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Lawson, Inc.

	Companies' approach
□ Background and purpose of accounting	<ul style="list-style-type: none"> • As a part of corporate social responsibility, we should look to account for GHG emissions not only from our own operations but also throughout the supply chain so that we can comprehend the extent to which all our businesses will have impact on global warming. • We need to calculate emissions from our relevant products with which carbon offsetting is to be achieved. By disclosing such information to our customers, we can bring dissemination and enlightenment about carbon offsetting to them, and promote the sales of those products. • To respond to our stakeholders' request on information disclosure, we try to gain understanding of our activities for emissions reduction by disclosing information in our integrated report and environmental report, as well as on our website, and by answering questionnaires.
□ Utilization of accounting results	<ul style="list-style-type: none"> • We can see the picture of 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 equipments that we have introduced. • We will disclose information in our integrated report and environmental report, as well as on our website, and by answering questionnaires about environment. • By developing carbon offsetting products and by promoting the customers' purchase of environment friendly products, we will be able to work hard promote environmental activities with them.
□ Benefits of accounting	<ul style="list-style-type: none"> • By executing the above we can clarify our reduction potential, assess our reduction measures, disclose information about emissions in our supply chain, and promote environmental activities together with our customers.
□ Internal system for accounting	<ul style="list-style-type: none"> • The Environmental Promotion Department collects data. The sources are as follows: <ul style="list-style-type: none"> · Vendor and distribution center data → Questionnaires to each company & our product purchase data. · Waste emissions <ul style="list-style-type: none"> → Electronic manifests for better industrial waste treatment's management, waste management company and reported data complying with the Act on Rationalizing Energy Use / the Act on the Promotion of Sorted Collection and Recycling of Containers and Packaging. · Others → Accounting documents, etc. • Calculations are made by the same department.

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Lawson, Inc.

	Companies' approach
<p>□ Efforts to reduce supply chain emissions</p>	<ul style="list-style-type: none"> • We have already implemented measures to reduce emissions, including the introduction of highly-efficient energy-saving devices and efficient equipment such as non-chlorofluorocarbon (CO2 refrigerant) freezer/refrigeration systems, promotion of ecological driving, reduction of usage of plastic shopping bags and disposable chopsticks, and packaging materials along with promotion of non-petroleum materials. • We will aim to reduce our emissions more efficiently by identifying, through such accounting for GHG emissions like we did this time, the areas with high reduction potential in the supply chain. To this end, we need to examine specific measures and activities to be undertaken for each Category, working with the relevant departments to help promote emissions reduction.
<p>□ Issues in supply chain emissions accounting</p>	<ul style="list-style-type: none"> • The calculation range for Scope 3 emissions is currently limited. We need to construct and establish a database in order to assess the emissions across the entire supply chain. • With respect to Category 1, which accounts for about 74.5 percent of our emissions, our current calculations are made by applying a rough monetary based emissions factor. Weight based calculations are needed for a more precise assessment of CO2 emissions. • With respect to assessing CO2 emissions, emissions across the entire supply chain increase as a company grows (increase of the number stores). In order to properly assess a reduction measure, a comparison of CO2 emission factors is needed.
<p>□ Other</p>	<ul style="list-style-type: none"> • When it comes to Scope 3, our emissions for all Categories have yet to be fully accounted for. Therefore, we will be looking to improve the relevant data to comprehend our GHG emissions throughout the supply chain. • Upon accounting GHG emissions, we received GHG validations by a third-party organization for the corresponding emissions (Scope 1 • Scope 2 • Scope 3 (Category 1, Category 14))

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Category	Accounting methods	
	Activity data	Emission factor
Category 1: Purchased goods and services	<ul style="list-style-type: none"> Volume of (raw) materials procured 	<ul style="list-style-type: none"> 3EID-based emission factor per amount of money ※Ministry of Environment Database
Category 2: Capital goods		※Not calculated (to be considered in the future)
Category 3: Fuel and energy related activities not included in Scope 1 or 2	<ul style="list-style-type: none"> Electricity and steam energy usage 	<ul style="list-style-type: none"> Emission factor per energy used ※Emission factor used for GHG Accounting, Reporting and Publication System under Law Concerning the Promotion of the Measures to Cope with Global Warming
Category 4: Transportation and delivery (upstream)	<ul style="list-style-type: none"> Energy usage at distribution centers 	<ul style="list-style-type: none"> Emission factor per energy used ※Emission factor used for GHG Accounting, Reporting and Publication System under Law Concerning the Promotion of the Measures to Cope with Global Warming
Category 5: Waste generated in operations	<ul style="list-style-type: none"> Quantity by waste type 	<ul style="list-style-type: none"> Emission factor by waste type ※Ministry of Environment Database
Category 6: Business travel	<ul style="list-style-type: none"> Number of employees 	<ul style="list-style-type: none"> Emission factor per employee ※Ministry of Environment Database
Category 7: Employee commuting		※Not calculated (to be considered in the future)
Category 8: Leased assets (upstream)		※Not calculated (to be considered in the future)
Category 9: Transportation and delivery (downstream)		※Not calculated (to be considered in the future)
Category 10: Processing of sold products		※Not calculated (to be considered in the future)
Category 11: Use of sold products		※Not calculated (to be considered in the future)
Category 12: End-of-life treatment of sold products	<ul style="list-style-type: none"> Quantity by waste type 	<ul style="list-style-type: none"> Emission factor by waste type ※Ministry of Environment Database
Category 13: Leased assets (downstream)		※Not calculated (to be considered in the future)
Category 14: Franchises	<ul style="list-style-type: none"> Electricity usage 	<ul style="list-style-type: none"> Emission factor per energy used ※Emission factor used for GHG Accounting, Reporting and Publication System under Law Concerning the Promotion of the Measures to Cope with Global Warming
Category 15: Investments		※Not calculated (to be considered in the future)
Other		※Calculation is ignored because it is an option category

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Accounting results

- CO2 emissions from our supply chain in FY2016

