

Company thinking

□ Background and purpose for accounting

- Understanding supply chain emissions can help us share energy usage (electricity fees, fuel expenses, etc.) at suppliers, such as rice product factories and distribution centers, and a direction for reductions.
- We shall calculate the emissions from our original products and achieve carbon offsetting with those products. By disclosing this information to customers we can expand and enlighten customers about environment friendliness, such as carbon offset products, and promote the sales of those products.
- We shall gain understanding for our emissions activities by disclosing information in our consolidated reports, environmental reports and web site, and by answering questionnaires.

□ Utilization of accounting results

- We shall know the areas in the supply chain in which emissions are high and be able to study areas (items) in which there is room for reduction.
- We will be able to confirm the cost-effectiveness of the energy-saving equipment that we have introduced.
- We shall disclose the information in our consolidated reports, environmental reports and web site, and for answering questionnaires.
- By developing carbon offsetting products and promoting the purchase of environment friendly products by customers, we shall be able to promote environmental activities with them.

□ Advantages of accounting

- By executing the above we shall be able to clarify our reduction potential, assessment reduction measures, disclose information about emissions in our supply chain, and promote environmental activities with our customers.

□ Internal accounting organization

- The Environmental Promotion Department will collect data. The sources will be as follows:
 - Vendor and distribution center data → Questionnaires to each company
 - Waste → Electronic manifests, waste management company data, Container Recycle Act contract materials
 - Other purchased amounts → Accounting documents, etc.
- Calculations will be made by the same department.

Company thinking

To reduce supply chain emissions

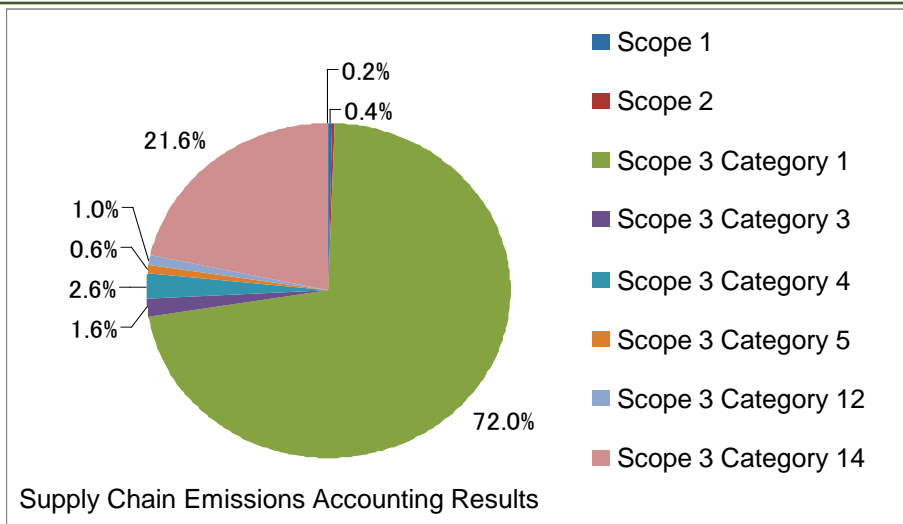
- We have already introduced energy saving equipment, such as LED illuminations and non-chlorofluorocarbon (CO₂ refrigerant) freezer and refrigeration systems, promoted ecological driving, reduced the use plastic shopping bags and disposable chopsticks, reduced packaging materials, and promoted non-petroleum materials.
- Through this accounting we have grasped the areas with high reduction potential in the supply chain, and will aim for more effective reductions. For example, with respect to Category 1 reductions we shall promote reduction by purchasing products that meet our needs.

Tasks to account for supply chain emissions

- With respect to Category 1 which accounts for a majority of our emissions, our current calculations are made by applying a rough monetary based emission factor, so that reductions from small changes in products (such as changes in raw materials) cannot be reflected. We also believe that changes in prices because of inflation and the like will have a big effect.
- Because emissions increase as a company grows, it is necessary to use intensities. In the future, we shall determine the intensities to use based on the products and services that we handle.

For those starting to account for supply chain emissions

- First, by grasping an understanding of the whole, you should be able to see the areas that you should focus on. This will also be invaluable data about the areas you can reduce emissions in, when setting priorities (including cost effectiveness).



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Lawson, Inc.

Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> Purchasing cost of all products, including private brand (PB) products Weight of purchased shopping bags 	<ul style="list-style-type: none"> 3EID
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> Electricity usage at the head office, sales offices (subsidiaries and branches) and stores 	<ul style="list-style-type: none"> Emission factor DB*
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> Energy usage and fuel usage at distribution centers 	<ul style="list-style-type: none"> Calculated, reported, public system value Electricity emission factor (0.381 kgCO₂/kWh)
Category 5: Waste generated in operations	<ul style="list-style-type: none"> Quantity by waste type and disposal type of waste disposed of in store garbage bins. (* Calculate the estimated annual value from store emissions per day. Estimate the outside to in-store ratio by sampling data from six stores for four days.) Waste by type when closing or renovating stores 	<ul style="list-style-type: none"> Emission factor DB*
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> Weight by material of product containers 	<ul style="list-style-type: none"> CFP available DB
	<ul style="list-style-type: none"> Weight of purchased shopping bags Estimated weight of purchased disposable chopsticks (* Estimate from the number of chopsticks distributed and the weight per chopstick) 	<ul style="list-style-type: none"> Emission factor DB*
Category 14: Franchises	<ul style="list-style-type: none"> Electricity usage at franchise stores 	<ul style="list-style-type: none"> Electricity emission factor (same as above)

* "Emission Factor Database on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain"