the consolidated balance sheet

	(Millions of yen)
Retirement benefit liability of the unfunded pension plan	200
<u>Net amounts of liabilities and assets recorded in the consolidated balance sheet</u>	<u>200</u>
Net defined benefit liability	200
<u>Net amounts of liabilities and assets recorded in the consolidated balance sheet</u>	<u>200</u>

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method: 9 million yen

**4. Defined-contribution plan**

Required contributions to defined contribution plans of certain consolidated subsidiaries were 331 million yen.

**(Notes to Per-share Data)**

- Net assets per share 2,561.25 yen
- Net income per share 327.08 yen

Note: As described in "Changes in Accounting Policies", the Company follows the specific transitional provisions set forth in paragraph 37 of Accounting Standard Retirement Benefits.

As a result, net assets per share for the fiscal year decreased by 5.18 yen.

**(Notes to Business Combinations, etc.)****Business combinations by the acquisition****1. Acquisition of United Entertainment Holdings Co., Ltd. and United Cinemas Co., Ltd.****(1) Outline of business combination**

- ① Name of the absorbed business and summary of its business  
 Name of business: United Entertainment Holdings Co., Ltd. and United Cinemas Co., Ltd.  
 Business summary: Construction of movie theatres and management of the business
- ② Main reason for the business combination
1. The absorbed business has been developing its business in the movie industry, which the Company has been interested in, and is seeing steady revenue growth in the movie business, which has a large number of participants and boasts continuous stable growth.
  2. The absorbed business has a strong connection to the entertainment business, which the Group is engaged in, and the Company expects a mutual increase in customers and business synergies.
- ③ Date of business combination  
 August 28, 2014
- ④ Legal form of business combination  
 Acquisition of shares
- ⑤ Name of company after the business combination  
 There is no change.
- ⑥ Acquire of voting rights  
 100%
- ⑦ Main reason for the decision to acquire the company  
 The Company's consolidated subsidiary Lawson HMV Entertainment United Cinemas Holdings, Inc. has acquired the stock of United Entertainment Holdings, Inc. by cash.

**(2) Period in which the acquired company's results are included in the consolidated financial statements**

From September 1, 2014 to December 31, 2014

**(3) Acquisition cost and component**

		(Millions of yen)
Acquisition price	Cash and deposits	12,973
Costs directly required for the acquisition	Advisory costs	43
Acquisition cost		13,017

**(4) Amount, cause, amortization method and period of goodwill generated**

- ① Amount of goodwill generated  
 9,563 million yen
- ② Cause of the generation of goodwill  
 Mainly excess earning power that is anticipated from the low-cost business model in which stable growth is expected.
- ③ Method and period of amortization  
 Straight-line method over 20 years

**(5) The amount and major breakdown of assets received and liabilities assumed on the date of the business combination**

	(Millions of yen)
Current assets	3,947
Non-current assets	7,307
Total assets	11,254
Current liabilities	4,764
Non-current liabilities	3,035
Total liabilities	7,800

## 2. Acquisition of SEIJO ISHII CO., LTD.

### (1) Outline of business combination

- ① Name of the absorbed business and summary of its business  
Name of business: SEIJO ISHII CO., LTD.  
Business summary: Food retailing, import, wholesale, food manufacture and restaurant operations business
- ② Main reason for the business combination  
The Company and the acquired company are both engaged in retail manufacturing and an alliance with the acquired company, which has product appeal and sales power that exceed those of ordinary supermarkets, has the potential to generate a significant synergy.
- ③ Date of business combination  
October 31, 2014 (acquisition date)  
September 30, 2014 (deemed acquisition date)
- ④ Legal form of business combination  
Shares acquisition
- ⑤ Name of company after the business combination  
There is no change.
- ⑥ Acquisition of voting rights  
100%
- ⑦ Main reason for the decision to acquire the company  
The company acquired the stock of SEIJO ISHII CO., LTD.

### (2) Period in which the acquired company's results are included in the consolidated financial statements

From October 1, 2014 to December 31, 2014

### (3) Acquisition cost and component

		(Millions of yen)
Acquisition price	Cash and deposits	36,138
Costs directly required for the acquisition	Advisory costs	131
<b>Acquisition cost</b>		<b>36,269</b>

### (4) Amount, cause, amortization method and period of goodwill

- ① Amount of goodwill  
28,743 million yen
- ② Cause of the generation of goodwill  
Mainly excess earning power that is anticipated from the business model of a high revenue retail manufacturing business in which stable growth is expected.
- ③ Method and period of amortization  
Straight-line method over 20 years

### (5) Amount and category allocated to intangible assets other than goodwill, and amortization period of category

Category	Right of trademark
Amount of money	12,000 million yen
Amortization period	20 years

### (6) The amount and major components of assets accepted and liabilities assumed on the date of the business combination

		(Millions of yen)
Current assets		14,441
Non-current assets		15,417
<b>Total assets</b>		<b>29,858</b>
Current liabilities		28,218
Non-current liabilities		1,836
<b>Total liabilities</b>		<b>30,055</b>



## Nonconsolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 28, 2014 (for reference)	As of February 28, 2015	Account item	As of February 28, 2014 (for reference)	As of February 28, 2015
<b>Current assets</b>	<b>154,456</b>	<b>155,079</b>	<b>Current liabilities</b>	<b>228,549</b>	<b>267,717</b>
Cash and deposits	61,026	50,760	Accounts payable-trade	1,566	1,604
Accounts receivable-due from franchised stores	33,273	37,831	Accounts payable-trade for franchised stores	83,889	87,148
Merchandise	852	864	Due to franchised stores	1,007	1,111
Prepaid expenses	10,278	11,036	Short-term loans payable to subsidiaries and associates	23,270	30,880
Short-term loans receivable	7,446	3,481	Lease obligations	15,140	17,912
Accounts receivable—other	35,743	38,822	Accounts payable-other	15,232	23,641
Deferred tax assets	3,644	3,843	Income taxes payable	12,093	11,377
Other	2,849	8,476	Accrued expenses	1,800	1,829
Allowance for doubtful accounts	(658)	(36)	Deposits received	70,566	85,304
<b>Non-current assets</b>	<b>435,337</b>	<b>538,731</b>	Provision for bonuses	2,122	2,166
<b>Property and store equipment</b>	<b>225,091</b>	<b>256,432</b>	Other	1,860	4,742
Buildings	112,115	125,784	<b>Non-current liabilities</b>	<b>120,595</b>	<b>182,673</b>
Structures	15,019	19,491	Long-term loans payable	—	50,000
Furniture, fixtures, and equipment	10,543	12,419	Lease obligations	59,755	72,655
Land	8,773	9,587	Provision for retirement benefits	10,090	10,837
Lease assets	75,754	84,361	Provision for retirement benefits to executive officers	365	309
Construction in progress	2,885	4,788	Long-term guarantee deposited	32,430	29,943
<b>Intangible assets</b>	<b>21,565</b>	<b>23,339</b>	Asset retirement obligations	17,476	18,649
Software	13,441	9,027	Other	477	278
Software in progress	1,627	5,026	<b>Total liabilities</b>	<b>349,144</b>	<b>450,390</b>
Goodwill	6,027	8,788	<b>Net assets</b>		
Other	469	496	<b>Shareholders' equity</b>	<b>240,775</b>	<b>244,172</b>
<b>Investments and other assets</b>	<b>188,679</b>	<b>258,959</b>	Capital stock	58,506	58,506
Investments securities	2,275	8,205	Capital surplus	47,741	47,696
Shares of subsidiaries and associates	26,146	61,903	Legal capital surplus	47,696	47,696
Investments in capital of subsidiaries and associates	11,936	9,377	Other capital surplus	44	—
Long-term loans receivable	33,725	36,477	Retained earnings	136,084	139,241
Long-term loans receivable from subsidiaries and affiliates	—	22,992	Legal retained earnings	727	727
Long-term prepaid expenses	7,763	9,542	Other retained earnings		
Guarantee deposits	85,264	86,513	General reserve	50,000	50,000
Deferred tax assets	21,313	23,106	Retained earnings brought forward	85,356	88,514
Other	1,218	1,739	Treasury shares	(1,556)	(1,272)
Allowance for doubtful accounts	(963)	(899)	<b>Valuation and translation adjustments</b>	<b>(684)</b>	<b>(975)</b>
			Valuation difference on available-for-sale securities	(116)	(408)
			Revaluation reserve for land	(567)	(566)
			<b>Subscription rights to shares</b>	<b>557</b>	<b>233</b>
			<b>Total net assets</b>	<b>240,648</b>	<b>243,420</b>
<b>Total Assets</b>	<b>589,793</b>	<b>693,811</b>	<b>Total Liabilities and Net Assets</b>	<b>589,793</b>	<b>693,811</b>

Note: Figures as of February 28, 2014, are included in the table above for comparative purposes only.

## Nonconsolidated Statement of Income

(Millions of yen)

Account item	From March 1, 2013 to February 28, 2014 (for reference)		From March 1, 2014 to February 28, 2015	
Operating revenue				
Income from franchised stores	234,454		253,241	
Other operating revenue	31,568	266,023	31,600	284,841
Net sales				
Net sales	(32,755)	32,755	(31,498)	31,498
Gross operating revenue		298,778		316,340
Cost of sales	(23,336)	23,336	(22,401)	22,401
Gross profit	(9,418)		(9,096)	
Operating gross profit		275,441		293,938
Selling, general and administrative expenses		213,998		232,972
Operating income		61,443		60,966
Non-operating income				
Interest and dividend income	1,114		1,110	
Foreign exchange gains	276		1,671	
Penalty income	142		618	
Other	1,181	2,714	733	4,132
Non-operating expenses				
Interest expenses	1,042		1,312	
Loss on cancellation of store lease contract	542		1,163	
Loss on debt waiver of subsidiaries and affiliates	—		576	
Other	401	1,986	396	3,449
Ordinary income		62,171		61,649
Extraordinary income				
Gain on extinguishment of tie-in shares	95		94	
Gain on liquidation of subsidiaries and affiliates	—		156	
Gain on sales of investments in capital of subsidiaries and associates	586		—	
Gain on sales of investment securities	403		—	
Other	62	1,148	—	250
Extraordinary losses				
Loss on retirement of non-current assets	2,494		2,508	
Impairment loss	5,212		5,831	
Loss on valuation of investments in capital of subsidiaries and affiliates	52		4,384	
Loss on debt waiver of subsidiaries and associates	2,400		—	
Loss on valuation of bonds of subsidiaries and associate	203		—	
Provision of allowance for doubtful accounts for subsidiaries and associates	600		—	
Other	548	11,511	1,200	13,924
Income before income taxes		51,807		47,975
Income taxes – current	23,553		21,840	
Income taxes – deferred	(5,370)	18,182	(65)	21,775
Net income		33,625		26,200

Note: Figures from March 1, 2013 to February 28, 2014, are included in the table above for comparative purposes only.

(TRANSLATION ONLY)

**Nonconsolidated Statement of Changes in Equity**

(From March 1, 2014 to February 28, 2015)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal retained earnings	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General Reserve	Retained earnings brought forward			
Balance at the beginning of current period (as of March 1, 2014)	58,506	47,696	44	47,741	727	50,000	85,536	136,084	(1,556)	240,775
Changes of items during period										
Dividends of surplus							(22,979)	(22,979)		(22,979)
Net income							26,200	26,200		26,200
Purchase of treasury shares									(289)	(289)
Disposal of treasury shares			0	0					0	0
Reversal of revaluation reserve for land							(1)	(1)		(1)
Exercise of subscription rights to shares (delivery of treasury shares)			(44)	(44)			(63)	(63)	573	465
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	(44)	(44)	—	—	3,157	3,157	284	3,397
Balance at end of current period	58,506	47,696	—	47,696	727	50,000	88,514	139,241	(1,272)	244,172

(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 (as of March 1, 2014)	(116)	(567)	(684)	557	240,648
Changes of items during period					
Dividends of surplus					(22,979)
Net income					26,200
Purchase of treasury shares					(289)
Disposal of treasury shares					0
Reversal of revaluation reserve for land					(1)
Exercise of subscription rights to shares (delivery of treasury shares)					465
Net changes of items other than shareholders' equity	(292)	1	(290)	(334)	(625)
Total changes of items during period	(292)	1	(290)	(334)	2,772
Balance at end of current period	(408)	(566)	(975)	223	243,420

(Notes to the Nonconsolidated Financial Statement)

(Significant Accounting Policies)

1. Valuation of securities

**Marketable securities and investments in securities:**

**Held-to-maturity debt securities:** Carried at amortized cost (straight-line method)

**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.

**Investments in subsidiaries and affiliated companies:**

Stated at cost determined by the moving-average method.

2. Valuation of 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).

3. Depreciation

**Property and store equipment (except for lease assets):**

Depreciation is mainly computed using the declining balance method at rates based on estimated useful lives of the assets. The ranges of useful lives are from 10 to 34 years for buildings and from 5 to 8 years for furniture, fixtures and equipment.

**Intangible assets (except for lease assets):**

Amortization of intangible assets is 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.

**Lease assets:**

In terms of the depreciation method for 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 0 yen.

Finance leases without ownership transfer of the leased property to the lessee and for which the lease inception was before February 28, 2009, are accounted for as operating lease transactions.

**Long-term prepaid expenses:**

Amortization of long-term prepaid expenses is computed by the straight-line method.

4. Accounting policies for important reserves

**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.

**Provision for Bonuses:**

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

**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 balance sheet date.

- Period attributable method for estimated amount of retirement benefits

In calculating retirement benefit liability, in order to attribute the estimated amount of retirement benefits in the period up to the end of the current fiscal year, it is based on the straight-line attribution basis.

- Cost treatment method of actuarial difference and prior services cost

Prior service cost is mainly amortized, starting the fiscal year incurred, on a straight-line basis

over a certain period (10 years) within an average remaining service period of employees. 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 occurrence.

**Provision for Retirement Benefits to Executive Officers and Audit & Supervisory Board Members:**

Provision for retirement benefits to executive officers of the Company and audit & supervisory board members of consolidated subsidiaries is recorded as a liability at 100% of the amount that would be required if all audit & supervisory board members, executive officers, and directors terminated their services with the Company at the consolidated balance sheet date.

**5. Accounting for consumption tax**

Consumption tax is excluded from income and expense.

**6. Changes in accounting method**

**(Change of accounting policy which is not easily distinguished from change of accounting estimation)**

Depreciation method of property and store equipment

The Company and domestic consolidated subsidiaries changed the depreciation method for property and store equipment (excluding lease assets) from the declining-balance method to the straight-line method which had been adopted primarily, from the current fiscal year.

The Group, under the policy of placing emphasis on existing stores, reviewed the depreciation method of its property and store equipment upon the adoption of a strategy to reinforce the competitiveness of its existing stores, which includes the utilization of membership card data and the restructuring of the Group. As a result, the depreciation method was changed to the straight-line method from the current fiscal year because an even distribution of depreciation is considered to be more appropriate going forward since it is anticipated that the number of visiting customers, which is proportionate to equipment utilization (the main factor behind economic depreciation), will be maintained as store assets age.

Due to this change, operating income, recurring profit, and income before income taxes and minority interests for the current fiscal year increased by 9,404 million yen compared to the previous method.

**(Changes in Method of Presentation)**

1. In the “Current liabilities” section, “Provision for point card certificates” was separately listed in the nonconsolidated balance sheet before. Due to a decline in financial materiality, “Provision for point card certificates” (¥90 million for the current fiscal year) is included in “Other” for the current fiscal year.
2. In the “Non-operating income” section, “Compensation income” was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, “Compensation income” (¥351 million for the current fiscal year) is included in “Other” for the current fiscal year.
3. In the “Non-operating income” section, “Penalty income” (¥142 million for the previous fiscal year) was included in “Other” in the nonconsolidated statement of income before. Due to an increase in financial materiality, “Penalty income” (¥618 million for the current fiscal year) is separately presented for the current fiscal year.
4. In the “Extraordinary income” section, “Gain on extinguishment of tie-in shares” (¥95 million for the previous fiscal year) was included in “Other” in the nonconsolidated statement of income before. Due to an increase in financial materiality, “Gain on extinguishment of tie-in shares” (¥94 million for the current fiscal year) is separately presented for the current fiscal year.
5. In the “Extraordinary loss” section, “Loss on valuation of stocks of subsidiaries and affiliates” was separately listed in the nonconsolidated statement of income before. Due to a decline in financial materiality, “Loss on valuation of stocks of subsidiaries and affiliates” (¥338 million for the current fiscal year) is included in “Other” for the current fiscal year.
6. In the “Extraordinary loss” section, “Loss on valuation of investments in capital of subsidiaries and affiliates” (¥52 million for the previous fiscal year) was included in “Other” in the nonconsolidated statement of income before. Due to an increase in financial materiality, “Loss on valuation of investments in capital of subsidiaries and affiliates” (¥4,384 million for the current fiscal year) is separately presented for the current fiscal year.

**(Notes to the Nonconsolidated Balance Sheet)**

<b>1. Accumulated depreciation of property and store equipment:</b>	247,172 million yen
<b>2. Due from/to subsidiaries and affiliated companies</b>	
Short-term receivables due from subsidiaries and affiliated companies	12,349 million yen
Long-term receivables due from subsidiaries and affiliated companies	233 million yen
Short-term payables due to subsidiaries and affiliated companies	6,397 million yen
Long-term payables due to subsidiaries and affiliated companies	241 million yen
<b>3. Guarantee obligations</b>	
We guarantee the deposit liabilities of the following subsidiary.	
Lawson HMV Entertainment, Inc.	1,075 million yen

**4. 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 land revaluation difference.

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 balance sheet date was 314 million yen.



**(Notes to the Nonconsolidated Statement of Income)****1. Transactions with subsidiaries and affiliated companies**

Operating transactions

	(Millions of yen)
Operating revenues	11,353
Goods purchased	2,301
Selling, general and administrative expenses	20,809
Transactions other than operating transactions	410

**2. Long-lived assets**

The Company identified each store as the smallest cash-generating unit.

The Company recognized an impairment loss on the following assets that declined in value mainly due to continuous operating losses. The carrying amounts of those assets were written down to the recoverable amount and were recorded as extraordinary losses.

Category by use	Location	Assets	Millions of yen
Stores	Tokyo	Buildings and structures	1,296
		Furniture, fixtures, equipment, and others	
	Osaka	Buildings and structures	770
Furniture, fixtures, equipment, and others			
Other	Other	Buildings and structures	3,718
		Furniture, fixtures, equipment, and others	
Other	–	Land	29
	–	Software	15
Total	–	–	5,831

Category by fixed assets

	(Millions of yen)
Buildings	3,316
Structures	128
Furniture, fixtures, and equipment	319
Land	29
Lease assets	1,998
Software	15
Other	24

The recoverable value of the impaired assets is calculated based on net selling price or value in use. Net selling price of land was calculated based on the value appraised by a real estate appraiser or expected contract price, and the value in use was calculated by discounting estimated future cash flows to which a discount rate of 4.8% was applied.

**(Notes to the Nonconsolidated Statement of Changes in Equity)**

Number of treasury shares

Common stock	301,084 shares
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**(Notes to Accounting for Income Taxes)****1. Components of deferred tax assets and liabilities**

	(Millions of yen)
Enterprise taxes payable	873
Accrued employees' bonuses	771
Loss on write-down of investments in affiliated companies	2,716
Excess of depreciation	12,933
Excess of amortization of software	320
Provision for retirement benefits	5,854
Allowance for doubtful accounts	267
Impairment loss	3,548
Other	3,387
Subtotal of deferred tax assets	30,764
Less valuation allowances	(3,724)
Total deferred tax assets	26,950
Deferred tax assets-net	26,950

**2. Revision of deferred tax assets due to change of statutory tax rate**

On March 31, 2014, a tax reform law was enacted in Japan by which the Special Income Tax for Reconstruction was no longer levied from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences decreased from 38.0% to 35.6% for the fiscal years beginning on or after March 1, 2015.

The effect of this change is immaterial.

**3. Change of tax rate corporate tax rates after the balance sheet date**

On March 31, 2014, a tax reform law was enacted in Japan which reduced corporate tax rates from fiscal years beginning on or after April 1, 2014. As a result, the normal effective statutory tax rate used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences decreased from 35.6% to 33.1% for the fiscal years beginning on or after March 1, 2016 and decreased to 32.3% for the fiscal years beginning on or after March 1, 2017.

Due to this change in the tax rate, deferred tax assets (amount after deducting the deferred tax liabilities) is expected to decrease by 2,063 million yen and income taxes-deferred is expected to increase by 2,042 million yen.

**(Notes to Leases)**

Finance leases without ownership transfer of the leased property to the lessee and for which the lease inception was before February 28, 2009:

**1. Pro forma information related to acquisition cost, accumulated depreciation, and net leased property**  
(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Furniture, fixtures, and equipment	7,757	7,185	428	144

**2. Obligations under finance leases**

	(Millions of yen)
Due within one year	609
Due after one year	1
<b>Total</b>	<b>611</b>
Allowance for impairment loss on leased property	243

**3. Lease payments, transfer from allowance for impairment loss on leased property, depreciation expense, interest expense, and impairment loss**

	(Millions of yen)
Lease payments	1,823
Transfer from allowance for impairment loss on leased property	140
Depreciation expense	1,685
Interest expense	38
Impairment loss	8

**4. Computation method of depreciation expense**

Depreciation expense which is not reflected in the accompanying nonconsolidated statement of income is computed by the straight-line method, assuming the lease period as the useful life and no residual value.

**5. Computation method of interest expense**

The difference between the total lease contract amount and the acquisition cost is assumed to be the interest, and interest expense is computed by the interest method.

**(Notes to Related-Party Transactions)**

## Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business Relationship	Director's posts held concurrently				
Subsidiary	SCI Inc.	Domestic Convenience store business	Direct holding 100.0%	SCM	No	Repayment of funds Borrowing of funds Borrowing interest	18,000 21,300 0	Short-term loans payable	3,800
	Lawson ATM Networks, Inc.	Financial services-related business	Direct holding 76.5%	Placement of ATMs in the LAWSON stores	No	Repayment of funds Borrowing of funds Borrowing interest	1,500 3,900 7	Short-term loans payable	16,200
	Lawson HMV Entertainment, Inc.	Entertainment/Home convenience business	Direct holding 100%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	13,700 15,500 6	Short-term loans payable	9,500
	SEIJO ISHII CO., LTD.	Seijo Ishii business	Direct holding 100%	Operation of supermarkets	No	Loaning of funds Loaning interest	19,000 38	Long-term loans receivable Accrued interest	19,000 9

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.

## Subsidiaries of an affiliated company of the 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	Director's posts held concurrently				
Subsidiaries of an affiliated company of the Company	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	Reverse-Holds 0.3% ownership in the company	Vendor	Yes	Purchases for the company-operated stores (purchases for the franchised stores)	11,221 (571,046)	Accounts payable-trade	867
								Accounts payable-trade for franchised stores	44,868

Transaction conditions and the principles on the decision thereof:

The terms and conditions for purchase transactions are determined to be same as those for other general business transactions. Except for purchases made for the franchised stores, the Company acts as an alternative payer, not as a direct party for the purchase.

**(Notes to Per-Share Data)**

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 2,432.00 yen |
| 2. Net income per share | 262.18 yen   |

The above figures and the number of shares in these balance sheets, statements of income and related notes are rounded down to the nearest unit and the ratios are rounded to the nearest whole number.

**INDEPENDENT AUDITOR'S REPORT**

April 6, 2015

To the Board of Directors of  
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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

Shigeo Kawashima

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

Junichi Fujii

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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, 2015 of Lawson, Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from March 1, 2014 to February 28, 2015, and the related notes.

**Management's Responsibility for the Consolidated Financial Statements**

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

**Auditor's Responsibility**

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

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

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lawson, Inc. and its consolidated subsidiaries as of February 28, 2015, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As discussed in “Change in accounting policy that is not easily distinguished from change of accounting estimation”, the Company changed its depreciation method for property and store equipment (excluding lease assets) from the declining-balance method to the straight-line method. Our opinion is not qualified in respect of this matter.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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

**INDEPENDENT AUDITOR'S REPORT**

April 6, 2015

To the Board of Directors of  
Lawson, Inc.:

Deloitte Touche Tohmatsu LLC

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

Shigeo Kawashima

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

Junichi Fujii

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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, 2015 of Lawson, Inc. (the "Company"), and the related statements of income and changes in net assets for the 40th fiscal year from March 1, 2014 to February 28, 2015, and the related notes and the accompanying supplemental schedules.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the



auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

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

### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of Lawson, Inc. as of February 28, 2015, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Emphasis of Matter**

As discussed in "Change in accounting policy that is not easily distinguished from change of accounting estimation", the Company changed its depreciation method for property and store equipment (excluding lease assets) from the declining-balance method to the straight-line method. Our opinion is not qualified in respect of this matter.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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

(TRANSLATION ONLY)

<Copy of the Audit Report of the Board of Corporate Auditors>

### **AUDIT REPORT**

Regarding the execution of duties by the Directors for the 40th business term from March 1, 2014 to February 28, 2015, we have prepared this Audit Report, through due deliberations based on the audit reports prepared by each Corporate Auditor, and hereby report as follows:

1. Auditing Methods Employed by the Corporate Auditors and Board of Corporate Auditors and Details of Such Methods

We have established audit policies, audit programs and other guidelines for the current term, and received the reports from each Corporate Auditor 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.

Each Corporate Auditor, pursuant to the auditing standards of Corporate Auditors established by the Board of Corporate Auditors, has followed the audit policies and audit programs for the current term, communicated with the Directors, officers, internal audit department and other relevant employees, endeavored to collect information and develop the audit environment, attended the Board of Directors meetings, the management meetings, Compliance & Risk management 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 authorized documents and the like, and investigated the status of operations and assets at the head office, branches, and other principal offices and stores.

In addition, pursuant to the audit items and audit methods regarding internal control system established by the Board of the Corporate Auditors, we have monitored and verified the resolution of the Board of Directors, described in business report, regarding the organization 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 complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company. 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. With respect to subsidiaries, we have communicated and exchanged information with the Directors, Corporate Auditors and other relevant personnel of subsidiaries, requested the subsidiaries to report on their business where necessary, and investigated their status of operations and assets. Based on the above methods, we have examined the business report and supplementary schedules thereof for this business term.

Furthermore, we have monitored and verified whether Accounting Auditor maintained its independent

position and implemented appropriate 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 that the duties are performed properly” (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 “consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statements of changes in stockholder’s equity, and notes to consolidated financial statements)” and “non-consolidated financial statements (balance sheet, statement of income, non-consolidated statements of changes in stockholder’s equity, and notes to non-consolidated financial statements) and supplementary schedules thereof” for this term.

## 2. Result of Audit

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

1. We have found that business report and the supplementary schedules thereof fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
2. 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.
3. 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.

### (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 Non-consolidated 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 08, 2015

The Board of Corporate Auditors of Lawson, Inc.

Standing Corporate Auditor	Atsuhiko Seki
Standing Corporate Auditor (Outside Corporate Auditor)	Shinichi Hokari
Corporate Auditor (Outside Corporate Auditor)	Tetsuo Ozawa
Corporate Auditor (Outside Corporate Auditor)	Eiko Tsujiyama

## REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

### Proposals and References

#### Proposal No. 1: Appropriation of Surplus

The Company regards the ROE (consolidated return on equity) as a significant management indicator and has been conducting business activities with the aim of achieving an ROE of 20% from a medium-term perspective. In addition, one of our key measures for shareholder returns has been the continuous and steady payment of dividends while securing internal reserves necessary for future business development during the course of sustainable growth of the Lawson Group. Based on this policy, we have been increasing dividends on a continuous basis since the initial listing of the Company in July 2000.

We intend to increase year-end dividends for the current fiscal term by ¥10 per share, from ¥110 per share in the previous term to ¥120 per share. Accordingly, full-year dividends including interim dividends of ¥120 per share will be ¥240 per share, an increase of ¥20 per share from the previous fiscal term.

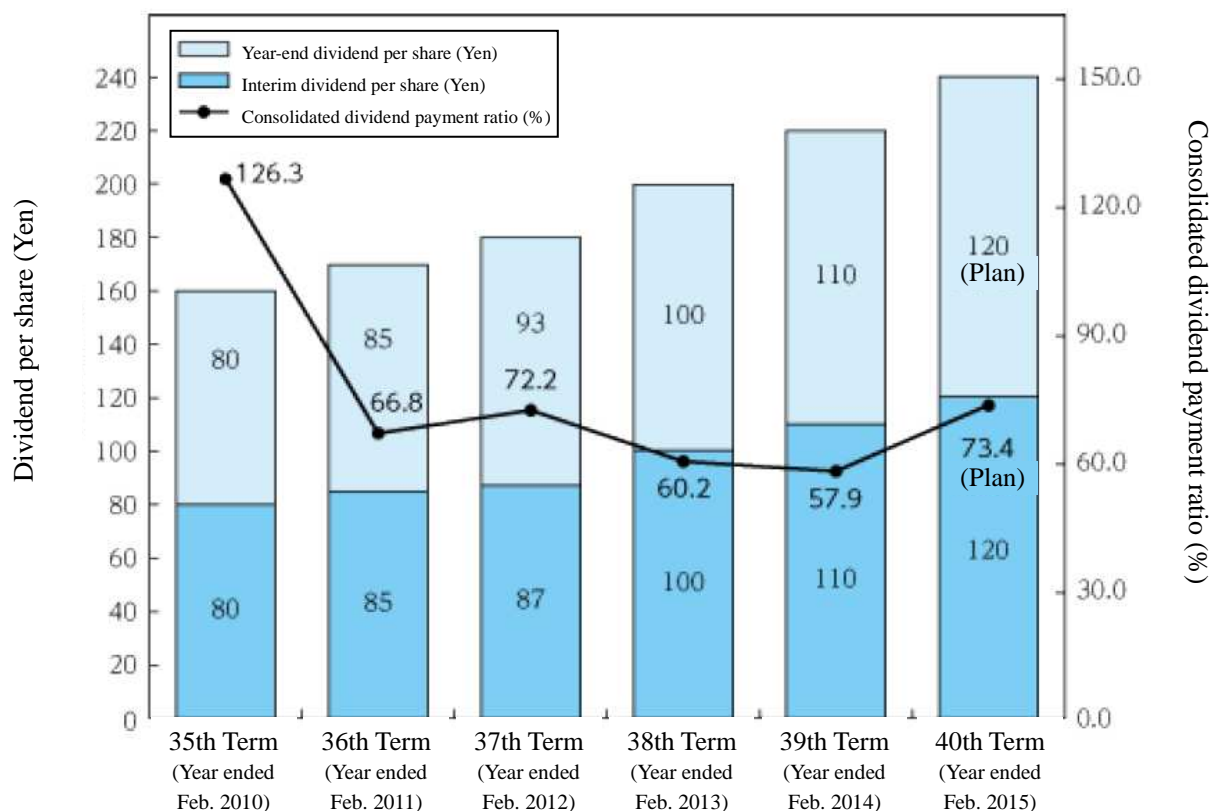
We intend to continue to place emphasis on the distribution of profit to shareholders into the future.

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:  
¥120 per share of the Company's common stock to a total of ¥11,999,869,920
- (2) Effective date of the dividends from surplus:  
Wednesday, May 27, 2015

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



	35th Term	36th Term	37th Term	38th Term	39th Term	40th Term (Current Period)
Interim dividend per share	¥80	¥85	¥87	¥100	¥110	¥120
Year-end dividend per share	¥80	¥85	¥93	¥100	¥110	(Plan) ¥120
Annual dividend per share	¥160	¥170	¥180	¥200	¥220	(Plan) ¥240
Consolidated net income per share	¥126.67	¥254.61	¥249.17	¥332.20	¥380.04	¥327.08
Consolidated dividend payment ratio	126.3%	66.8%	72.2%	60.2%	57.9%	(Plan) 73.4%
ROE	6.5%	12.8%	12.0%	15.2%	16.1%	13.0%

(Notes)

1. In the 37th term, ROE (consolidated return on equity) declined compared to the previous period as a result of an extraordinary loss of ¥11,753 million, which included loss due to the Great East Japan Earthquake and loss on adjustment for changes in accounting standards for asset retirement obligations. ROE excluding these extraordinary factors is 15.1%.
2. The amounts of the 35th term is the retroactively adjusted amounts reflecting the loss on the prior period adjustment of ¥1,936 million recognized in the 35th term.
3. 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 Company proposes that the Articles of Incorporation be partially amended as follows.

- (1) Based on the Lawson Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities," the Company primarily focuses on the business of the franchise headquarters of convenience stores.

The Group also provides a wide range of products and services related to entertainment under the slogan of "360-degree Entertainment Services" mainly through our subsidiary, Lawson HMV Entertainment, Inc., and last year acquired all shares of United Cinemas Co., Ltd., an operator of movie theaters in Japan. In order to seek clarification on the Group's business purposes, we propose that "Business related to movies" be added to Article 2 (Purpose of Incorporation), item 4 of the current Articles of Incorporation.

In addition, we have been working hard a home delivery business that enables customers to enjoy the benefits of a convenience store from the comfort of their home, and propose adding "Consigned freight forwarding business" to Article 2 (Purpose of Incorporation), item 11 of the current Articles of Incorporation, so as to establish an efficient distribution network by becoming a consigned freight forwarding operator.

- (2) The Company's Articles of Incorporation has set Article 24 (Contracts for Limitation of Liability with Outside Directors) and Article 32 (Contracts for Limitation of Liability with Outside Corporate Auditors) so as to facilitate outside directors and outside corporate auditors to adequately fulfill their expected roles. Following the recent expansion in the range of directors and corporate auditors with whom a contract for limitation of liability can be entered into by the Act for Partial Revision of the Companies Act (Act No. 90 of 2014), the Company proposes to amend the provisions of Article 24 and Article 32 of the current Articles of Incorporation. Prior consent of all corporate auditors has been obtained for submitting the amendment to Article 24 of the current Articles of Incorporation to this general meeting of shareholders.

## 2. Particulars of amendments

Particulars of proposed amendments are described below.

(Suggested amendments are underlined in the text.)


Current Provision of the Articles of Incorporation	Proposed Amendments
<p>Article 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses:</p> <p>1. ~ (Omitted)</p> <p>3.</p> <p>4. Business related to entertainment including music, theaters and other events</p> <p>5. ~ (Omitted)</p> <p>10.</p> <p>11. Transportation business and warehousing business</p> <p>12. ~ (Omitted)</p> <p>23.</p>	<p>Article 2: Purpose of Incorporation The Company shall be organized for the purpose of operating the following businesses:</p> <p>1. ~ (No change)</p> <p>3.</p> <p>4. Business related to entertainment including music, <u>movies</u>, theaters and other events</p> <p>5. ~ (No change)</p> <p>10.</p> <p>11. Transportation business, <u>consigned freight forwarding business</u> and warehousing business</p> <p>12. ~ (No change)</p> <p>23.</p>
<p>Article 24: Contracts for Limitation of Liability with <u>Outside Directors</u> In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into agreements with <u>Outside Directors</u> under which their liabilities for damage provided for in Article 423, paragraph 1 of the said Act shall be restricted to the sum of the amount stipulated in laws and regulations.</p>	<p>Article 24: Contracts for Limitation of Liability with <u>Directors</u> In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into agreements with <u>Directors (excluding persons who are executive directors, etc.)</u> under which their liabilities for damage provided for in Article 423, paragraph 1 of the said Act shall be restricted to the sum of the amount stipulated in laws and regulations.</p>
<p>Article 32: Contracts for Limitation of Liability with <u>Outside Corporate Auditors</u> In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into agreements with <u>Outside Corporate Auditors</u> under which their liabilities for damage provided for in Article 423, paragraph 1 of the said Act shall be restricted to the sum of the amount stipulated in laws and regulations.</p>	<p>Article 32: Contracts for Limitation of Liability with <u>Corporate Auditors</u> In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into agreements with <u>Corporate Auditors</u> under which their liabilities for damage provided for in Article 423, paragraph 1 of the said Act shall be restricted to the sum of the amount stipulated in laws and regulations.</p>

**Proposal No. 3: Election of Two (2) Corporate Auditors**


The term of office of Mr. Tetsuo Ozawa and Ms. Eiko Tsujiyama, both Corporate Auditors, expires at the conclusion of this 40th Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect two (2) Corporate Auditors.

The Board of Corporate Auditors has given prior consent for this proposal.

The nominees for corporate auditors are as follows.

No.	Name (Date of birth)	Brief Personal History, Position and Important Concurrent Positions		Number of the Company's Shares Held
1	<p><b>[Candidate for Outside Corporate Auditor]</b></p>  <p>Tetsuo Ozawa (June 28, 1947)</p>	April 1973	Registered as a practicing attorney. Joined Tokyo Fuji Law Office. (to date)	400
		May 2003	Outside Corporate Auditor for Lawson, Inc. (current position)	
		June 2007	Outside Corporate Auditor for Cemedine Co., Ltd. (current position)	
		June 2014	Outside Corporate Auditor for Sekisui Chemical Co., Ltd. (current position)	
	<p>[Reasons for nomination as Outside Corporate Auditor and reasons behind our judgment that the person would be able to perform the obligations of an Outside Corporate Auditor appropriately]</p> <p>Mr. Tetsuo Ozawa has been nominated as a candidate for Outside Corporate Auditor of the Company, as he possesses abundant experience mainly in the area of corporate legal affairs ranging from legislation to risk management from a legal point of view and broad-ranging knowledge as a lawyer, and also currently provides appropriate supervision to business execution by the Company's directors. The Company expects Mr. Ozawa to continue to adequately fulfill his role as an outside corporate auditor for the reasons referred to above.</p> <p>Mr. Ozawa has been registered as an Independent Director/Auditor with the Tokyo Stock Exchange pursuant to the rules specified by the exchange.</p>			
	<p>[Term of Outside Corporate Auditor for Lawson, Inc.]</p> <p>Mr. Ozawa has served as an outside corporate auditor for the Company since May 2003, and will have held this position for 12 years at the conclusion of this general meeting of shareholders.</p>			
	<p>[Particular conflicts of interest between the Candidate and Lawson, Inc.]</p> <p>There are no particular conflicts of interest between the Candidate and Lawson, Inc.</p>			
	<p>[Attendance at Board of Directors' Meetings and Corporate Auditors' Meetings]</p> <p>Out of a total of 13 Board of Directors' Meetings, Mr. Ozawa attended 12. (Attendance rate: 92.3%) Out of a total of 16 Corporate Auditors' Meetings, Mr. Ozawa attended 16. (Attendance rate: 100%)</p>			



No.	Name (Date of birth)	Brief Personal History, Position and Important Concurrent Positions		Number of the Company's Shares Held
2	<p><b>[Candidate for Outside Corporate Auditor]</b></p>  <p>Eiko Tsujiyama (December 11, 1947)</p>	April 1974	Registered as a Certified Public Accountant	400
		August 1980	Assistant Professor, College of Humanities, Ibaraki University	
		April 1985	Assistant Professor, Faculty of Economics, Musashi University	
		April 1991	Professor, Faculty of Economics, Musashi University	
		April 2003	Professor, School of Commerce and The Graduate School of Commerce, Waseda University (current position)	
		June 2008	Outside Corporate Auditor for Mitsubishi Corporation (current position)	
		June 2010	Outside Corporate Auditor for ORIX Corporation (current position)	
		May 2011	Outside Corporate Auditor for Lawson, Inc. (current position)	
		June 2011	Outside Corporate Auditor for NTT DOCOMO, INC. (current position)	
		June 2012	Outside Corporate Auditor for Shiseido Co., Ltd. (current position)	
<p>[Reasons for nomination as Outside Corporate Auditor and reasons behind our judgment that the person would be able to perform the obligations of an Outside Corporate Auditor appropriately]</p> <p>Ms. Eiko Tsujiyama has been nominated as a candidate for Outside Corporate Auditor of the Company, as she possesses abundant experience serving on the Financial Services Agency's Business Accounting Council, the National Tax Agency's National Tax Council, etc. as an academic expert as well as a deep knowledge of finance and accounting as a university professor (in accounting); and also currently provides appropriate supervision to business execution by the Company's directors. The Company expects her to continue to adequately fulfill her role as an outside corporate auditor for the reasons referred to above.</p> <p>Ms. Tsujiyama has been registered as an Independent Director/Auditor with the Tokyo Stock Exchange pursuant to the rules specified by the exchange.</p>				
<p>[Term of Outside Corporate Auditor for Lawson, Inc.]</p> <p>Ms. Tsujiyama has served as an outside corporate auditor for the Company since May 2011, and will have held this position for four years at the conclusion of this general meeting of shareholders.</p>				
<p>[Particular conflicts of interest between the Candidate and Lawson, Inc.]</p> <p>There are no particular conflicts of interest between the Candidate and Lawson, Inc.</p>				
<p>[Attendance at Board of Directors' Meetings and Corporate Auditors' Meetings]</p> <p>Out of a total of 13 Board of Directors' Meetings, Ms. Tsujiyama attended 13. (Attendance rate: 100%) Out of a total of 16 Corporate Auditors' Meetings, Ms. Tsujiyama attended 16. (Attendance rate: 100%)</p>				

## Notes:

- In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with Mr. Tetsuo Ozawa and Ms. Eiko Tsujiyama. Under the liability limitation agreement concluded with the Company, Outside Corporate Auditor assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.
- The appointment of the Independent Directors/Auditors is based on "(6) Criteria for Independence" on page 23.
- The nominees' Brief Personal History, Position and Important Concurrent Positions are as of April 9, 2015.