

# Domestic Convenience Store Business

## Transforming store displays Machikado Chubo in-store kitchens project

### Initiatives to date

The Machikado Chubo in-store kitchen concept developed from our in-store preparation initiative, which Lawson has been promoting since 2004. With the support of customers, we have expanded the number of stores to reach the largest scale in Japan for retail stores with in-store kitchens while training for personnel that work in food preparation, improving kitchen facilities, and cooperating with the owners of participating stores.

Also, despite the many behavioral restrictions during this year, there was a favorable transition due to sales of local products in each area and due to the response to customer needs in each region.

### Strategies under Challenge 2025

Lawson will conduct various initiatives to expand Machikado Chubo in-store kitchens and provide products that will satisfy customers.

We will develop products that are appealing to customers, such as collaboration products with specialty restaurants and leading restaurant chains and the development of local products that meet the different dietary needs of each region.

Since Machikado Chubo in-store kitchens enable us to manage the number of items produced in each store, they contribute to reducing food losses due to overproduction.

We will continue to promote the development of “ghost restaurants.”

### Delivery service

In August 2019, Lawson became the first convenience store in Japan to commence the introduction of Uber Eats. With the increasing demand for deliveries due to the COVID-19 pandemic, 2,903 stores were offering delivery services as of the end of February 2022.

### Ghost restaurants using in-store kitchens

A trial run of “ghost restaurants” for the delivery of food prepared using in-store kitchens began in the Tokyo area in November 2021 and a delivery-specific menu has been developed.

From now on, further developments will be made toward introducing this service to 100 stores in the Kanto area by the end of February 2023, and to 1,000 stores nationwide by fiscal 2025.



Delivery-specific menu item (Chicken over rice)

### Number of stores with kitchen facilities



## Overview of Fiscal 2021

In order to meet the needs for take-out and deliveries during the pandemic in fiscal 2021, the development of Machikado Chubo stores was accelerated.

In some stores in the Kanto area, Lawson is offering products with in-store preparation that can even be used with delivery services such as Uber Eats.



Thick Pork Cutlet Sandwich (Made with sauce produced by the Tonkatsu Maisen)



Pork Loin Cutlet Curry



Pork Rice Bowl

# Domestic Convenience Store Business

Transforming store displays Pursuit of ideal store format project

## Overview of Fiscal 2021

In fiscal 2021, amid changes in customers' lifestyles due to the spread of COVID-19 infections, we refurbished 4,305 stores, resulting in improved daily sales at the existing stores we refurbished.

Specific details of the refurbishment included leveraging the instant preparation and service capabilities of our Machikado Chubo in-store kitchens to enable differentiation with products such as boxed meals, sandwiches and fast foods responsive to the demand for three daily meals, breakfast, lunch and dinner. We optimized individual stores by increasing the number of frozen foods and daily foods by adding more fixtures, based on close observation of the different needs and purchasing behavior of customers in each location. In addition, we actively introduced delivery and online payment services to encourage new customers to visit our stores by offering new ways to use convenience stores. We also promoted store self-service in response to the increasing customer preference for a contactless shopping experience and in preparation for long-term labor shortages by introducing the use of self-checkout system fixtures for sales of individually packaged over-the-counter fast food. As well as making it easier for customers to move around the store as they select items to buy, the use of round cases for multi-faceted display also served to present the sales floor transformation to the customer visually.



Flatbed freezer



Round case



Self-service fixtures for sales of counter fast food



Self-checkout system

## Strategies under Challenge 2025

In fiscal 2022, we plan to refurbish approximately 3,500 stores. Together with the stores refurbished to date, we plan to complete the refurbishment of approximately half of all our stores. In selecting stores to refurbish, we will conduct a detailed analysis of the knowledge and data obtained from stores that have been refurbished in the past. In addition to quantitative information such as daytime and nighttime commercial area populations, customer demographics and store usage, we also consider the condition of the store's hardware and management, and the owner's management capabilities, as important factors.

Over the course of their history, convenience stores have continued to respond flexibly to the changing needs of the times, making the most of their advantages as a small store. Amid the major changes to the environment triggered by the pandemic, we will continue moving toward the realization of a new convenience store model.

# Domestic Convenience Store Business

Transforming store displays Product renewal project

Transforming store displays MUJI introduction project

## Overview of Fiscal 2021

The product renewal project undertaken by the Sweeping Transformation Executive Committee to respond to the new normal is yielding positive results.

We gained customer support by developing products responsive to change, such as Machikado Chubu products carefully prepared in the in-store kitchen, and frozen foods that appeal to customers with new value unique to convenience stores, including desserts and sashimi. We also developed new products based on the “Because it’s Lawson” theme, resulting in many hit products unique to Lawson, such as Gateau au Chocolat dessert, the Crispy Fried Chicken fast food item, and boxed meals featuring prolonged freshness and chilled storage.

## Background of the introduction

The aim of Ryohin Keikaku is to create a “simple, pleasant life and society,” while LAWSON’s is “Creating happiness and harmony in our communities.” In keeping with these philosophies, in June 2020, we began an experimental sales program to introduce MUJI products at LAWSON stores.

In the future, we intend to expand our efforts to be even more useful to local residents and to contribute to local revitalization by jointly developing private-brand products and services.

## Strategies under Challenge 2025

Product renewal is an important project within the theme of transforming store displays promoted by the Sweeping Transformation Executive Committee. In daily necessities, we will turn our attention to improving sales floor efficiency, continuing to consolidate existing products while taking steps to introduce MUJI products. MUJI products will be available at LAWSON stores nationwide by the end of 2023. By implementing these measures, Lawson aims to acquire a new customer base and expand spending per customer by increasing the number of purchase items. In this way, we will achieve the targets of Challenge 2025.



## Strategies under Challenge 2025

As we work toward Challenge 2025, we will take our commitment to “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness” to even higher levels. In particular, to achieve “superior taste,” we are reviewing our product development process and establishing thoroughly customer-driven product development. Under our community-based policy, in 2022, we will develop area-specific products that promptly respond to the needs and changes unique to each region.

Regarding health, which will become an even more important theme in the future, we will revamp our Health Product Development Guidelines to further promote product development that meets the changing needs of our customers.



Gateau au Chocolat



Four types of macaron



Red sea bream sashimi



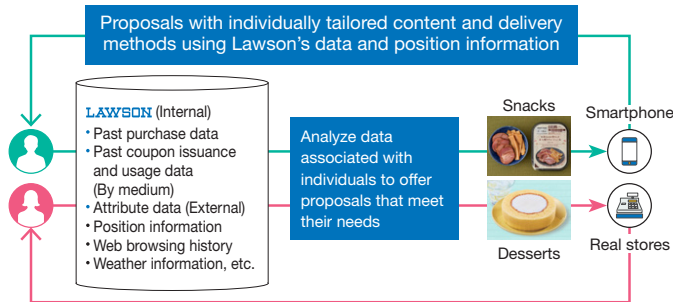
# Domestic Convenience Store Business

## Transforming profit structures

Unified use of Group data project

## Using data to increase customer satisfaction

Lawson has been using its POS data and coalition loyalty program member data for commercial area analysis, store management support and product development in order to meet customers' various needs in greater detail. Through our unified use of Group data project, we are expanding the scope of data we analyze to include that owned by Lawson Group companies and external data so that we can further deepen our understanding of our customers. We are also working to expand services using this data. We will further improve customer satisfaction by delivering information that meets the needs and tastes of each individual customer (information on special product and service offers, recommendations, etc.) at the appropriate time and in the appropriate manner.



## Transforming profit structures

Customer-centric supply chain reform project

## Supply chain optimization and measures to counter food loss

Under the customer-centric supply chain reform project, we are addressing food loss, which is one of Lawson's target social issues. We use AI to predict demand for each product based on individual store data such as weather and sales, then work to optimize the entire supply chain by making product ordering recommendations based on the predictions.

We have been working to increase ordering accuracy at stores using the semi-automatic ordering system introduced in 2015, which uses AI to recommend order volumes based on store sales capabilities. Now we will increase accuracy using the latest AI technology and aim to completely sell all of the purchased products. Previously, discounted sales of products nearing their sell-by date were heavily dependent on the level of experience at the store. Now, we will use AI to make recommendations on the amount and period of the discounts based on the inventory status of each store on the day in an effort to more effectively completely sell out of products.

We also intend to expand the application of customer-centric demand prediction beyond increasing ordering accuracy and discounted sales. By optimizing the entire supply chain, including optimization of logistics aspects such as store deliveries and production control at our manufacturing plants, we will work to reduce food loss.



### Overview of Fiscal 2021

We have implemented a range of measures in response to changes in the business environment due to the spread of COVID-19 infections. These include strengthening the categories of daily foods and three fresh foods that meet the demand for eating at home. We also expanded the frozen food product lineup and introduced new merchandise to meet stocking needs, while introducing delivery services.

In the summer, the store concept was renewed to "Menu-Support Convenience Store." By offering recipe recommendations and shopping suggestions, we responded to the needs of customers who have a hard time coming up with daily menus. In addition, we aggressively strengthened our private brand product lineup and promoted brand strategies to encourage purposeful purchases reminiscent of LAWSON STORE100, as we worked to realize Menu-Support Convenience Stores that maximize the advantages of small stores in an environment that continues to change.

### Strategies under Challenge 2025

As a convenience store responsive to customer lifestyles with strengths in fresh produce and daily foods, we will refine our ability to support the daily lives of people by focusing on seasonal suggestions, communication with customers, and by providing safety and security on the sales floor. While keeping abreast of macro consumption trends such as the aging of the population and the increase in single-person households, we aim to accelerate individual store management and increase market share within commercial areas together with franchise stores by utilizing customer segment data, which we have been working on since fiscal 2020.

# Seijo Ishii Business



Seijo Ishii

## Overview of Fiscal 2021

Based on the management philosophy of “quality food for a quality life,” Seijo Ishii has differentiated itself from its competitors and is providing customers with high-quality, safe and reliable foods with its unique business model of “vertical integration of food,” in which all of its processes—from importing, logistics, and manufacturing to wholesaling, retail sales, and restaurant operations—are carried out in-house.

In response to environmental changes caused by the COVID-19 pandemic in fiscal 2021, in-house dishes and sweets produced in the central kitchens of Seijo Ishii continued to undergo a favorable transition due to the development of various measures. A wide range of store formats were also developed along roads, in stations and in commercial facilities, leading to a total of 201 stores as of the end of the fiscal year, including direct management stores, franchise stores, and restaurants.

## 95th anniversary in 2022

In 2022, Seijo Ishii reached its 95th anniversary.

“Q” for Quality. With the theme of delivering the highest level of quality that meets customer expectations in “five” categories, namely, products, stores, sales promotions, central kitchens, and SDGs, we will be saying “Thank you” to customers for the entire year by promising to provide the quality that Seijo Ishii is known for.

ありがとう  
**95<sup>th</sup>**  
 SEIJO ISHII  
 quality

## Strategies under Challenge 2025

Seijo Ishii will start operating the Yamato No. 3 central kitchen plant in July 2022 as it advances toward expanding its store network with a view to the future and develops new core products.

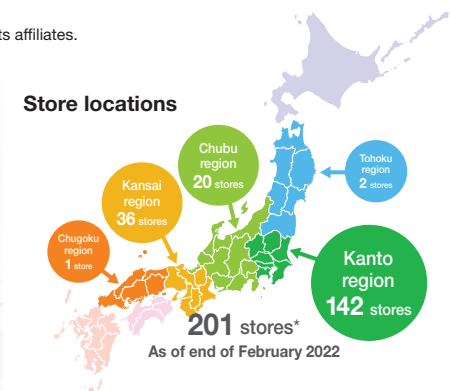
To expand the store network while also strategically opening new stores outside of Kanto region where approximately 70% of stores are located, we will cater to the new lifestyles that emerge after the pandemic by strengthening e-commerce and promoting last-mile business initiatives using delivery services such as Uber Eats. Specifically, in terms of last-mile initiatives and business expansion, Seijo Ishii online sales began in March 2022 on Amazon.co.jp in partnership with Amazon. This means that more than 4,000 products selected by Seijo Ishii (as of the end of May 2022) can now be delivered in as little as two hours.

Based on the basic policy of “obsessing over all processes of product creation to offer products that achieve customer satisfaction,” we will continue to achieve sustainable growth through the power of products, stores and personnel while looking toward various potentialities.

\*Amazon and Amazon.co.jp are trademarks of Amazon.com, Inc. and its affiliates.



Yamato No. 3 central kitchen (Yamato City, Kanagawa Prefecture)



\*Total for direct management stores, franchise stores and Le Bar à Vin52

# Entertainment-related business



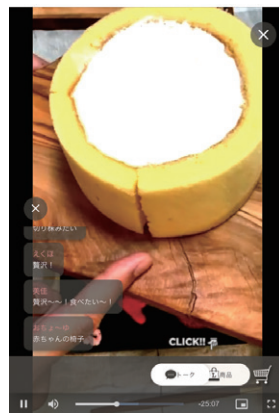
## Overview of Fiscal 2021

During the current fiscal year, the recovery of the entertainment market came to a standstill amid repeated imposition and easing of restrictions on social activities due to the impact of the spread of COVID-19 infections.

Amid this environment, we were able to realize an increase in profit in the entertainment-related business by seizing opportunities presented by changes in the market.

In the Lawson Entertainment ticketing business, while the number of events that attract customers with infection prevention measures is on the rise, we have been working to meet the market needs of this new normal, which includes the live event livestream business, contactless electronic ticketing, and sales of socially-distanced seating. We have also been expanding our product lineup to meet local demand associated with the COVID-19 pandemic, including handling of our Go To Eat meal coupons and Go To Travel regional promotion coupons.

In the merchandise sales business, we also expanded the number of products handled in our growing e-commerce business, strengthened our logistics infrastructure, diversified our sales methods using live commerce, and moved online for organized events. In the cinema complex business of UNITED CINEMAS, we worked to improve theater occupancy rates by refining customer service, which has become No. 1 in the industry based on thorough safety and security measures at our theaters, and further diversified revenue sources by strengthening merchandise sales.



Selling roll cakes through live commerce

## Strategies under Challenge 2025

The entertainment-related business is much the same as our convenience store business in that it provides an infrastructure for daily life. Our primary mission is to continue to respond to the needs of the community, providing a social infrastructure that remains close beside the communities and close beside our customers whatever the business environment may be.

In fiscal 2022, the second year of Challenge 2025, we aim to return to the pre-COVID fiscal 2019 level of profit by achieving quantitative results through our adaptation to new-normal market conditions, which we have been working relentlessly to achieve. In some months of fiscal 2022, the volume of transactions in the ticket business exceeded the level of fiscal 2019, and we are feeling a solid response to the recovery toward a growth trajectory.

The spread of COVID-19 infections has accelerated the preexisting trend toward digitalization, and has also brought about changes in customers' awareness, values, and lifestyle consumption behavior. For our business, we believe that the key to achieving sustainable growth is to continue to respond to these market changes by viewing them as opportunities.

In the ticket and merchandise sales business, we will work with LAWSON stores to refine our business in the domain of physical commerce while also strengthening our business in the digital domain. By organically linking these areas, we will provide products and services in the optimal form our customers require. In the cinema complex business, we plan to further improve the profitability of the Group as a whole by increasing theater occupancy rates and diversifying revenue sources through the use of differentiated services and new screening methods.



FLEXOUND Pulse™, a new chair for movie theaters

# Financial Services Business



## Overview of Fiscal 2021

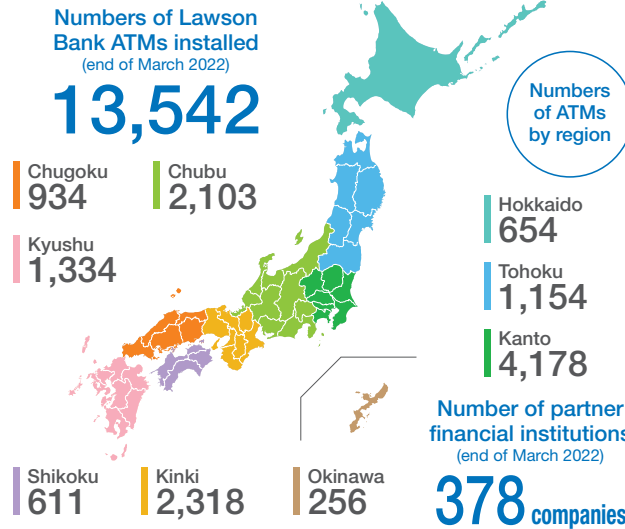
As a member of Lawson Group, Lawson Bank aims to become the bank closest to customers by providing new financial products and services that they find truly useful. In fiscal 2021, the fourth year since the opening of the bank, although the impact of the spread of COVID-19 infections continued to be felt, the Bank worked hard on its mainstay ATM operations and other business including functions and services utilizing the ATM infrastructure and systems, as well as banking services such as deposits and credit cards. We also strived to keep operating costs under control and these efforts resulted in steady performance. In particular, we have been working to expand services so that customers will find them more convenient. These efforts include expanding and improving services that enhance the “last mile of money” function of ATMs, such as recharging payment apps using ATM infrastructure and systems, ATM deposit services for sales proceeds from stores, and overseas remittance card services.

## Strategies under Challenge 2025

Looking toward fiscal 2022, although there are factors that will put downward pressure on ATM usage due to the spread of cashless payments, we expect a certain amount of recovery in ATM

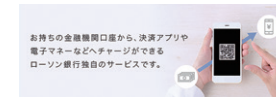
### The community-based Lawson Bank ATM network

Through Lawson Bank ATMs at locations including LAWSON stores in 47 prefectures, customers can use their cash cards at partner financial institutions and other financial institutions nationwide for transactions, as well as for cash advances using many credit cards and loan cards. In fiscal 2021, we also initiated direct partnerships with 247 credit unions nationwide. The Bank will work to expand its ATM network in coordination with Lawson's stores strategy.



\* The JA Bank and JF Marine Bank are considered each as an institution depending on business categories.  
 \* au PAY and WebMoney prepaid card (including Lite) are considered each as an institution

usage numbers due to the recovery of human flow associated with the recovery from COVID-19 and the future increase in inbound traffic. We believe that the needs of our customers for ATM services remain firm, and will strive to meet those needs by adding value, strengthening the “last mile of money” function of ATMs for customers, and properly fulfilling the role of ATMs as social infrastructure. The digitalization of industry and the economy, the diversification of our customers' values and needs, and other accelerating changes in the environment surrounding us will continue to drive changes in the services required. Our strengths include our unique position between



Expansion of partners for immediate account settlement services (As of April 2022: 5 payment services, 14 financial institutions)

See available financial institutions here (Japanese only) <https://www.lawsonbank.jp/product/charge/#anc03>



Launched Lawson Bank ATM Stamp Cards to collect stamps redeemable for Ponta points (From September 2021)



Launched Suito, an e-money recharge application that allows customers to easily link their bank accounts and e-money on the app (From March 2022)

\* Suito is a registered trademark of Lawson Bank, Inc.  
 \* Mobile Suica is a registered trademark of East Japan Railway Company.

See available financial institutions here (Japanese only) [https://www.lawsonbank.jp/lp/suito\\_suica/#anc05](https://www.lawsonbank.jp/lp/suito_suica/#anc05)



Enhanced credit card point rewards for more savings at Lawson (from March 2022)

the financial and distribution industries, with a network of more than 13,500 ATMs, a base of financial institutions and customers who use these ATMs, the Lawson Group stores and owners, and our ability to utilize a database of more than 100 million Ponta members. As a convenience store group bank rooted in day-to-day life within our local communities, we will further strengthen integrated management with the Group while adopting the customer's perspective in providing new services. Together with LAWSON, we will strive to bring “Creating Happiness and Harmony in Our Communities,” which is a group philosophy.



# Overseas Business

## China

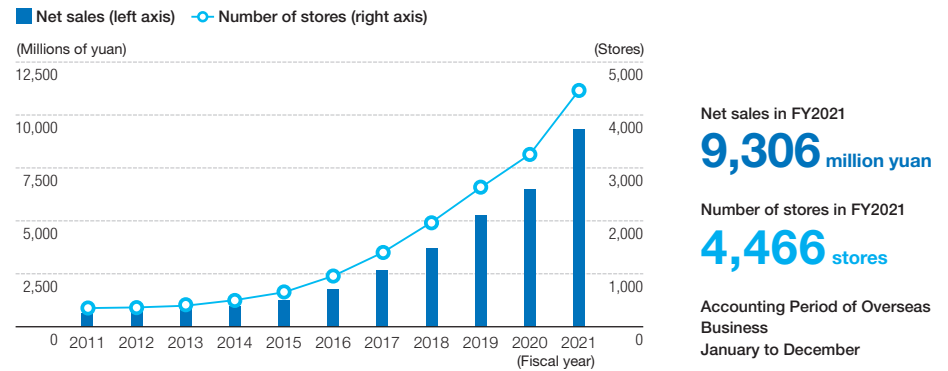
### Our Expansion in China

Lawson entered Shanghai in 1996, becoming the first Japanese convenience store to introduce the modern convenience store model to China. During the 2000s, there was sluggish growth in the number of stores amid soaring rents and intensifying competition. In the 2010s, however, we reconfigured our basic strategy for China and established a system for developing our own expertise and IT and core infrastructure that adapt to local culture and changes in economic conditions. We then advanced our business expansion by sharing our accumulated expertise with our subsidiaries and area licensees. As a result, we have gained strong levels of recognition and brand reputation in various regions, recording roughly 1200% growth in our net sales and the number of our stores over the last ten years.

### Overview of Fiscal 2021

In fiscal 2021, despite the impact of the COVID-19 pandemic, including sporadic behavioral restrictions primarily in the second half of the year, the number of stores increased by 1,210 due to the development of various measures, such as enhanced delivery services and live commerce. As a result, there was a year-on-year increase in both sales and operating income. Also, in a consumer survey in the second half of 2021, there was an overwhelming increase in brand power, including becoming the “No. 1 CVS that people want to use” in each region where Lawson is present. In addition, initiatives have been promoted in connection to post-COVID market needs and SDGs, including opening modern new stores in July 2021 along with Matsushita Electric (China) Co., Ltd. that feature digital signage for displaying information about the latest energy-saving and low-CO<sub>2</sub> facilities and products/advertisements, as well as the provision of books for children in poverty in various regions.

### Expansion in China



Net sales in FY2021  
**9,306** million yuan

Number of stores in FY2021  
**4,466** stores

Accounting Period of Overseas Business  
January to December

### Strategies under Challenge 2025

We are targeting 6,000 stores by fiscal 2022 and 10,000 stores by fiscal 2025. Based on training for management personnel, we have in place a system of accumulated expertise, IT, and core infrastructure that enables us to maximize growth of stores in each region in accordance with our China basic strategy and to accelerate regional expansion. Given the relatively small number of stores per capita in comparison to Japan, for example, and the large number of local convenience stores in each region, there is a huge potential for area licensing and there are many opportunities for M&A, including the acquisition of the management rights of two companies in December 2021 and January 2022. China is a vast country where cultural and economic levels vary between regions. We will therefore start with our Chinese subsidiaries that operate in each cultural zone as we aggressively expand our business in China.

#### Store Distribution in China

Format	Region	Number of stores
Subsidiaries	Shanghai and surrounding areas (Shanghai, Zhejiang, Jiangsu)	2,375
	Chongqing and surrounding areas (Chongqing, Sichuan)	628
	Liaoning (including Shenyang, Dalian)	487
	Beijing and surrounding areas (Beijing, Tianjin, Hebei)	356
	Guangdong (including Shenzhen)	20
Area licensing	Hubei (including Wuhan)	552
	Anhui (including Hefei)	194
	Hunan (including Changsha)	121
	Hainan (including Haikou)	110
Total		4,843

As of end of May 2022