

May 2, 2017

To All Shareholders with Voting Rights

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

### **NOTICE OF THE 42nd ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 42nd 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 29, 2017.**

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

**Please exercise your voting rights by 5:45 p.m. on Monday, May 29, 2017 after reading the attached document "Exercising Voting Rights via the Internet, etc."**

1. Date and Time: 10:00 a.m., Tuesday, May 30, 2017
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 Nonconsolidated Financial Statements for the 42nd Fiscal Term (from March 1, 2016 to February 28, 2017), and the Audit Reports Thereof

#### Matters to Be Resolved:

- Proposal No. 1: Appropriation of Surplus
- Proposal No. 2: Election of Eight (8) Directors
- Proposal No. 3: Election of One (1) Corporate Auditor

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- If you attend in person, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting. You do not need to enter your approval or disapproval in the Voting Rights Exercise Form if you will attend. 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, 2016 through February 28, 2017)

**I. CURRENT STATUS OF THE CORPORATE GROUP****1. Summary of Operations****(1) Business Developments and Results of Operations**

During the fiscal year under review, or fiscal 2016 ended February 28, 2017, we have launched our “1000-Day Action Plan” and focused our business activities on building Lawson’s next-generation convenience store model. The convenience store industry is now undergoing drastic transformation. This is attributable to changes in community needs resulting from an aging population and the prevalence of the nuclear family, among others, which have triggered a reorganization of the industry. Deeming the next three years as a crucial turning point for the Lawson Group (hereinafter, the “Group”) under the “1000-Day Action Plan,” we have made efforts to evolve our business model as a manufacturing retailer targeting small catchment areas and to raise our store productivity to an unprecedented level toward the goal of fulfilling our customers’ needs in everyday life by serving as an essential part of their communities.

In terms of operating results for the fiscal year, gross operating revenue increased to 631,288 million yen (up 8.2% from previous fiscal year,) operating income increased to 73,772 million yen (up 1.7% from previous fiscal year,) ordinary income increased to 73,014 million (up 4.9% from previous fiscal year,) and profit attributable to owners of parent increased to 36,400 million yen (up 16.0% from previous fiscal year.)

Furthermore, Lawson became a consolidated subsidiary of Mitsubishi Corporation (hereinafter, “Mitsubishi”) as of February 15, 2017 as Mitsubishi newly acquired a majority of voting rights in Lawson following the completion of a tender offer for our common stock. Mitsubishi intends to strengthen collaboration with Lawson while continuing to maintain its share listing on the First Section of the Tokyo Stock Exchange and management autonomy. We will aim to establish a framework that enables the maintenance of appropriate corporate governance as an independent listed company and that maximizes effects of synergy with Mitsubishi Group companies.

We have also focused on promoting internal control and addressing operating risks across the entire Group based on the 2016 Basic Policy for Maintaining Internal Control Systems and we will continue promoting internal control going forward.

Operating results by business segment were as follows:

**(Domestic Convenience Store Business)**

In our convenience store business, in our effort to attract customers by serving as stores for everyday use, we strengthened our product lineup of our private brand, “Lawson Select,” renovated existing stores, invested aggressively in advertising and sales promotions, and expanded and improved merchandise selection.

**[Store Operations]**

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean, and we strengthened our merchandise assortment of ready-made dishes, frozen food items, and seasonings by taking strong steps to renovate existing stores, including installing more refrigerators and freezer flatbeds as well as raising the heights of product display shelves and putting in more shelves.

**[Merchandising and Service Strategies]**

On the merchandise side, we expanded our merchandise assortment under our “Lawson Select” brand, focusing on products purchased for everyday life, such as Japanese ready-made dishes and salads in the daily delivered food category. We are focused on selling products that contribute to the health of customers. For example, the “Green Smoothie,” a NATURAL LAWSON brand product, has been in high demand, mainly from female and highly health-conscious customers, while the “Niku Yasai Itame Bento” (stir-fried meat and vegetables lunch box), which includes one half of a person’s daily vegetable requirement, has also gained wide popularity. In the counter fast food section, the “Deka Yakitori” (grilled chicken), which weighs 20% more than the previous yakitori offering and is the largest in Lawson’s history, has been well received by many customers since its launch in January 2017.

There are currently 23 Lawson Farms throughout the country. The farms assume the role of supplying safe and fresh fruits and vegetables to the Group’s stores and factories that produce LAWSON’s original products. With the aim of establishing an appropriate farm management system for Lawson Farms, Lawson has been endeavoring to obtain certification for Japan Good Agricultural Practice (JGAP), a set of agricultural production process management techniques. In July 2016, Lawson and the Presidents and CEOs of Lawson Farms were awarded the “GAP Initiative Award 2016” hosted by the Asia GAP Research Institute in recognition of their unrivalled contribution to the dissemination of Good Agricultural Practice (GAP) \*1. The

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Group will continue its efforts to deliver safe and secure products through such initiatives.

In addition to thus strengthening our merchandise lineup, we also enhanced our service offerings, one of which is our “Gift Cards”<sup>\*2</sup>, whose transaction value continued to remain solid.

We started accepting “Alipay”, the world’s largest mobile payment service, and “LINE Pay”, the remittance and payment service through the communication app, LINE, at all of our outlets in January 2017, a first in the industry.

On our sales promotion side, as part of our effort to increase the number of purchased items per customer, we rolled out a monthly promotional “Lawson Tokuichi!” campaign, where a 10% discount was offered on “Lawson Select” chilled/frozen foods as well as some items offered in our counter cases. Furthermore, measures to effectively attract customers were launched, including a “100-yen rice ball sale”, a “speed lottery” themed on “E-girls” and “Sandaime J Soul Brothers from EXILE TRIBE,” which demonstrated our strength in the entertainment field, and rewarding Ponta Card members with five times the points on purchases in evenings and at night.

\*1 GAP: Good Agricultural Practice (A set of agricultural production process management techniques).

\*2 Gift Cards: Collective term for prepaid cards that can be used for online transactions.

**[Breakdown of Sales by Merchandise Category at Chain Stores in Domestic Convenience Store Business]**

Product group	Sales (millions of yen)	Percentage of total (%)	Year on Year (%)
Processed foods	1,073,044	52.5	103.8
Fast foods	481,267	23.6	103.8
Daily delivered foods	294,141	14.4	106.2
Nonfood products	194,833	9.5	104.5
Total	2,043,287	100.0	104.2

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

Furthermore, LAWSON Three F and LAWSON POPLAR brand stores are also included.

**[Store Development]**

In opening new stores, the Group continued to prioritize developing profitable stores.

With regard to our partnership initiatives with other chain retailers, based on a mega-franchise agreement concluded with Save On Corp., we remodeled 54 Save On stores, which operated in Yamagata, Fukushima and Ibaraki Prefectures, into LAWSON stores in a phased manner during fiscal 2016. In the fourth quarter, we also concluded mega-franchise agreements in Gunma, Tochigi, Niigata, Saitama, and Chiba Prefectures. From around summer 2017 to the end of 2018, 503 Save On stores in these prefectures (as of end of December; includes 2 stores in Nagano Prefecture) are scheduled to be remodeled into LAWSON stores.

Furthermore, under our partnership with Three F Co., Ltd., 23 Three F stores were remodeled to become LAWSON stores by February 2017. Also, L·TF Co., Ltd., a joint venture established in September 2016, operates (as of the end of February) 89 LAWSON Three F stores that were formerly Three F stores.

Under our partnership with POPLAR Co., Ltd., Lawson Sanin, Inc., a joint venture between Lawson, Inc. and POPLAR Co., Ltd., commenced operation of a regional franchise business in the Tottori and Shimane region. The joint venture has consolidated all existing POPLAR-brand convenience stores in the region that had wished to shift to a joint LAWSON POPLAR brand and all stores run by Lawson’s Tottori and Shimane branch offices. As of the end of February 2017, it operates a total of 287 stores (of which 56 are LAWSON POPLAR stores).

Furthermore, by building partnerships with dispensing pharmacy and drug store chains, we offer not only OTC pharmaceuticals, cosmetics, and daily necessities, but also offer a more numerous assortment of merchandise than conventional LAWSON stores. The number of stores offering OTC pharmaceuticals has reached 157 stores (includes 41 pharmacy LAWSON stores equipped with drug-dispensing pharmacies) as of the end of February 2017. Furthermore, with the addition of Lawson Kure Hironagahama store, the first store serving as a nursing care hub center in Hiroshima Prefecture, which opened in July 2016, the number of stores offering nursing care consultation services has reached 9 as of the end of February 2017. We will continue to engage in establishing convenience store models that address and deal with social changes such as the aging population and increased health awareness.

With respect to LAWSON STORE100, we continued to increase the product composition ratio of 100-yen items (excluding tax) by scaling down product portions to respond to customer needs for value, and strengthened our popular fruit and vegetable lineup. As a result, existing-store sales for fiscal 2016 exceeded those for the previous fiscal year.

Consequently, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE100 stores opened and closed during the current fiscal year stood at 1,108 and 413 stores, respectively, with the total number of stores in Japan reaching 12,575 as of the end of February 2017.<sup>\*3</sup>

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In addition, the equity method affiliates Lawson Kochi, Inc., Lawson Minamikyushu, Inc. and Lawson Okinawa, Inc. operate 135 LAWSON chain stores in Kochi Prefecture, 191 LAWSON chain stores in Kagoshima Prefecture and 210 LAWSON chain stores in Okinawa Prefecture, respectively, as of the end of February 2017.

\*3 The numbers of store openings and closings and total number of stores in Japan include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.

**[Change in Total Number of Domestic Stores]**

	Total stores as of February 29, 2016	Change during fiscal year	Total stores as of February 28, 2017
LAWSON	10,937	699	11,636
NATURAL LAWSON	134	7	141
LAWSON STORE100	809	(11)	798
Total	11,880	695	12,575

Note: These figures include stores operated by both Lawson, Inc. and Lawson Sanin, Inc.  
Furthermore, LAWSON Three F and LAWSON POPLAR brand stores are also included.

**[Other]**

With regards to our efforts in home convenience, 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.

With respect to distribution, from March 2016, we commenced operation of our distribution center, a three-temperature-zone distribution center offering an integrated environment for chilled, frozen and ambient-temperature foods. Through independent operation of the distribution center, we aim at further streamlining the entire supply chain and improving store productivity.

At the LAWSON Panasonic-Mae store, our experimental “Next-generation Convenience Store” in Moriguchi-shi, Osaka, we started testing the industry’s first fully automated cash register, “Regi Robo®,” using radio-frequency identification (RFID.) We will promote productivity enhancements with the aim of improving our customers’ convenience and the efficiency of increasingly complicated store operations by eliminating scanning at the time of payment to speed up the payment process in the future.

As a result, Domestic Convenience Store Business posted gross operating revenue of 424,608 million yen (up 6.5% from previous fiscal year) and segment profit of 59,865 million yen (down 0.2% from previous fiscal year.)

**(Seijo Ishii Business)**

The number of directly operated Seijo Ishii stores, a high-end supermarket chain offering quality foods, reached 132 as of the end of February 2017. Sales remained robust, and in April 2016, the first Seijo Ishii store combining “Le Bar a Vin 52” was opened in Atré Ebisu West. With respect to merchandise, a new private brand dubbed “desica” was launched, which achieved strong sales. Collaborations between Seijo Ishii Business and our Domestic Convenience Store Business were promoted, such as expanding Seijo Ishii’s selection of wine offered at NATURAL LAWSON stores, jointly importing confectionery, and rolling out jointly developed products including nuts and cup soup. We will continue to improve the brand strength and corporate value of SEIJO ISHII CO., LTD., which marked its 90th anniversary in February 2017, while absorbing the company’s product development expertise, knowhow acquired as a manufacturing retailer, and sales methods, to strengthen our Domestic Convenience Store Business.

As a result, Seijo Ishii Business posted gross operating revenue of 85,824 million yen (up 24.4% from previous fiscal year) and segment profit of 6,911 million yen (up 37.2% from previous fiscal year). Regarding SEIJO ISHII CO., LTD, its balance sheet date was changed therefore segment profit represented a 14-month period.

**(Entertainment-related Business)**

With regards to Entertainment-related Business, Lawson HMV Entertainment, which forms the core of entertainment related business, continued to secure top position in the ticketing industry. Regarding HMV stores that combine selling music CDs and DVDs, the second “HMV Record Shop,” a used analog record and CD store, was opened in Shinjuku, and was well received. The number of HMV stores that sell music CDs and

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DVDs totaled 55 as of the end of February 2017. We will strive to offer an even wider selection of products and services to better respond to customer needs, for example, by expanding our entertainment business. In April 2016, United Cinemas Co., Ltd. opened the “Premium Dining Cinema” in Fukuoka-shi, Kyushu, as the first cinema in Japan where moviegoers can dine while enjoying a film. Furthermore, United Cinemas Co., Ltd. operates a total of 38 sites with 340 screens (includes those under management contract) at its cinemas nationwide as of the end of February 2017.

As a result, Entertainment-related Business posted gross operating revenue of 72,936 million yen (down 2.8% from previous fiscal year) and segment profit of 3,988 million yen (down 2.1% from previous fiscal year.)

**(Other Business)**

In addition to the aforementioned businesses, the Group is also involved in the Overseas Business and the Financial Services-related Business.

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

In China, we marked our 20th anniversary in July 2016 since we became the first Japanese convenience store to advance into Shanghai. We made inroads into Wuhan in China’s Hubei Province in May 2016. In February 2017, the total number of stores in China exceeded the 1,000 mark.

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

Country/Region	Number of stores (as of February 29, 2016)	Change during fiscal year	Number of stores (as of February 28, 2017)
China Shanghai and surrounding area	458	207	665
China Chongqing	110	26	136
China Dalian	53	29	82
China Beijing	34	14	48
China Wuhan	—	72	72
Thailand	47	38	85
Indonesia	38	(2)	36
Philippines	16	14	30
United States of America Hawaii	2	—	2
Total	758	398	1,156

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. We strengthened partnerships with new financial institutions bringing the total number of our financial institution partners to 87 nationwide (up 7 from previous fiscal year), including online banks, and the number of ATMs installed nationwide to 11,912 (up 711 from previous fiscal year) as of the end of February 2017.

In November 2016, we established Lawson Bank Preparatory Company, Inc., which aims to establish a bank leveraging Lawson’s previous experience in financial services, and meet necessary preconditions for obtaining approval from the relevant authorities.

As a result, Other Business posted gross operating revenue of 55,147 million yen (up 17.5% from previous fiscal year) and segment profit of 2,999 million yen (down 12.5% from previous fiscal year.)

**(Environmental and Social Contribution Activities)**

As part of our initiative to reduce our environmental impact, we will endeavor to save energy and resources as well as 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 2017, the system had been installed in approximately 2,000 stores. Compared to conventional equipment used in our stores, the new system can reduce 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 target of using 20% less electricity per store by fiscal 2020 compared to the

fiscal 2010 level. In February, we opened a pilot store focusing on environmental friendliness that aims to become a “Smart Energy Store” in Kodaira-shi, Tokyo. This store is the first convenience store to be selected by the Japanese Ministry of Economy, Trade and Industry as a “Virtual Power Plant (VPP) Construction and Demonstration Project.” Through remote control of devices and energy saving using Internet of Things (IoT), the store is a demonstration project seeking innovative new ways to achieve energy conservation.

With regard to reducing waste, we are making efforts to improve order-receiving accuracy by introducing a semi-automatic ordering system for ordering products. Moreover, we are recycling unsold food and waste cooking oil from stores, which are being reused as feed and fertilizer, and biodiesel fuel, respectively. In Tottori Prefecture, in particular, unsold food from stores in Sakai Minato-shi is processed into compost, which is used at the Lawson Farm Tottori to produce daikon radish used in our popular Oden (Japanese-style stew).

We continued to pursue business activities with the aim of realizing the Group’s corporate philosophy of “Creating Happiness and Harmony in Our Communities,” and also carried out fund-raising activities for disasters including the Kumamoto Earthquake, 2016 Typhoon No.10, and the catastrophic fire in Itoigawa-shi, Niigata Prefecture.

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

## (2) Capital Expenditures and Financing

Capital expenditures of the Group during the fiscal year totaled 75,554 million yen, of which 55,089 million yen was primarily for store facility investment in buildings, and 19,261 million yen was for the upgrading of information systems.

Furthermore, funding for capital expenditures required for facility investments and others carried out in the current period was 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 2013 39 <sup>th</sup> Term	Fiscal 2014 40 <sup>th</sup> Term	Fiscal 2015 41 <sup>st</sup> Term	Fiscal 2016 42 <sup>nd</sup> Term
Gross operating revenue (millions of yen)	485,247	497,913	583,452	631,288
Ordinary income (millions of yen)	68,880	71,714	69,622	73,014
Profit attributable to owners of parent (millions of yen)	37,965	32,686	31,381	36,400
Profit per share (yen)	380.04	327.08	313.81	363.96
Total assets (millions of yen)	620,992	764,614	803,212	866,577
Net assets (millions of yen)	250,497	263,797	272,997	285,995
Net assets per share (yen)	2,455.25	2,561.25	2,643.97	2,748.39

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

Category/Fiscal Term	Fiscal 2013 39 <sup>th</sup> Term	Fiscal 2014 40 <sup>th</sup> Term	Fiscal 2015 41 <sup>st</sup> Term	Fiscal 2016 42 <sup>nd</sup> Term
Net sales of all convenience stores (millions of yen)	1,758,656	1,932,798	1,960,266	2,027,504
Gross operating revenue (millions of yen)	298,778	316,340	333,855	356,186
Ordinary income (millions of yen)	62,171	61,649	54,982	56,459
Profit (millions of yen)	33,625	26,200	21,802	19,088
Profit per share (yen)	336.59	262.18	218.02	190.86
Total assets (millions of yen)	589,793	693,811	714,875	767,986
Net assets (millions of yen)	240,648	243,420	243,576	237,409
Net assets per share (yen)	2,403.21	2,432.00	2,432.73	2,370.59

**(4) Priority Issues of the Group**

**① Provide customers with enhanced support in their daily lives**

In an effort to become an indispensable part of customers' lives in local communities, we will strive to further expand our merchandise assortment to include a wider variety of daily necessities and ready-made dishes in addition to products and services offered by conventional convenience stores.

**② Evolve into a manufacturing retailer targeting small catchment areas**

By evolving into a manufacturing retailer deeply engaged in activities across the entire value chain, from procurement of raw materials and ingredients to manufacturing, logistics and sales, we will strive to achieve cost reduction and quality improvement in our products to further strengthen our product appeal.

**③ Make the most of digital technology and improve store productivity through distribution reforms**

In today's aging society with a low birth rate, various human resources, such as housewives, older workers, and foreign nationals, are being utilized for store operations. By reviewing complicated work processes, making maximum use of digital technology and re-examining our distribution system, we are making efforts to improve productivity and create efficient and fulfilling work environments for a diverse workforce.

**④ Take on challenges in future growth areas**

We will continue to take on challenges to establish new business models in future growth areas not only in our domestic convenience store business, the core business of the Group, but also in various other fields such as Seijo Ishii Business, Entertainment-related Business, Overseas Business, Financial Services-related Business. We will also work hard to make maximum use of each Group company's distinctive features to generate synergistic effects.

**⑤ 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.

Lawson became a consolidated subsidiary of Mitsubishi in February 2017, which has resulted in a parent-subsiidiary listing. The Group plans to appoint several independent officers, who have no conflict of interest with general shareholders, as directors. In addition, the Nomination and Compensation Advisory Committee, consisting solely of non-executive directors and corporate auditors, has been formed on a voluntary basis. The Committee offers advice and makes proposals to the Board of Directors on directors' compensation and suitable candidates for representative directors and directors, so as to ensure transparency of management and fair judgment.

We conducts business activities under its corporate philosophy, "Creating Happiness and Harmony in Our Communities". Furthermore, under the "1000 Days Action Plan", which was newly launched from the current fiscal year, we are united in working and making efforts to "master the basics", "respond to changes" and "meet the challenge of achieving further growth."

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

**2. Current Status at the End of February 2017****(1) Major Business Segments of the Corporate Group and Principal Offices  
(Domestic Convenience Store Business)**

## ① Lawson, Inc.

Major Business: Primarily operates the Lawson-brand franchise system and undertakes management of company-operated stores as the head office of LAWSON, NATURAL LAWSON and LAWSON STORE100 convenience store chains.

Head Office: Shinagawa-ku, Tokyo

Principal Offices: Hokkaido area office (Kita-ku, Sapporo), Tohoku area office (Aoba-ku, Sendai), Chubu area office (Naka-ku, Nagoya), Kinki area office (Suita city, Osaka), Chushikoku area office (Kita-ku, Okayama) and Kyushu area office (Hakata-ku, Fukuoka)

Note: In addition to the above sites, the Company has 96 offices throughout Japan, including branches.

## ② Lawson Sanin, Inc.

Major Business: Operates LAWSON stores in the Sanin area.

Head Office: Yonago city, Tottori

## ③ Lawson Store100, Inc.

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

Head Office: Shinagawa-ku, Tokyo

Note: In March, 2016, Lawson Mart, Inc. changed its corporate name to Lawson Store100, Inc.

## ④ SCI, Inc.

Major Business: Food wholesaler, including processed meats and frozen foods, and wholesaler of packing materials.

Head Office: Shinagawa-ku, Tokyo

[Stores]

Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores	Prefecture	Number of stores
Hokkaido	637	Ibaraki	193	Kyoto	328	Ehime	214
Aomori	234	Tokyo	1,588	Shiga	154	Tokushima	134
Akita	188	Kanagawa	872	Nara	128	Fukuoka	473
Iwate	169	Shizuoka	256	Wakayama	137	Saga	68
Miyagi	227	Yamanashi	122	Osaka	1,048	Nagasaki	106
Yamagata	105	Nagano	173	Hyogo	663	Oita	176
Fukushima	130	Aichi	629	Okayama	172	Kumamoto	145
Niigata	148	Gifu	164	Hiroshima	199	Miyazaki	104
Tochigi	157	Mie	131	Yamaguchi	122		
Gunma	115	Ishikawa	104	Tottori	137		
Saitama	599	Toyama	186	Shimane	149		
Chiba	550	Fukui	110	Kagawa	131	<b>Total (domestic)</b>	<b>12,575</b>

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

Furthermore, LAWSON Three F and LAWSON POPLAR brand stores are also included.

**(Seijo Ishii Business)**

SEIJO ISHII CO., LTD.

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

**(Entertainment-related Business)**

① Lawson HMV Entertainment, Inc.

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

② United Cinemas Co., Ltd.

Major Business: Constructs and manages multiplex movie theaters  
Head Office: Shinagawa-ku, Tokyo

**(Other Business)**

• Overseas Business

① Lawson (China) Holdings, Inc.

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

② Shanghai Lawson, Inc.

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

Note: In February, 2017, Shanghai Hualian Lawson, Inc. changed its corporate name to Shanghai Lawson, Inc.

③ Shanghai Le Song Trading Co., Ltd.

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

④ Shang Hai Gong Hui Trading Co., Ltd

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

⑤ Zhejiang Lawson, Inc.

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

⑥ Chongqing Lawson, Inc.

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

⑦ Dalian Lawson, Inc.

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

⑧ Beijing Lawson, Inc.

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

⑨ BEIJING LUOSONG Co., Ltd.

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

⑩ Saha Lawson Co., Ltd.

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

• Financial Services-related Business

Lawson ATM Networks, Inc.

Major Business: Installs jointly operated ATMs in LAWSON stores and others.  
Head Office: Shinagawa-ku, Tokyo

• Consulting Business

BestPractice, Inc.

Major Business: Conducts surveys of convenience stores to give advice and make specific proposals for the improvement of LAWSON stores.

Head Office: Shinagawa-ku, Tokyo

**(2) Employees**

## ① Employees of the Corporate Group

Name of Business Segment	Number of Employees	Year-on-Year Change
Domestic Convenience Store Business	4,989	399
Seijo Ishii Business	951	56
Entertainment-related Business	1,039	57
Other Business	2,424	514
Total	9,403	1,026

## ② Employees of the Company

Number of Employees	Year on Year Change	Average Age	Average Years of Service
4,217	371	39.7	12.3

**(3) Major Lenders**

Lenders	Amount Borrowed (millions of yen)
Syndicate loan	50,000
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	30,000
Mizuho Bank, Ltd.	7,278

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

## ① Parent Company

Parent Company	Capital Stock (millions of yen)	Shareholding (%)	Major Business
Mitsubishi Corporation	204,446	50.2	Global environment and infrastructure business, industrial finance, logistics and development, energy business, metals, machinery, chemicals, and living essentials, etc.

Note: Mitsubishi Corporation acquired 16,649 thousand shares of the Company's common stock via a tender offer for shares of the Company's common stock during the period from December 22, 2016 to February 9, 2017, and thereby became the Company's parent company on February 15, 2017.

## ② Significant Subsidiaries

Company Name	Capital Stock	Shareholding	Major Business
Lawson Sanin, Inc.	5 million yen	70.2 %	Domestic Convenience Store Business
Lawson Store100, Inc.	99 million yen	100.0 %	Domestic Convenience Store Business
SCI, Inc.	10 million yen	100.0 %	Domestic Convenience Store Business
SEIJO ISHII CO., LTD.	100 million yen	100.0 %	Seijo Ishii Business
Lawson HMV Entertainment, Inc.	100 million yen	100.0 %	Entertainment-related Business
Lawson HMV Entertainment United Cinema Holdings, Inc.	100 million yen	100.0 %	Entertainment-related Business
United Entertainment Holdings Co., Ltd.	100 million yen	100.0 %	Entertainment-related Business
United Cinemas Co., Ltd.	100 million yen	100.0 %	Entertainment-related Business
Lawson (China) Holdings, Inc.	930 million Chinese yuan	100.0 %	Overseas Business
Shanghai Lawson, Inc.	353 million Chinese yuan	100.0 %	Overseas Business
Shanghai Le Song Trading Co., Ltd.	0.1 million Chinese yuan	100.0 %	Overseas Business
Shang Hai Gong Hui Trading Co., Ltd.	0.3 million Chinese yuan	85.0 %	Overseas Business
Zhejiang Lawson, Inc.	10 million Chinese yuan	100.0 %	Overseas Business
Chongqing Lawson, Inc.	190 million Chinese yuan	100.0 %	Overseas Business
Dalian Lawson, Inc.	66 million Chinese yuan	98.3 %	Overseas Business
Beijing Lawson, Inc.	184 million Chinese yuan	100.0 %	Overseas Business
BEIJING LUOSONG Co., Ltd.	0.1 million Chinese yuan	100.0 %	Overseas Business
Saha Lawson Co., Ltd.	1,087 million baht	49.0 %	Overseas Business
Lawson ATM Networks, Inc.	3,000 million yen	76.3 %	Financial Services-related Business
BestPractice, Inc.	10 million yen	100.0 %	Consulting Business

## Notes:

1. Shareholding includes indirectly held shares.
2. Lawson Sanin, Inc. has been newly included in scope of consolidation since its establishment in September, 2016.
3. In March, 2016, Lawson Mart, Inc. changed its corporate name to Lawson Store100, Inc.
4. In February, 2017, Shanghai Hualian Lawson, Inc. changed its corporate name to Shanghai Lawson, Inc.

## ③ Significant Equity-method Associates

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

**II. CURRENT STATUS OF THE COMPANY****1. Shares at the End of the Year****(1) Total Number of Shares Authorized to Be Issued:** 409,300,000 shares**(2) Total Number of Shares Issued and Outstanding:** 100,300,000 shares  
(Including 285,191 shares of treasury shares)**(3) Number of Unit (*tangen*) Shares:** 100 shares**(4) Number of Shareholders:** 28,971**(5) Top 10 Major Shareholders:**

Shareholder's Name	Investment in the Company	
	Number of Shares Held (thousand shares)	Shareholding (%)
Mitsubishi Corporation	50,150	50.1
Japan Trustee Services Bank, Ltd. (Trust account)	2,657	2.7
The Master Trust Bank of Japan, Ltd. (Trust account)	2,360	2.4
NTT DOCOMO, INC.	2,092	2.1
STATE STREET BANK WEST CLIENT — TREATY 505234	1,394	1.4
National Mutual Insurance Federation of Agricultural Cooperatives	1,001	1.0
Merrill Lynch Japan Securities Co., Ltd.	933	0.9
Japan Trustee Services Bank, Ltd. (Trust account 7)	816	0.8
Lawson Employee Stock Holding Partnership	754	0.8
Japan Trustee Services Bank, Ltd. (Trust account 1)	733	0.7

## 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, 2017**

	12 <sup>th</sup> Stock Acquisition Rights	13 <sup>th</sup> Stock Acquisition Rights	14 <sup>th</sup> Stock Acquisition Rights	15 <sup>th</sup> Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)				
Directors (excluding Outside Directors)	1 person (65 units)	2 persons (58 units)	4 persons (104 units)	1 person (11 units)
Outside Directors	1 person (5 units)	1 person (5 units)	2 persons (10 units)	0 person (0 unit)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 7,000	Common stock of Lawson, Inc. 6,300	Common stock of Lawson, Inc. 11,400	Common stock of Lawson, Inc. 1,100
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen	1 yen	1 yen	1 yen
Exercise period	April 12, 2013 through March 26, 2033	April 10, 2014 through March 23, 2034	April 10, 2015 through March 24, 2035	June 10, 2015 through May 25, 2035
Main exercise conditions	Note	Note	Note	Note

	16 <sup>th</sup> Stock Acquisition Rights
Number of option holders and the number of stock acquisition rights (units)	
Directors (excluding Outside Directors)	4 persons (131 units)
Outside Directors	2 persons (10 units)
Class and number of shares subject to stock acquisition rights	Common stock of Lawson, Inc. 14,100
Amount of property contributed upon the exercise of the share subscription rights (per share)	1 yen
Exercise period	May 2, 2016 through April 13, 2036
Main exercise conditions	Note

Note: 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, 2017, is 66,100 shares, accounting for 0.1% of the total number of shares issued and outstanding.

**3. Members of the Board and Corporate Auditors****(1) Positions, Names and Assignments (As of February 28, 2017)**

Name	Position, Assignments and Important Concurrent Positions Note: Important concurrent positions of Outside Directors given later in (6) Outside Directors and Outside Corporate Auditors	
Genichi Tamatsuka	Chairman of the Board and CEO, Representative Director	CHO
Sadanobu Takemasu	President and COO, Representative Director	
Masakatsu Gonai	Executive Vice President, Member of the Board	—Compliance & Risk Management, —Human Resources, —BPR and Franchisee Business Support Division Director
Emi Osono	Member of the Board	
Yutaka Kyoya	Member of the Board	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation
Sakie Akiyama	Member of the Board	Member of the Board, Mitsubishi Shokuhin Co., Ltd
Keiko Hayashi	Member of the Board	Member of the Board, Olam International Limited
Kazunori Nishio	Member of the Board	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation
Atsuhiko Seki	Standing Corporate Auditor	
Toshio Takahashi	Standing Corporate Auditor	
Tetsuo Ozawa	Corporate Auditor	
Eiko Tsujiyama	Corporate Auditor	

## Notes:

- Three directors (Emi Osono, Sakie Akiyama and Keiko Hayashi) are outside directors as stipulated in Article 2, Item 15, of the Companies Act of Japan (the “Companies Act”).
- Three auditors (Toshio Takahashi, Standing Corporate Auditor, Tetsuo Ozawa, Corporate Auditor and Eiko Tsujiyama, Corporate Auditor) are outside corporate auditors as stipulated in Article 2, Item 16, of the Companies Act.
- Toshio Takahashi, Standing Corporate Auditor, has considerable expertise in finance and accounting, serving at city banks engaged in treasury, risk management and internal audits, as well as serving as a full-time auditor at the Japanese subsidiary of a major foreign IT firm.  
Tetsuo Ozawa, Corporate Auditor, is a lawyer who 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.  
Eiko Tsujiyama, Corporate Auditor, has long-term experience as a university professor in accounting and therefore has considerable expertise in finance and accounting.
- The following personnel changes were approved at the board of corporate auditors’ meeting and the 41st general meeting of shareholders held on May 24, 2016.

Appointment	Member of the Board	Keiko Hayashi
	Member of the Board	Kazunori Nishio
	Standing Corporate Auditor	Toshio Takahashi
Resignation	Member of the Board	Reiko Yonezawa
	Member of the Board	Takehiko Kakiuchi
	Standing Corporate Auditor	Shinichi Hokari

**[Reference] Members of the Boards and Senior Vice Presidents****(Excluding Non-Executive Directors) (As of March 1, 2017)**

Name	Position and Major Title	
Genichi Tamatsuka	Chairman of the Board, Representative Director	CHO
Sadanobu Takemasu	President, Representative Director	Marketing Division Director
Masahiro Oyama	Senior Executive Vice President	—Merchandising and Group Innovation Officer, Merchandising Group
Katsuyuki Imada	Senior Executive Vice President	Corporate Strategy and Planning Division Director
Masakatsu Gonai	Executive Vice President, Member of the Board	
Shuichi Imagawa	Executive Vice President	—Compliance & Risk Management and —Human Resources
Jun Miyazaki	Executive Vice President	Corporate Communications Division Director, Human Resources and Executive Assistant to CHO
Satoshi Nakaniwa	Senior Vice President	CFO
Yuichi Wada	Senior Vice President	—Management Owner Promotion and Store Operations Division Director
Motonobu Miyake	Senior Vice President	International Business Division Director and Lawson (China) Holdings, Inc. General Manager
Norikazu Nishiguchi	Senior Vice President	Executive Assistant to CEO (—Public Relations and Property Management)
Akihito Watanabe	Senior Vice President	Entertainment and Consumer Service Business Division Director, United Cinemas Co., Ltd. and Lawson Travel, Inc. President and Representative Director
Yasuhiko Hirokane	Senior Vice President	Healthcare Business Division Director
Tatsushi Sato	Senior Vice President	Operations Management and IT Systems Division Director
Keita Kamoi	Senior Vice President	Financial Services Division Director
Zhang Joshua	Senior Vice President	Shanghai Lawson, Inc. General Manager
Hajime Kawamura	Senior Vice President	Franchisee Business Support Division Deputy Director
Atsushi Maeda	Senior Vice President	Merchandising Division Deputy Director
Yasuhiro Iseki	Senior Vice President	SEIJO ISHII CO., LTD. Member of the Board, Senior Executive Vice President (Temporary Transfer)
Takuya Shiraishi	Senior Vice President	Operations Management and IT Systems Division Deputy Director, Corporate Strategy and Planning Division Deputy Director and Lawson Digital Innovation Inc. President and Representative Director
Naotaka Honda	Senior Vice President	Operations Management and IT Systems Division Deputy Director
Kazuhiro Wakui	Senior Vice President	Merchandising Division Deputy Director
Masayuki Sawada	Senior Vice President	International Business Division

**(2) Outline of Liability Limitation Agreements**

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

**(3) Amounts of Remuneration Paid to Directors and Corporate Auditors****Remuneration paid to officers**

Category	Total Compensation Paid (millions of Yen)	Total Compensation Paid by Type (millions of yen)		Number of Directors and Corporate Auditors Applicable
		Basic Compensation	Stock Options	
Directors (Including Outside Directors)	289	195	94	10
(Outside Directors)	63	47	15	7
Corporate Auditors (Including Outside Corporate Auditors)	69	69	—	5
(Outside Corporate Auditors)	45	45	—	4
Total	359	264	94	15

**(4) Policy on Decisions Concerning the Amount of Remuneration Paid to Directors****① Basic policy on decisions concerning the amount of remuneration paid to directors**

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

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

In order to enhance management transparency, the amount of remuneration paid to directors is determined at the board of directors meeting based on recommendations by the Company's Compensation Committee, which consists exclusively of non-executive directors and corporate auditors (five out of six are independent directors).

Members of the Nomination and Compensation Committee:

Outside Director	Emi Osono (Vice Committee Chairperson)	Director	Yutaka Kyoya
Outside Director	Sakie Akiyama	Outside Director	Keiko Hayashi
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.

- Fixed compensation

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

- Variable compensation

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

Variable compensation is paid in accordance with earnings indicators such as EPS (consolidated net income per share). Regarding five non-executive directors, Emi Osono, Yutaka Kyoya, Sakie Akiyama, Keiko Hayashi, and Kazunori Nishio, variable compensation is not applicable as they are focused on their supervisory and advisory roles as the Company's representative directors and in the board of directors meetings.

**[Stock price-linked compensation]**

Stock options as stock-based compensation

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

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

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

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

- Amount of remuneration paid to directors  
Resolutions at the general meeting of shareholders as of May 24, 2001: 400 million yen or less per year
- Amount of stock options granted to directors  
Resolutions at the general meeting of shareholders as of May 27, 2014: 300 million yen or less per year

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

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

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

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

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

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

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

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

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

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

Amount of remuneration paid to corporate auditors

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

**(6) Outside Directors and Outside Corporate Auditors****① Relationship between Major Positions Concurrently Held and the Company**

Position in the Company	Name	Position Concurrently Held	Details	Relationship between the Company and Company Where Position Concurrently Held
Outside Director (Independent)	Emi Osono	Graduate School of International Corporate Strategy, Hitotsubashi University Resona Holdings, Inc.	Professor  Outside director	—
Outside Director (Independent)	Sakie Akiyama	Saki Corporation	Representative Director and CEO	—
Outside Director (Independent)	Keiko Hayashi	DoCLASSE the Store, Co., Ltd. DoCLASSE Co., Ltd. IMA Holdings fitfit Co., Ltd. IMA People Co., Ltd.	President and CEO President and CEO President and CEO President and CEO President and CEO	—
Corporate Auditor (Independent)	Toshio Takahashi	—	—	—
Outside Corporate Auditor (Independent)	Tetsuo Ozawa	Tokyo Fuji Law Office CEMEDINE CO., LTD. Sekisui Chemical Co., Ltd. United Urban Investment Corporation	Lawyer (Representative Partner) Outside corporate auditor Outside corporate auditor Corporate auditor	—
Outside Corporate Auditor (Independent)	Eiko Tsujiyama	Faculty of Commerce, Waseda University School  ORIX Corporation  NTT DOCOMO, INC.  Shiseido Company, Limited	Professor  Outside director  Outside corporate auditor  Outside corporate auditor	NTT DOCOMO, INC., for which Eiko Tsujiyama serves as an outside corporate auditor, is a large shareholder of the Company, and has a business relationship with the Company in the telecommunications field under an extensive business alliance agreement.

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

## ② Major Activities during the Year

Position in the Company	Name	Major Activities
Outside Director (Independent)	Emi Osono	Ms. Osono attended 13 of 14 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 (Independent)	Sakie Akiyama	Ms. Akiyama attended 12 of 14 board of directors' meetings held throughout the year during the year 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 Director (Independent)	Keiko Hayashi	Ms. Hayashi attended all 12 board of directors' meetings held throughout the year during her term in office and, as a management executive, appropriately questioned and/or remarked based on her abundant knowledge. Ms. Hayashi is also a member of the Company's Nomination and Compensation Committee.
Corporate Auditor (Independent)	Toshio Takahashi	As a standing corporate auditor, Mr. Takahashi examined financial documents and visited relevant establishments and business partners to examine their business operations and financial situation. Mr. Takahashi monitored and verified the execution of duties of directors and other personnel including those relating to the improvement of internal control systems. Mr. Takahashi attended all 12 board of directors' meetings and all 11 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 14 board of directors' meetings and all 15 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 14 board of directors' meetings and all 15 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.

**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	109 million yen
2) Sum of money and other property benefits to be paid by the Company and its subsidiaries to the independent auditor	190 million yen

Notes:

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

**(3) 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 such as 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 AND POLICIES OF THE COMPANY**

#### **1. Determination of Resolution of Systems to Ensure the Propriety of Business Operations**

Based on improvements and the operation of the preceding “2015 Basic Policy for Improvement of Internal Control Systems,” which was approved at the board of directors’ meeting held on February 16, 2016, the Company passed a resolution called the “2016 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 and representative director, as well as financial, clerical and risk- and compliance-related information (including information contained in electromagnetic media). Moreover, the Company shall put in place a system allowing relevant parties to inspect the above information.
- ② The Company shall manage and monitor its information systems in a secure manner, in addition to maintaining the systems, by sufficiently taking into account contingencies.
- ③ The Company shall establish and maintain rules regarding the management of documents (including electromagnetic recording media), keep everyone informed about the responsibility and authority for document management, document storage periods and management methods, and periodically monitor the status of document storage and management.
- ④ The Company shall establish and maintain rules regarding the protection of personal information and the management of trade secrets, and appropriately and safely store and manage personal information and important trade secrets.
- ⑤ The Company shall establish and maintain an information security system for the Group by putting in place a Chief Information Security Officer and a division that oversees information security with the aim of promoting information security in a consolidated and unified manner in view of both risk management and system technology security.
- ⑥ The Company shall establish and maintain rules regarding the disclosure of important Company information, and upgrade the system for disclosing information that must be disclosed according to the requirements of laws, regulations and stock exchanges, in an appropriate, timely and fair manner.

**(3) Rules and Other Systems Regarding Risk Management**

- ① The Company shall establish a department to oversee risk management, improve rules related to risk management, and improve group-wide risk prevention systems during normal operations. Moreover, the Company shall respond according to the characteristics of risks by identifying risks that might have adverse effects on the Company's management in connection with its business purposes in each department, analyzing the probability of such risk factors materializing and their impact, and evaluating whether intensive countermeasures should be taken.
- ② To ensure the effectiveness of risk management, the Company shall establish a specialist committee ("Compliance & Risk Management Committee") and clarify the authority and responsibility of the committee and its chairperson. Furthermore, the Company shall endeavor to increase awareness about risk management by assigning risk management staff to departments and associated companies and conducting risk management training.
- ③ The Company shall develop contingency systems and formulate policy for contingency response bodies in advance to prepare for the occurrence or possible occurrence of unanticipated situations or events, which might have adverse effects on management of the Company, in order to provide a quick response to any actual occurrence thereof and to take effective measures to prevent a reoccurrence.
- ④ The Company shall formulate a Business Continuity Plan (BCP) and a Business Continuity Management (BCM) system to minimize the business interruption in the event of the occurrence of situations or events inflicting substantial damage on the Company such as a large-scale natural disaster or an epidemic of a new-type influenza. In order to be prepared for major earthquakes, the Company shall conduct disaster prevention drills three times a year while working to 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 System for reporting to the Company on matters pertaining to the execution of duties by the subsidiary's directors, etc., and system for ensuring that the subsidiary's directors, etc., carry out their duties efficiently
  - The Company shall 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.
  - 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.
- ② Regulations and other systems for risk management by the subsidiary, and system for ensuring that the subsidiary's directors, etc., and employees execute their duties in conformity with laws, ordinances, and the articles of incorporation
  - The Company shall appoint designated persons at major Associated Companies to be responsible for promoting compliance and risk management and promote communications between the Company and major subsidiaries with a view to ensuring appropriate business operations across the entire Group.
  - The Company shall develop a system in which immediate reporting is made by compliance managers of associated companies in the event that they have identified any facts that may cause material damage to their companies.
  - The Internal Audit Department shall cooperate in auditing the status of establishment of internal control systems at Associated Companies and promote improvements based on the results of audits.

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

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

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

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

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

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

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

- ① Directors and employees of the Company shall report important corporate management and business administration matters, as well as the status and results of the execution of their duties, to corporate auditors so that the corporate auditors can carry out their duties effectively. Such important matters include compliance- and risk-related issues and other matters relating to internal control.
- ② If directors become aware of any fact or event that will likely cause the Company to suffer significant damage or loss, they shall immediately inform the board of corporate auditors.
- ③ Reports to corporate auditors shall basically be made in good faith without fail, and shall be made promptly, if required, in addition to periodic reports.
- ④ The Company shall develop a system in which the contents of consultations sought or reports made to the Independent Whistleblower Hotline across the Group are reported to corporate auditors on a timely basis.

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

- ① The representative directors and corporate auditors shall have regular meetings to enhance smooth communications with each other.
- ② Directors shall cooperate with the corporate auditors with regards to communications, the collection and exchange of information and so on between the corporate auditors and the corporate directors and the like of Associated Companies so that the corporate auditors can perform their duties appropriately.
- ③ Directors shall also cooperate in conducting surveys of significant business partners, which the corporate auditors deem necessary.
- ④ Directors shall enable the corporate auditors to collaborate with outside experts such as lawyers and certified public accountants, if any corporate auditor deems it necessary in executing his/her duties.
- ⑤ The Legal Affairs, Risk Management, Internal Audit, and Finance and Accounting departments of the Company shall assist in conducting necessary surveys for audits when requested by any corporate auditor.

## 2. Outline of Operational Status of Systems to Ensure the Propriety of Business Operations

The Company operates internal control systems in accordance with the aforementioned basic policy. Their operational status is as outlined below.

### (1) Compliance and Risk Management Systems

- ① The Company strives to be a good corporate citizen able to act according to high ethical standards and with integrity and thoughtfulness by integrating its code of conduct, education and training, and monitoring activities in an organic manner.
- ② The Company has established the Lawson Ethical Mission Statement and the Group Code of Conduct as its code of conduct, published them in the “Lawson Group C&R Handbook,” and distributed the handbook to all employees in an effort to thoroughly disseminate its content with the aim of ensuring the propriety of business operations across the Group.
- ③ On the education and training front, the Company endeavors to maintain and improve its ethical awareness and ability to withstand crises through compliance and risk management training targeting all employees, training provided upon joining the Group and upon promotion to a managerial position, training by job types, and training for company management. In addition, a —Compliance & Risk Management is appointed as the chief officer in charge of compliance and risk management, and the position of CRO is established for each head office and region. CROs attend the Compliance & Risk management meetings organized by the —Compliance & Risk Management, thoroughly disseminate measures determined at the meetings, and monitor the progress of such measures in an effort to prevent the occurrence of risk events.
- ④ With respect to whistleblowing reports, there are internal consultation and reporting contact points along with the Group Independent Whistleblower Hotline as well as a consultation contact point for the Company’s business counterparties.
- ⑤ In terms of monitoring activities, the Company conducts questionnaire surveys targeting all employees and business counterparties and reviews its compliance and risk management systems based on the results of audits conducted by the Internal Audit Department.
- ⑥ At major associated companies, compliance and risk management managers are also appointed and these managers attend compliance managers’ meetings for associated companies. Associated companies also implement code of conducts, conduct training, and carry out questionnaire surveys for employees and business counterparties. Through the operational audits conducted on associated companies by the Company’s Audit Department and the liaison meetings for the Group’s corporate auditors organized by the Company’s corporate auditors, etc., efforts have been made to develop and improve compliance and risk management systems for the Group.

### (2) Preparations against and Responses to Risks

- ① In normal times, the Compliance & Risk management meetings and four sub-committees are organized to assess risks and formulate and promote risk prevention measures with the aim of preventing the occurrence of risk events. In the event of significant risk events, the Emergency Risk Management Committee is convened in an effort to swiftly solve issues and minimize damage.
- ② With regard to the information security system, employees regularly check the implementation of information security rules. When outsourcing the retention, etc. of personal information, the Company examines the information security system of such contractors in advance and conducts on-site inspections once a year. In handling the personal information of customers, a system has been established to specify collection and retention methods, retention period, administration manager, etc. and obtain internal approval prior to execution. Information on errors that can happen in stores and specific countermeasures have been disseminated via the store manual. Moreover, the Internal Audit Department carries out information security audits and specialized external companies conduct spot checks on office security to evaluate the vulnerability of information systems, etc.
- ③ Even in the case of significant damage due to a large-scale disaster, etc., the Company aims to avoid a decline in customer satisfaction and corporate value, etc. by avoiding interruption of its key business operations. In an effort to enhance its ability to respond to crises across the Group, the Company has been constantly reviewing and improving both “hard” aspects such as office buildings and lifelines and “soft” aspects such as the BCP and manuals as well as the skills of employees and franchisees. In addition, the Company has been working to conclude agreements on the procurement of goods and support for stranded commuters during a large-scale disaster event with the aim of engaging in mutual cooperation with municipal governments in disaster stricken areas and fulfilling a lifeline function. On July 29, 2016, we acquired business resilience certification as a company that contributes to national disaster resilience, for the first time as a convenience store. Considering that acquiring this certification is a valuable opportunity, we will further promote Business Continuity Management (BCM).

**(3) Securing Effectiveness of Performance of Corporate Auditors**

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

The above 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 29, 2016 (for reference)	As of February 28, 2017	Account item	As of February 29, 2016 (for reference)	As of February 28, 2017
<b>Current assets</b>	<b>224,209</b>	<b>249,278</b>	<b>Current liabilities</b>	<b>319,607</b>	<b>356,783</b>
Cash and deposits	69,797	68,115	Accounts payable-trade	112,225	110,834
Accounts receivable-due from franchised stores	30,547	39,982	Short-term loans payable	1,990	31,180
Lease receivables	5,905	12,336	Current portion of long-term loans payable	575	575
Merchandise	17,976	18,130	Lease obligations	23,898	28,012
Accounts receivable-other	67,736	78,363	Accounts payable-other	57,214	59,734
Deferred tax assets	4,524	3,907	Income taxes payable	8,500	9,876
Other	27,729	28,493	Deposits received	101,908	103,156
Allowance for doubtful accounts	(8)	(50)	Provision for bonuses	3,832	3,427
<b>Non-current assets</b>	<b>579,002</b>	<b>617,299</b>	Other	9,462	9,985
<b>Property and store equipment</b>	<b>302,761</b>	<b>324,510</b>	<b>Non-current liabilities</b>	<b>210,607</b>	<b>223,798</b>
Buildings and structures	167,098	183,747	Long-term loans payable	57,562	56,703
Tools, furniture and fixtures	16,307	18,581	Lease obligations	88,060	99,983
Land	9,794	9,701	Deferred tax liabilities	—	957
Leased assets	101,546	110,472	Provision for retirement benefits to executive officers and audits and supervisory board members	413	332
Construction in progress	7,870	1,742	Net defined benefit liability	12,186	13,083
Other	143	265	Asset retirement obligations	24,664	26,958
<b>Intangible assets</b>	<b>84,595</b>	<b>94,800</b>	Other	27,719	25,779
Software	26,377	37,567	<b>Total liabilities</b>	<b>530,215</b>	<b>580,581</b>
Goodwill	46,309	46,041	Net assets		
Trademark right	11,381	10,691	<b>Shareholders' equity</b>	<b>259,532</b>	<b>271,541</b>
Other	527	499	Capital stock	58,506	58,506
<b>Investment and other assets</b>	<b>191,645</b>	<b>197,988</b>	Capital surplus	47,697	49,083
Investment securities	22,325	22,283	Retained earnings	154,608	165,162
Long-term loans receivable	40,886	44,495	Treasury shares	(1,280)	(1,210)
Guarantee deposits	92,495	95,594	<b>Accumulated other comprehensive income</b>	<b>4,860</b>	<b>3,338</b>
Deferred tax assets	22,016	23,138	Valuation difference on available-for-sale securities	801	274
Other	14,782	13,444	Revaluation reserve for land	(566)	(618)
Allowance for doubtful accounts	(860)	(968)	Foreign currency translation adjustment	5,531	4,610
			Remeasurements of defined benefit plans	(906)	(927)
			<b>Subscription rights to shares</b>	<b>307</b>	<b>314</b>
			<b>Non-controlling interests</b>	<b>8,296</b>	<b>10,800</b>
			<b>Total net assets</b>	<b>272,997</b>	<b>285,995</b>
<b>Total assets</b>	<b>803,212</b>	<b>866,577</b>	<b>Total liabilities and net assets</b>	<b>803,212</b>	<b>866,577</b>

**Consolidated Statement of Income**

(Millions of yen)

Account item	From March 1, 2015 to February 29, 2016 (for reference)		From March 1, 2016 to February 28, 2017	
Operating revenue				
Income from franchised stores	261,681		275,312	
Other operating revenue	94,165	355,846	101,806	377,119
Net sales				
Net sales	(227,606)	227,606	(254,169)	254,169
Gross operating revenue		583,452		631,288
Cost of sales	(155,949)	155,949	(174,255)	174,255
Gross profit	(71,656)		(79,914)	
Operating gross profit		427,503		457,033
Selling, general and administrative expenses		354,961		383,260
Operating income		72,541		73,772
Non-operating income				
Interest income	759		725	
Compensation income	646		524	
Share of profit of entities accounted for using equity method	292		602	
Gain on valuation of derivatives	—		409	
Other	1,155	2,853	1,820	4,081
Non-operating expenses				
Interest expenses	1,903		1,919	
Loss on cancellation of leases	1,953		1,274	
Loss on disaster	—		772	
Other	1,916	5,772	873	4,839
Ordinary income		69,622		73,014
Extraordinary income				
Gain on change in equity	892	892	—	—
Extraordinary losses				
Loss on sales of non-current assets	228		294	
Loss on retirement of non-current assets	4,342		3,554	
Impairment loss	10,542		9,535	
Other	—	15,112	1,174	14,558
Profit before income taxes		55,402		58,456
Income taxes-current	19,233		18,928	
Income taxes-deferred	4,031	23,265	2,453	21,381
Profit		32,136		37,074
Profit attributable to non-controlling interests		755		674
Profit attributable to owners of parent		31,381		36,400

(TRANSLATION ONLY)

**Consolidated Statement of Changes in Equity**

(From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	58,506	47,697	154,608	(1,280)	259,532	801	(566)	5,531	(906)	4,860	307	8,296	272,997
Changes of items during period													
Change in ownership interest of parent due to transactions with non-controlling shareholders		1,387			1,387								1,387
Dividends of surplus			(24,751)		(24,751)								(24,751)
Change of scope of consolidation			(1,130)		(1,130)								(1,130)
Profit attributable to owners of parent			36,400		36,400								36,400
Purchase of treasury shares				(3)	(3)								(3)
Reversal of revaluation reserve for land			52		52								52
Exercise of subscription rights to shares (Delivery of treasury shares)		(0)	(17)	72	54								54
Net changes of items other than shareholders' equity						(527)	(52)	(920)	(21)	(1,521)	7	2,503	989
Total changes of items during period	—	1,386	10,553	69	12,009	(527)	(52)	(920)	(21)	(1,521)	7	2,503	12,998
Balance at end of current period	58,506	49,083	165,162	(1,210)	271,541	274	(618)	4,610	(927)	3,338	314	10,800	285,995

**(Notes to Consolidated Financial Statements)****(Accounting Policies for the Preparation of Consolidated Financial Statements)****1. Scope of consolidation****(1) Number of consolidated subsidiaries: 20**

(Domestic)	Lawson HVM Entertainment, Inc. Lawson ATM Networks, Inc. BestPractice, Inc. SCI, Inc. Lawson Store100, Inc. Lawson HVM Entertainment United Cinemas Holdings, Inc. United Entertainment Holdings Co., Ltd. United Cinemas Co., Ltd. SEIJO ISHII CO., LTD. Lawson Sanin, Inc.
(Foreign)	Chongqing Lawson, Inc. Shanghai Lawson, Inc. Dalian Lawson, Inc. Lawson (China) Holdings, Inc. Saha Lawson Co., Ltd. Shanghai Le Song Trading Co., Ltd. Shang Hai Gong Hui Trading Co., Ltd. Zhejiang Lawson, Inc. Beijing Lawson, Inc. BEIJING LUOSONG Co., Ltd.

Among the companies mentioned above, Lawson Sanin, Inc. has been newly included in scope of consolidation since its establishment during the current fiscal year.

On March 1, 2016, Lawson Mart, Inc. changed its corporate name to Lawson Store100, Inc.

On February 27, 2017, Shanghai Hualian Lawson, Inc. changed its corporate name to Shanghai Lawson, Inc.

**(2) Names of non-consolidated subsidiaries and others**

(Domestic)	LAWSONWILL, Inc. HATS UNLIMITED CO., LTD. Food Marketing Japan, Inc. Seikaken, Inc. Lawson Syuhan, Inc. TOKYO EUROPE TRADE CO., LTD. SG Lawson, Inc. Lawson Travel, Inc. Lawson Digital Innovation Inc. Lawson Bank Preparatory Company, Inc.
(Foreign)	Lawson USA Hawaii, Inc.

**(Reasons for exclusion from the scope of consolidation)**

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

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

(Domestic)	Lawson Okinawa, Inc. Lawson Minamikyushu, Inc. Lawson Kochi, Inc.
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**(2) Non-consolidated subsidiaries and entities excluded from the scope of the equity-method application**

Non-consolidated subsidiaries excluded from the scope of the equity-method application (LAWSONWILL, Inc., HATS UNLIMITED CO., LTD., Food Marketing Japan, Inc., Seikaken, Inc., Lawson Syuhan, Inc., TOKYO EUROPE TRADE CO., LTD., SG Lawson, Inc., Lawson Travel, Inc., Lawson Digital Innovation Inc., Lawson Bank Preparatory Company, Inc. and Lawson USA Hawaii, Inc.) and entities excluded from the scope of the equity-method application (Double Culture Partners Co., Ltd., Daichi Wo Mamoru Kai, Co., Ltd., Loyalty Marketing, Inc., MC Retail Energy Co., Ltd., Lawson Staff, Inc., AUGUSARENA CORPORATION, Lawson System Labo LLP, L·TF Co., Ltd., StageAround TOKYO Production Committee, PG Lawson Company, Inc., Lawson Farm Chiba and others) were excluded from the scope of the equity-method application because their profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) of these entities is not significant either individually or in aggregate to the consolidated financial statements.

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

The balance sheet date of Chongqing Lawson, Inc., Shanghai Lawson, Inc., Dalian Lawson, Inc., Lawson (China) Holdings, Inc., Saha Lawson Co., Ltd., Shanghai Le Song Trading Co., Ltd., Shang Hai Gong Hui Trading Co., Ltd., Zhejiang Lawson, Inc., Beijing Lawson, Inc. and BEIJING LUOSONG Co., Ltd. is December 31. In order to prepare the consolidated financial statements, the Company used these companies' financial information prepared as of such balance sheet date and significant transactions which occur between the balance sheet date and the consolidated balance sheet date are adjusted as required for consolidation.

From the current fiscal year, the balance sheet date of SEIJO ISHII CO., LTD. was changed from the end of December to the end February to be consistent with the consolidated balance sheet date (fiscal years beginning March 1 and ending on the final day of February of the following year), which aims to improve the efficiency of management and business management, such as budget compilation and performance management of the Group. Thus, its accounting period was 14 months for the current fiscal year. Furthermore, during the two-month period from January 1, 2017 to February 28, 2017, it reported gross operating revenue of 12,133 million yen, operating income of 1,114 million yen, ordinary income of 1,101 million yen, and profit before income taxes of 1,034 million yen.

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

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

## ① Securities:

Marketable securities and investments in securities:

Available-for-sale securities:

Securities whose market value is readily determinable:

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

Other:

Stated at cost determined by the moving-average method.

## ② Derivatives:

Accounted for using the market value method.

## ③ Inventories:

Merchandise:

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

**(2) Depreciation method of depreciable significant assets**

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

Mainly computed by the straight-line method.

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

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

Computed by the straight-line method.

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

③ Leased assets:

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

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

**(3) Accounting standard for significant reserves**

① Allowance for doubtful accounts:

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

② Provision for bonuses:

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

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

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

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

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

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

② Accounting treatment for actuarial differences 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 recognition.

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

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

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

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

**(6) Amortization method and period of goodwill**

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

**(7) Accounting for consumption tax**

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

**(Changes in accounting policies)**

The Company and its domestic consolidated subsidiaries are applying “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised September 13, 2013; hereinafter, “Business Combination Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, revised September 13, 2013; hereinafter, “Consolidated Accounting Standard”) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised September 13, 2013; hereinafter, “Business Divestiture Accounting Standard”), etc., from the fiscal year ended February 28, 2017. Under these revised accounting standards, any differences arising from changes in a parent’s ownership interests in subsidiaries when the parent retains control are recognized in capital surplus and acquisition-related costs are expensed in the fiscal year in which they were incurred. Furthermore, the Company applies a method in which any adjustments to the allocation of acquisition costs arising from the finalization of provisional accounting treatment are reflected in the consolidated financial statements for the period in which the business combination occurs. In addition, the presentation of profit, etc., was changed and “Minority interests” was changed to “Non-controlling interests.” The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

The Company has applied the transitional treatment prescribed in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard, and Article 57-4 (4) of the Business Divestiture Accounting Standard from the beginning of the fiscal year ended February 28, 2017. Meanwhile, the Company follows the transitional treatment set forth in Article 58-2 (1) of the Business Combination Accounting Standard in reviewing the allocation of acquisition-related costs resulting from the finalization of provisional accounting treatment for business combinations that take effect from the beginning of the fiscal year ended February 28, 2017.

As a result of this change, capital surplus at the end of the current fiscal year increased by 1,387 million yen. In addition, profit before income taxes for the current fiscal year decreased by 2,583 million yen. The year-end balance of capital surplus in the consolidated statement of changes in equity for the current fiscal year increased by 1,387 million yen.

**(Changes in Presentation)**

1. In the “Current assets” section, “Lease receivables” (5,905 million yen for the previous fiscal year) which was included in “Other” in the consolidated balance sheet before is now separately presented as “Lease receivables” (12,336 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
2. In the “Non-operating income” section, “Store equipment related income” (175 million yen for the current fiscal year) which was separately presented in the consolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
3. In the “Non-operating losses” section, “Foreign exchange losses” (53 million yen for the current fiscal year) which was separately presented in the consolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.

**(Notes to Consolidated Balance Sheet)**

**1. Accumulated depreciation of property and store equipment:** 294,350 million yen

**2. Revaluation of land used for business**

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the consolidated balance sheet date was 247 million yen.

**3. Pledged assets and secured liabilities**

Assets pledged as collateral and liabilities collateralized are as follows.

	Millions of yen
Cash and deposits	2,601

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

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

Secured liabilities are as follows.

	Millions of yen
Current portion of long-term loans payable	575
Long-term loans payable	6,703
Total	7,278

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

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

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

Category by use	Location	Assets	Impairment loss (millions of yen)
Stores	Tokyo	Buildings; Tools, furniture and fixtures; and others	1,702
	Osaka	"	1,442
	Others	"	6,390
Total	—	—	9,535

## Category by non-current assets

Buildings and structures	5,833	million yen
Tools, furniture and fixtures	529	"
Land	353	"
Leased assets	2,786	"
Other	32	"

The recoverable amount of the asset groups is the higher of net selling price or value in use. The net selling price of land was calculated based on the value appraised by a real estate appraiser or contract price, and the value in use was calculated by discounting estimated future cash flows mainly using a discount rate of 4.3%.

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

	Number of shares at the end of previous period (thousand shares)	Increase during the period (thousand shares)	Decrease during the period (thousand shares)	Number of shares at the end of the period (thousand shares)
Outstanding shares				
Common stock	100,300	—	—	100,300
Treasury shares				
Common stock	301	0	17	285

Notes:

1. The increase in treasury shares resulted from purchases of stock of less than one share unit.
2. The decrease in treasury shares resulted from decreases due to exercise of stock options.

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

Date of resolution	Class of shares	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 24, 2016)	Common stock	12,249	122.50	As of February 29, 2016	As of May 25, 2016
Directors' meeting (October 12, 2016)	Common stock	12,501	125.00	As of August 31, 2016	As of November 10, 2016

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

Date of resolution	Class of shares	Source of dividend	Dividend payment (millions of yen)	Dividend per share (yen)	Record date	Effective date
General meeting of shareholders (May 30, 2017)	Common stock	Retained earnings	12,501	125.00	As of February 28, 2017	As of May 31, 2017

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

66,100 shares

**(Notes to Financial Instruments)**

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

**(1) Policy for financial instruments**

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

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

Trade receivables, such as accounts receivable-other, are exposed to credit risk from business counterparties.

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

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 6 months.

Long-term loans payable are mainly for the purpose of funding necessary for M&A, and are due within 3 years.

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

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

**(3) Fair values of financial instruments**

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

**2. Matters relating to the fair values of financial instruments**

The carrying amount, fair values, and difference as of February 28, 2017, 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	68,115	68,115	—
(2) Accounts receivable-other	78,363		
Allowance for doubtful accounts (*1)	(47)		
	78,316	78,316	—
(3) Investment securities	6,523	6,523	—
Available-for-sale securities			
(4) Long-term loans receivable	44,495		
Allowance for doubtful accounts (*1)	(34)		
	44,461	44,444	(16)
(5) Guarantee deposits	95,594		
Allowance for doubtful accounts (*1)	(413)		
	95,180	94,607	(572)
Total assets	292,597	292,007	(589)
(1) Accounts payable-trade	110,834	110,834	—
(2) Accounts payable-other	59,734	59,734	—
(3) Deposits received	103,156	103,156	—
(4) Long-term loans payable (*2)	57,278	57,278	—
(5) Lease obligations (*2)	127,996	123,577	(4,418)
Total liabilities	459,000	454,582	(4,418)

(\*1) Allowance for doubtful accounts related to accounts receivable-other, long-term loans receivable 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**

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

**(3) Investment securities**

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

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

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

**(5) Guarantee deposits**

Guarantee deposits are determined by discounting future cash flows, which reflect the collectability, using the yield rate of government bonds over the remaining period.

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

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

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

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

**(5) Lease obligations (including current portion of lease obligations)**

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

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

Category	Carrying amount (millions of yen)
Unlisted equity securities	945
Investments in subsidiaries and affiliated companies	13,502
Other	1,312

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 Per-Share Data)**

- |                         |              |
|-------------------------|--------------|
| 1. Net assets per share | 2,748.39 yen |
| 2. Profit per share     | 363.96 yen   |

**(Notes to Significant Subsequent Events)**

Not applicable.

## Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	As of February 29, 2016 (for reference)	As of February 28, 2017	Account item	As of February 29, 2016 (for reference)	As of February 28, 2017
<b>Current assets</b>	<b>147,670</b>	<b>182,009</b>	<b>Current liabilities</b>	<b>279,880</b>	<b>326,070</b>
Cash and deposits	48,453	51,283	Accounts payable-trade	97,005	100,160
Accounts receivable-due from franchised stores	29,636	38,301	Short-term loans payable	—	30,000
Lease receivables	5,905	20,276	Short-term loans payable to subsidiaries and associates	37,880	47,280
Merchandise	952	1,426	Lease obligations	21,431	25,385
Prepaid expenses	12,179	13,741	Accounts payable-other	24,966	21,425
Accounts receivable-other	40,895	46,705	Income taxes payable	6,175	8,349
Deferred tax assets	3,141	2,718	Accrued expenses	2,028	2,157
Other	6,513	7,563	Deposits received	81,015	84,380
Allowance for doubtful accounts	(8)	(6)	Provision for bonuses	3,047	2,586
<b>Non-current assets</b>	<b>567,204</b>	<b>585,976</b>	Other	6,331	4,345
<b>Property and store equipment</b>	<b>281,753</b>	<b>292,400</b>	<b>Non-current liabilities</b>	<b>191,418</b>	<b>204,506</b>
Buildings	136,941	144,619	Long-term loans payable	50,000	50,000
Structures	22,346	26,147	Lease obligations	82,425	93,337
Tools, furniture and fixtures	13,770	14,760	Provision for retirement benefits	9,417	10,098
Land	9,741	9,648	Provision for retirement benefits to executive officers	341	242
Leased assets	91,137	95,632	Asset retirement obligations	21,702	23,654
Construction in progress	7,816	1,591	Other	27,532	27,173
<b>Intangible assets</b>	<b>27,348</b>	<b>40,186</b>	<b>Total liabilities</b>	<b>471,298</b>	<b>530,576</b>
Software	18,269	29,852	Net assets		
Goodwill	8,589	9,831	<b>Shareholders' equity</b>	243,016	237,439
Other	489	501	Capital stock	58,506	58,506
<b>Investments and other assets</b>	<b>258,102</b>	<b>253,390</b>	Capital surplus	47,697	47,696
Investment securities	9,892	8,781	Legal capital surplus	47,696	47,696
Shares of subsidiaries and associates	62,958	63,375	Other capital surplus	0	—
Long-term loans receivable	39,951	43,564	Retained earnings	138,093	132,447
Long-term loans receivable from subsidiaries and associates	20,482	16,823	Legal retained earnings	727	727
Long-term prepaid expenses	9,352	10,313	Other retained earnings		
Guarantee deposits	85,111	87,783	General reserve	50,000	50,000
Deferred tax assets	20,883	21,599	Retained earnings brought forward	87,365	81,719
Other	10,328	2,111	Treasury shares	(1,280)	(1,210)
Allowance for doubtful accounts	(857)	(962)	<b>Valuation and translation adjustments</b>	252	(344)
			Valuation difference on available-for-sale securities	818	274
			Revaluation reserve for land	(566)	(618)
			<b>Subscription rights to shares</b>	307	314
			<b>Total net assets</b>	243,576	237,409
<b>Total assets</b>	<b>714,875</b>	<b>767,986</b>	<b>Total liabilities and net assets</b>	<b>714,875</b>	<b>767,986</b>

**Non-consolidated Statement of Income**

(Millions of yen)

Account item	From March 1, 2015 to February 29, 2016 (for reference)		From March 1, 2016 to February 28, 2017	
Operating revenue				
Income from franchised stores	263,067		273,945	
Other operating revenue	35,774	298,841	39,876	313,821
Net sales				
Net sales	(35,013)	35,013	(42,365)	42,365
Gross operating revenue		333,855		356,186
Cost of sales	(24,966)	24,966	(30,470)	30,470
Gross profit	(10,047)		(11,894)	
Operating gross profit		308,889		325,716
Selling, general and administrative expenses		251,641		268,296
Operating income		57,247		57,419
Non-operating income				
Interest income	879		780	
Dividend income	327		516	
Compensation income	645		524	
Gain on valuation of derivatives	—		409	
Other	911	2,763	939	3,170
Non-operating expenses				
Interest expenses	1,540		1,569	
Loss on cancellation of leases	1,881		1,243	
Foreign exchange losses	980		481	
Loss on disaster	—		422	
Other	626	5,028	412	4,130
Ordinary income		54,982		56,459
Extraordinary losses				
Loss on sales of non-current assets	170		294	
Loss on retirement of non-current assets	4,172		3,388	
Impairment loss	9,155		9,034	
Loss on valuation of investments in capital of subsidiaries and associates	773		8,603	
Other	1,455	15,727	387	21,710
Income before income taxes		39,255		34,749
Income taxes – current	15,680		14,749	
Income taxes – deferred	1,772	17,453	912	15,661
Profit		21,802		19,088

(TRANSLATION ONLY)

**Non-consolidated Statement of Changes in Equity**

(From March 1, 2016 to February 28, 2017)

(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				
						General reserve	Retained earnings brought forward			Total retained earnings
Balance at the beginning of current period	58,506	47,696	0	47,697	727	50,000	87,365	138,093	(1,280)	243,016
Changes of items during period										
Dividends of surplus							(24,751)	(24,751)		(24,751)
Profit							19,088	19,088		19,088
Purchase of treasury shares									(3)	(3)
Reversal of revaluation reserve for land							52	52		52
Exercise of subscription rights to shares (Delivery of treasury shares)			(0)	(0)			(17)	(17)	72	54
Decrease due to corporate division							(17)	(17)		(17)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	(0)	(0)	—	—	(5,645)	(5,645)	69	(5,577)
Balance at end of current period	58,506	47,696	—	47,696	727	50,000	81,719	132,447	(1,210)	237,439

(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	818	(566)	252	307	243,576
Changes of items during period					
Dividends of surplus					(24,751)
Profit					19,088
Purchase of treasury shares					(3)
Reversal of revaluation reserve for land					52
Exercise of subscription rights to shares (Delivery of treasury shares)					54
Decrease due to corporate division					(17)
Net changes of items other than shareholders' equity	(544)	(52)	(596)	7	(589)
Total changes of items during period	(544)	(52)	(596)	7	(6,166)
Balance at end of current period	274	(618)	(344)	314	237,409

**(Notes to the Non-consolidated Financial Statements)**

**(Significant Accounting Policies)**

**1. Valuation basis and method for assets**

**(1) Marketable securities and investments in securities:**

- ① Investments in subsidiaries and affiliated companies

Stated at cost determined by the moving-average method.

- ② Available-for-sale securities

Securities whose market value is readily determinable:

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

Other:

Stated at cost determined by the moving-average method.

**(2) Derivatives:**

Accounted for using the market value method.

**(3) Merchandise inventories:**

Merchandise:

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

**2. Depreciation method of depreciable assets**

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

Computed by the straight-line method.

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

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

Computed by the straight-line method.

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

**(3) Leased assets:**

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

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

**(4) Long-term prepaid expenses:**

Computed by the straight-line method.

**3. Accounting standard for significant reserves**

**(1) Allowance for doubtful accounts:**

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

**(2) Provision for bonuses:**

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

**(3) Provision for retirement benefits:**

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

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

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

- ② Accounting treatment for actuarial differences and prior service 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 recognition.

Treatment of unrecognized actuarial differences and unrecognized prior services cost in the non-consolidated balance sheet differs from the consolidated balance sheet.

**(4) Provision for retirement benefits to executive officers:**

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

**4. Accounting for consumption tax**

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

**(Changes in Accounting Policies)**

The Company is applying “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, revised September 13, 2013; hereinafter, “Business Combination Accounting Standard”), and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised September 13, 2013; hereinafter, “Business Divestiture Accounting Standard”), etc., from the fiscal year ended February 28, 2017. Under these revised accounting standards, from the current fiscal year, acquisition-related costs are recognized as expenses in the fiscal year in which they were incurred. Furthermore, the Company applies a method in which any adjustments to the allocation of acquisition costs arising from the finalization of provisional accounting treatment are reflected in the non-consolidated financial statements for the period in which the business combination occurs.

The Company has applied the transitional treatment prescribed in Article 58-2 (4) of the Business Combination Accounting Standard and Article 57-4 (4) of the Business Divestiture Accounting Standard from the beginning of the fiscal year ended February 28, 2017.

The impact of this change on non-consolidated financial statements for the current fiscal year is immaterial.

**(Changes in Presentation)**

1. In the “Current assets” section, “Lease receivables” (5,905 million yen for the previous fiscal year) which was included in “Other” in the non-consolidated balance sheet before is now separately presented as “Lease receivables” (20,276 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.
2. In the “Investments and other assets” section, “Investments in capital of subsidiaries and associates” (33 million yen for the current fiscal year) which was separately presented in the non-consolidated balance sheet before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
3. In the “Non-operating income” section, “Store equipment related income” (175 million yen for the current fiscal year) which was separately presented in the non-consolidated statement of income before is now included in “Other” from the current fiscal year due to a decline in financial materiality.
4. In the “Extraordinary losses” section, “Loss on valuation of investments in capital of subsidiaries and associates” (773 million yen for the previous fiscal year) which was included in “Other” in the non-consolidated statement of income before is now separately presented as “Loss on valuation of investments in capital of subsidiaries and associates” (8,603 million yen for the current fiscal year) from the current fiscal year due to an increase in financial materiality.

**(Notes to the Non-consolidated Balance Sheet)**

**1. Accumulated depreciation of property and store equipment:** 255,226 million yen

**2. Due from/to subsidiaries and affiliated companies**

Short-term receivables due from subsidiaries and affiliated companies	26,094	million yen
Long-term receivables due from subsidiaries and affiliated companies	157	"
Short-term payables due to subsidiaries and affiliated companies	5,175	"
Long-term payables due to subsidiaries and affiliated companies	368	"

**3. Revaluation of land used for business**

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

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

Date of revaluation: February 28, 2002

The difference between book value and market value of the revalued land as of the non-consolidated balance sheet date was 247 million yen.

**4. Guarantee obligations**

We guarantee the accounts payable-trade and deposit liabilities of the following subsidiaries

Lawson HMV Entertainment, Inc.	454	million yen
SCI, Inc.	426	"

**(Notes to the Non-consolidated Statement of Income)**

Transaction amount with affiliated companies

Operating transactions		
Operating revenue	26,978	million yen
Goods purchased	500	"
Selling, general and administrative expenses	31,271	"
Transactions other than operating transactions	1,050	"

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

Number of treasury shares 285,191 shares

**(Notes to Accounting for Income Taxes)**

Components of deferred tax assets and liabilities

Enterprise taxes payable	732	million yen
Accrued employees' bonuses	798	"
Loss on write-down of investments in affiliated companies	5,115	"
Excess of depreciation	8,741	"
Excess of amortization of software	371	"
Provision for retirement benefits	4,808	"
Allowance for doubtful accounts	298	"
Impairment loss	5,224	"
Other	4,311	"
Subtotal of deferred tax assets	30,403	million yen
Less valuation allowances	(6,085)	"
Total deferred tax assets	24,317	million yen
Deferred tax assets-net	24,317	million yen

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

## Subsidiaries and affiliates

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrently				
Subsidiary	Lawson Sanin, Inc.	Domestic Convenience Store Business	Direct holding 70.2%	Management of convenience store	No	Lease transactions Lease payments received	8,196 256	Lease receivables	7,940
	SCI, Inc.	Domestic Convenience Store Business	Direct holding 100.0%	SCM	No	Repayment of funds Borrowing of funds Borrowing interest	29,600 31,700 0	Short-term loans payable	7,200
	Lawson ATM Networks, Inc.	Financial Services-Related Business	Direct holding 76.3%	Placement of ATMs in the LAWSON stores	No	Repayment of funds Borrowing of funds Borrowing interest	700 3,700 4	Short-term loans payable	21,100
	Lawson HMV Entertainment, Inc.	Entertainment-Related Business	Direct holding 100.0%	Sale of tickets and software for music and video	Yes	Repayment of funds Borrowing of funds Borrowing interest	29,200 32,900 4	Short-term loans payable	16,000
	Lawson (China) Holdings, Inc.	Overseas Business	Direct holding 100.0%	Control of business in China	Yes	Loaning of funds Collection of funds Loaning interest	3,122 — 95	Long-term loans receivable Accrued interest	11,086 183

Transaction conditions and the policies for determining those conditions:

1. The Company leases store facilities to certain subsidiaries and affiliates.
2. Lease payments are charged at the amounts of the actual expenses incurred.
3. The Company manages the funds of some subsidiaries centrally and there are lending and borrowing transactions between the Company and its subsidiaries.
4. The interest rates for loans and borrowings are determined rationally taking into account market interest rates.

## Subsidiaries of an affiliated companies under common control

Attribute	Company name	Business line or profession	Equity ownership percentage	Relationship		Description of transactions	Transaction amount (millions of yen)	Account item	Ending balance (millions of yen)
				Business relationship	Directors' posts held concurrently				
Subsidiary of the parent company	Mitsubishi Shokuhin Co., Ltd.	Sales of processed foods	—	Vendor	Yes	Purchases for the company-operated stores (purchases for the franchised stores)	15,251 (639,550)	Accounts payable-trade	54,256

Transaction conditions and the principles on the decision thereof:

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

(TRANSLATION ONLY)

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

1. Net assets per share	2,370.59 yen
2. Profit per share	190.86 yen

**(Notes to Significant Subsequent Events)**

Not applicable.

The figures included in the consolidated and non-consolidated balance sheets, statements of income, statements of changes in equity 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, 2017

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, 2017 of Lawson, Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from March 1, 2016 to February 28, 2017, 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, 2017, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

**Interest**

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

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

**INDEPENDENT AUDITOR'S REPORT**

April 6, 2017

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, 2017 of Lawson, Inc. (the "Company"), and the related statements of income and changes in equity for the 42nd fiscal year from March 1, 2016 to February 28, 2017, 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.

(TRANSLATION ONLY)

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, 2017, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

**Interest**

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

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

(TRANSLATION ONLY)

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

### **AUDIT REPORT**

With respect to the directors' performance of their duties during the 42nd business term from March 1, 2016 to February 28, 2017, 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 Contents of Such Methods
  - (1) We have established audit policies and audit plans 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.
  - (2) 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 plans for the current term, communicated with the Directors, officers, internal audit department and other relevant employees, endeavored to collect information and develop the audit environment, and performed the audit using the following methods:
    - (i) We have attended the Board of Directors meetings, the management meetings, Compliance & Risk management committee meetings, Internal Control over Financial Reporting committee meetings and the like, and other important meetings, received reports from the Directors, officers, internal audit department and other relevant employees regarding the execution of their duties, asked for explanations whenever necessary, reviewed important approval documents and the like, and investigated the status of operations and assets at the head office, area office, and other principal offices and stores. With respect to subsidiaries, we have communicated and exchanged information with the Directors, 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.
    - (ii) 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 regarding the development of the system as prescribed by item (vi) of paragraph 4, Article 362 of the Companies Act and paragraph 1 and paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act and the status of the development and operation of the system based on such resolution (Internal Control System), as the system necessary to ensure that the execution of the duties by the Directors, described in business report, complies with laws and regulations and the Articles of Incorporation and other system necessary to ensure the properness of operations of a Stock Company and corporate group consisting of its subsidiaries. In connection with internal control over financial reporting, we received reports from the Directors and other relevant personnel, and Deloitte Touche Tohmatsu LLC regarding the status of evaluation and audit of such internal control respectively, and asked for explanations whenever necessary.
    - (iii) We have monitored and verified whether Accounting Auditor maintained its independence and

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

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

## 2. Result of Audit

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

- (i) We have found that business report and the supplementary schedules thereof fairly present the status of the Company, in conformity with the applicable laws and regulations and the Articles of Incorporation.
- (ii) Regarding the execution of duties by the Directors, we have found no misconduct or material matter that violates applicable laws and regulations or the Articles of Incorporation.
- (iii) We have found that the content of the resolution of the Board of Directors regarding the Internal Control System is adequate. In addition, we have found no matters on which to give remarks in regard to the relevant description in the business report and execution of duties by the Directors concerning Internal Control System.

### (2) Result of Audit of Consolidated Financial Statements

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

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

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

April 10 2017

The Board of Corporate Auditors of Lawson, Inc.  
Standing Corporate Auditor     Atsuhiko Seki  
Standing Corporate Auditor     Toshio Takahashi  
(Outside Corporate Auditor)  
Corporate Auditor               Tetsuo Ozawa  
(Outside Corporate Auditor)  
Corporate Auditor               Eiko Tsujiyama  
(Outside Corporate Auditor)

**REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS**

**Proposals and References**

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

The Company regards the ROE (consolidated return on equity) as a significant management indicator and has been conducting business activities. In addition, 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.

We intend to increase year-end dividends for the current fiscal term by ¥2.50 per share, from ¥122.50 per share in the previous term to ¥125 per share. Accordingly, full-year dividends including interim dividends of ¥125 per share will be ¥250 per share, an increase of ¥5 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:

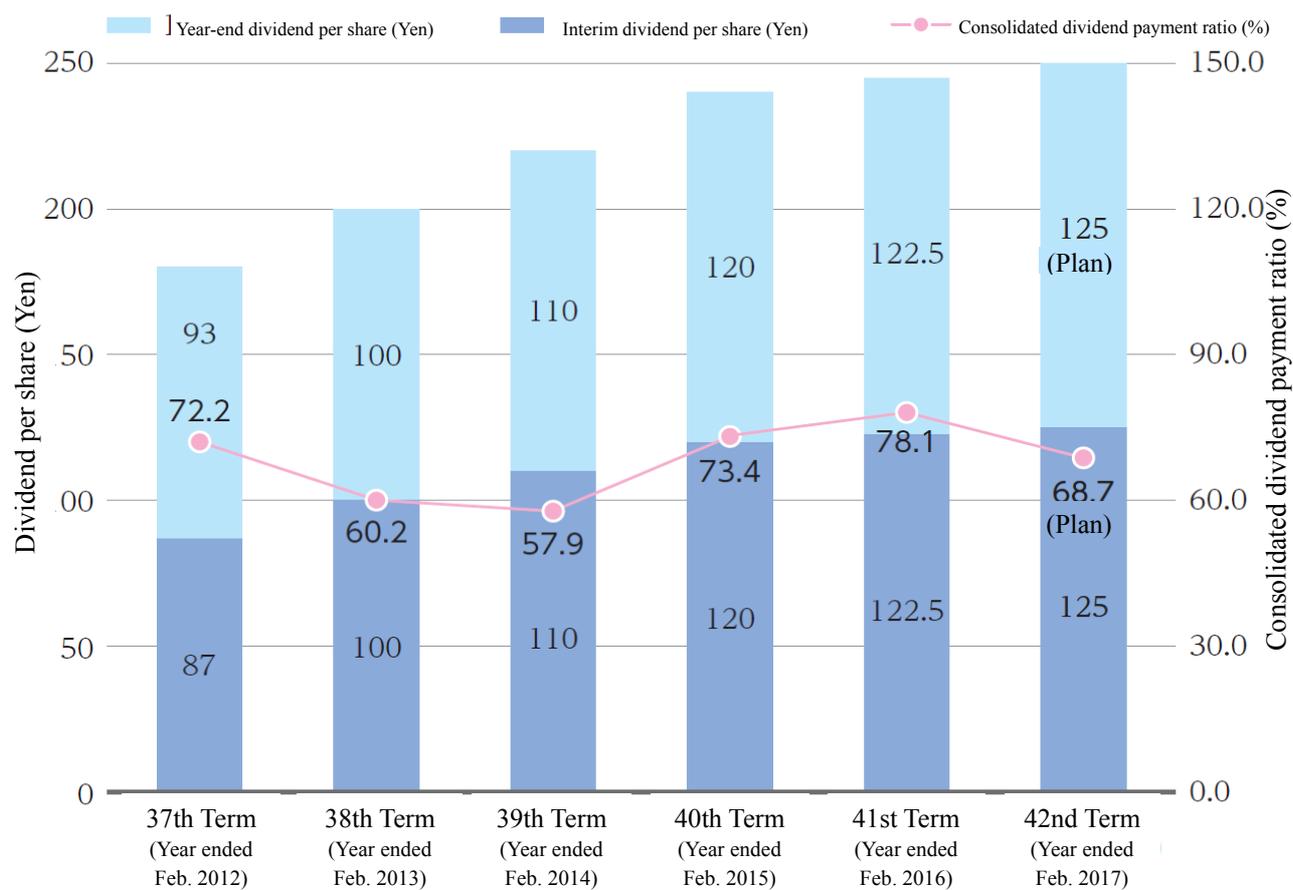
(1) The assignment of the dividend property to shareholders and total amount thereof:

¥125 per share of the Company's common stock to a total of ¥12,501,851,125

(2) Effective date of the dividends from surplus:

Wednesday, May 31, 2017

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



	37th Term	38th Term	39th Term	40th Term	41st Term	42nd Term (Current Period)
Interim dividend per share	¥87	¥100	¥110	¥120	¥122.50	¥125
Year-end dividend per share	¥93	¥100	¥110	¥120	¥122.50	(Plan) ¥125
Annual dividend per share	¥180	¥200	¥220	¥240	¥245	(Plan) ¥250
Consolidated net income per share	¥249.17	¥332.20	¥380.04	¥327.08	¥313.81	¥363.96
Consolidated dividend payment ratio	72.2%	60.2%	57.9%	73.4%	78.1%	(Plan) 68.7%
ROE	12.0%	15.2%	16.1%	13.0%	12.0%	13.5%

## Notes:

1. In the 37th term, ROE (Return on Equity) was 12.0% 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. Consolidated dividend payment ratio is calculated based on annual dividend per share divided by consolidated net income per share.

**Proposal No. 2: Election of Eight (8) Directors**

The terms of office of all eight (8) current Directors expire at the conclusion of this 42nd Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect eight (8) Directors.

If this proposal is approved and passed, there will be eight (8) Directors of the Company after the meeting of shareholders, of which three (3) will be Outside Directors. All of the Outside Directors are “independent directors/auditors.”

The candidates for directors are as stated in the following table. Please refer to pages 35 to 42 for the brief personal histories of the indicated candidates.

Furthermore, please refer to page 44 for the policy and procedures of the Company’s Board of Directors for nominating candidates for Directors.

No.	Name	Position at the Company, etc.		Board of Directors’ meeting attendance rate
1	Sadanobu Takemasu	President, Representative Director	Reappointment	100%
2	Katsuyuki Imada	Senior Executive Vice President, Division Director of Corporate Strategy and Planning Division	New appointment	–
3	Satoshi Nakaniwa	Senior Vice President, CFO	New appointment	–
4	Emi Osono	Member of the Board	Reappointment, outside, independent	92.9%
5	Yutaka Kyoya	Member of the Board	Reappointment	92.9%
6	Sakie Akiyama	Member of the Board	Reappointment, outside, independent	85.7%
7	Keiko Hayashi	Member of the Board	Reappointment, outside, independent	100%
8	Kazunori Nishio	Member of the Board	Reappointment	91.7%

Notes:

- Ms. Keiko Hayashi’s legal name is Keiko Hama.
- Positions at the Company, etc. are as of April 12, 2017.

No.  
1

**Sadanobu Takemasu**  
(August 12, 1969)

Reappointment

- Number of the Company's shares held:  
700
- Attendance at Board of Directors' meetings  
14 out of 14 (100%)
- Years in office  
3 years (as of the conclusion of the meeting of shareholders)

### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
June 2010	Executive Assistant to President & Chief Executive Officer, Corporate Administration Department and Corporate Strategy & Planning Department, Mitsubishi Corporation
May 2014	Senior Executive Vice President, Representative Director, Division Director of Corporate Sales Division, and —Lawson Mart, Lawson, Inc.
March 2016	Senior Executive Vice President, Representative Director, —Corporate Staff Divisions, —SEIJO ISHII, Natural Lawson and Lawson Store100 Business, —Overseas Business, and —Entertainment and Consumer Service Business, and Division Director of Corporate Sales and Store Development Division, Lawson, Inc.
June 2016	President and COO, Representative Director, Lawson, Inc.
March 2017	President, Representative Director, and Division Director of Marketing Division, Lawson, Inc. (Current position)

### Reasons for nomination as Director

Mr. Sadanobu Takemasu has been nominated as a candidate for Director as he has contributed to the improvement of Lawson, Inc.'s business performance and corporate value over the past three years by leading the domestic convenience store business as well as overall corporate management including the overall corporate divisions, overseas business, the SEIJO ISHII, Natural Lawson and Lawson Store100 business, and the Entertainment and Consumer Service business as President, Representative Director of Lawson, Inc. We would like to continue to benefit from his management and supervision of the Company by leveraging his experiences.

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

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

No.  
2

**Katsuyuki Imada**  
(January 22, 1963)

New appointment

■ Number of the Company's  
shares held:  
1,600

### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1985	Joined Mitsubishi Corporation
March 2002	General Manager of Corporate Planning Office, Lawson, Inc.
March 2004	Senior Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
March 2007	Senior Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
May 2008	Unit Manager, Retail Division, Living Essentials Group, Mitsubishi Corporation
October 2012	Senior Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
September 2013	Executive Vice President, acting CCO, CFO, and Division Director of Corporate Strategy and Planning Division, Lawson, Inc.
September 2016	Executive Vice President, Division Director of Corporate Strategy and Planning Division, Division Director of Next Generation CVS Division, Lawson, Inc.
March 2017	Senior Executive Vice President and Division Director of Corporate Strategy and Planning Division, Lawson, Inc. (Current position)

### Reasons for nomination as Director

Mr. Katsuyuki Imada has been nominated as a candidate for Director, as he has contributed to the generation of synergistic effects for the Lawson Group, as well as promoted health and productivity management previously as the CFO, Division Director of Corporate Strategy and Planning Division, and Division Director of Next Generation CVS Division, among others, over the past nine years, and currently as Senior Executive Vice President and Division Director of Corporate Strategy and Planning Division in charge of overall corporate strategy including corporate governance and the development of next generation CVS. We would like to benefit from his management and supervision of the Company by leveraging his experiences.

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

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

No.  
3

**Satoshi Nakaniwa**  
(May 20, 1969)

New appointment

■ Number of the Company's  
shares held:  
0

### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1993	Joined Mitsubishi Corporation
March 1994	Investment & Credit Department, Mitsubishi Corporation
May 1999	Living Essentials Group Administration Department, Mitsubishi Corporation
April 2005	Senior Vice President, Assistant to CFO, Meidi-Ya Corporation (currently Mitsubishi Shokuhin Co., Ltd.)
December 2008	General Manager, Mitsubishi International Corporation
September 2013	Team Leader, Chemicals Group Administration Department, Mitsubishi Corporation
October 2015	Deputy General Manager, Chemicals Group Administration Department, Mitsubishi Corporation
February 2017	General Manager, Finance and Accounting Division, Lawson, Inc.
March 2017	Senior Vice President and CFO, Lawson, Inc. (Current position)

### Reasons for nomination as Director

Mr. Satoshi Nakaniwa has been nominated as a candidate for Director, as he has a wealth of knowledge on finance and accounting, business investment and credit through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc. He is currently in charge of the overall finance and accounting of Lawson, Inc., as Senior Vice President and CFO. He also has extensive expertise on the food field through his duties at a food wholesaler to which he had been seconded from Mitsubishi Corporation, and we would like to benefit from his management and supervision of the Company by leveraging his experience.

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

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

No.  
4

**Emi Osono**  
(August 8, 1965)

Reappointment, outside,  
independent

■ Number of the Company's  
shares held:  
300

■ Attendance at Board of  
Directors' meetings  
13 out of 14 (92.9%)

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

### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1988	Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation)
April 1998	Assistant Professor, Institute of Asia-Pacific Studies, Waseda University
April 2000	Assistant Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
October 2002	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
April 2010	Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (Current position)
June 2011	Outside Director, Resona Holdings, Inc. (Current position)
May 2012	Outside Director, Lawson, Inc. (Current position)

### Reasons for nomination as Outside Director

Ms. Emi Osono has been nominated as a candidate for Outside Director, as she has a wealth of academic knowledge on global corporate management, operational strategies, and organizational behavior. We have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from her supervision of the Company's management by leveraging her experiences.

Ms. Osono serves as Vice Chairperson of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and auditors. She has also been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

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

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

No.  
5

**Yutaka Kyoya**  
(January 7, 1962)

Reappointment

■ Number of the Company's shares held:  
0

■ Attendance at Board of Directors' meetings  
13 out of 14 (92.9%)

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

### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1984	Joined Mitsubishi Corporation
April 2008	General Manager, Grain Unit, Foods (Commodity) Div., Mitsubishi Corporation
April 2013	Division COO, Foods (Commodity) Div., Mitsubishi Corporation
May 2013	Member of the Board, Lawson, Inc. (Current position)
April 2014	Senior Vice President, Division COO, Living Essential Resources Division, Mitsubishi Corporation
November 2015	Member of the Board, Olam International Limited (Current position)
April 2016	Executive Vice President, Group CEO, Living Essentials Group, Mitsubishi Corporation (Current position)
June 2016	Member of the Board, Mitsubishi Shokuhin Co., Ltd. (Current position)

### Reasons for nomination as Director

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

Mr. Kyoya serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and auditors.

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

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

No.  
6



**Sakie Akiyama**  
(December 1, 1962)

Reappointment, outside,  
independent

- Number of the Company's shares held:  
300
- Attendance at Board of Directors' meetings  
12 out of 14 (85.7%)
- Years in office  
3 years (as of the conclusion of the meeting of shareholders)

**Brief Personal History, Position, Assignment and Important Concurrent Positions**

April 1987	Joined Arthur Andersen & Co.
April 1994	Founded Saki Corporation and assumed the position of Representative Director and CEO (Current position)
May 2014	Outside Director, Lawson, Inc. (Current position)

**Reasons for nomination as Outside Director**

Following her career at a foreign consulting firm, Ms. Sakie Akiyama founded Saki Corporation, which develops, manufactures, and sells automated optical inspection (AOI) machines for printed circuit boards and X-Ray automated inspection machines. As CEO of the company, she has extensive experience and expertise in corporate management. She has been nominated as a candidate for Outside Director, as we have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from her supervision of the Company's management by leveraging her experiences.

Ms. Akiyama serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and auditors. She has also been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc. pursuant to the rules specified by the exchange.

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

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

No.  
7

**Keiko Hayashi**  
(March 16, 1959)

Reappointment, outside,  
independent

■ Number of the Company's  
shares held:  
0

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

■ Years in office  
1 year (as of the  
conclusion of the meeting  
of shareholders)

### Brief Personal History, Position, Assignment and Important Concurrent Positions

June 1983	Joined SHIMIZU CONSTRUCTION CO., LTD, Los Angeles, USA
November 1992	Dog Food Trade Strategy, Sales Technology Manager, Master Foods Japan Ltd.
August 1993	Marketing Director, Member of Management Decision Committee, Master Foods Japan Ltd.
August 1995	Marketing Director, Member of Management Committee, Mattel Japan Ltd.
February 1998	Country Manager, VICTORIA'S SECRET Catalog, LIMITED Group
October 1998	Merchandising Director, Disney Store Japan
December 1999	President and Representative Director, Lands' End Japan KK
June 2006	Founded I·M·A Co., Ltd. (currently DoCLASSE the Store Co., Ltd.) and assumed the position of President and CEO (Current position)
September 2007	Founded DoCLASSE Co., Ltd. and assumed the position of President and CEO (Current position)
February 2011	Founded IMA Holdings and assumed the position of President and CEO (Current position)
March 2011	Founded fitfit Co., Ltd. and assumed the position of President and CEO (Current position)
December 2011	Founded IMA People Co., Ltd. and assumed the position of President and CEO (Current position)
May 2016	Outside Director, Lawson, Inc. (Current position)

### Reasons for nomination as Outside Director

Following her career in product development and marketing-related work at an advertising agency, foreign consulting firm, and Disney Store Japan, among others, Ms. Keiko Hayashi founded DoCLASSE Co., Ltd., which handles the planning, manufacturing, sales and delivery of clothes, fashion goods and jewelry. As the president of the company, she has extensive experience and expertise in corporate management. Ms. Hayashi has been nominated as a candidate for Outside Director, as we have been receiving her proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from her supervision of the Company's management by leveraging her experience.

Ms. Hayashi serves as a member of the Company's Nomination and Compensation Advisory Committee, which consists exclusively of non-executive directors and auditors. She has also been registered as an Independent Director/Auditor with the Tokyo Stock Exchange, Inc., pursuant to the rules specified by the exchange.

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

There are no particular conflicts of interest between the Candidate and Lawson, Inc. Ms. Keiko Hayashi's legal name is Keiko Hama.

No.  
8

**Kazunori Nishio**  
(July 13, 1961)

#### Reappointment

- Number of the Company's shares held:  
0
- Attendance at Board of Directors' meetings  
11 out of 12 (91.7%)
- Years in office  
1 year (as of the conclusion of the meeting of shareholders)

#### Brief Personal History, Position, Assignment and Important Concurrent Positions

April 1984	Joined Mitsubishi Corporation
July 2010	Seconded to CGC Japan Co., Ltd.
May 2011	Senior Managing Director, CGC Japan Co., Ltd.
October 2013	Acting General Manager, Living Essentials Group CEO Office, Mitsubishi Corporation
April 2014	Division COO, Retail Div., Mitsubishi Corporation
April 2016	Senior Vice President, Division COO, Retail Div., Mitsubishi Corporation (Current position)
May 2016	Member of the Board, Lawson, Inc. (Current position)

#### Reasons for nomination as Director

Mr. Kazunori Nishio has been nominated as a candidate for Director, as he has a wealth of knowledge on the life industry field, mainly in retail, through his duties at Mitsubishi Corporation, the parent company of Lawson, Inc., as well as at a retailer to which he has been seconded. We have been receiving his proactive opinions and suggestions regarding the Company's management at the Board of Directors' meetings, and we would like to continue to benefit from his supervision of the Company's management by leveraging his experience.

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

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

#### Notes:

1. In accordance with Article 24 of the current Articles of Incorporation, Lawson, Inc. has concluded the following liability limitation agreements with Ms. Emi Osono, Mr. Yutaka Kyoya, Ms. Sakie Akiyama, Ms. Keiko Hayashi, and Mr. Kazunori Nishio. Under the liability limitation agreement concluded with the Company, Directors (excluding those who are executive directors, etc.) assume liability for damages specified in Article 423, Paragraph 1 of the Companies Act within the limit not exceeding the amount stipulated by laws and regulations, provided that they have performed duties which resulted in a cause of such liability in good faith without committing acts of gross negligence.
2. The nominees' Brief Personal History, Position, Assignment and Important Concurrent Positions are as of April 12, 2017.

**Proposal No. 3: Election of One (1) Corporate Auditor**

The term of office of Mr. Atsuhiko Seki, Corporate Auditor, expires at the conclusion of this 42nd Ordinary General Meeting of Shareholders. Accordingly, we propose that you elect one (1) Corporate Auditor.

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

The nominee for corporate auditor is as follows.

Furthermore, please refer to page 44 for the policy and procedures of the Company's Board of Directors for nominating candidates for Corporate Auditor.



**Masakatsu Gonai**  
(May 24, 1961)

New appointment

■ Number of the Company's shares held:  
1,400

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

### Brief Personal History, Position and Important Concurrent Positions

April 1980	Joined Lawson, Inc.
March 1998	General Manager, Third Kanto Department, Store Operations Division, Lawson, Inc.
June 2005	Division Director of Marketing Division, and General Manager of Advertising and Sales Promotion Dept., Lawson, Inc.
September 2007	Region Director, Kanto LAWSON Office, Deputy Senior Vice President, Lawson, Inc.
March 2012	Executive Officer, Assistant to Chief Compliance Officer (CCO), Lawson, Inc.
May 2012	Executive Officer, CCO and —CSR, Division Director of Compliance & Risk Management Office, Lawson, Inc.
April 2014	Senior Vice President, —Compliance and Risk, Lawson, Inc.
May 2014	Member of the Board, Senior Vice President, —Compliance & Risk Management, Lawson, Inc.
September 2014	Member of the Board, Executive Vice President, —Compliance & Risk Management, Human Resources, Lawson, Inc.
September 2016	Member of the Board, Executive Vice President, —Compliance & Risk Management, —Human Resources, —BPR, Division Director of Franchisee Business Support Division, Lawson, Inc.
March 2017	Member of the Board, Executive Vice President, Lawson, Inc. (Current position)

### Reasons for nomination as Corporate Auditor

Mr. Masakatsu Gonai has been nominated as a candidate for Corporate Auditor, as he has contributed to the reduction and prevention of risk for the Lawson Group, as well as promoted the active participation of women and personnel development previously as an officer in charge of store operations and marketing and region director, and subsequently as an officer in charge of compliance and risk management and human resources. Mr. Gonai also has abundant expertise in the convenience store business and franchise business, and we would like to benefit from his auditing and supervision of the Company by leveraging his experience.

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

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

Notes:

1. In accordance with Article 32 of the current Articles of Incorporation, Lawson, Inc. is planning to conclude the following liability limitation agreement with Mr. Masakatsu Gonai. Under the liability limitation agreement concluded with the Company, Corporate Auditors 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.
2. The nominee's Brief Personal History, Position and Important Concurrent Positions are as of April 12, 2017.

## [Reference] Policy and procedures of the Company's Board of Directors for nominating candidates for Directors and Corporate Auditors

Lawson, Inc. has established Director/Auditor Election Standard as the basis for nominating candidates for directors and corporate auditors. As for outside directors/auditors, our policy is to invite personnel with a wealth of experience and knowledge on corporate management and particular areas of expertise, and who can secure sufficient time to perform their duties as director or corporate auditor. Furthermore, for independent directors/auditors, we have established Criteria concerning Independence in order to appoint outside directors or outside corporate auditors who are unlikely to have a conflict of interest with general shareholders as independent directors/auditors.

In addition, as an advisory organ that recommends candidates for directors, candidates for representative directors, and posts to the Board of Directors, we have voluntarily established a Nomination and Compensation Advisory Committee. All six members of the committee are non-executive directors or auditors, with five being independent directors/auditors. The committee is designed to recommend candidates for directors, candidates for representative directors, and posts to the Board of Directors with a high level of independence.

As for candidates for corporate auditors, those with knowledge and expertise in finance, accounting, risk management and law, which are necessary for auditing operations, are nominated as candidates for corporate auditors upon obtaining the consent of the Board of Auditors.

### 1. Director/Auditor Election Standard

- (1) A person who can deeply relate to the Lawson Group's corporate philosophy of "Creating Happiness and Harmony in Our Communities"
- (2) A person who has the capability to contribute to the sustainable growth and corporate value improvement of the Lawson Group
- (3) A person who has no hindrance in health, both physically and mentally, in the performance of his/her duties
- (4) A person who is popular, possesses dignity and a high sense of ethics
- (5) A person who has a law-abiding spirit
- (6) A person who has the ability to make objective judgments on management, has foresight and insight
- (7) A person who has no conflict of interest or business relationship that would have a serious effect on the performance of his/her duties
- (8) A person who does not fall under the criteria for disqualification provided by the Companies Act
- (9) For outside directors/auditors, a person who fulfills the standard provided in 2.

### 2. Outside Director/Auditor Election Standard

- (1) A person who has a wealth of experience and knowledge on corporate management and an area of expertise
- (2) A person who can secure sufficient time to perform his/her duties as director or corporate auditor

In order to improve corporate governance, Lawson, Inc. has established criteria concerning independence as follows, and appoints outside directors or outside corporate auditors who do not conflict with the said criteria as independent directors/auditors as specified by the Tokyo Stock Exchange, Inc.

### 3. Criteria concerning Independence

- (1) A person for whom the Lawson Group is a key business partner, or an executive officer thereof  
A supplier group who provides products or services to the Lawson Group, with the amount of sales to the Lawson Group in the most recent business year amounting to 2% of the client group's consolidated net sales or more
- (2) A key business partner of the Lawson Group, or an executive officer thereof  
A client group to whom the Lawson Group provides products or services, with the amount of sales of the Lawson Group to the client group in the most recent business year amounting to 2% of the Lawson Group's consolidated net sales (gross operating revenues) or more
- (3) A consultant, accounting expert or legal expert who receives substantial monies or other property from Lawson, Inc. other than as director/auditor compensation  
A consultant, accounting expert such as a certified public accountant, or a legal expert such as a lawyer, who receives substantial monies or other property from Lawson, Inc. other than as director/auditor remuneration, and who has received compensation of 5 million yen per year or more over the past two years
- (4) A major shareholder of Lawson, Inc. (if the major shareholder is a corporation, an executive officer of the corporation)
- (5) (A close relative is) An executive officer of the Lawson Group
- (6) (A close relative is) A non-executive director or accounting advisor (if the independent director/auditor is an outside corporate auditor) of the Lawson Group