

INTEGRATED REPORT 2024

Creating Happiness and Harmony in Our Communities



LAWSON

Group Philosophy

Creating Happiness and
Harmony in Our Communities

Vision

Our goal is to become
the hub of refreshment
in every community.

Lawson's Way (Action Guideline)

1. Create stores filled with the best smile in town.
2. Speak out your ideas to take action.
3. Enjoy your challenge.
4. Value your friends to become one.
5. Act in good faith.

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Range of the report

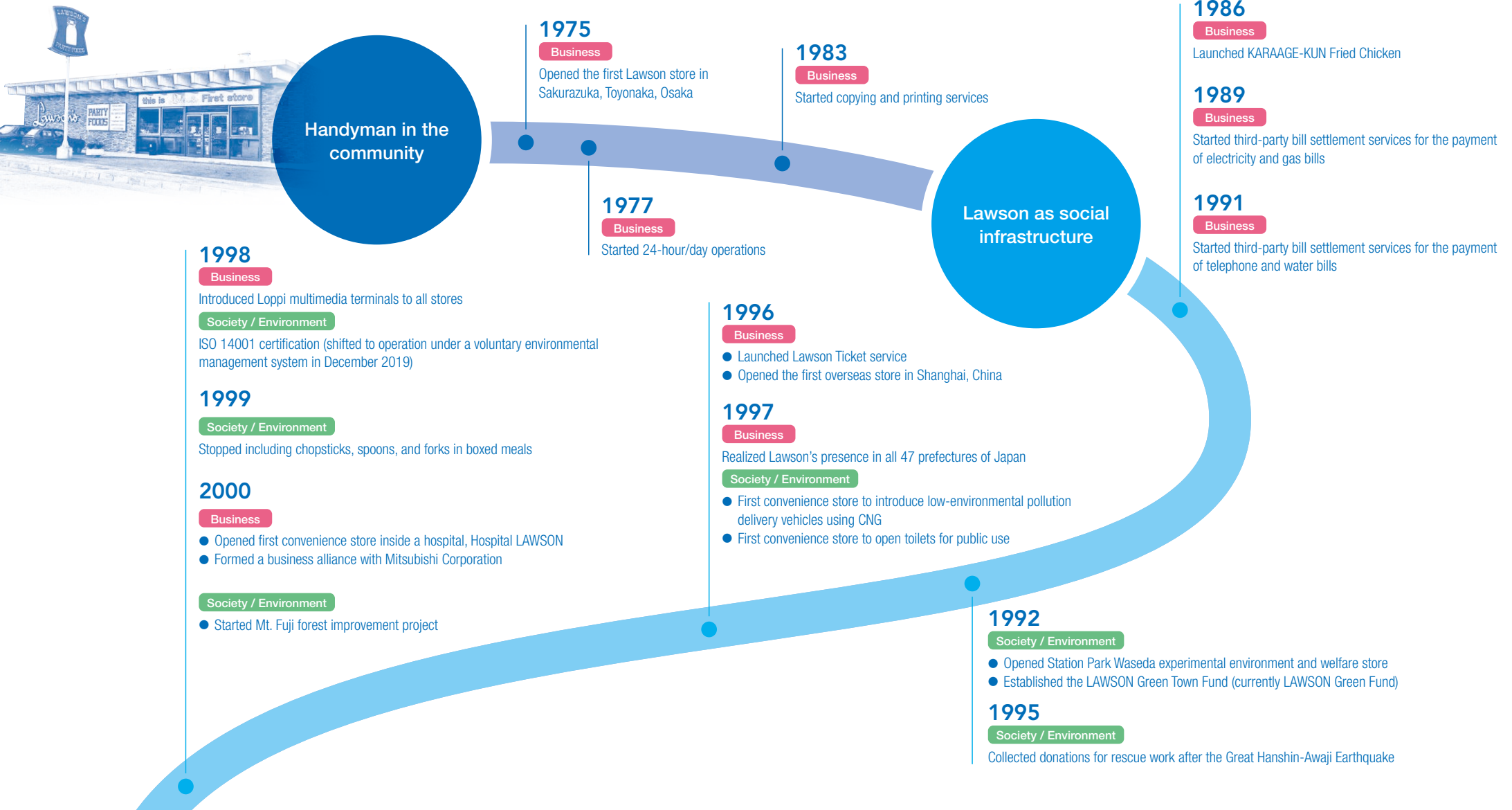
Although portions of this report were produced in cooperation with business partners in fields such as logistics, food manufacturing, and waste disposal, its focus is primarily on the business activities of Lawson, its franchise stores, and certain affiliated companies.

Reporting period

The primary focus is on targets for fiscal 2023 (March 1, 2023 – February 29, 2024), but earlier and later activities are also discussed. See the Lawson website for details: <https://www.lawson.jp/en/>

Our Journey Creating Happiness in Our Communities

Since its establishment, Lawson has responded proactively to changes in society, regularly identified customer needs, and developed new products and services. Lawson started as a handyman in the community, became a part of social infrastructure, and has become an essential presence in communities with stores that are, of course, always open. To respond to the diverse needs of customers, we continue to create stores that are well-established in their respective communities in addition to expanding services and responding to other changes in keeping with the times.



Lawson as the foundational infrastructure supporting the lives of community residents

Lawson, well-established in each community

2001

Business

- Started automated teller machine (ATM) service
- Opened first NATURAL LAWSON store

2003

Business

Established post boxes in LAWSON stores nationwide

Society / Environment

- First comprehensive regional agreement with municipal government (Wakayama Prefecture)
- Opened the first store offering prescription medicines



2010

Business

- Launched the coalition loyalty program Ponta
- Established the LAWSON Farm

2011

Business

- Established Lawson HMV Entertainment, Inc. (currently Lawson Entertainment, Inc.)
- Started operation of Machikado Chubo in-store kitchen

Society / Environment

Set up Support Dreams Fund (scholarship program for victims of the Great East Japan Earthquake)

2014

Business

- Acquired supermarket chain Seijo Ishii Co., Ltd.
- Acquired United Entertainment Holdings Co., Ltd. via Lawson HMV Entertainment, Inc.

Society / Environment

Selected as a Nadeshiko Brand (sixth time in total: 2014–2018, 2021)



2022

Business

Opened Lawson Go walk-through cashless payment stores

Society / Environment

- Installed pointing sheets with the Ear mark label at cash registers
- Opened the futuristic Green Lawson (future format stores) stores



2005

Business

Opened first LAWSON STORE 100 store

2006

Society / Environment

Started recycling waste oil in all stores

2008

Society / Environment

- Opened first eco-friendly model store
- Set own action targets for reducing CO₂ emissions



2012

Society / Environment

Launched bran bread that contains grain husks

2015

Business

Opened first care-focused LAWSON with nursing care consultation desk for seniors

Society / Environment

Selected for the Health & Productivity Stock Selection (fourth time in total: 2015–2017, 2021)

2018

Business

- Launched LAWSON BANK
- Introduction of the LAWSON smartphone cash register system
- Introduction of POS cash registers with automatic change dispensers

2016

Society / Environment

Obtained the Resilience Certification

2017

Society / Environment

Set up Support Dreams Fund (scholarship program for children from single-parent families)

2023

Society / Environment

Earned Gold rating in PRIDE Index 2023

2024

Business

Formed a business alliance with Mitsubishi Corporation and KDDI CORPORATION

Society / Environment

Collected donations to support the 2024 Noto Peninsula earthquake

2021

Business

Start of renovations for ideal store format (Sweeping Transformation Executive Committee measures)

2019

Business

- Introduction of delivery service, started tie-up with Uber Eats
- Started the operation of new, fully customer-operated POS cash registers

Society / Environment

- Established the SDGs Committee
- Formulated the Lawson Blue Challenge 2050! environmental vision

2020

Society / Environment

Provided *onigiri* (rice balls) at no cost to after-school childcare facilities nationwide, in response to the pandemic

At a Glance

Established in

1975Net sales of all convenience stores
(Consolidated)**2,750.9** billion yen

Total number of stores

21,987Number of full-time employees
(consolidated)**11,666**

Overseas Business

Number of convenience stores overseas

7,344 stores in totalChina **6,288** storesThailand **188** storesPhilippines **144** storesU.S. **2** storesIndonesia **722** stores

Domestic Convenience Store Business

Number of convenience stores in Japan*

14,643 stores in total**LAWSON** **13,865** stores**NATURAL
LAWSON** **130** stores**LAWSON
STORE 100** **648** storesStores with in-store kitchens **Approx. 9,300** storesFood delivery services **4,884** stores
in **47** prefecturesStores offering over-the-counter drugs **309** storesStores with nursing care consultation
desks for seniors **19** storesHospital LAWSON (stores in hospitals) **342** stores

* The number of convenience stores operated by the Lawson Group; includes the number of stores operated by Lawson Kochi, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

Segment profit (Billions of yen)

69.7**12.2****6.5****2.9****2.5**

Seijo Ishii Business

**216** stores*

* Total of directly managed stores, franchise stores, restaurants, and bakeries

Entertainment-related Business

Ticketing business with
the largest play guide
market shareNo. 3 in the cinema
complex industry
398 screens in **43** theaters

Financial Services Business

Number of ATMs installed **13,591**Average number of ATMs
used (per machine per day) **Approx. 56**

Community Changes for Lawson to Address

The issues facing communities have diversified over time, and people's lifestyles, awareness, and values have also changed dramatically.

So too is the environment surrounding communities changing at an accelerated pace, including climate change and the evolution of digital technology. Amid these changes, Lawson will continue to evolve to become "the hub of refreshment in every community" supporting all aspects of life for the people in its communities, bearing in mind its role as a social infrastructure and increasing social responsibility as a company.

Society / Economy

- ✓ Further declining birthrate and aging population
- ✓ Labor shortage
- ✓ Sharp inflation
- ✓ Acceleration of inbound demand



Lifestyles / Awareness

- ✓ Respect for diverse values
- ✓ Emphasis on time performance
- ✓ Achieving work-life balance
- ✓ Growing health consciousness
- ✓ Growing awareness of ethical consumption



Technology

- ✓ Evolution of AI and other digital technologies
- ✓ Social implementation of collaborative robots
- ✓ Social implementation of automated driving and drone delivery
- ✓ Expansion of the metaverse market



Environment

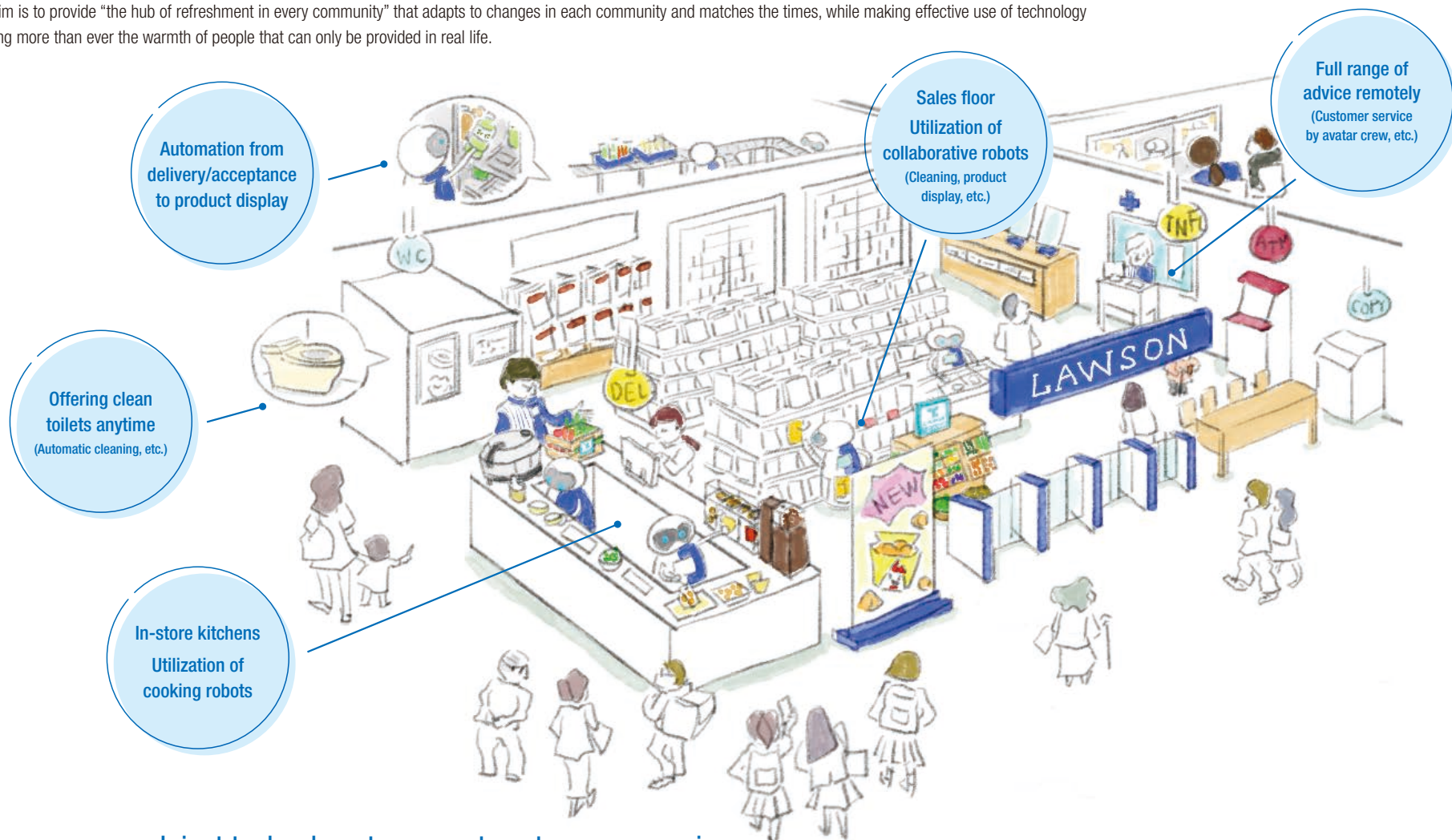
- ✓ Advance of global warming
- ✓ Intensification of disasters
- ✓ Persistence of food problems
- ✓ Outbreak of pandemics
- ✓ Outbreak of wars or conflicts



Lawson's Aim to Provide “the Hub of Refreshment in Every Community”

Lawson is working to build real stores that improve customer convenience and store operation efficiency through the use of digital technology.

Our aim is to provide “the hub of refreshment in every community” that adapts to changes in each community and matches the times, while making effective use of technology and valuing more than ever the warmth of people that can only be provided in real life.



Inject technology to support customer convenience.

Create community stations that emanate real-world warmth!

Message from the President

Tackling the challenge of becoming the “Global Real × Tech Convenience Lawson Group”



Sadanobu Takemasu

President and CEO
Representative Director
Chairman of the Board

Heartfelt gratitude to everyone

The Lawson Group faced major changes in the social environment head-on, owing to the impact from the COVID-19 pandemic in 2020. Amid that environment, we took the hands-on approach we have prioritized since our founding, and everyone made the rounds to stores to check on the state of operations and identify issues. We have employed our established strength as a business that is responsive to change to work toward the ideal future for the Lawson Group.

Together with franchise stores owners, store crews, and all Lawson Group employees, we have pursued new forms of conveniences by introducing the area company system aimed at “community based × individual customer and individual store-focused” evolution and various other projects, in addition to the projects on transforming store displays by the

Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020. Our shareholders and investors have watched over the Lawson Group to make sure that we are headed in the right direction, while sometimes voicing various stern criticisms.

Thanks to the support of our stakeholders, we achieved return on equity (ROE) of 15% or higher and earnings per share (EPS) of 500 yen or higher, the performance indicators of the Lawson Group Challenge 2025 initiative, in fiscal 2023, two years ahead of schedule. Despite delisting from the Tokyo Stock Exchange Prime Market on July 24, 2024, we all at the Lawson Group will boldly tackle the challenge of becoming the “Global Real × Tech Convenience Lawson Group,” with heartfelt gratitude to everyone.

Message from the President

Always proceeding with the sense that we are at the start

There are a few words that have stuck with me my entire life. When I was an elementary school student, the school principal—my mentor—taught me the proverb “Those who travel 100 miles are only halfway there at 99.” The original proverb says “90 miles,” but anyway it means that it is difficult to do anything through from start to finish. The understanding that I am only halfway there at 99 miles really struck home and made this a valuable lesson in persisting to the very end.

It was the persistent effort put in by our franchise stores and Lawson Group employees that enabled us to accomplish Lawson Group Challenge 2025 in fiscal 2023. This was an outstanding accomplishment that everyone should be proud of. Nevertheless, as we aim to be the No. 1 recommended brand by customers, society, and partners in 2025, the 50th anniversary of our founding, I think we are still only halfway there in light of our Group philosophy, “Creating Happiness and Harmony in Our Communities.” I also feel we are still not even halfway there from the perspective of our corporate activities being a team ultra-marathon with partners.

Even after achieving one challenge, we will continue to set our sights higher and put in more effort, without being satisfied with one success.

Goals achieved by the Lawson Group Sweeping Transformation Executive Committee and the Three Essential Practices

When we announced the performance indicators (ROE of 15% or higher and EPS of 500 yen or higher) for Lawson Group Challenge 2025, the market was skeptical and demonstrated little interest, in part because EPS had fallen to 86 yen in fiscal 2020. However, I was confident that we would not fail to achieve them. Convenience stores came to be recognized as social infrastructure and the ways in which they are used have

also changed as a result of our earnest efforts to provide service to communities amid the numerous disasters experienced in the past. Based on this, when the state of emergency declaration was issued during the COVID-19 pandemic, I thought that there was surely a big opportunity on the flip side of this big crisis, as I continued to communicate the message that headquarters would always protect franchise stores on a weekly basis. That big opportunity was the change in customer lifestyles called the “new normal.” To transform Lawson into a company that responded to this, the Lawson Group Sweeping Transformation Executive Committee launched a variety of projects, and Lawson Group Challenge 2025 was announced in the course of pursuing these projects.

Under the projects, the Lawson Group Sweeping Transformation Executive Committee aimed to transform Lawson from every perspective: transforming store displays, transforming profit structures and productivity, transforming worker motivation, investment in growth of operating companies, and pursuit of SDGs. As the committee chair, I repeatedly engaged in a cycle of discussions and feedback with those responsible for each project. This made it possible to make swift decisions and implement such decisions

on-site. Naturally our employees as well as all of the franchise stores and business partners joined together as one team and used their collective power to push this process forward, steadily accumulating results. Thanks to these, we succeeded in achieving the performance indicators for the challenge in fiscal 2023, two years ahead of schedule.

During this period, we constantly continued to preserve the Three Essential Practices, which improved customer satisfaction. They are (1) providing a quality product offering that meets community needs (creating stores that make customers happy); (2) keeping our stores and communities clean; and (3) serving customers courteously. These practices form the foundation of store operations and improve customer satisfaction by having an in-depth understanding of customers in the commercial area of each store, providing a quality product offering that meets community needs (offering a merchandise assortment focused on basic items with high demand), keeping our stores and communities clean, and serving customers courteously so customers feel good about coming into the store. I think we were able to achieve the performance indicators for the challenge by adhering to these Three Essential Practices in a quest to improve customer satisfaction.

Message from the President

Targeting “GAFAL in Asia” as the next stage

Together with KDDI CORPORATION (“KDDI”), we plan to open stores in TAKANAWA GATEWAY CITY by the spring of 2025 for a proof-of-concept (PoC) trial aimed at the goal of transforming into the “Global Real × Tech Convenience Lawson Group.” I want to conduct a series of PoC trials at the stores that utilize the connecting power and digital technology of KDDI, robotics, AI, and other assets that offer a fusion of “real” and “tech” in order to find what we can deploy to through Lawson stores in each region and gradually expand.

Over the long term, I want Lawson to develop a presence worthy of being included in the nickname “GAFAL in Asia” (“L” is the first letter in Lawson). “GAFA” is the collective nickname for companies that everyone is familiar with: Google LLC, Apple Inc., Facebook, Inc. (now Meta Platforms, Inc.), and Amazon.com, Inc. GAFA earned this nickname because they are not just major IT companies but platform providers that have drastically changed the lifestyles of consumers. By collaborating with a partner who shares the same goals, the

Lawson Group aims to transform into a “tech” company based on the “real” core convenience store business and thereby become an essential part of society that is needed even more, until the day we are referred to by the nickname “GAFAL in Asia.”

The invaluable experience of success we have gained by tackling the challenge of high goals and achieving the performance indicators (ROE of 15% or higher and EPS of 500 yen or higher) for Lawson Group Challenge 2025 two years ahead of schedule has substantially boosted our confidence. While delivering results enables people to see our efforts from the outside, there is also a world that only those working internally can see. I believe that if we believe in our own potential and continue to take actions to reach our goals, reaching the point where we are included in the nickname “GAFAL in Asia” will not be an impossible feat.

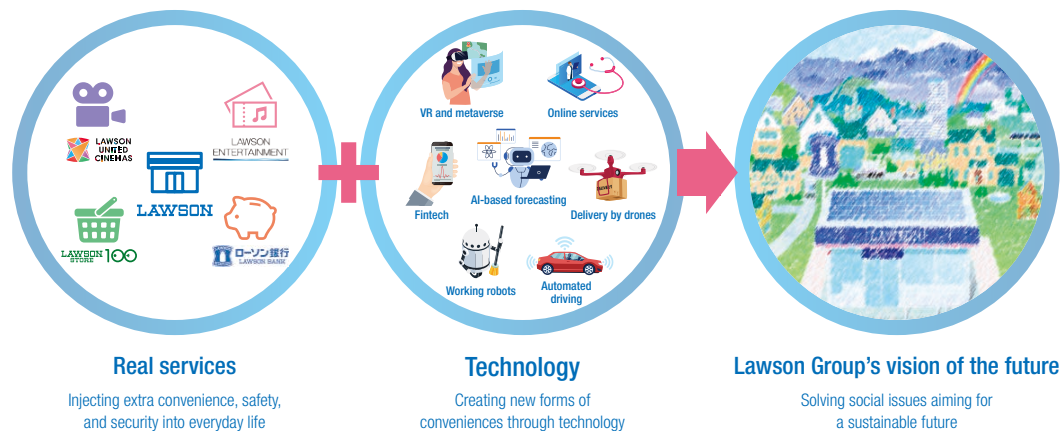
We have specified the Three Promises of our business policy based on our Group philosophy as the foundation for supporting the long-term growth of Lawson. They are: “Superior taste” of our products and services for which customers discover “Whew!” surprises; “Human kindness” based in keeping our stores and communities clean and treating customers courteously; and “Environmental (Machi) friendliness” in striving to reduce CO₂ emissions, food

loss and waste and plastic use. We aim to be “the hub of refreshment in every community” and are working on specified material issues (materiality) by synergizing the Three Promises.

“Lawson Town” concept for 2030

To become the “Global Real × Tech Convenience Lawson Group,” we must establish convenience stores that offer a fusion of “real” and “tech” that has never existed in the world. In the short term, the trial stores we plan to open in TAKANAWA GATEWAY CITY will serve as the cornerstone of the important initiative to inject “tech” to support customer convenience and create stations that emanate “real” warmth. In addition to physical stores, all employees of the Lawson Group need to develop into tech-savvy talent. We are confident that we possess a certain level of competitiveness in the retail business of operating physical stores as “real” knowledge. However, we cannot say that we possess sufficient “tech” expertise. We will therefore develop and hire human resources who can operate a convenience store that offers a fusion of “real” and “tech” while accumulating various kinds of experience in the trial store.

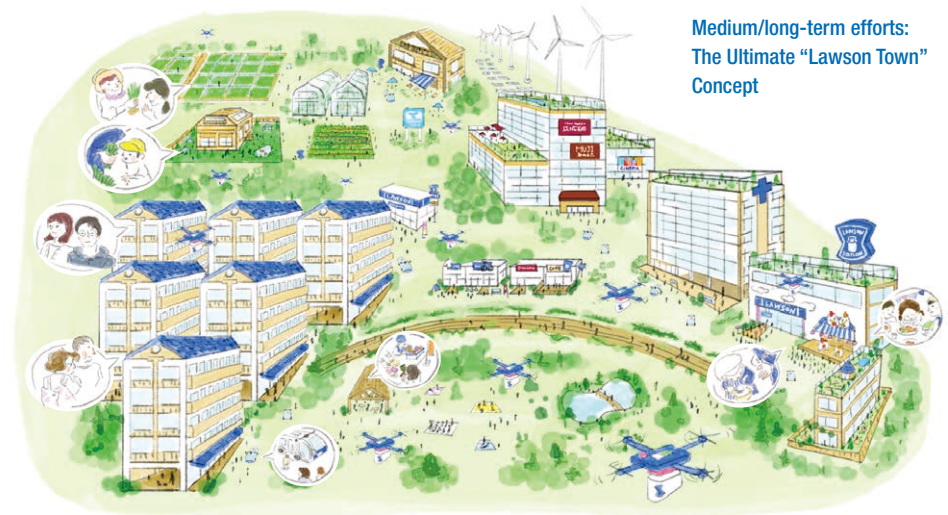
Vision of the future targeted by the “Global Real × Tech Convenience Lawson Group” concept



Message from the President

In the medium to long term, we aim to build “Lawson Towns” where people of all generations find it convenient to live. In regions where the population is declining, LAWSON is already drawing interest as promising infrastructure that will provide convenience to communities. In “Lawson Towns,” LAWSON will be the core of happiness in communities as a “Real x Tech convenience store,” utilize the functions of Lawson Entertainment, Seijo Ishii, LAWSON Farm, LAWSON STORE 100, Lawson Bank,

and other Group stores and facilities, and offer delivery by drone in addition to offering our existing delivery service. I want to realize “Lawson Towns” that will support many such conveniences with “tech,” and to that end we will partner with Mitsubishi Corporation (“Mitsubishi Corp.”) and KDDI and cooperate with local governments and others. While parts of the path are not yet visible, “Lawson Town” is a concept for transforming the crisis facing communities experiencing a continual decline in population in a super-aging society into an opportunity and realizing our Group philosophy of “Creating Happiness and Harmony in Our Communities.” It is certainly not a future that is impossible to achieve.



Medium/long-term efforts:
The Ultimate “Lawson Town”
Concept

Tackling the challenge of establishing the “Global Real x Tech Convenience Lawson Group”

Mitsubishi Corp. and KDDI will support the Lawson Group as shareholders in the future. While I look forward to the various resources both companies will provide us, it is important for Lawson to take the initiative on efforts to realize the “Global Real x Tech Convenience Lawson Group” concept. Transformation into a retail business that offers of fusion of “real” and “tech” cultivated thus far means tackling the challenge of creating a convenience store unlike any existing convenience store in the world. It will involve overcoming many obstacles. It is important for each and every one of the more than 200,000 team members, including employees, franchise store owners and crews, and those in other roles, to have a sense of ownership more than ever before

and conscientiously fulfill their individual roles for the ideal future while sharing the issues and results with everyone. On top of this, we will combine the knowledge and skills of our partners, Mitsubishi Corp. and KDDI, and thereby accelerate our effort to realize our future vision.

Based on our Group philosophy, “Creating Happiness and Harmony in Our Communities,” we will pursue more new forms of conveniences to realize the “Lawson Town” concept. I ask all of our stakeholders to continue watching out for Lawson by exercising “tough love” and to check if the Lawson Group is headed in the right direction and if it continues to tackle new challenges.



Message from the CFO

Advancing growth of the Lawson Group from the financial perspective

Masayuki Itonaga

Member of the Board, Executive Managing Officer, CFO



A year focused on the effectiveness of investments

In fiscal 2023, the Lawson Group as a whole achieved record-high profits, boosted by profit growth in the domestic convenience store business and a return to profitability in overseas business, which had struggled and recorded a loss in the previous fiscal year due to the impact of lockdowns during the COVID-19 pandemic. A variety of measures implemented by the Lawson Group Sweeping Transformation Executive Committee and Happy Lawson Project!, a long-term marketing project, were among the initiatives that contributed to this success.

The Group actively invested in initiatives to increase earning power, mainly in Happy Lawson Project! and IT investments that will contribute to future profit, and took steps to control costs to preserve financial discipline. We examined whether or not to implement various projects from a completely fresh perspective. Specific examples of this include verifying the return on investment (ROI) of marketing projects that have tended to expand with the turnaround from the severe conditions during the COVID-19 pandemic to growth in revenue and profit, narrowing down projects to those

that are highly effective, and reassessing the number of campaigns to run for those that have been implemented several times a year in the past. The comprehensiveness of these controls was one factor behind the growth in profit, and we were able to achieve the performance indicators (return on equity [ROE] of 15% or higher and earnings per share [EPS] of 500 yen or higher) for Lawson Group Challenge 2025, our medium-term management vision, two years ahead of schedule.

In the rapidly changing environment following the COVID-19 pandemic, the various measures implemented thus far to ensure we have a business that responds to change produced positive results, and I feel this succeeded in restoring the Group's earnings power to what it was before the pandemic and building the corporate stamina to achieve further growth. We have also prioritized information disclosure and focused on investor relations (IR) activities to disclose the appropriate information to all of our stakeholders to give the market a better understanding of what Lawson's good points are, its growth strategy and future prospects, and other pertinent information.

Fiscal 2023 core operating profit

On the revenue front, Happy Lawson Project! and other marketing projects produced results. Combined with the positive results from various projects implemented by the Lawson Group Sweeping Transformation Executive Committee, the recovery in customer traffic, and other factors, this resulted in a 4.6% year-on-year increase in existing store sales and a great-than-expected increase in other operating revenue. Royalties from franchise stores and other fees outperformed both the year-on-year figures and the plan. On the expense front, marketing actions such as Happy Lawson Project! television commercials and app coupons were implemented according to plan, while we controlled expense growth, mainly by streamlining existing projects and consolidating projects with Happy Lawson Project!. We were able to keep expenses lower than the plan through steady cost reductions, even while investing substantially in IT and other costs associated with base building. Group companies overall also recorded profit growth and achieved the plan due to profit growth in overseas business and in entertainment-related business.

Message from the CFO

The domestic convenience store business is still in the process of growing

The business environment for the domestic convenience store business has been appraised by analysts and institutional investors as “saturated, with limited room for future growth.” Macroeconomic factors such as population decline also exist, and we understand that perspective. However, there are also cases in which a supermarket has withdrawn from an area where the population is declining and where there have been requests to open a store at the site where the supermarket once was. We consequently think there is still room to open and operate convenience stores in Japan. Furthermore, when I thought about this from the perspective of our Group philosophy, “Creating Happiness and Harmony in Our Communities,” I could see that there is still much room to provide new forms of conveniences. For example, we receive many requests from customers to sell over-the-counter drugs, which are regulated under the current laws, online, and this would be a new form of convenience. From this sort of perspective, I can say that the convenience store business in Japan is still in the process of growing.

The domestic convenience store business is a core business and an earnings pillar of the Lawson Group over the medium and long term as well. If we expand our business domain through the fusion of “tech” with the convenience store business, which mainly provides “real” services in existing stores, I think we can achieve further growth.

Fulfilling our responsibility as “public infrastructure”

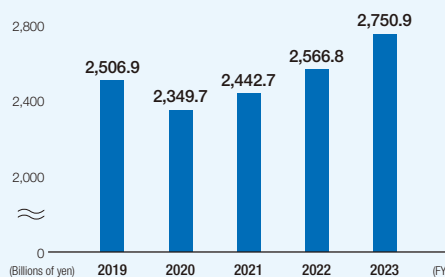
We are targeting our future ideal of becoming the “Global Real × Tech Convenience Lawson Group.” Although we have not yet produced estimates of specific strategic investments, we will continue to pursue the realization of our Group philosophy while actively investing in growth and maintaining financial discipline as we have up to now, based on ample free cash flow of around 300 billion yen, even without the stern eyes of previous investors on our Group after delisting.

We are currently working to strengthen home delivery services for store merchandise. Lawson has already introduced an automatic linking function that enables delivery service providers to see whether a store has inventory via an app, and also plans to expand the number of products handled and proceed with marketing programs. Because there is no cannibalization between customers who use delivery service and customers who come into stores, I think there is substantial room for growth. We are also investing actively in IT. One example of this is the introduction of a next-generation AI-based ordering system (AI.CO). We will continue to actively make such investments in growth and realize new forms of conveniences.

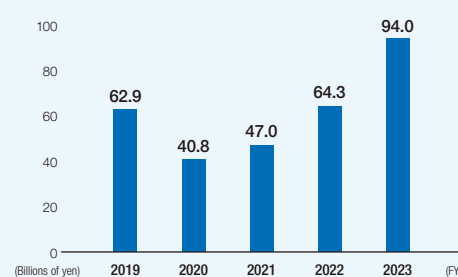
The Lawson Group is “public infrastructure” that occupies one corner of the convenience store industry. In addition, its business is franchise business, with its core supported by partner franchise stores. Therefore, we need to disclose appropriate information on our performance and financial status. We will continue to disclose appropriate information on them to fulfill two purposes: our social responsibility to widely disclose trends in the convenience store industry and our commitment to provide appropriate information to franchise stores, who are our stakeholders.

Challenge 2025 performance indicators for fiscal 2025 ROE 15% or higher EPS 500 yen or higher

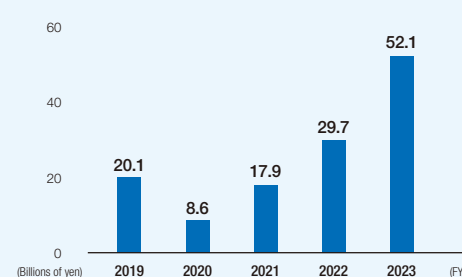
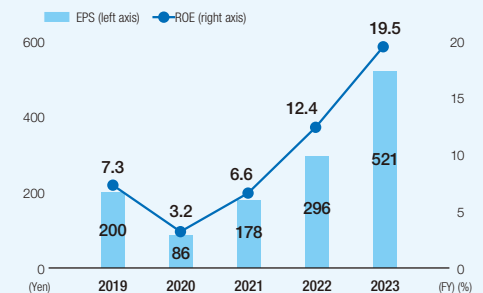
Net sales of all convenience stores (Consolidated)



Operating income (Consolidated)/Core operating profit



Profit attributable to owners of parent

Basic earnings per share (EPS)/
Return on equity attributable to owners of parent (ROE)

Note regarding graph values: FY2019–FY2021: Japanese GAAP; FY2022–FY2023: IFRS

Materiality for Creating Happiness in Our Communities

Initiatives to improve sustainability

■ Approach to sustainability

Under its Group Philosophy of “Creating Happiness and Harmony in Our Communities,” the Lawson Group does business in a customer-centric way with the aim of providing “the hub of refreshment in every community.” To realize happiness for our communities, it is essential to bring about a sustainable society for the future and to coexist synergistically with our stakeholders. To hand down a prosperous future to our children, we have established the Lawson Group Sustainability Policy based on the Lawson Group Corporate Conduct Charter, under which we do business sustainably alongside our stakeholders.



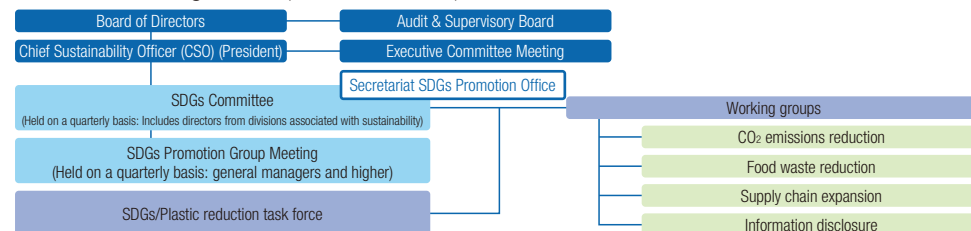
Lawson Group Sustainability Policy
https://www.lawson.jp/en/csr/policy/sustainability_policy/

■ Establishment of a system to improve sustainability

The Lawson Group has established the position of chief sustainability officer (CSO) to address environmental issues such as climate change and social issues including human rights through the practice of ESG-based management. Currently, the president and CEO serves in this position. In addition, the SDGs Promotion Office has been established as a dedicated department under the direct purview of the president. This office also serves as the secretariat for the SDGs Committee, which is held four times a year, with committee members comprised of heads of departments related to sustainability, and is responsible for the sustainability activities of the entire Group.

Under the SDGs Committee, we have established working groups to examine specific measures to be taken regarding particular topics that require a quick response by the Group—namely, reducing CO₂ emissions, reducing food loss, food waste, and plastic use, the supply chain, and information disclosure. Based on the results of these discussions, the SDGs Committee confirms policy and, if necessary, the Executive Committee Meeting and the Board of Directors make decisions on activity direction.

SDGs Committee Organization (as of March 1, 2024)



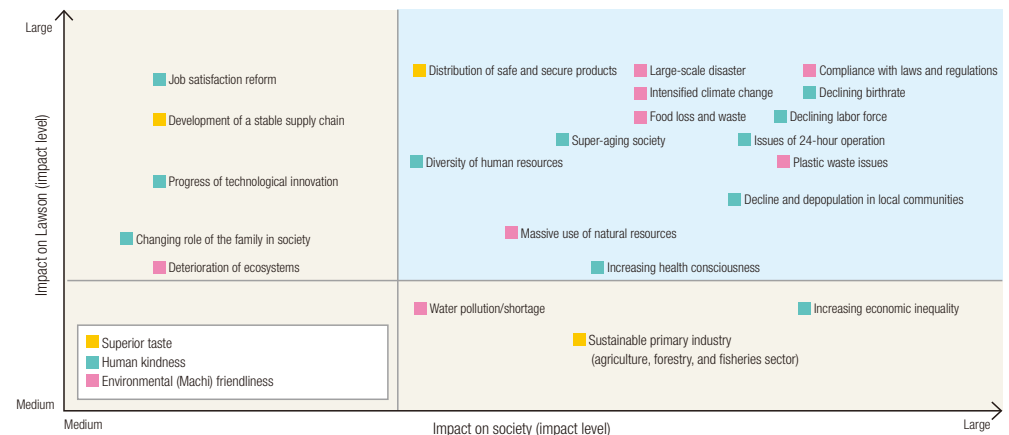
■ Advancing initiatives based on material issues (materiality)

The Lawson Group believes that taking on challenges through its Three Promises in doing business and advancing its value creation processes will contribute to the achievement of the Sustainable Development Goals (SDGs) and help bring about a sustainable society, and is actively working to resolve social issues accordingly.

To extract social issues that the Lawson Group should address, we have identified six material issues*. These are sustainability issues that should be prioritized based on our Three Promises and that have a significant impact on the environment, society, and economy in our business activities, including in the value chain. Each of our departments and Group companies are advancing ambitious and collaborative efforts to address our material issues with rigorous adherence to the Three Promises. In addition, initiative status in this area is regularly reported to the SDGs Committee in order to make progress as a Group.

* For more details on our six material issues (materiality), see page 14.

Impacts of identified social issues



Steps to identify material issues (materiality)
<https://www.lawson.jp/en/csr/promotion/>

Signing the UN Global Compact

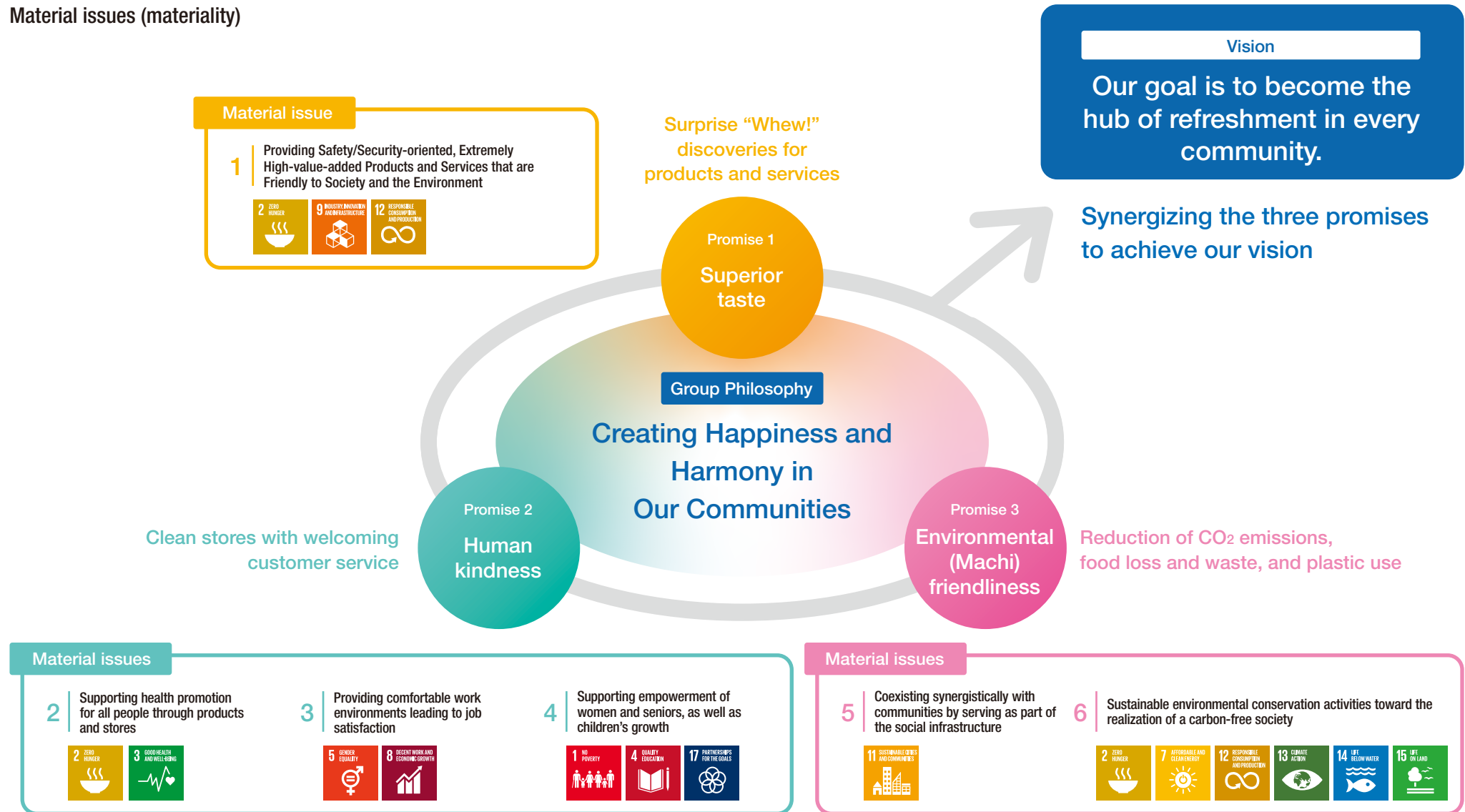
Lawson signed the United Nations Global Compact in May 2022 and will contribute to the development of a sustainable society by supporting and practicing the ten principles in the four areas of human rights, labour, environment, and anticorruption.

Under our Group philosophy, we will earnestly consider what we can do for our customers, our communities and the planet and actively take on the challenge of resolving medium- and long-term issues involving the environment and society.



Materiality for Creating Happiness in Our Communities

Material issues (materiality)



For more information about material issues (materiality)
<https://www.lawson.jp/en/csr/promotion/>

Community Happiness Creation Process

Input

Human Capital

Employees, who are the most important capital for realizing happiness in our communities and advanced store productivity [▶ P. 40](#)

Number of consolidated employees: **11,666**

Employee awareness survey
Positive response rate: **75.0%**

Number of 100 Million Yen
Challenge entries: **501**

Intellectual capital

Membership base for enhancing customer satisfaction
and digital technology for realizing high level of store productivity

Group ID

- Ponta membership

Approx. **117.77** million people
(As of the end of May 2024)

- Lawson online members*

Approx. **27.70** million people

Digital technology

- Self-checkout registers

All stores

- LAWSON smartphone
checkout service

102 stores
(As of July 1, 2024)

Note: Lawson online members is a membership service offering access to Lawson Group services such as HMV and L-Tike.

Social and relationship capital

Franchise store owners and partners meeting customer and community needs

Total number of visitors to
Lawson stores per day
(domestic)

Approx. **10** million

Franchise store
owners

Approx. **5,400** people

Achieving product development
meeting the customers' needs

Vendor network

Financial capital

Stable financial foundation enabling a flexible response to changes in the business environment

Capital

(Total equity attributable
to owners of parent)

284.7 billion yen

Interest-bearing debt

256.0 billion yen

Natural capital

System for coexisting synergistically with the planet and society [▶ P. 34](#)

CO₂ emissions
reduction rate **33.5%**

Food loss and waste
reduction rate **26.2%**

Plastic use
reduction rate **34.8%**

Operating capital

Diverse store formats and functions that respond to the needs of everyday life and realize small commercial area-based manufacturing and retailing

Domestic Convenience Store Business

14,643 stores

- NATURAL LAWSON

130 stores

- LAWSON STORE 100

648 stores

- Hospital LAWSON

342 stores

- Stores with nursing care
consultation desks for seniors

19 stores

- Stores that sell over-the-counter
pharmaceuticals

309 stores

Seijo Ishii business

216 stores

Entertainment-related business

- HMV

49 stores

- Lawson United Cinemas

43 theaters

Financial Services Business
Lawson Bank ATMs

13,591

Overseas business

7,344 stores

Notes: 1. For the Seijo Ishii business, the total number of directly managed stores, franchise stores, restaurants, and bakeries is shown.

2. As of March 1, 2024, United Cinemas Co., Ltd.'s name was changed to Lawson United Cinemas, Inc.

Community Happiness Creation Process

Medium-term management vision
Lawson Group Challenge 2025

▶ P. 17

Business model

Business that
responds to change

Resolving social issues aiming for a sustainable future

Hands-on capabilities ▶ P. 20

Environmental vision
Lawson Blue Challenge 2050!

▶ P. 33



A Management Foundation for Creating Happiness in Our Communities

Corporate governance, internal control, SDGs promotion system ▶ P. 44

Group Philosophy

Creating Happiness and Harmony in Our Communities

Output

Domestic Convenience Store Business

- Provide products and services suited to the local area and the business environment of individual stores
- Operate stores as social infrastructure that closely supports communities and customers' lives

Seijo Ishii Business

- Offer distinctive, high-quality products

Entertainment-related Business

- Provide entertainment through ticketing and cinema complex businesses

Financial Services Business

- Based on the convenience store concept, provide necessary financial services when they are needed

Overseas Business

- Provide Japanese-style convenience stores overseas
- Provide products and services tailored to that country's culture

Outcome

Becoming an essential part of the community that provides support for residents ▶ P. 37

Customers

- Provide products with superior taste and various services
- Provide a place people can stop by anytime

Local communities

- Resolve social issues and offer safety and security to communities

Franchise store owners

- Provide opportunities for self-actualization and fulfillment by contributing to communities

Store crews and other store staff

- Offer opportunities for self-realization through motivating work

Business partners

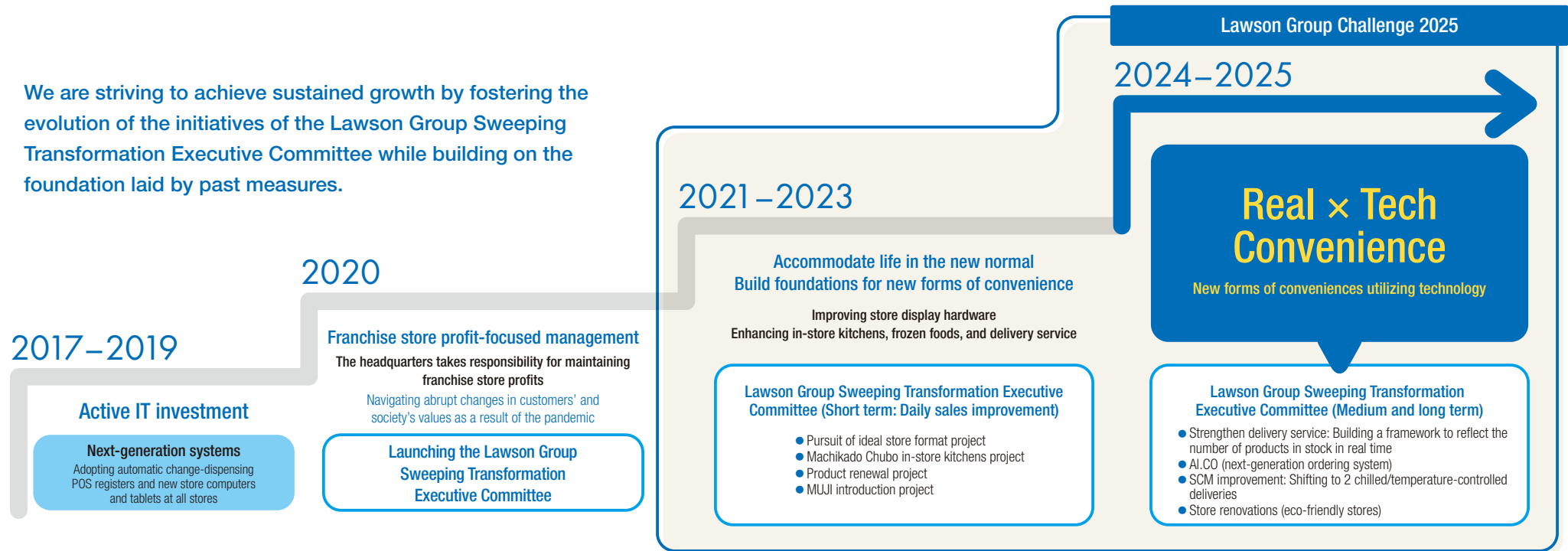
- Build a collaborative framework for resolving social and environmental issues

Group employees

- Provide appropriate evaluation, compensation, placement, and job satisfaction

Lawson Group Challenge 2025

We are striving to achieve sustained growth by fostering the evolution of the initiatives of the Lawson Group Sweeping Transformation Executive Committee while building on the foundation laid by past measures.



■ Fiscal 2017 to fiscal 2020: Laying a new foundation

From fiscal 2017 to fiscal 2019, we made active IT investments in an effort to address labor shortages caused by the shrinking of the working age population and to further streamline store operations. In fiscal 2017, we introduced tablets for managing stores' work schedules in order to put in place an environment in which store crews could do their jobs in a consistent and uniform manner, and by fiscal 2019, we had introduced automatic change-dispensing POS registers so that foreign and newly hired store crew members could easily operate registers.

In fiscal 2020, when the business environment changed dramatically as a result of the pandemic and store sales were falling, we responded by embracing an approach to management that focuses on franchise store profit, moving to implement a thorough slate of pandemic-related measures at stores while offering headquarters assistance to low-revenue stores. Furthermore, we focused on ensuring an environment in which franchise stores could operate with peace of mind and on orchestrating a recovery in sales. Furthermore, we launched the Lawson Group Sweeping Transformation Executive Committee in September with the goal of realizing growth in the new business environment and launched a series of initiatives to give shape to a Group-wide growth strategy.

■ Fiscal 2021: Realize new forms of convenience

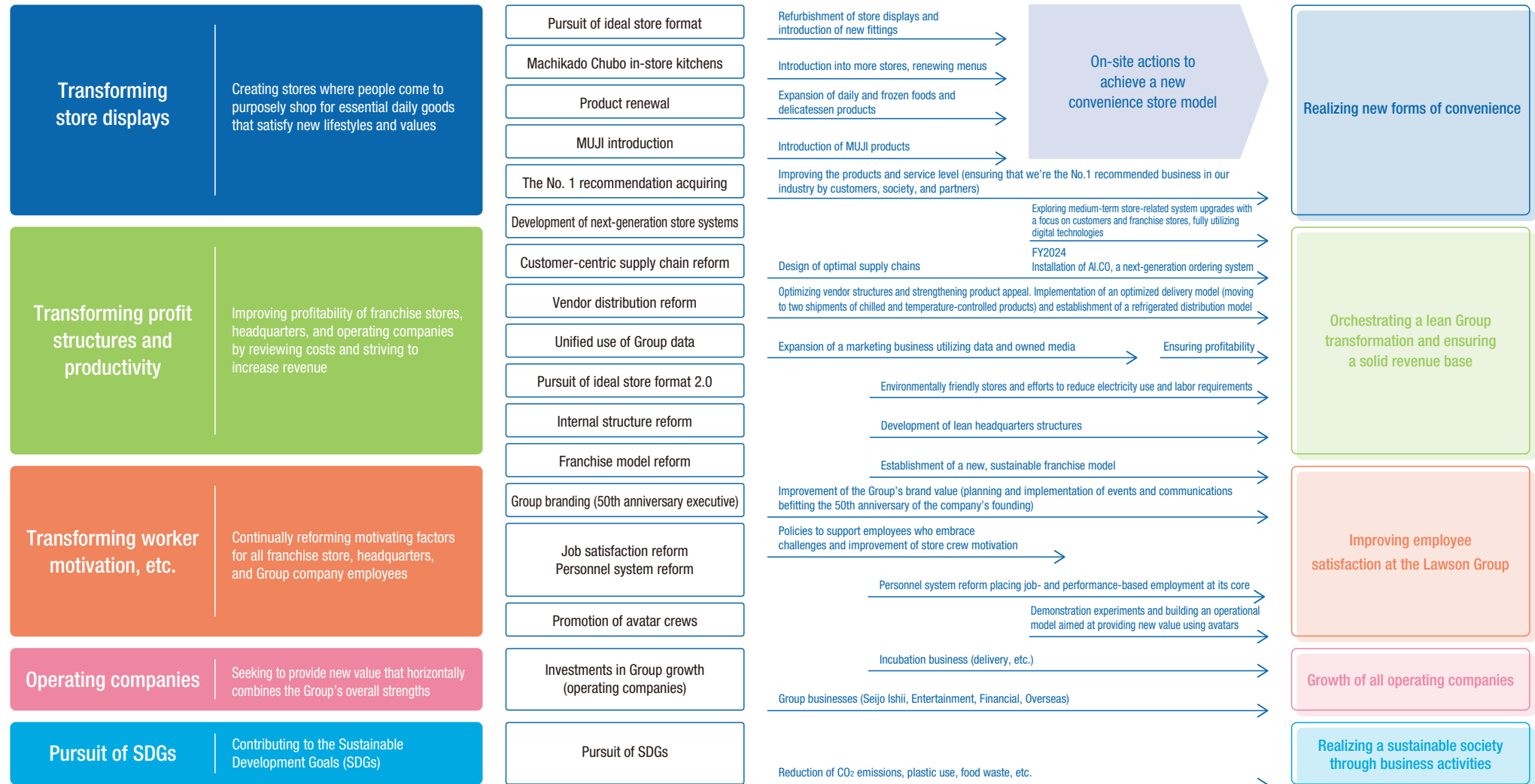
We formulated the Lawson Group Challenge 2025 in fiscal 2021 setting 2025 as a target year, which is the 50th anniversary of our founding. The initiative strives to put into practice our Group philosophy of "Creating Happiness and Harmony in Our Communities" by ensuring we are the No. 1 recommended brand by customers, society, and partners alike and creating "the hub of refreshment in every community" in the pursuit of new forms of convenience. To realize new forms of convenience, we launched the Lawson Group Sweeping Transformation Executive Committee, which is undertaking a variety of initiatives centering on the Three Promises of our business policy: "Superior taste," "Human kindness," and "Environmental (Machi) friendliness." The committee, which is chaired by the president to ensure it can function in an agile manner, is carefully managing progress by setting milestones for individual projects. From fiscal 2021 to fiscal 2023, we achieved results by implementing initiatives to make daily sales improvements; for example, through the pursuit of the ideal store format project and implementation of the Machikado Chubo in-store kitchens project, the product renewal project, and the MUJI introduction project.

From fiscal 2024 onward, we will continue our efforts to realize new forms of convenience under the banner of "Real x Tech Convenience" by enhancing delivery and introducing AI.CO, a next-generation ordering system.

Lawson Group Sweeping Transformation Executive Committee

The Lawson Group Sweeping Transformation Executive Committee, chaired by the president, was launched in September 2020 as a core project under Lawson Group Challenge 2025 with the goal of responding agilely to rapid changes in the business environment during COVID-19.

Committee chair: Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board and CSO*



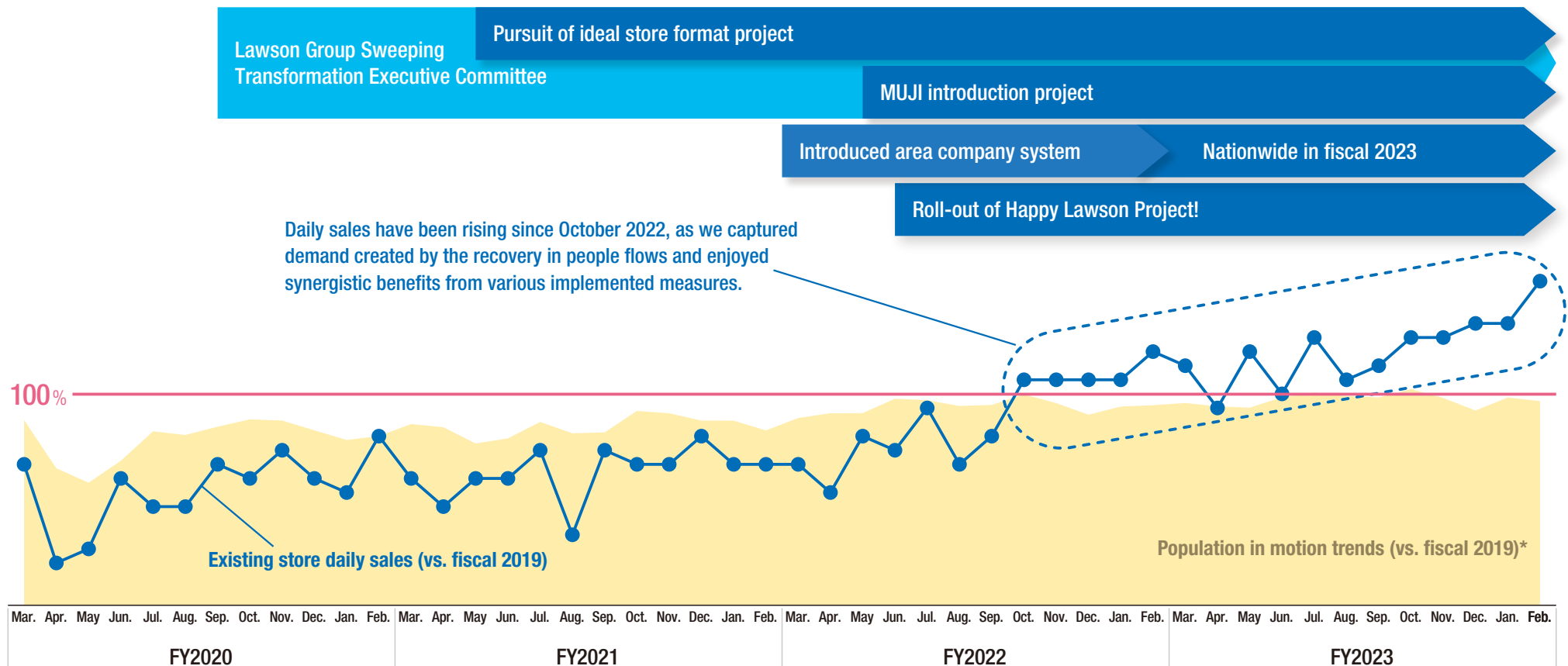
* CSO: Chief Sustainability Officer

Context for daily sales growth — Business environment and measures since the COVID-19 pandemic

Daily sales for existing stores fell sharply with the 2020 outbreak of COVID-19 and, though sales were on an uptrend with recovered people flows since then, they remained below pre-pandemic levels until September 2022. In this challenging business environment, we launched the Lawson Group Sweeping Transformation Executive Committee in September 2020, under which we have been advancing a number of projects, including the pursuit of ideal store format project, the Machikado Chubo In-store Kitchens project, the product renewal project, and the MUJI introduction project. By doing this, we have worked to polish our stores to keep them aligned with the changing values and lifestyles of society and customers. Specifically, we have expanded our lineup of frozen foods and enhanced our selection of cosmetics and other daily necessities to capture demand in daily life, and we have created stores that offer new value by establishing Machikado Chubo in-store kitchens.

In addition, we launched the Happy Lawson Project! in June 2022, rolling out long-term marketing measures toward 2025 to attract customers, and also focused on having customers see the transformed Lawson stores. Furthermore, by rolling out the area company system across Japan from March 2023, which was first introduced in Hokkaido and the Kinki region in 2022, we implemented measures aimed at “community based × individual customer and individual store-focused” as well as increasing the degree of execution in each area.

As a result of the synergistic effects generated from these transformed stores and other various measures, existing store daily sales exceeded pre-pandemic levels in October 2022 and continued to grow even as the shift to post-COVID norms continued.



* Source: Regional Economy and Society Analyzing System (RESAS), Japan Cabinet Office

Feature Hands-on capabilities

The hands-on capabilities of franchise store owners and supervisors to address the needs of the community

At Lawson, stores (franchise store owners) and headquarters (branches and supervisors) work as a team to create stores that are well-established in and address the needs of the community (customers). We invited two people, the franchise store owner and supervisor who combine their hands-on capabilities, to tell us about the creation of the LAWSON Fukuoka Ozasa Danchi-mae store.



Kensaku Shibata
LAWSON Fukuoka Ozasa
Danchi-mae store
Owner

Satomi Hayashi
Kyushu Store Sales Department,
Fukuoka Nishi Branch
Supervisor

What is the mutual interaction between the owner and supervisor?

Mr. Shibata, the owner (hereafter, “Shibata”): I opened the LAWSON Fukuoka Ozasa Danchi-mae store about 10 years ago. Before that, I was working as a store manager at a different LAWSON store with the goal of going independent, so I was happy when I became an owner. I have been meeting with Ms. Hayashi for about two years. She is reassuring and very easy to talk to.

Ms. Hayashi, the supervisor (hereafter, “Hayashi”): I have been in charge of the Fukuoka Ozasa Danchi-mae store since June 2022. Before that, I gained experience as a supervisor in Saga Prefecture for about five years,

Collaborative store creation by the store and branch

then transferred to headquarters, after which I became a supervisor again. Mr. Shibata is an owner with very flexible thinking and tackles challenges we supervisors propose with a positive attitude.

Shibata: Ms. Hayashi enthusiastically presents various proposals so that makes me want to take on the challenge and see how it goes.

How do you approach store creation?

Shibata: The Fukuoka Ozasa Danchi-mae store is in one corner of a residential area containing public housing and other apartment complexes and single-family homes, and located close to a zoo and botanical garden. It is an area where many customers bring their families on weekends and national holidays, in addition to nearby residents.

Hayashi: Many senior customers have come into the store on an almost daily basis since the store opened, and the store sells many fresh and frozen foods because they say “the convenience store is closer than the supermarket, which is quite a distance away.” The biggest change recently was the increase in female customers who enjoy shopping at the MUJI product section, for which Mr. Shibata is particular about the stock keeping unit (SKU) numbers and inventory volume of the products.

Shibata: The customers coming into the store differ depending on the day of the week, so I am also always changing the merchandise assortment. I discern customer changes and needs and change the number of products lined up, the display size, and so on through a process of trial and error. I take charge of those aspects because I often make intuitive decisions based on experience, but I also solicit the opinions of my children on hot-selling gummies and other

favorites and use their advice in the merchandise assortment. I think things go well when I accept the opinions and proposals of the branch and supervisor and try them without letting some weird ego get in my way. Ms. Hayashi is also not one to take the approach of “this is what headquarters instructed,” so we are able to engage in an honest exchange of opinions.

Hayashi: Mr. Shibata and nearly all of the franchise store owners have a longer history and more extensive experience with LAWSON than we do as supervisors, and they are in the stores for much longer periods of time. I therefore do not propose a cookie-cutter approach of my own or by headquarters. I work closely with each store while asking the owner and store manager what would be a good approach. I think it is best to work together to realize the vision by adopting an approach suited to each store.

Shibata: I feel I am growing closer to headquarters with each passing year. My store has many customers who bring their families in, so ice cream is one of the top-selling items. The branch proposed expanding the ice cream store display more to see if it would sell more ice cream, and the resulting performance actually showed how effective that was.

Hayashi: I think this effort demonstrates the good aspects and strengths of Lawson, where the branch managers and branch team members provide support in a timely manner, rather than just having one supervisor in charge of a store. When we expanded the ice cream store display, the assistant to the branch director also helped, and this gave me the sense of contributing to increasing store sales along with a superior and team members I can rely on.

1 Feature Hands-on capabilities

The hands-on capabilities of franchise store owners and supervisors to address the needs of the community

Pushing ahead together to **create** the **ideal store**



Horizontal freezer showcases lined with carefully selected ice cream and frozen foods

What do you place importance on in store creation?

Shibata: At the Fukuoka Ozasa Danchi-mae store, I place importance on customer service, cleaning, and creating store displays, based on the Three Essential Practices espoused by Lawson. I am keenly aware of thoroughly promoting these efforts and work on them every day.

Hayashi: The Three Essential Practices cannot be achieved by franchise store owners alone. It is also important to educate the store crews (part-time and temporary workers).

Shibata: At present, women from Nepal comprise more than 90% of the Fukuoka Ozasa Danchi-mae store crew. A crew member likes my store and has introduced one friend after another, so I am not in need of more crew

members, but there is also a problematic aspect that teaching them the Three Essential Practices is difficult. However, with the cooperation of the crew who is proficient in Japanese, the crew members now can provide meticulous service.

Hayashi: I have explored ways to make sure that all crew members have the same level of understanding of the fine aspects of courtesy and manners, of course, as well as how to set up product displays so customers can enjoy shopping, while enlisting the cooperation of the crew member. Now, the store is full of smiling faces, the crew members know the customers by sight, and the store has grown to be an integral part of the community.

Shibata: I have also asked Ms. Hayashi to have a Lawson trainer come out and train the crews in the past.

Hayashi: When I visit the store, I discuss the plans for the next week, roll-out of new products, how to showcase the store displays, and other topics. In addition to this, recently, the number of meetings about human resource development has increased. Human resource development is an important effort that the stores and headquarters work on together to increase daily sales. The female crew member from Nepal who was mentioned earlier hopes to become a store manager in the future, and I am proceeding with a plan to have her receive individual mentoring in a store that has a store manager who is not Japanese.

Shibata: On Ms. Hayashi's advice, I resumed Uber Eats service that had suspended.

Hayashi: We are working to strengthen delivery at LAWSON and to have operations become simpler, so I have proposed giving it another try several times.

Shibata: Previously, there were days when we didn't receive any orders, or if we did, it was only one order. However, we now receive three to four orders a day constantly and daily sales are increasing, thanks to Ms. Hayashi.

Hayashi: I feel honored and privileged to be of assistance as a supervisor.

Shibata: After operating the store for 10 years, I think I am a little closer to my ideal store. In the future, I want to use my experience at the Fukuoka Ozasa Danchi-mae store to increase the number of stores supported by customers and bring smiles to more faces.

Hayashi: The enticing part of my work as a supervisor is working together with owners to create stores that are well-established in communities and bring smiles to customer's faces. In the future, I want to interact with many owners in various places and gain broad experience.



A well-stocked fresh produce section with a wide range of vegetables and fruits with both convenience and happiness for customers

Feature Hands-on capabilities

Area companies putting “community based × individual customer and individual store-focused” concept into practice

At Lawson, we are pursuing the concept of “community based × individual customer and individual store-focused” under area companies that expanded to cover eight areas nationwide in fiscal 2023. Our goal is to maximize merchandising power and provide better products and services to customers while systematically pursuing value from the customers’ perspective at local stores, which are close to the customer. We asked the company presidents to tell us about their efforts and achievements in Kinki and Hokkaido, where the area company system was introduced first.



Assuming the heavy responsibility of being **community infrastructure**

Hiroko Washizu
Deputy Senior Vice President, Hokkaido Company President

The characteristic that stands out about Lawson in Hokkaido is that it functions as community infrastructure. A consumer survey revealed that a greater-than-expected number of customers think of convenience stores as infrastructure, from their experiences with earthquakes and other disasters. While it is very difficult to open a store in some cases due to local characteristics, social issues, and other factors, we at the Hokkaido Company always think about how we can contribute to the communities and customers.

The LAWSON Kami-Atsuma store was opened in response to a request from the town of Atsuma, where the supermarket had closed as the population declined. Unable to open a standard store, we developed and opened a new “Kami-Atsuma model” store. When we opened a store in the city of Wakkanai, where heavy snowfall sometimes delays distribution, we introduced a unique store format, which had an expanded stock yard in the back to prevent stock-outs and was equipped with a Machikado Chubu in-store kitchen service. The 24-hour operation, ATM, and home delivery service Lawson offers provides new value to the local community, and this gave

rise to the secondary benefits of positively stimulating the entire community and improving the living environment.

Hokkaido residents have a strong interest in companies that take good care of Hokkaido. For our stores, lumber produced in Hokkaido was used for the exterior and other parts and the buildings were registered as a “HOKKAIDO WOOD BUILDING.” This was the result of approach from the local government, which saw how Lawson operates stores that are well-established in the local community.

The introduction of the area company system has increased the sense of solidarity in our company and helps resolve difficult issues under the cross-departmental cooperative structure. We will continue to be responsive to what customers ask of Lawson and work to fulfill our heavy responsibility to provide community infrastructure.

I want people to say “**Lawson is good**” in the future too

Yuichi Wada
Senior Executive Managing Officer, Kinki Company President



Under the area company system, we now work to boost the execution of chain-wide strategies and projects and pursue the concept of “community based × individual customer and individual store-focused” as viewed from the customer’s perspective. One element of Lawson’s competitiveness is its approximately 14,000-store merchandising power. However, we were not able to fully utilize that competitiveness under the former branch system because the branches competed with one another. Based on that experience, and with our role and responsibilities as an area company in mind, we are boldly tackling the challenges of product development and sales promotional measures unique to Kansai while making sure that everyone on-site understands Lawsons’ company-wide strategy and strengthening interdepartmental cooperation.

In Osaka, where Lawson began, customers who were Lawson fans told us “Lawson is good!” in their charming Osaka dialect. To increase the number of “Lawson is good” comments, the Kinki Company is carrying out unique projects closely connected with the local communities, such as supporting the Hanshin

Tigers and developing a local menu of *Eemon Kansai!* (Kansai good things) dishes. We have also partnered with the local radio station and are rolling out campaigns about KARAAGE-KUN Fried Chicken and sweets tie-ups, creating buzz and resulting in more store visitors. These initiatives were shared nationwide through the Marketing Strategy Division, and some were also expanded to a nationwide scale.

Introduction of the area company system not only clarified roles of each area, but it made it easy to narrow down the points we should focus on and enabled us to tackle them. On-site human resource development is one of those points. From the stronger stores resulting from such development, we will continue to focus on communicating plans that are unique to Kansai and striving to make sure that Lawson is supported by its customers.

Feature Hands-on capabilities

Evolving Lawson marketing and tackling continual challenges

Targeting the optimal solution of “an evolved Lawson” × “superior taste and good bargain”

Yoshizawa: As COVID-19 was gradually beginning to come to an end and customer traffic showed signs of recovery in 2022, we launched Happy Lawson Project! as a long-term promotional effort to have customers continue to experience the feeling that the store merchandise assortment, customer service, and cleanliness had changed. My responsibility is the overall management of our planning process. My role is to direct planning to reflect the opinions of customers, franchise stores, and the Store Sales Division while coordinating with each division and business partners.

Okumura: I direct the entire process from dealing with advertising agencies in day-to-day field work and promotion planning and design by each departmental team to production, managing progress, and verification.

Yoshizawa: What is different about Happy Lawson Project! compared to previous marketing projects is that it is a long-term promotional plan, not a one-off project. Another point is that we are pursuing this project in tandem with the Store Sales Division's advice on merchandise assortment so that the actual appearance of stores does not differ from the store concept featured in television commercials.

Okumura: The point we particularly emphasized in television commercials and other advertising is that the words Happy Lawson Project! foster the impression of Lawson stores having products of superior taste and offering a good bargain in order to attract and motivate customers. Another characteristic of Happy Lawson Project! I think is that Lawson's corporate attitude of sparing no effort to see smiles on the face of customers is incorporated in television commercials on Lawson's unique Machikado Chubo in-store kitchens service, and that we run advertisements congruent with the life cycles and lifestyles of customers. In commercials for KARAAGE-

KUN Fried Chicken, desserts, and other products, we have also taken care to produce creative advertising that not only projects a message from the Company's perspective, but also introduces the customers' experience (the experiential value of enjoying a superior taste and being happy).

Yoshizawa: While we have always given our utmost effort to planning advertising and producing the materials with members of our headquarters and business partners, this has not always delivered the results we initially planned. Each time, we have utilized the opinions of those on-site and customer surveys to emphasize customer insights and convenience to customers, and have verified these through the PDCA cycle and dialogue with management, thereby refining the creative aspects and the message over a period of about six months. I think this was an effort to change the message to one that resonated with customers.

Okumura: Although the surveys revealed gaps between the perspectives of customers and Lawson, bridging the gaps proved to be the most difficult. As we repeated the process of unearthing customer-related data and developing a hypothesis, then working with the Merchandising Division and the Store Sales Division to improve on our hypothesis, we hoped to hit the mark.

Yoshizawa: As we engaged in a repeated process of trial and error, we finally succeeded in producing both quantitative and qualitative results with the “Too much challenge”^{*} implemented in February 2023.

^{*} A campaign to sell increased quantities of products at the same price

Although we did inconvenience to customers by running out of stock, many customers visited stores and experienced the Happy Lawson Project! in stores, which led not only to numerical results but also a number of positive comments. President Takemasu also assumed the Happy Lawson Project!

Lawson launched Happy Lawson Project!, a long-term promotional effort to make Lawson “the hub of refreshment in every community,” in June 2022. We asked people in charge of marketing who were involved from the launch of Happy Lawson Project! about how marketing has evolved through repeated PDCA cycles and about the next challenges.



Yoshihito Okumura
Marketing Strategy Division
Senior Manager, Sales
Promotion Department

Akio Yoshizawa
Deputy Senior Vice President
Deputy Division Director,
Marketing Strategy Division

pose in videos shown in meetings and transmitted to all stores. This gradually helped everyone at franchise stores to understand Happy Lawson Project! This accelerated efforts at stores. In addition to this, the Store Sales Division had repeated communications with those on-site at franchises stores day after day. I think all of these efforts led to improvement in customer recognition.

Okumura: From here on out, we will tackle many challenges aimed at realizing the concept of “Real × Tech Convenience.” I want to provide customers new Happy Lawson Project! experiences and convey the new value of Lawson to them by using “tech” in marketing as well.

Yoshizawa: We will continue to change Lawson stores, aiming to make them convenience stores that are used routinely by even more customers in the future. Happy Lawson Project! is a team challenge in which each division and area company collaborates and works together with franchise stores. I think Happy Lawson Project! has only just begun. We, the Lawson family, will continue to work as one team to seek out new solutions that are right for customers. Those in charge of marketing will need to transform the changes in Lawson into communication that conveys those changes to customers. We want to boldly tackle these challenges while continuing to engage in a process of trial and error.

Feature Lawson Group Sweeping Transformation Executive Committee

Pursuit of ideal store format project

The Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020, is working to transform store displays to create stores adapted to new lifestyles and values where people go to buy daily necessities. In the course of that work, the committee formulated a store renovation package plan, which it created by backcasting merchandise assortment to adapt to customers' lifestyles and the "new normal" in the wake of COVID-19. More than 7,000 stores have been renovated over two years under the pursuit of ideal store format project.



Creating stores adapted to new lifestyles

Koichiro Ikeda
Corporate Sales and Store
Development Division
General Manager, Store
Construction Department

The pursuit of ideal store format project was launched to adapt Lawson stores to the changing lifestyles of customers and the "new normal" after COVID-19.

Based on the theme of enhancing the merchandise assortment to adapt to customer lifestyle changes during the pandemic and targeting the post-pandemic "new normal," this project aimed to create stores with a stronger merchandise assortment, mainly food-related items, prepared foods, daily delivered foods, and frozen foods. The goal was to meet the needs of customers who want to purchase products they use daily at a convenience store, rather than at a far-away supermarket.

We quickly drew up renovation plans under the theme and verified these plans in around 10 trial stores. The trial ended in February 2021, and the initial renovation plans were established. Under these renovation plans, daily

delivered and frozen foods were expanded, and we designed the layout and showcase positioning to provide an attractive overall view of the merchandise, including LAWSON's signature box lunch items and meals prepared in the Machikado Chubu in-store kitchens. Based on these initial renovation plans, the on-site managers of each area gathered for a series of energetic debates and ultimately established 10 renovation plans to enable stores to select the renovation menu that best suited their stores.

A total of 7,290 stores were renovated according to the completed renovation plans, 4,305 stores in fiscal 2021 and 2,985 stores in fiscal 2022. Store renovation requires following numerous steps from preview, plan selection, and notification of the lessor and other interested parties to store closure and decision of sale content for store reopening after renovation. Therefore, the system was configured to enable everyone involved to share the circumstances at each store. I don't think it would have been possible to renovate more than 7,000 stores in two years without this system.

After renovation, we saw an increase in the number of homemakers and seniors, who previously had few opportunities to use the stores. In addition, as we arranged the layout so that customers can look over the horizontal refrigerated/frozen display cases and see the section with the box lunch



and prepared foods, franchise store owners and crew members commented that this improved the expansive feel of the store overall. I was delighted to receive such reviews, partially because the theme of the renovation was "store renovation that conveys the renewal of the store displays at a glance."

I am currently working on the pursuit of ideal store format 2.0 project, where my aim is to building stores to reduce environment burden by installing solar power generation equipment and CO₂ emissions reduction equipment. Through this, we are tackling the challenge of achieving our environmental vision, Lawson Blue Challenge 2050! In the future, we will use the experience gained in the pursuit of ideal store format project to create welcoming stores that fuse "real" and "tech."

Feature Lawson Group Sweeping Transformation Executive Committee

Product renewal project

Lawson launched the product renewal project to strengthen daily delivered and frozen foods to adapt to customers' lifestyles and the "new normal" after the pandemic, amid the transforming store displays initiative by the Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020. This feature article introduces collaborative efforts by the Merchandising Division, the Store Sales Division, and the Marketing Strategy Division on the use of social media to promote the superior taste of frozen foods, development of frozen sashimi for the first time, and other initiatives.



Keita Ueda

Merchandising Division
General Manager, Daily Foods and
Fast Foods Department

Reaching the point where people say **"Let's get LAWSON frozen food for dinner!"**

As part of efforts to strengthen daily delivered and frozen foods, the theme of the product renewal project, we carried out the 1,000-Day Action Plan, which began in fiscal 2016 to encourage more customers to use LAWSON stores in the evening and late evening, in addition to morning and noon. Just as we were strengthening our daily delivered and frozen foods, COVID-19 hit, and we needed an initiative to adapt to the "new normal" amid the changing lifestyles of customers. We decided on a fresh comprehensive effort to strengthen daily delivered and frozen foods. For frozen foods, in particular, we pursued improvement as our top priority due to the fact that sales of these foods were weak, compared to those of supermarkets.

Frozen foods are popular products with superior taste to begin with, viewed from the perspective of food distribution. Fried foods such as

KARAGE-KUN Fried Chicken and products prepared in Machikado Chubu in-store kitchens are also frozen after they are produced, and they are then prepared at the stores where they are delivered. Many eat-out menus also use frozen raw ingredients and pre-prepared processed foods. In other words, many foods are frozen from the manufacturing through the distribution stages. The only difference is whether they are frozen or not at the time of sale. When I thought about it in this way, it occurred to me that, in addition to product development, we need to let the customers know that LAWSON frozen foods taste great in order to strengthen frozen foods.

I therefore joined the members of the Merchandising Division, the Store Sales Division, and the Marketing Strategy Division in sharing the superior taste of frozen foods as we tasted samples. We then decided to promote frozen foods on social media via influencers. To raise awareness of how delicious LAWSON frozen foods are, we also streamed prepared recipes, sent discount coupons via apps, and carried out other initiatives. I think extensive promotions like these were made possible because this was positioned as a project of the Lawson Group Sweeping Transformation Executive Committee, which is chaired by the president.

Among the challenging trials we tackled were the development of frozen



Red sea bream sashimi



Canelé with the rich aroma of caramelized butter



sea bream sashimi and other products that were not sold by competitors by employing a new manufacturer technology, as well as development of canelé and other frozen desserts as a new genre.

I think there is still quite a bit of room to find ways to show customers the superior taste of frozen foods. Due in part to advances in freezing technology, we are pursuing development of foods that are said to have superior taste because they are frozen. In addition, while many of LAWSON's frozen foods are packaged for display in vertical showcases, I want to develop packages designed for horizontal freezer showcases so that customers can easily pick them up. Ultimately, I hope to get to the point where customers say "Let's get LAWSON frozen food for dinner!"

Domestic Convenience Store Business

LAWSON

✓ Business environment

In fiscal 2023, the legal status of COVID-19 was reclassified to a Class 5 infectious disease. As the transition to a post-COVID-19 environment progressed, this and other factors caused a trend of growth in overall customer traffic. Amid this environment, each area company strengthened store displays focusing on ample ranges of their merchandise assortment and volumes of their inventories, based on the store renovation and expansion of daily-use products such as frozen foods and daily necessities promoted by the Lawson Group Sweeping Transformation Executive Committee. Moreover, the number of stores at which MUJI products have been introduced (starting in 2022) reached 12,712 stores at the end of fiscal 2023. Hot-selling merchandise included baked sweets and cosmetics. We are also continuing to roll out Happy Lawson Project!^{*1}, a project directed at becoming “the hub of refreshment in every community” as we welcome the 50th anniversary of our founding in 2025, in addition to purchasing promotion measures such as the “Too much challenge in the 47-prefecture nationwide Happy Lawson Project! plan.” The results produced by these measures, improvement in the external environment, and other factors led to a 4.6% year-on-year increase in sales at existing stores in fiscal 2023.

In another initiative to comply with the revised Work Style Reform Act, which would affect delivery drivers when it took effect on April 1, 2024, and reduce CO₂ emissions, we changed the number of shipments of chilled and temperature-controlled products^{*2} to stores from three times to two times a day in December 2023.



^{*1} A long-term marketing project to be implemented until 2025, which is the 50th anniversary of Lawson's founding

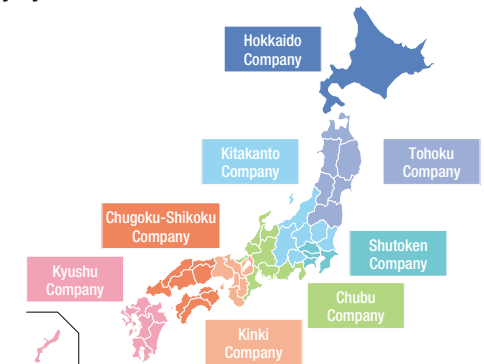
Encompasses a variety of initiatives, including a media strategy involving television commercials and other media promotion and product purchasing promotion efforts involving app coupons and other enticements.

^{*2} Chilled products: Products sold at a temperature of around 5°C. Temperature-controlled products: Products sold at a temperature of around 20°C.

✓ Growth strategies

1 Nationwide expansion of an area company system

In fiscal 2023, we introduced an area company system for our eight areas nationwide, transferring authority and functions from headquarters to area companies in order to strengthen our systemic, thorough pursuit of customer value creation at local stores, which are closer to the customer. The company presidents who are in charge of each company will oversee heightened strategy implementation.



2 Product strategy, sales strategy and store opening strategy

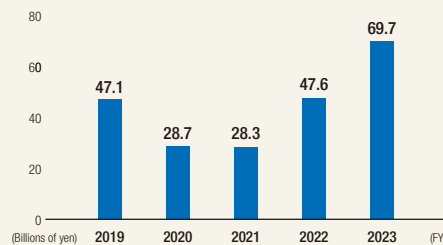
We will work to thoroughly ensure the deliciousness of our products. For our staple products, we will endeavor to enhance product strength while optimizing product offerings for each area, such as by expanding availability of products which are locally produced for local consumption.

For our sales floors, we will ensure the breadth of our product lineup and volume of our inventory while ascertaining the differences in demand between regions and individual stores in order to reduce opportunity loss. Also, with the full-scale introduction of the AI.CO next-generation ordering system from fiscal 2024, we will strive to be even more flexible in adapting to customer needs, avoid running out of product stock, and reduce waste loss.

For store openings, we will look at area-specific demographic trends and, based on this, go about store openings with an emphasis on profitability. For convenience store business that can be profitable in areas with small commercial area populations, we will continue to utilize a diversity of store-opening formats, such as opening stores in new locations, like those areas without any other store, opening stores in hospitals or in conjunction with bookstores, or mobile sales.

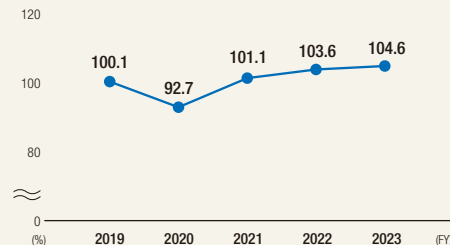


Segment profit



Note: FY2019–FY2021: Japanese GAAP; FY2022–FY2023: IFRS

Year-on-year change of existing-store sales



Domestic Convenience Store Business

✓ Multi-format store development



NATURAL LAWSON, which operates 130 stores nationwide (as of the end of February 2024) as a nearby store supporting “beautiful, healthy and comfortable lifestyles,” is focused on “supporting health and beauty,” “seasonality,” and “safety and reliability.” To realize these ideas, it offers a unique and carefully selected lineup of environmentally friendly detergents, cosmetics, and other daily-use products, as well as delicious and healthy food products, while also offering great value.

✓ Growth strategies

■ Promotion of physical and mental well-being

By offering customers the excitement of discovering products they have never seen before and the happiness that comes from finding your own, personal favorite product, we support not only the physical but also mental health of customers.



1 We will pursue a greater variety of health-related themes than ever before.

We will make an active effort to offer products suited to the diversifying dietary habits and health concerns of customers.

2 We will build up our fresh-baked goods bakery.

We will deliver a menu of items that are deliciously baked in the in-store ovens found only at NATURAL LAWSON.

3 We will carefully select an assortment of products from all over the world and each region of Japan that have scarcity value.

✓ Healthcare-focused stores and stores selling over-the-counter pharmaceuticals

Through partnerships with dispensing pharmacies and drug store chains, as well as training registered sales personnel, we are expanding the number of healthcare-focused stores that sell over-the-counter pharmaceuticals and prescription drugs. We also continue to open healthcare-focused stores offering a wider assortment of cosmetics and daily-use products than ordinary Lawson stores. At some stores equipped with drug-dispensing pharmacies, we are trialing online drug administration guidance, prescription pick-up, and other services. At some of our stores handling over-the-counter pharmaceuticals, we also started the first deliveries of pharmaceutical products using Uber Eats in Japan in February 2021. The service is tailored to the needs of customers who want to purchase medicine without having to go out.



LAWSON STORE 100, which operates 648 stores nationwide (as of the end of February 2024), was established as a store well-suited for daily use to meet the changing needs of customers. It is actively working to stock fresh and daily delivered items and to develop private brands to strengthen the ability to offer product ideas that better meet the lifestyle needs of customers. We promote brand strategies to encourage purposeful purchases at LAWSON STORE 100 and are committed to create a new style of convenience store chain, which fully capitalizes on the advantages of having small stores and becomes a place where customers can find what they want.

✓ Growth strategies

■ Creating “lifestyle-responsive stores” that offer daily meal ideas

As stores that are responsive to customers' lifestyles, particularly with regard to fresh and daily delivered foods, we focus on providing the products and services customers want at a price they value, developing amazing products, and improving the infrastructure to support product quality and store operation. While keeping abreast of macro consumption trends, such as population aging and the increase in single-person households, we will utilize customer segment data to help us accelerate individual store management together with franchisees and thereby increase market share within commercial areas.



✓ Hospital LAWSON (in-hospital) convenience stores

Lawson has responded to hospital patients' needs for convenience stores by opening Hospital LAWSON stores. We are now No. 1 in terms of number of convenience stores in hospitals. Besides our regular products and services, Hospital LAWSON stores feature a lineup of products designated by hospitals, and we also cooperate with individual institutions to develop customized stores and services, such as mobile sales wagons.

Recognizing the hospital as a community in its own right, we seek the daily happiness of all hospital patients by giving careful consideration to their detailed needs.



Domestic Convenience Store Business

✓ Lawson health initiatives

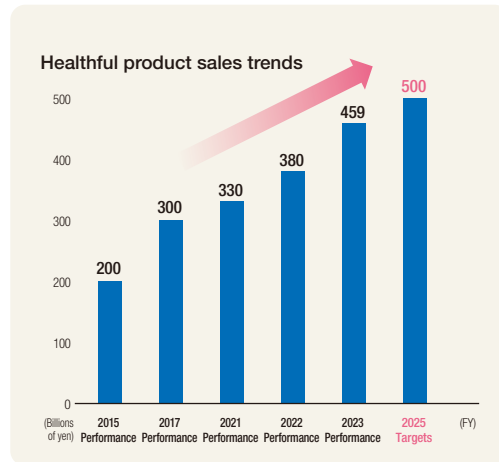
■ Initiatives on healthful foods

The Lawson Group is developing a range of initiatives in response to increasing health awareness among customers. In 2001 we launched NATURAL LAWSON, which has served as a laboratory for developing health-conscious products that have been sold at LAWSON stores nationwide.

Sales of these healthful products represented roughly 20% of our total food products in fiscal 2015, growing to around 30% of total food products in fiscal 2023, and we are working to provide a wide range of products that encompasses everything from *onigiri* rice balls, healthy and functional baked goods, and salads to sweets, chilled drinks, processed foods, and more.

In these categories, we offer a selection of around 3,000 products (including national brand products), ranging from dietary staples to prepared foods, our famous KARAAGE-KUN Fried Chicken*, confections and drinks, and more. Our target for healthful product sales is to reach 500 billion yen in fiscal 2025.

* The protein content of KARAAGE-KUN Fried Chicken (5 pieces) is approximately 14g.



■ Product development targeting deliciousness and health

In product development, we have established 10 health themes based on our own standards and are creating products that enable the intake of essential nutrients, such as vegetables and protein, while controlling sugar and salt content. Customers' awareness of health and food has changed, and there is a growing demand to not only cut calories and sugar for dieting but also to actively consume protein and dietary fiber to maintain health.

For fiscal 2024, our aim continues to be to offer tastier food under the theme of "stay healthy while eating what you like." We are strengthening our product focus in areas where customer need is particularly high, namely protein, dietary fiber, sugar, and fat, and we are also pursuing easy-to-understand display methods on the sales floor, such as by displaying nutrient content on packaging through the use of color-coded markings.



See the link below for the 10 health themes:
https://www.lawson.co.jp/recommend/safety/health_theme/ (in Japanese only)

LAWSON Farm

In order to ensure a stable supply of domestic farm produce to Lawson Group stores, we have established LAWSON Farm, a corporation eligible to own farmland, at 16 locations nationwide (as of February 2024). LAWSON Farm employs the Nakashima method of farming, which involves conducting soil diagnoses to develop ideal soil for growing crops before planting, and which supplies appropriate nutrition according to the growing conditions to produce healthy, delicious vegetables and fruits.



Reinforcement of 4 themes

Stay healthy while eating what you like

More protein

Tasty products providing an easy source of protein



More dietary fiber

Products providing an easy source of dietary fiber, which people often lack



Carbohydrate control

Use of bran (grain husks) to control carbohydrate intake



Healthy fats

Products providing oils that are good for the body



History of initiatives for healthful food

From 2012

Low-carb

Bran bread



Dietary fiber

Onigiri rice balls with sticky barley



From 2015

Vegetables

Smoothie series



From 2018

Vegetables

Motto! Yasai ("more vegetables") series



From 2020

Low-salt

Curry that brings out the umami flavor of its ingredients



From 2021

Low-carb

Expansion to dietary staples



From 2022

Protein

Greater protein



Dietary fiber

Greater dietary fiber



Note: The packaging shown is the one used at the time of sale.

Seijo Ishii Business

SUPERMARKET
成城石井

✓ Business model

- Seijo Ishii utilizes its own 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. By performing the product planning, manufacturing, procurement, and sales functions itself, Seijo Ishii is able to dynamically adapt to customer needs and trends and the raw materials procurement environment.
- Based on its strong brand power backed by high-quality products and services, Seijo Ishii operates in a variety of store formats, including train station buildings, street-level stores, and shopping centers, and offers products from the company's central kitchen and original products.



✓ Business environment

With the increase in stay-at-home demand caused by fewer people going out and more people working from home during the pandemic, sales of fresh food, groceries, and confectionery, centered on large street-level stores, increased significantly for fiscal 2020 to 2021. Between fiscal 2022 and 2023, although there was a reactionary setback from capturing stay-at-home demand, sales at office stores, which had been sluggish due to the COVID-19 pandemic, recovered along with the recovery of people flows, and sales of prepared foods produced at the company's central kitchen continued to be strong. In addition, sales increased due to the strengthening of existing stores, such as the November 2023 complete renovation of the Seijo store, and the continued opening of new stores.

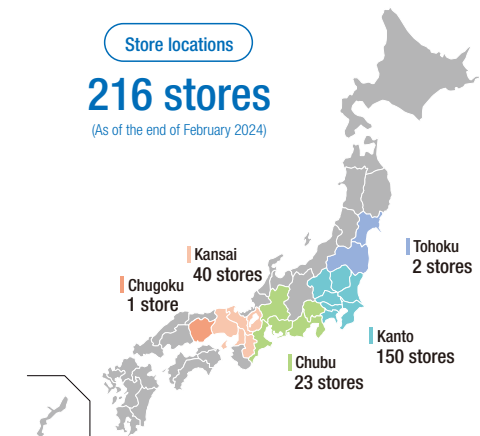
✓ Growth strategies

1 Accelerate store openings and explore new store opening formats

With an eye toward future expansion of the store network and developing new mainstay products, the new, integrated central kitchen, the Yamato No. 3 central kitchen, went into operation in July 2022, doubling the existing manufacturing capacity (equivalent to 400 stores). While continuing to open new stores in the Kanto region, the company also strengthened its presence in western Japan. In addition, the brand opened its first store in Niigata Prefecture in March 2024. Furthermore, it is tackling the challenge of opening stores with new formats, such as the Seijo Ishii BAKERY specialty store opened in Osaka City in April 2023, in addition to its restaurant and supermarket offerings.



Yamato No. 3 central kitchen



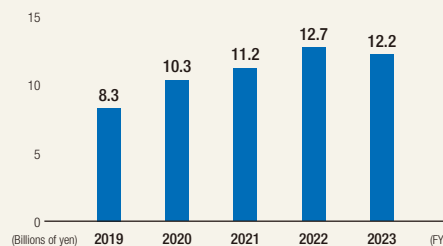
Note: Total of directly managed stores, franchise stores, restaurants, and bakeries

2 Strengthen e-commerce business

Efforts continue to strengthen e-commerce and promote last-mile business initiatives that use delivery services such as Uber Eats. In March 2022, we jointly developed and opened the Seijo Ishii net supermarket on Amazon.co.jp; in January 2023, a store was opened in the ANA Mall; and in May 2023, a store was opened in the JAL Mall.

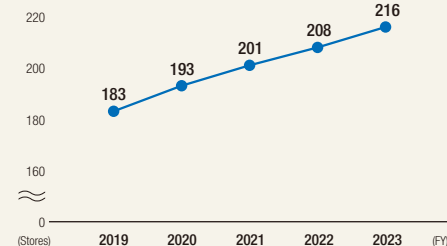
Note: Amazon.co.jp is a trademark of Amazon.com, Inc. and its affiliates.

Segment profit



Note: FY2019–FY2021: Japanese GAAP; FY2022–FY2023: IFRS

Number of stores



Note: Total of directly managed stores, franchise stores, restaurants, and bakeries

Entertainment-related Business

LAWSON
ENTERTAINMENT

LAWSON
UNITED
CINEMAS

✓ Business model

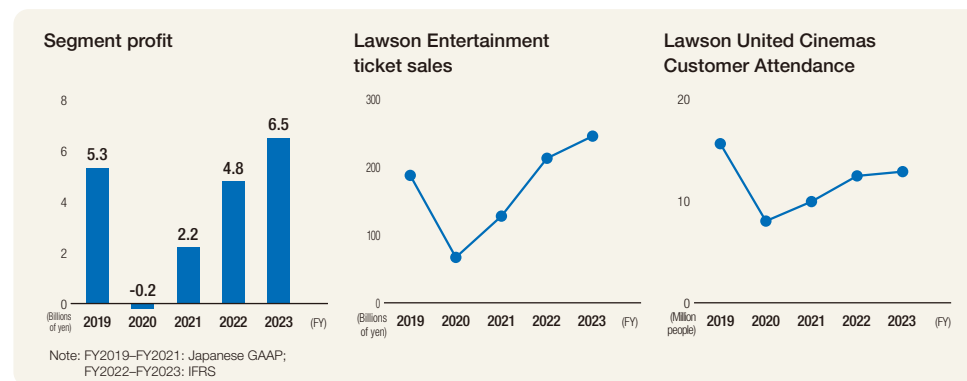
Lawson Entertainment: Develop Lawson Ticket and Lawson Travel, etc., ticketing business and HMV store and e-commerce, etc., merchandise sales business. Acquire content through a variety of business, plan Lawson store campaigns and other marketing, and develop, manufacture, and wholesale original products.

Lawson United Cinemas: Develop cinema complex business, along with peripheral business, such as advertising sales using theater media.

* As of March 1, 2024, United Cinemas Co., Ltd.'s name was changed to Lawson United Cinemas, Inc.

✓ Business environment

As the world moves further into the post-COVID era, the entertainment market is effecting a recovery from the pandemic, with increased flow of people and the release of pent-up spending. In fiscal 2023, Lawson Entertainment's ticketing business experienced brisk sales in the concert, leisure, and other genres, exceeding the previous year, which had already surpassed pre-COVID levels in fiscal 2019. Sales in the merchandise sales business at stores such as HMV, a specialty store for music and video media, also grew due to increased human flow, and sales in the e-commerce business increased as a result of efforts to expand the range of products handled. In Lawson United Cinemas' cinema complex business, the number of customers and sales exceeded those of the previous fiscal year due to the release of high-profile films attracting many customers and strong sales of high-unit-price experiential screening systems thanks to their large formats, such as 4DX and IMAX.



✓ Growth strategies

1 Develop services that seamlessly provide both entertainment and travel tickets

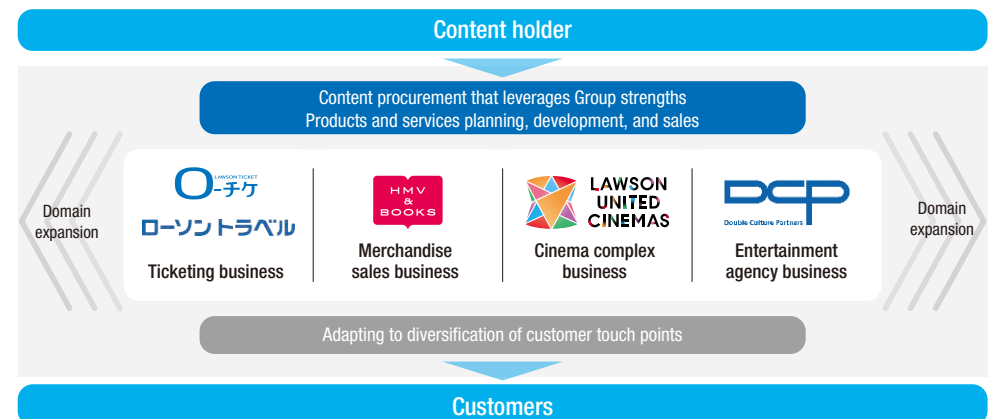
For the ticketing business, we will put in place a platform through which both entertainment and travel tickets can be purchased and will develop it into a "one-stop shop" where a person can, for example, organize his or her concert tickets, means of transportation (plane, train, etc.), and accommodation.

2 Pursue entertainment-related products and services for new domains responding to market changes

In merchandise sales business, we will further build up the planning and development strengths that the Lawson Group has cultivated and will expand the products and services domains handled by stores and e-commerce to new domains, such as cosmetics and sports-related domains. We will also utilize the entertainment agency business of our affiliate, Double Culture Partners Co., Ltd., to expand touch points.

3 Develop entertainment complex business

In the cinema complex business, we will develop a new immersive experience format, establish entertainment complexes, and increase ticket sales while offering large-format theaters. In addition, we will broaden the customer base by screening content other than movies. Also, we will strengthen merchandise sales, marketing, sales promotion, and other business, using theaters as a touch point with media and customers.

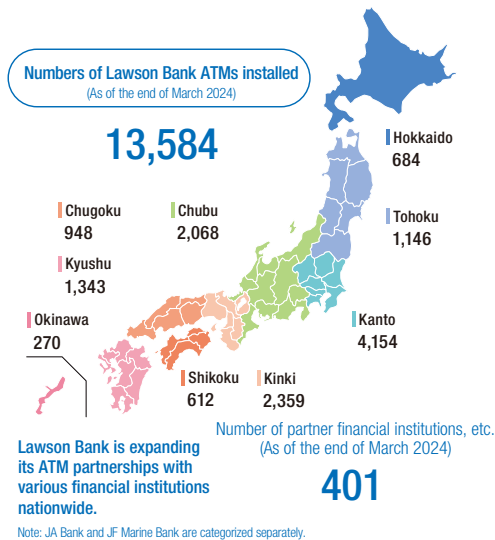


Financial Services Business



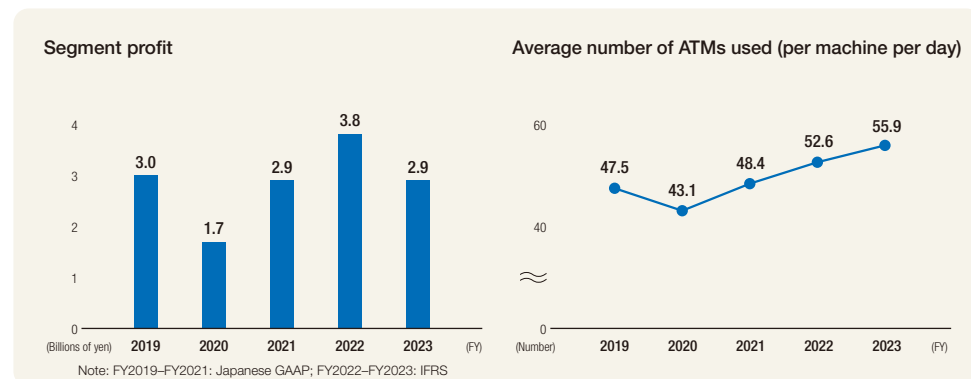
Business model

- Develop ATM business that has as its foundation the Lawson Bank ATMs installed in Lawson stores and other locations in all 47 prefectures, as well as develop deposit, credit card, etc., retail business. Implement systems and structures that enable ATM access 24 hours a day, 365 days a year.
- Utilize the ATM network to provide services that connect ATM users with partner financial institutions and cashless operating companies.



Business environment

When compared to the pre-COVID era, the ATM market is on an uptrend thanks to a recovery in flow of people and demand for going out, despite impact from advancement in cashless payments. While the number of ATMs in Japan is decreasing due to less deployment by banks, demand for cash is strong and convenience store ATMs are growing in presence alongside a rising number of machines. For the Group, the development of services related to deposits and withdrawals, such as cash charging from ATMs to payment applications, Pontama ATM, and overseas remittances, offers potential growth in ATM usage instances and increasing market share.



Growth strategies

1 Strengthen ATM business

We will work to increase the number of ATM users by expanding our partner financial institutions, as well as expand the number of ATMs installed in locations other than Lawson stores. We will also implement measures aimed at expanding usage of existing services, such as ATM-based payment application recharging with cash, overseas remittance card handling, and ATM-based sales deposit services. In addition, we will work to add new and expanded functions and services that will keep people using ATMs.

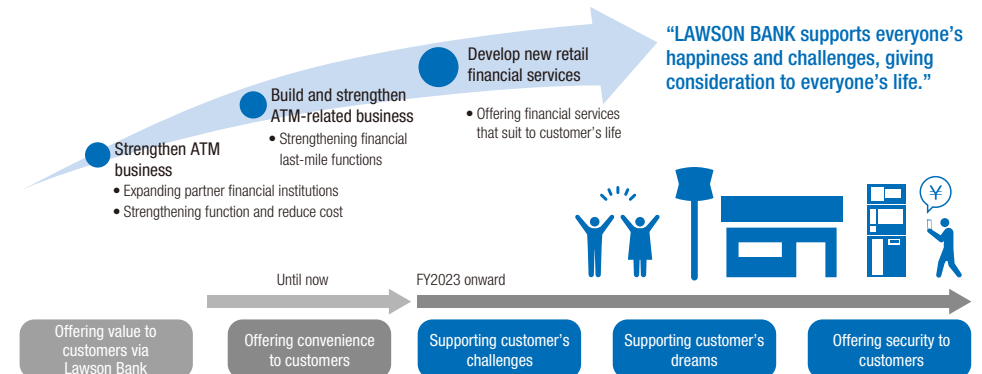
Specifically, in October 2023, we launched the Lawson Bank ATM Ponta common point program service (nicknamed "Pontama ATM") for Lawson ATM users, and in January 2024, we introduced a new ATM machine model for the first time since Lawson Bank was established. Moreover, to support cashless payment and encourage patronage by non-Japanese users, we will expand the kinds of overseas remittance cards chargeable with cash at our ATMs.

* A service where ATM deposits and withdrawals accumulate Ponta points



2 Develop new retail financial services

We will work to deliver new retail financial services tailored to customers' daily lives and aimed at "providing needed services when they are needed" in order to make LAWSON BANK the "bank closest to customers" and to build up these retail financial services as the "second pillar of profitability" after ATM business.



Overseas Business

✓ Business model

As a franchise chain of Japanese-style convenience stores, we provide franchised store support and products and services that incorporate Japanese know-how, develop and sell original products tailored to each region, and oversee the supply chain.



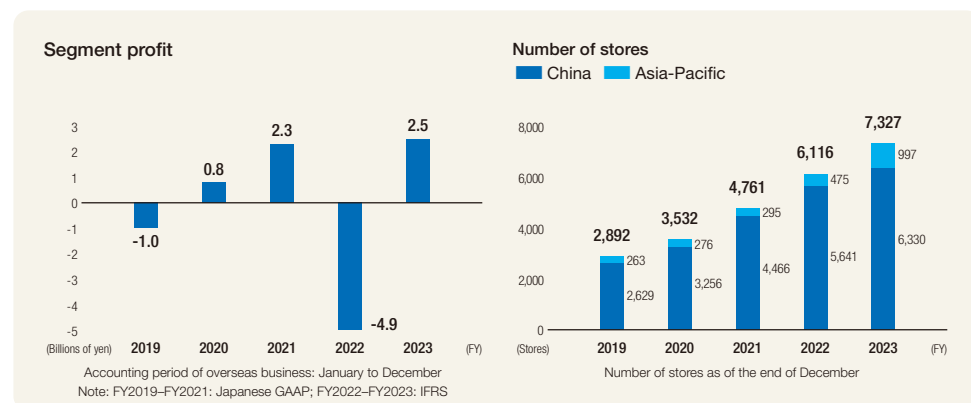
Lawson store exterior in China

Area	When first store opened
China	July 1996
Indonesia	July 2011
Hawaii (U.S.)	July 2012
Thailand	March 2013
Philippines	March 2015

✓ Business environment

In China, the economy recovered significantly in 2023 with a subsiding pandemic following the easing of the country's zero-COVID policy, and the convenience store industry as a whole grew faster than other retail formats, despite a difficult business environment due to a cooling-off of the overall consumer market and changes in consumer purchasing behavior. Amid these circumstances, we increased net sales by 24% year on year, well above the industry average. Operating income also increased by 6.7 billion yen, and business is expected to continue further growth in this huge market.

In regions other than China, sales grew along with recovering flows of people due to the easing and abolishing of pandemic-related behavioral restrictions in various countries.



✓ Growth strategies (China)

1 Accelerate store openings

By training management personnel and utilizing our base of expertise accumulated to this point to expand store openings into other areas, we exceeded 6,000 open stores in August 2023. In China, due to differences in culture and economic level in different regions, we used subsidiaries operating in each cultural area as the starting points from which to open stores and expand our business areas, and we used area licenses and M&A, including acquiring store assets, as well as other means to expand our business. As a result, we operate in 17 provinces and cities across China as of March 2024.

2 Enhance product strength and pursue DX

We will pursue insourcing of PB products and development of products that promote health. Also, in addition to working on the sustained acquisition of out-of-store income, such as delivery services for which sales are expanding, we are pursuing digital transformation (DX), such as the development of group chat and SNS live-stream-driven marketing. We will continue our efforts to increase opportunities for customers to visit Lawson stores by holding high-profile events.



✓ Growth strategies (Asia Pacific)

1 Accelerate store openings

As of January 2024, the total number of stores in the four countries of Thailand, the Philippines, the United States (Hawaii), and Indonesia has exceeded 1,000. Both the business and the number of stores in existing countries are entering an expansion phase, and we intend to grow this to become the second and third pillars of our overseas business following China. To further accelerate store opening, we will continue efforts such as collaborating with local leading companies, while enhancing our presence in Southeast Asia and preparing for expansion into new countries/areas.

2 Enhance product strength

We will expand our range of competitive, high-value-added original products, focusing primarily on counter fast foods and chilled products. Also, while continuing to incorporate products that are popular in Japan and China, we will strengthen development of products tailored to the food culture of each region.






Lawson Blue Challenge 2050!

Lawson Group is pursuing efforts to achieve its social and environmental KPIs in the target years of 2025, the 50th anniversary of its founding, and 2030, the target year of the Sustainable Development Goals (SDGs). Lawson Group also formulated its environmental vision, Lawson Blue Challenge 2050!, aiming to realize a carbon-free society by 2050 and ensure an abundant, blue planet for the future.

In order to contribute to the ideal world that the SDGs aim to realize, we will continue our initiatives to address environmental issues, such as reducing CO₂ emissions, reducing food loss and waste, and reducing plastic in containers and shopping bags, as we take on difficult challenges to achieve our goals (the KPIs) for 2025, 2030, and 2050.

To achieve a carbon-free society by the year 2050, we will develop an environmental vision, identify long-term goals, and strive to achieve these goals.

	2025 50th anniversary	2030 SDGs targets	2050 Lawson Blue Challenge 2050! — Save our blue planet! —
 Reducing CO₂ emissions	Per store vs. 2013 levels Reduce by 15%	Reduce by 50%	Reduce by 100%
 Reducing food loss and waste	Reduction in food loss and waste in stores vs. 2018 levels* Reduce by 25%	Reduce by 50%	Reduce by 100%
 Reducing plastic use	Plastic for containers and packaging vs. 2017 levels Reduce by 15%	Plastic for containers and packaging Reduce by 30% <hr/> Containers and packaging for Lawson's original products Eco-friendly materials 50% used <hr/> Plastic shopping bags Reduce by 100%	Containers and packaging for Lawson's original products Eco-friendly materials 100% used

* Change to calculation based on unit generation (food waste per million yen of net sales) from fiscal 2023

Environmental Initiatives

Environmental Policy

To sustain the blessings of Earth for future generations, the Lawson Group considers the environment in every aspect of our business activities and strives to achieve sustainable development and coexistence with local communities. We have incorporated these efforts in the basic principles of the Lawson Group Environmental Policy and are working as a unified Group to achieve them.



Lawson Group Environmental Policy
https://www.lawson.jp/en/csr/policy/environmental_policy/

Social and environmental education

Lawson provides social and environmental education to its headquarters employees, franchise store owners, store managers, and store crews (part-time and temporary workers). Training is provided for all headquarters employees once a year via e-learning.

In addition, we regularly share information with franchise store owners, store managers, and store crews through internal information magazines and Lawson seminars, in addition to training at store openings.

Group companies also conduct social and environmental education tailored to each company's circumstances, including lecture-based training, e-learning, and self-study.



Social and environmental education
https://www.lawson.jp/en/csr/environmental_management/

Climate change action: TCFD recommendation initiatives

Climate change is a serious environmental challenge with the potential to have a significant impact on the continuity of the Lawson Group's operations. In April 2020, Lawson endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on the framework recommended by the TCFD, we conduct scenario analysis of the impact of risks and opportunities on our domestic convenience store business in order to understand the financial impacts of climate change on the Lawson Group's businesses.



TCFD proposal initiatives
<https://www.lawson.jp/en/csr/tcfid/>

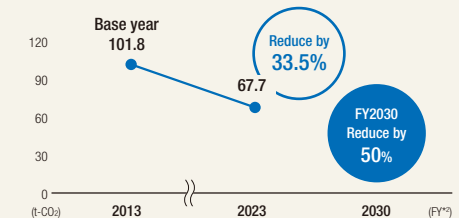
Scenario analysis overview

Target businesses	Domestic convenience store business (LAWSON, NATURAL LAWSON)
Scope of analysis	Lawson's Head Office, directly-managed stores, and franchise stores: Approx. 14,000
Reporting period	2030, 2050
Analysis targets	(1) Increase in store operating costs due to the introduction of carbon pricing (2) Impact on stores due to increased intensity of weather disasters (3) Increase in sales of environmentally friendly products

Reducing CO₂ emissions

Lawson has set itself the goal of reducing CO₂ emissions per store by 50% compared to 2013 levels by 2030. To achieve this goal, we are working to reduce electricity consumption in our stores through various measures.

CO₂ emissions per store*1



*1 CO₂ emissions are calculated using the list of emissions coefficients by electricity providers (substitute values).

*2 Calculated from April 1 to March 31 of the following year to coincide with the administrative fiscal year

Initiatives to reduce CO₂ emissions at stores

- Installed glass and acrylic doors on refrigerated and frozen display cases
- Opened stores with solar power generation equipment installed on store roofs
- Installed highly energy-efficient non-CFC (CO₂ refrigerant) freezing and refrigerating systems
- Reused roofs, walls, pillars, and other building materials from closed stores in new stores
- Pursued the Ten Energy-saving Rules to improve operational efficiency of refrigeration and air-conditioning equipment



Reducing CO₂ emissions
https://www.lawson.jp/en/csr/energy_saving/

Reduction of CO₂ emissions in the overall supply chain

We are striving to reduce our environmental impact by monitoring CO₂ emissions throughout our supply chain.

Calculated from the Database of Emissions per Base Unit Ver. 3.4 for calculating greenhouse gas emissions of organizations through the supply chain and Ver. 2.6 of the Guidelines for Calculating Greenhouse Gas Emissions through the supply chain

CO₂ emissions generated by our supply chain during 2023

(Target period: April 2023 to March 2024)

Total CO₂ emissions **Approx. 5,964,100 tons**

Scope/category		Emissions covered	Emissions (kt-CO ₂)
Scope 1 (Direct emissions)		Gasoline consumption of company vehicles/amount of CFC leakage	50.3
Scope 2 (Indirect emissions)		Electricity consumption of the Headquarters, regional offices, branches, and stores	988.8
Scope 3 (Other indirect emissions)	Category 1	Raw materials purchased (private and national brand products, plastic shopping bags, etc.)	4,405.8
	Category 2	Buildings, furniture and fixtures, and information system hardware	123.4
	Category 3	Electricity consumption associated with procurement of electric power	150.6
	Category 4	Energy consumption of distribution centers	139.7
	Category 5	In-store waste and industrial waste due to store closures and remodeling	23.7
	Category 6	Business trips by Lawson Headquarters' employees	0.8
	Category 7	Commuting by Lawson Headquarters employees	2.0
	Category 11	Use of products sold	39.6
	Category 12	Disposal of containers, chopsticks, and plastic shopping bags	39.4
Total			5,964.1

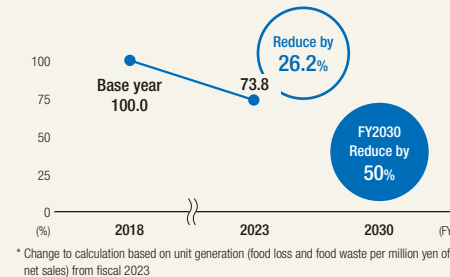
* Does not cover all of Lawson's supply chain. Total values cited may diverge slightly from totals calculated by adding individual values due to rounding. Scope 2 includes electricity used by stores belonging to Category 14 of Scope 3. Fiscal 2023 results have been subject to third-party verification by the Japan Management Association. (The third-party verification process excluded electricity use by Scope 2 LAWSON STORE 100.)

Environmental Initiatives

Reducing food loss and waste

Lawson considers reducing food losses due to waste to be an extremely important priority, and we are working to realize a 50% reduction compared to 2018 levels by 2030 through a combination of measures including optimizing orders, discounting prices to encourage sales, and modifying containers to extend best-by dates.

▶ Reduction in food loss and waste in stores*



■ Promoted buying the frontmost item on the shelf

We are working with the Consumer Affairs Agency; the Ministry of Agriculture, Forestry and Fisheries; the Ministry of the Environment; and the Japan Franchise Association to implement the “Choose from the Front” program. The program seeks to reduce food losses by encouraging customers who plan to consume a purchase immediately to choose the frontmost item on the shelf.



POP imagery to promote the “Choose from the Front” program

■ Flash-freezing and donating KARAAGE-KUN Fried Chicken and other products for which the sell-by date* has passed

We are conducting a pilot project at some stores in Tokyo to reduce food waste while ensuring that food is used effectively by flash-freezing KARAAGE-KUN Fried Chicken and other fried foods that have passed their sell-by date* and donating them to cafeterias for needy children and other organizations.

In this project, fried foods that have passed their sell-by date are frozen in a flash-freezer that can preserve their freshness and donated to children's cafeterias and other facilities as part of an initiative to support food for children. Donated food is recooked by the cafeterias and used as part of their lunch and dinner menus.

In fiscal 2023, we also carried out an initiative to support business operators offering school lunches by donating 18,000 pieces of L-Chiki (fried chicken) nearing their best-before date.



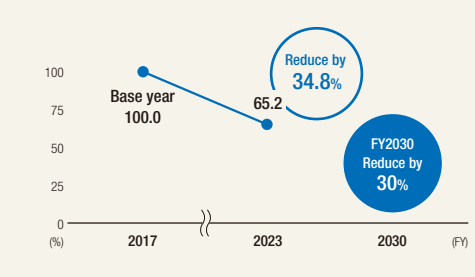
Left: Flash-frozen KARAAGE-KUN Fried Chicken
Right: Recooked KARAAGE-KUN Fried Chicken

* Lawson determines sell-by dates using a proprietary method. Items are removed from stores but can be consumed since their expiration date has not passed.

Reducing plastic use

In order to reduce the environmental impact of plastic, we are working to reduce the amount of plastic used in containers and packaging and for plastic bags while maintaining the taste and quality of our products.

▶ Reduction in plastic for containers and packaging



■ Replaced the PET bottles for seven of our original drinks with bottles made from 100% recycled materials

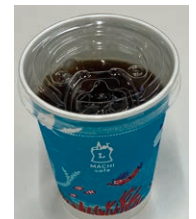
We have changed the PET bottles for a total of seven of our original PET bottled beverages (Mugicha, Green Tea, Oolong Tea, Hojicha, Jasmine Tea, Earl Grey (unsweetened), and Rooibos Tea [all 600ml]) to 100% recycled materials.



Label (illustration) “100% recycled PET bottle”

■ Replaced plastic lids for iced MACHI café drinks

The plastic lids for S- and M-size iced drinks served in the MACHI café in-store freshly brewed coffee service have been replaced with lids that use approximately 0.4g less plastic per lid since November 2023. This is expected to reduce plastic used by about 48 tons per year.



Drink container with new lid

■ Replaced chopstick bags with paper sheaths

From April 2024, the chopstick bags provided at stores have been changed from plastic to paper. The change is expected to lower annual plastic use by about 44 tons. This change is being made first in the Tohoku and Kanto regions to assess the paper chopstick bag quality and customer reception.



New paper chopstick bag

Social Initiatives

Respect for human rights

Lawson Group Human Rights Policy & Promotion System

In June 2021, we established the Lawson Group Human Rights Policy as our top-level basic policy on human rights to promote the SDGs and ESG-based management.

Under the policy, each department, under the supervision of the chief compliance and risk officer (CRO), takes the initiative to promote respect for human rights in its respective activities. The progress of initiatives undertaken by each department is regularly reviewed at meetings of the Compliance & Risk Management Committee, which is chaired by the CRO, and regularly reported at the Board of Directors.



The Lawson Group Human Rights Policy
<https://www.lawson.jp/en/csr/policy/respect/>

Human rights due diligence

Lawson conducts human rights due diligence to identify and remedy any negative human rights impacts that might arise from its business activities. For example, we are aware that foreign workers, including foreign technical interns, are working in the manufacturing and distribution processes of private brand products handled by Lawson stores. As such, we closely monitor their human rights circumstances through the development of self-assessment questionnaires (SAQs) and individual dialogues, as well as through other means.

Lawson offers a diverse range of products and services in its stores, and the related stakeholders are equally diverse. Therefore, the identification of human rights risks is both extensive and complex, and we will continue to address such risks on an ongoing basis.

If Lawson is found to have caused or been involved in any negative impact on human rights, we will work to remedy the situation. Furthermore, the results of human rights due diligence will be regularly evaluated and, if inadequate, corrected.

Human rights education and awareness-raising

Lawson provides a broad range of training, education, and awareness-raising programs, including e-learning courses that all employees are required to complete, so that all people involved in its business activities understand the importance of respect for human rights and promote efforts to respect human rights.



Human rights training
https://www.lawson.jp/en/csr/human_rights/

Lawson Group human rights promotion system



Consultation service for human rights issues

A consultation service contact point for Lawson employees has been established to accommodate requests for consultation and internal reports regarding compliance and risk management issues, including human rights violations. To allow employees to select a contact point that is easy to use, we have established an internal contact point where employees can make web postings, as well as a contact point that allows anonymous consultation.



Consultation/Whistleblower Hotline
<https://www.lawson.jp/en/csr/governance/compliance/>

Consultation services for all stakeholders

We have established various contact points to accommodate requests for consultation and reports on a wide range of human rights issues. These include a Supplier Hotline for suppliers, a Crew Hotline for store crews, and an Owner Hotline for franchise store owners.

Stakeholder engagement

Since May 2022, we have participated in the Stakeholder Engagement Program sponsored by the Japan Committee of the Caux Round Table for business leaders. Based on the issues and opinions raised by NPOs/NGOs, experts, scholars, and others, we will continue to apply these activities to our efforts to promote respect for human rights.

We also provide opportunities for dialogue on human rights with our major business partners, calling for their understanding and support of the Lawson Group Human Rights Policy and sharing the status of our efforts to respect human rights.

Revising manuals to encourage reasonable accommodation for people with disabilities

With revisions to the Act for Eliminating Discrimination against Persons with Disabilities, it is mandatory to provide reasonable accommodation to people with disabilities from April 1, 2024. In conjunction with this, we have revised our customer service and sales manuals, enhancing them to include key points for providing support to ensure their appropriateness for people with disabilities. At the same time, we have distributed easy sign language videos to store computers to aid in communication with the hearing impaired.



Encouraging employees to take the Universal Manners Test

To raise employee awareness, we encourage them to take the Universal Manners Test, part of facilitating better support of people with disabilities. Test costs are subsidized for participating employees, and in fiscal 2023, more than 200 employees took the third level of the Universal Manners Test.

Social Initiatives

Customers

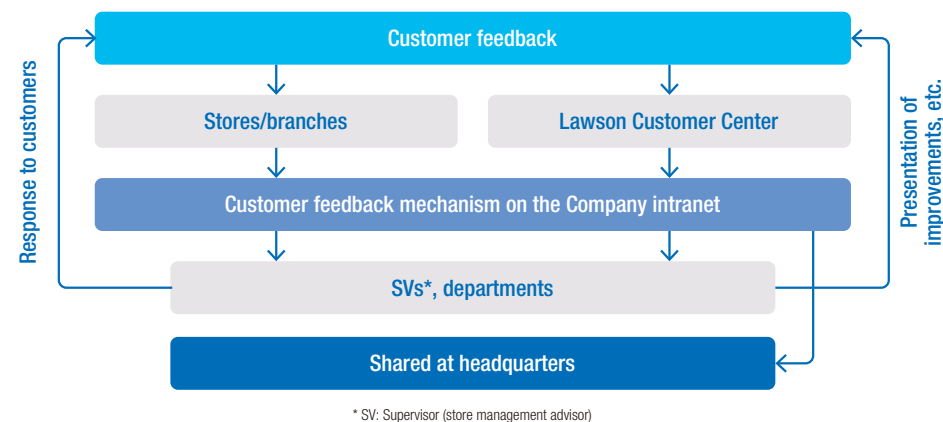
At the Lawson Group, our desire is to create stores consistently supported by the customers in our communities. To this end, we are constantly striving to improve our store operations, products, and services from a customer-centric orientation, taking into account the valuable feedback and requests we receive from our customers.

Each day, we work to plan and develop original products such as daily necessities and foods with superior taste at our popular community stores so that our customers can enjoy more enriched daily lives along with delicious foods. To find out where customers' needs lie and to be able to respond to changing needs, we analyze point card purchase data and customer feedback* on social networking services to develop products that offer new value.

For existing products as well, members of the department that manages the Lawson Customer Center, the contact point for inquiries, and the department that develops products meet monthly to discuss ways to improve products based on customer feedback received at the Customer Center. Some improved products are presented on our corporate website as part of initiatives borne of customer feedback.

In addition, to ensure that we offer appropriate products to our customers, we strive to ensure proper labeling on sales displays, product labels, and websites to prevent children, the elderly, and pregnant women from accidentally purchasing foods that may cause negative effects, such as alcohol and allergens.

* Analysis of point card purchase data and customer feedback is done in a way that specific individuals cannot be identified.



Customer Relations
<https://www.lawson.jp/en/csr/consumer/customercenter/>

Local communities

At the Lawson Group, all stores are committed to bring happiness to communities they belong to. This is related to our contribution to the SDGs, particularly the concept of “leaving no one behind.” To bring about a world envisioned by the SDGs, we will earnestly consider what we can do for our customers, our communities, and the planet, and take on the challenge of resolving social issues as a unified Group and with the partnership of our franchise stores.

■ Promotion of regional collaborative projects in cooperation with municipal governments: Conclusion of comprehensive agreements

As part of our efforts to be well-rooted in communities, founded in our strategic concept of “community based × individual customer and individual store-focused,” Lawson has concluded comprehensive agreements with municipal governments throughout Japan and collaborates with them on projects to revitalize their communities and create more livable environments for their residents. We are energizing communities all over Japan, harnessing the power of our nationwide network of Lawson stores.

► Major items to be addressed in comprehensive agreements with municipal governments

<p>✓ Tourism promotion and public relations</p>  <p>Placing prefectural public relations magazines and flyers with tourist information, etc.</p>	<p>✓ Expanding sales of local products and ingredients</p>  <p>Developing products to encourage local production for local consumption using local products and ingredients, and promoting local production for local and nationwide consumption</p>	<p>✓ Social welfare and childcare support</p>  <p>Providing hot water for infant milk, elder care, etc.</p>
<p>✓ Environmental contribution</p>  <p>Promoting the reduction of plastic use, participating in greening and cleanup activities, etc.</p>	<p>✓ Crime prevention/youth development</p>  <p>Supporting the healthy growth of children through the promotion of sports</p>	<p>✓ Disaster countermeasures</p>  <p>Procuring supplies and supporting people unable to return home</p>

For details of local community initiatives:
<https://www.lawson.jp/en/csr/community/>

Social Initiatives

Franchise store owners

The Lawson convenience store business is largely operated through a franchise system. The Lawson franchise system is one of joint business operations in which franchise store owners and the Company's headquarters work as equal partners to share and grow in line with the Group philosophy of "Creating Happiness and Harmony in Our Communities." The headquarters not only provides various services such as logistics and information, rights to use trademarks, and management expertise, but also provides ongoing management support to franchise stores. Meanwhile, franchise store owners, while paying franchise fees and royalties, pursue maximum profits through maximizing customer satisfaction as independent operators. In this way, the franchise store owners and the headquarters work together based on their respective roles in the business.

The Company also focuses on building partnerships through numerous opportunities for direct dialogue between franchise store owners and headquarters executives, including the president, by holding Lawson seminars to share Group-wide policies and directions and Area Meeting events where franchise store owners share their success stories and sales plans.



■ Management Owner (MO) system

Lawson's unique Management Owner (MO) system is a mechanism to support franchise store owners operating multiple stores backed by a strong partnership between Lawson headquarters and franchise store owners. The MO has made a substantial contribution to the progress of the Lawson chain as a whole, not only by enhancing the brand image of the Lawson chain through development of model stores and sales floors, but also by exchanging opinions or proposing improved work procedures to headquarters management personnel as representatives of the franchise stores in their region. As of the end of February 2024, there were approximately 200 MOs operating stores in various regions of Japan.

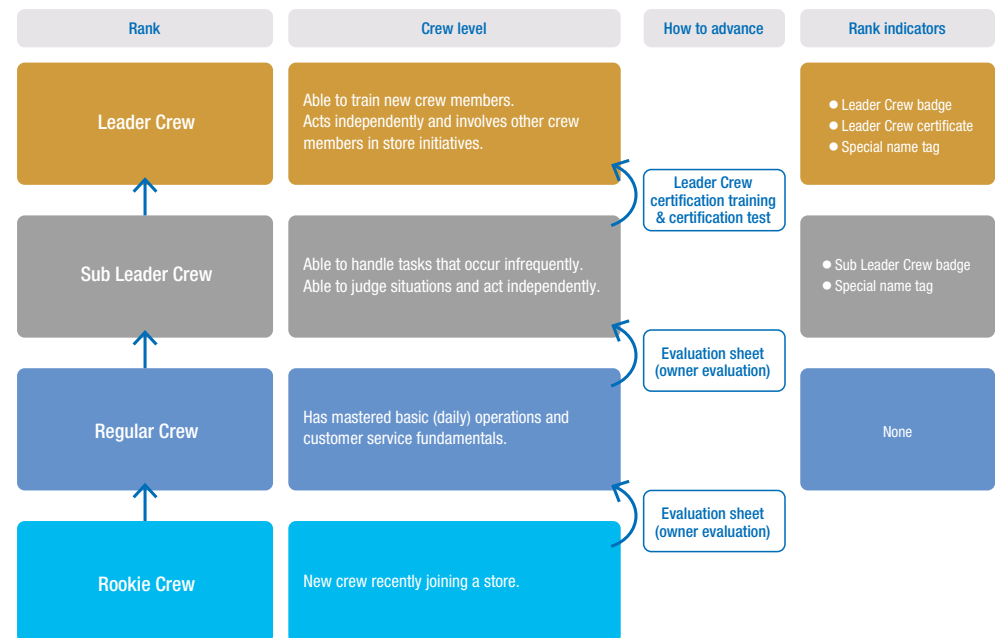
For Management Owners spotlight:
<https://www.lawson.jp/en/csr/franchising/>

Store crews

We have developed the Crew Development Program for crews working at LAWSON so that they can learn basic operations at the store. We also offer the Crew Advancement System that allows store crews to step up from the rank of Rookie Crew to Leader Crew according to their level of work mastery and proficiency, supporting their motivation for growth by clarifying their next goals. Furthermore, store crews with specialized skills and knowledge are certified as *fantasista* based on certain criteria in order to further elevate their capabilities and motivation.

This system provides store crews with Lawson headquarters' standards (guidelines) for store crew development and evaluation criteria, with the aim of encouraging rewarding and ongoing careers that offer steady growth via defined steps. Some stores may operate their own personnel and evaluation systems.

► Store Crew Advancement System



Social Initiatives

Business partners

■ Promoting fair transactions

In order to build relationships of trust with its business partners, Lawson has established The Lawson Group Corporate Conduct Charter and The Lawson Code of Ethics, which stipulate that we conduct fair and transparent purchasing in sincerity and good faith. We dedicate considerable resources to educating employees whose responsibilities include dealing with business partners to ensure they do not misuse their position of dominance to coerce vendors, and we offer a range of training programs and e-learning courses for all employees. In 2021, as part of the Declaration of Partnership Building initiative, Lawson declared that it will build new partnerships by promoting cooperation, coexistence, and co-prosperity with business partners and value-creating businesses in its supply chain. We will promote coexistence and co-prosperity throughout the entire supply chain, in new collaborations irrespective of factors like business size and affiliation, and in compliance with desirable business practices between the parent company and subcontractors.



Lawson Group Corporate Conduct Charter
https://www.lawson.jp/en/csr/policy/action_guideline/



Lawson Code of Ethics
<https://www.lawson.jp/en/csr/policy/ethics/>

■ Raising awareness about our purchasing and procurement policies

In a world of far-flung raw material vendors, a supply chain-wide effort is required to satisfy customers' demand for products and services made in an appropriate environment. We've put in place the Lawson Group Purchasing Policy for vendors to address issues such as customer safety and peace of mind, legal compliance, fair and sound business activities (for example, to eliminate relationships with organized crime and prevent corruption), respect for human rights (for example, to prevent participation in discrimination and human rights violations), and development of an appropriate work environment (for example, to prevent child labor and forced labor, reduce overtime, and ensure payment of fair wages). We give preference to transactions with business partners who support this policy. We have also formulated the Lawson Group Procurement Policy with the goal of realizing supply chains that are sustainable for the Earth's environment and for society as part of our ongoing drive to achieve sustainable procurement. To deepen our business partners' understanding of these policies, we periodically provide an overview of the policies and related Lawson initiatives.



Lawson Group Purchasing Policy
<https://www.lawson.jp/en/csr/policy/transaction/>



Lawson Group Procurement Policy
<https://www.lawson.jp/en/csr/policy/procurement/>

▶ Number of copies of Group policies mailed to business partners

(FY)	2021	2022	2023
Lawson Entertainment	98	98	106
LAWSON STORE 100	176	175	171
SCI	263	187	182
Lawson	718	764	745
Total	1,255	1,224	1,204

■ Business partner questionnaire

In addition, in order to review our own business relationships, we conduct an annual business partner questionnaire, which we ask our business partners to fill out anonymously as a means of identifying problems and issues in our business relationships. The results of these surveys are reported to management every year, and feedback is provided at divisional meetings and training sessions. We also provide feedback to business partners who have sent us questionnaires, and present them with the Lawson Group's suggestions for measures for improvement.

In addition to drawing on feedback from business partners to reassess and improve compliance and risk management structures, we've put in place structures to help us work with business partners to resolve issues, for example by identifying and addressing their root causes.

▶ Number of questionnaire recipients* and number of responses

(FY)	2021	2022	2023
Number of recipients	1,265	1,228	1,205
Number of responses	955	922	905
Response rate	75.5%	75.1%	75.1%

* When we conduct multiple transactions with a single business partner, we ask each coordinator to respond to the questionnaire separately.

■ Supplier Sustainability Questionnaire

In fiscal 2022, we began administering a Supplier Sustainability Questionnaire to review the status of business partners' sustainability initiatives. The questionnaire is designed to solicit information about initiatives undertaken by some 700 suppliers to address issues such as human rights problems and climate change, and to forge collaborative structures to help us work with business partners to resolve social and environmental issues.

We also conduct human rights audits to review the actual status of suppliers' initiatives, and we will continue to work to assess and augment business partners' initiatives in the future while expanding the scope of related reviews alongside the Sustainability Questionnaire.

▶ Results of the fiscal 2023 supplier sustainability questionnaire

Targeted suppliers	Number of companies responding	Response rate
726	514	70.8%

Social Initiatives

Employees

■ Basic policy and strategy for human capital

In practicing ESG-based management, the Lawson Group sees employees as the most important capital (human capital) for realizing happiness in our communities and advanced store productivity. By enhancing this human capital, we aim to realize the Group philosophy and vision. To maximize human capital, we promote human resources strategy and diversity, equity, and inclusion (DE&I) as a part of our management strategy.

At Lawson, we have a well-systematized Group philosophy and vision, as well as an accompanying code of conduct in the form of the Lawson's Way (Action Guideline), and we invest effort into cultivating core human resources who will be responsible for putting this into practice. To realize the Group philosophy, we operate a developmental personnel system with the aim of fostering autonomous human resources who are capable of thinking and acting on their own initiative. In addition, to develop and produce the next generation of management personnel, the Next Generation Development Committee Meeting discusses development plans for general managers and their successor candidates, and management is in charge of training and development. We will also continue to develop and hire tech and digital transformation (DX) human resources to achieve "Real x Tech Convenience." To maximize the abilities of each and every employee and enhance our corporate value, we aim to be a company that offers job satisfaction and use this as the basis for formulating various human resource measures.

Group Philosophy

Creating Happiness and Harmony in Our Communities

Vision

Our goal is to become the hub of refreshment in every community.

Initiatives targeted at realization

Developing and strengthening foundations and pursuing DX through various personnel measures

Our Vision (Goals) A company that offers job satisfaction	Point to strengthen	Initiatives	Main indicators
A company that society needs and takes pride in	<ul style="list-style-type: none"> ✓ Clarification of individual and organizational roles toward achieving our vision ✓ Optimized allocation and stronger training strategy for human resources ✓ Stronger recruitment strategy for the human resources we seek (DX human resources, etc.) 	<ul style="list-style-type: none"> ● Clarifying roles through written role descriptions (Reflecting how each role relates to our vision) ● Personnel system directed at realizing our vision (Revision of grading, evaluation, and compensation) ● Strengthening the hiring strategy and development and assignment process 	<ul style="list-style-type: none"> ● Degree of understanding and permeation of the Company vision ● The number of employees who feel they have been appropriately evaluated, compensated, and assigned
A sense of growth and usefulness to others	<ul style="list-style-type: none"> ✓ Career development support tailored to each individual ✓ Training program development unique to Lawson ✓ Personnel system design that ensures fair evaluation and treatment 	<ul style="list-style-type: none"> ● Considering a career path model in light of future industry trends and human resource requirements, and strengthening the content of development and other career-building support ● Building a personnel system that evaluates growth and performance and treats personnel fairly 	<ul style="list-style-type: none"> ● The number of employees who take career design training ● The number of female employees who take career development training ● The number of employees who feel they have been appropriately evaluated, compensated, and assigned
A facilitative work culture allowing employees to take on challenges	<ul style="list-style-type: none"> ✓ Enhanced work-life balance ✓ DE&I promotion ✓ Cultivation of mechanisms to value and help sustain taking on challenges 	<ul style="list-style-type: none"> ● Updating the working system, compensation system, and benefit package system ● Building an evaluation and compensation system that rewards employees for tackling challenges ● Developing human resources who build the corporate culture and implementing support measures 	<ul style="list-style-type: none"> ● Percentage of employees who take advantage of measures to support work-life balance ● Proportion of female managers among all managers ● Wage gap between men and women ● The number of 100 Million Yen Challenge entries



■ Message from the Division
Director of Human Resources
Becoming a company that offers
job satisfaction

Takeji Hino
Senior Vice President, Division Director of
Human Resources

We have defined our approach toward becoming a company that offers job satisfaction from three perspectives, and we consider and implement personnel measures to achieve each indicator.

The first is being a company that society needs and takes pride in. We aim to establish a clear vision to contribute to society and achieve sustainable growth and to help each and every employee to share and resonate with this vision. To do this, we are discussing and examining the creation of role descriptions to clarify organizational and individual roles; the establishment of a grading, compensation, and evaluation system that is reflective of these roles; and the development of a management human resource development infrastructure.

The second is providing a sense of growth and usefulness to others. We are working to enhance the sense of growth and contribution through career design tailored to each individual and support to help them build the careers they want. In addition to training programs required for work, we have introduced career development interviews and a career challenge system in efforts to improve and strengthen an environment supporting self-development.

The third is providing a facilitative work culture allowing employees to take on challenges. To grow sustainably as a company, we believe it is necessary to have an organizational culture in which employees can work with cheer, energy, and vigor, as well as with peace of mind, and in which they can take on challenges without fear of failure. To that end, we are reviewing our work-life balance support system and flexible regular employee system and implementing DE&I promotion measures to realize a work style tailored to each individual. We are also engaging in the creation of an environment and corporate culture that facilitates taking on challenges, reflected in the 100 Million Yen Challenge and President's Award mechanisms.

In addition to the above, we will work to develop DX human resources and improve our foundations by reviewing the existing personnel system, aiming to become a company with a facilitative environment and that offers job satisfaction, and to make progress toward the realization of the Group philosophy.

Social Initiatives (Employees)

■ Career design tailored to each individual and support to help them build the careers they want

Via Lawson University, our specialized education and training organization, we operate an education system that enables employees to acquire the knowledge and skills required for each job type and level. To facilitate autonomous growth among our employees and empower them to be capable of thinking and acting on their own initiative, the Company provides an environment for employees to pursue independent learning as well as a unique training system. With a view to reskilling, all human resources are provided with systematic and ongoing support, such as a more robust e-learning system, regularly held voluntary business skill training, and an expanded Lawson Open Challenge Program (LOCP; a personal development support system), to help them pursue learning at any time they want. In particular, in fiscal 2023, we began building a training system targeting DX and are working to strengthen it. Currently, we provide DX introduction seminars for subsection managers (twice a year) and introduced a seven-subject e-learning series on DX promotion for all employees. We will continue to strengthen this training system to make it a requirement for advancement in the future. For the further development of the Group, the Lawson Management School, in which the president himself serves as a training instructor, was launched in January 2023 for section managers (mainly branch managers across Japan) to encourage greater awareness as business managers and stimulate greater exercise of leadership. Follow-up sessions are currently held once every six months.

Furthermore, to enable each employee to clearly envision their own future career path, we support individual growth by using career development sheets and conducting career development interviews (interviews were conducted with 4,001 employees in fiscal 2023). We are also working to provide career training for female employees, non-Japanese employees, employees on childcare leave, employees by age group, and other target groups, as well as holding cross-departmental online seminars.

■ Enhancing learning opportunities

We have taken a number of initiatives to adapt our programs to changes in the social environment, including transitioning to online training, enhancing our e-learning system and expanding its content to allow employees to learn whenever they want to learn, implementing voluntary training in the interest of reskilling, and enhancing training content for cultivating DX human resources. The number of training sessions held, participants, and e-learning courses have all increased significantly.

Item	FY2020	FY2023	Extension rate
Training sessions*	60	160	266.7%
Training participants*	1,887	2,933	155.4%
E-learning courses*	44	280	636.4%

* Human Resources Department-led training system in Lawson Inc.

■ Improving job satisfaction

1 Understanding of employee job satisfaction and engagement, and improvement activities

An employee awareness survey is conducted with all employees once a year to examine measures and systems to resolve company-wide issues, and a summary of the results is shared with all employees. Moreover, organization-specific charts are created, and the head of each organization talks with members about improvement activities to address the organization's issues and improve the workplace environment and job satisfaction.

In addition to the annual employee awareness survey, we have introduced a simple pulse survey to all branches nationwide to more quickly ascertain employee engagement on-site and pursue improvement measures.

▶ Question: I am satisfied working for this company.

	FY2019	FY2020	FY2021	FY2022	FY2023
Positive response rate	70.8%	74.7%	74.0%	74.5%	75.0%

* Employee awareness survey results (figures for Lawson Inc.)

2 Work motivation reform project

As part of our efforts to improve job satisfaction, we have established the work motivation reform project under the Lawson Group Sweeping Transformation Executive Committee to carry out activities in this area. For this project, we conduct open recruitment of members from among employees nationwide to discuss and propose specific proposals to boost job satisfaction under a range of topics, such as stimulating more active communication and streamlining business operations.

3 Expansion of challenge opportunities: The 100 Million Yen Challenge

The 100 Million Yen Challenge was developed to solicit ideas for new challenges that would be undertaken within a budget of 100 million yen. It has been in operation since fiscal 2021 as part of the work motivation reform project. In fiscal 2023, we received 501 entries. Twelve groups made presentations to the president and other executives, and the selected projects are being examined for cost, feasibility, and other factors as we explore their potential implementation. Of these, the "Kids' Patisserie Experience" was implemented as an in-house event.



The Kids' Patisserie Experience event

Social Initiatives (Employees)

■ Promotion of diversity, equity, and inclusion (DE&I)

Within Lawson, we have made diversity, equity, and inclusion (DE&I) a key part of our management strategy. Lawson aims to be a company that promotes employee diversity, treats all employee fairly, is accepting of differences, and empowers every employee to voice his or her ideas and to tackle challenges.

D (Diversity)

We warmly welcome diversity among our team members, not only with regard to gender, race, and age but also individual character, customs, religion, and other attributes.

E (Equity)

We prepare the necessary resources according to each person's background so that everyone feels empowered to voice their ideas and supported in taking on challenges.

I (Inclusion)

We work to create an environment of unity, where everyone has respect for one another as colleagues and individuals and where there is acceptance of one another's value system.

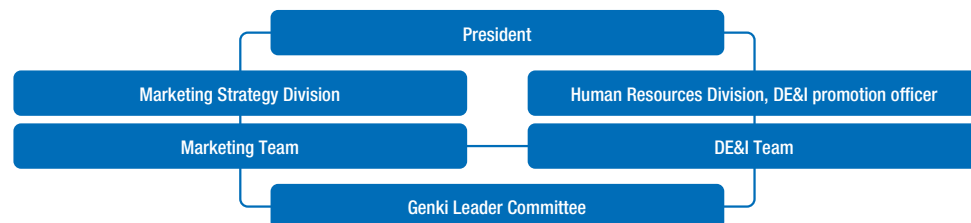
■ DE&I policy

Lawson's Group philosophy is "Creating Happiness and Harmony in Our Communities." This means recognizing the diversity that exists in society and creating new goods and services that respond to changes in the environment, thereby contributing to communities and sharing happiness with our communities.

Different backgrounds, such as race, religion, and employment status, create different ways of thinking among people, resulting in different ways of thinking existing in society. We also hope to grow as a member of the global community and engage with diverse people not only in Japan but around the world to enhance our corporate value.

We will contribute to the happiness of our communities and society at large by creating an environment in which each of our diverse employees can fully demonstrate their abilities, regardless of gender, gender identity or expression, sexual orientation, disability, nationality, or age, and by utilizing their strengths as an organization to create new value through our products and services. DE&I is an essential strength powering Lawson's growth, and we will actively pursue DE&I accordingly.

▶ DE&I promotion system



■ DE&I promotion efforts

We disregard gender, gender identity and expression, sexual orientation, nationality, age, schooling, and birthplace, focusing instead on individual suitability, motivation, and ability. We support diverse human resources so that they can thrive and work with peace of mind.

1 Hiring and empowerment of non-Japanese employees

In 2008, we began actively hiring non-Japanese employees, and since then we have continued to recruit new graduates with a target of 10% to 20% non-Japanese employees (3.2% as of February 29, 2024). After hiring, follow-up training is provided, and employees are assigned not only overseas but to a variety of different departments. Currently, many non-Japanese employees are working in management positions.

Additionally, in order to help non-Japanese store crews more quickly learn store operations, a multilingual partial translation of the operations manual and a multilingual (nine languages) lexicon of Lawson-related terminology—a "Lawsonary"—have been introduced, along with other support, like the use of easier-to-understand Japanese.

2 Empowering and promoting the employment of people with disabilities

To promote employment of people with disabilities, we established the Lawson Will special subsidiary in 2013 and consign a portion of Group business operations to it. In addition, we are promoting the employment of people with disabilities as "limited regular employees." Furthermore, through the introduction of "Dialogue in the Dark," an experiential training program in which participants gain various insights through communication using voice and senses other than sight, into regular employee training, and by holding wheelchair basketball experience events for those who wish to try it, we are striving to create an environment where physically unimpaired employees can deepen their understanding of people with disabilities.

3 Empowering middle-aged and senior employees

In fiscal 2021, we raised the retirement age to 65 and introduced an Active Senior Full-time Employee System. Accompanying the extension of the retirement age, we provide all employees who have reached the age of 53 with career design training in order to provide them with a venue for thinking about future career development. Also, we create an environment conducive to continued work after the age of 60 by offering these multiple job courses and work styles to choose from.

4 Initiatives for LGBTQ+

In fiscal 2023, Lawson was awarded the highest Gold rating in the PRIDE Index for the first time, a result of our efforts to promote understanding among individual employees and create a facilitative workplace environment for all LGBTQ persons, including ensuring that same-sex partners are treated equally in internal systems, use of preferred names internally, the establishment of a consultation service, and e-learning and seminars. We have established an internal community and continue to promote understanding by distributing stickers and holding ally meetings.



Social Initiatives (Employees)

■ Goals and efforts for the promotion of female advancement in the workplace

We have made it a qualitative goal to “be a company that enables women to continue working as they raise children” and have made it a quantitative goal that “30% of all employees shall be women by 2030” and “30% of all managers shall be women by 2030.” Since 2005, we have made it a goal that “50% of newly hired college graduates shall be women,” and we continue to actively recruit women in order to ensure we meet this. Also, for female employees in their mid-twenties to early thirties, we want help alleviate their concerns about being able to balance life events and work so that they can continue working; thus, we provide career development training where women can talk with their seniors about the latter’s experiences, as well as chart their own future career path. Furthermore, we run selective leadership training as supplementary training for sales line manager candidates, during which opportunities to meet and talk directly with female corporate executives and the president are provided with the aim of fostering a leadership mindset. In addition, we conduct childcare leave employee training aimed at providing company information to employees on childcare leave and facilitating career development for after they return to work, as well as cultivating a network. This training alleviates employees concerns about returning to work and helps them get back up to speed.

Because men’s participation in childcare is important for achieving female advancement in the workplace, we introduced our own, distinctive short-term childcare leave system in 2014. Since fiscal 2018, the utilization rate has remained at or above 90%. Also, with the introduction of childbirth childcare leave (post-birth leave for fathers), we provide e-learning about it to all employees and encourage them to make use of it. As a result, the combined utilization rate for long- and short-term childcare leave amongst men in fiscal 2023 was 98%, with 26.1 days being the average amount of leave.

Lawson has developed a number of support systems adaptable to employee needs to help them balance childrearing with work, including a reduced working hours/days system, holiday system, and family accompaniment transfer system.

▶ Proportion of female managers among all managers*

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of female managers	127	131	148	165	174
Proportion of female managers among all managers	10.1%	10.7%	11.7%	13.0%	13.5%

▶ Male childcare leave rate*

	FY2014	FY2015	FY2021	FY2022	FY2023
Number of male employees taking childcare leave	23	93	89	104	100
Male childcare leave rate	16.1%	70.4%	95.7%	92.0%	98.0%

* Figures for Lawson Inc.



■ Worker safety and health

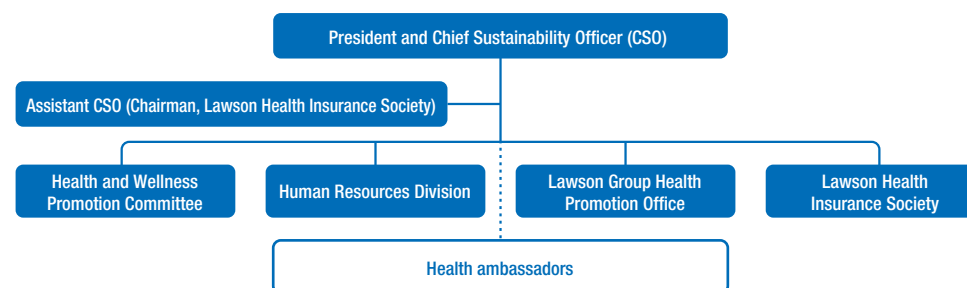
With the aim of ensuring employees have a safe, worker-friendly, and motivating workplace environment, we provide opportunities for dialog-focused labor-management consultation and encourage employee participation in discussions on a variety of topics, including how to develop the workplace environment and promote work efficiency and improve the organizational culture. In particular, both labor and management conduct monthly self-checks and engage in dialog about working hours, the status of leave utilization, and other concerns in order to identify issues early and then promptly develop measures to address them.

We ensure that the 5S Methodology of “Sort, Set, Shine, Standardize, and Sustain” is fully implemented by our franchise stores, and we ensure that the safe operating procedures presented in the operation manual are carefully followed in order to prevent accidents. We also hold safety management meetings company-wide to raise awareness concerning driving safety among store supervisors and others whose jobs involve driving. When a serious work-related accident occurs, we investigate and analyze the cause and share our findings internally with the aim of preventing reoccurrence. Also, with regard to improvement of the working environment, we emphasize stress check-based employee care, including support for departmental issue identification and improvement action and implementation of training by industrial physicians.

■ Health and productivity management

With the president serving as Chief Sustainability Officer (CSO) and chair of the Health and Wellness Promotion Committee, we have established a system to actively promote health and productivity management and strengthen health initiatives and health management for the Company and its customers. Lawson Group Health Promotion Office, a body operating under the direct supervision of the president, and health ambassadors established in each department work together to implement various health promotion measures, including the Genki Challenge (Challenge for Better Health). As a result of our various initiatives, such as efforts tailored to local health concerns, we have been selected as a White 500 Health & Productivity Management Outstanding Organization (large-scale corporate sector) for 2024, the eighth year in a row we have received this award.

▶ System to promote health and productivity



For more information about health-related efforts aimed at Lawson employees
https://www.lawson.jp/en/csr/hrs/health_care/

Corporate Governance

Characteristics of corporate governance

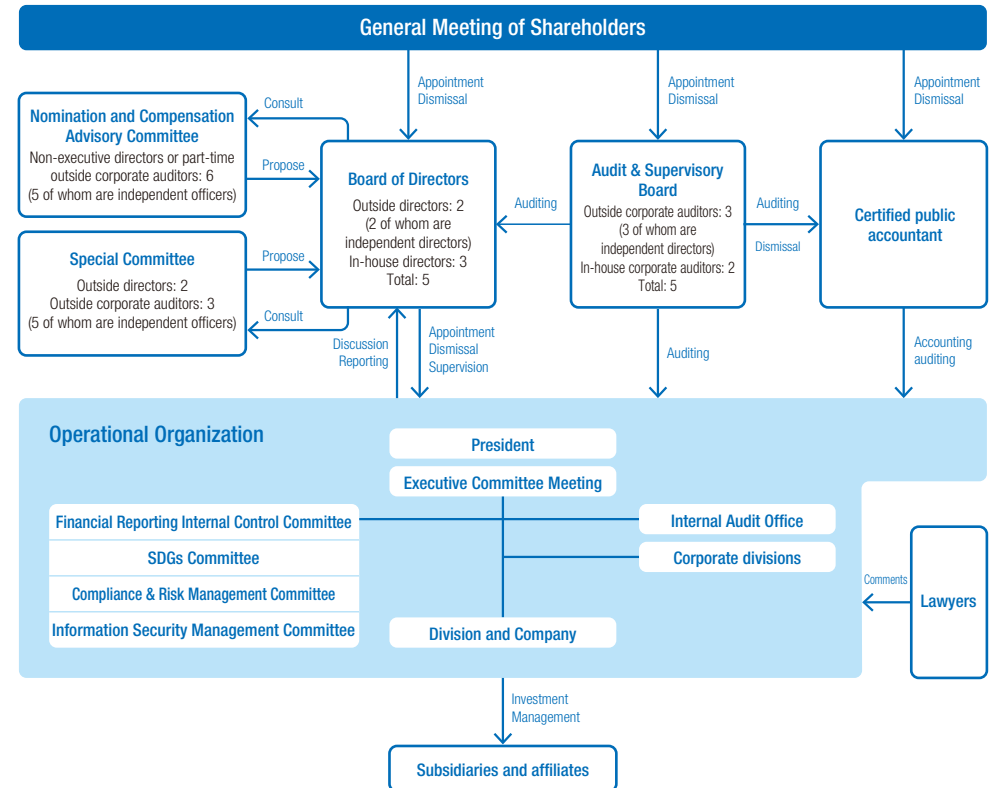
We believe that continuous improvement in the value we offer stakeholders contributes to the enhancement of Lawson's corporate value. Accordingly, we strive not only to comply with laws, regulations, and social norms but also to reinforce our corporate governance by improving the soundness and transparency of management through honest and considerate behavior grounded in high ethical standards that are based on the Group philosophy, the Lawson Group Corporate Conduct Charter, and the Lawson Code of Ethics.

Lawson selects people with different specialties and experience as candidates for membership of the Board to assure diversity on the Board of Directors and enable appropriate decision-making and supervision. Lawson has established its own Judgment Criteria Regarding Independence as a basis for selecting several independent officers (one-third or more for members of the Board) for purposes of ensuring management transparency and fairness. Moreover, by introducing the Executive Officer System, we have separated management and supervision from business execution to enable quick decision-making and business execution. It should be noted, with respect to the corporate auditors, that we elect candidates for the position of corporate auditor based on their possession of the extensive financial, accounting, risk management and/or legal expertise and experience required to fulfill auditors' duties.

Corporate governance system

Equipped with an agile decision-making process, Lawson has moved quickly to construct a highly transparent and independent corporate governance system. Independent officers comprise at least one-third of the members of the Board. Moreover, with a view to promoting diversity with the composition of the executive officers taken into consideration, five women have been appointed to the position of member of the Board or corporate auditor. They are contributing to reinforcing the corporate governance system from various perspectives. Following the voluntary establishment of the Nomination and Compensation Advisory Committee to express its opinion on the candidates for the positions of member of the Board and representative director on the Board of Directors, independent officers have been selected to fill five of six positions as Committee members, thus creating a system where opinions can be expressed with a high degree of independence. Going forward, we will continue our efforts to ensure management transparency and independence and to improve corporate value to meet the expectations of all our stakeholders.

► Corporate governance system (as of May 22, 2024)



For more information about corporate governance
<https://www.lawson.jp/en/csr/governance/>

Executives

Members of the Board

As of May 21, 2024



Sadanobu Takemasu

Years as a Member of the Board: 10
President and CEO, Representative Director, Chairman of the Board, and CSO

Born in 1969; 54 years old. Appointed Senior Executive Vice President, Representative Director in 2014. Appointed President and CEO, and Representative Director in 2016. Mr. Takemasu has led the entire Group with a focus on the domestic convenience store business, as well as contributed to the improvement of corporate value and the achievement of sustainable corporate management as President and CEO, Representative Director, Chairman of the Board, and CSO* of Lawson, Inc.

* CSO: Chief Sustainability Officer



Masayuki Itonaga

Years as a Member of the Board: 2
Member of the Board, Executive Managing Officer, CFO

Born in 1967; 57 years old. Through his duties at Mitsubishi Corporation and secondment at overseas companies, among others, Mr. Itonaga has gained extensive knowledge across all areas of management with a focus on financial affairs and accounting. He has also gained a deep knowledge of all areas of corporate management from serving as the Representative Director and President of Mitsubishi Corporation Financial and Management Services (Japan) Ltd., a subsidiary of Mitsubishi Corporation.



Miki Iwamura

Years as a Member of the Board: 6
Member of the Board (outside), Lead Independent Outside Director

Born in 1965; 58 years old. Ms. Iwamura has been proactively making suggestions and disseminating information on workstyle reforms and the promotion of women's advancement in the workplace. She also has deep insight into management, marketing, and brand reinforcement using digital big data through her work in marketing in the Asia Pacific and Japan region for a global IT company.



Satoko Suzuki

Years as a Member of the Board: 4
Member of the Board (outside)

Born in 1977; 46 years old. Ms. Suzuki has served as a member of public and private committees related to "hospitality management" and "globalization of the service industry." She has published many papers, presented at academic conferences, and received awards. In addition, she has a wealth of academic knowledge on consumer behavior, marketing, and brand management.



Shota Kondo

Years as a Member of the Board: 0
Members of the Board

Born in 1967; 56 years old. Mr. Kondo has served at Mitsubishi Corporation and has been seconded to its overseas subsidiaries and investees, through which he has gained in-depth knowledge of businesses in the energy sector as well as corporate management in general, including management strategy.

Corporate auditors

As of May 21, 2024



Jun Miyazaki

Years as Corporate Auditor: 3
Standing Corporate Auditor

Born in 1955; 68 years old. Mr. Miyazaki has expertise in convenience store operations and the franchise business, as well as extensive insight into compliance and risk management, having been responsible for the Group's public relations strategy, human resource strategy, compliance and risk management, and promotion of health and productivity management in his role as the manager in charge of Corporate Communications, Compliance & Risk Management, Human Resources (deputy in charge), deputy CSO (Healthcare), and chairman of Lawson Health Insurance Society.



Shuichi Imagawa

Years as Corporate Auditor: 4
Standing Corporate Auditor

Born in 1958; 65 years old. Mr. Imagawa has expertise in compliance and risk management, as well as convenience store operations and the franchise business, based on experience acquired as manager in charge of the Store Operation Division, Product and Logistics Division, branch manager, vice president of CVS Operations Company in Japan, head of the Sales Division, and CR and Human Resources Executive Officer.



Yuko Gomi

Years as Corporate Auditor: 5
Corporate Auditor (outside)

Born in 1972; 52 years old. Ms. Gomi has extensive business experience and broad insight based on her wealth of experience in corporate legal affairs and risk management as an attorney, as well as serving as a legal advisor (part time) for the Minister's Secretariat of the Cabinet Office.



Keiko Yoshida

Years as Corporate Auditor: 4
Corporate Auditor (outside)

Born in 1954; 70 years old. As a certified public accountant, Ms. Yoshida is a representative of an accounting firm and has a deep knowledge of tax affairs, accounting, and management.



Yuko Miyata

Years as Corporate Auditor: 1
Corporate Auditor (outside)

Born in 1964; 59 years old. She has extensive experience in human resources and labor affairs at global companies, including serving as member of the Board and head of HR and General Affairs at Unilever Japan K.K., as well as executive officer and general manager of the Human Resources Division of Bayer Holding Ltd.

Risk Management

Assuring continuity of business operations

At Lawson, we have defined the basic business continuity management (BCM) matters that need to be addressed in the event that there is a functional failure of our management resources or a large number of our employees are unable to perform their work duties.

To fulfill this basic policy, we have created business continuity plans (BCP) that provide an overview of specific procedures and other matters, and are working to establish, maintain, and improve a business continuity system in line with these plans as an important management issue.

BCM basic policy

■ Maintaining the Lawson brand

Under our Group philosophy of “Creating Happiness and Harmony in Our Communities,” and with a strong awareness of our corporate social responsibility, we will endeavor to pursue store operations that prioritize human life and safety, even during large-scale disasters and other times of great risk, to supply products and services that maintain the Lawson brand by fulfilling our mission as a “community lifeline.”

■ Continuation of the franchise business

We will continue to develop our franchise business so that, even in the event of serious risks, we can ensure an essential level of operations required of a franchise headquarters, specifying the timeline and means by which business and operations will be restored so that franchise business can continue.

■ Securing appropriate earnings

In order to put into practice our Group philosophy of “Creating Happiness and Harmony in Our Communities,” we will ensure (generate) a level of profitability that is appropriate and essential to our survival as a company. Toward that end, we will formulate countermeasures that take into consideration the impact on earnings that serious risks, as well as social conditions, laws, and other factors, may have.

► Business risks

Category	No.	Main risks	Impact*	Risk response measures
Management strategy risks	1	Risks related to M&A and business alliances	Medium	<ul style="list-style-type: none"> When entering into agreements, such as acquiring shares: conduct prior study (such as third-party surveys, etc.); facilitate decision-making by formulating detailed business plans and clear criteria for withdrawing from an agreement; and periodically monitor the agreement afterwards.
	2	Risks related to the franchise store business	Medium	<ul style="list-style-type: none"> Provide sufficient information and appropriate support to franchise stores to prevent misconduct incidents, etc. Build partnerships with franchise stores for continued stable store operations.
	3	Risks related to the banking business	Medium	<ul style="list-style-type: none"> Compliance with laws and regulations through training, etc., at Lawson Bank, Inc. Respond to environmental changes through communication and sharing information between Lawson Bank, Inc. and the Company, along with the examination of synergy creation.
	4	Risks related to raw materials procurement	Medium	<ul style="list-style-type: none"> Secure substitute materials, identical raw materials from different production areas, and multiple procurement channels.
	5	Risks related to climate change	High	<ul style="list-style-type: none"> Formulate countermeasures, such as risk avoidance, mitigation, and insured transfer of risks.
	6	Risks related to human rights	Medium	<ul style="list-style-type: none"> Formulate the Lawson Group Human Rights Policy. Hold dialogue with business partners, conduct CSR audits, and conduct internal training. Establish a consultation service for employees and business partners, and provide corrective/remedial action.
Financial risk	7	Risks related to asset impairment	High	<ul style="list-style-type: none"> Perform a detailed investment profitability analysis when acquiring tangible fixed assets. Perform credit checks for new suppliers and other business associates, and perform thorough management of existing receivables and other such assets.
	8	Risks related to funding procurement	High	<ul style="list-style-type: none"> Diversify fund procurement sources and means. Diversify fund procurement sources and lending periods, and procure funding at fixed interest rates.
	9	Risks related to exchange rate fluctuation	Low	<ul style="list-style-type: none"> Diversify the contract volume and timing for products, raw materials, etc., procured overseas.
Operational risks	10	Risks related to food product safety	High	<ul style="list-style-type: none"> Ensure quality management, hygiene management, and expiry date management from production to delivery and sales. Develop a system for pre-checks and information storage in order to ensure proper labeling.
	11	Risks related to IT systems	High	<ul style="list-style-type: none"> Implement multifaceted countermeasures, including technical, process/personnel, and physical aspects, as well as training in preparation.
	12	Risks related to handling of personal information	High	<ul style="list-style-type: none"> Thoroughly promote best practices in accordance with the Lawson Information Security Policy and the Lawson Group Personal Information Protection Policy inside the Group.
	13	Risks related to reputation	Medium	<ul style="list-style-type: none"> Implement compliance/risk management training. When a problem arises, provide prompt information disclosure to minimize impact.
Compliance risks	14	Risks related to laws, regulations, etc.	Low	<ul style="list-style-type: none"> Continually gather and analyze information about legal and regulatory revisions, etc., and respond proactively.
Hazard risks	15	Risks related to disasters	High	<ul style="list-style-type: none"> Conduct an emergency drill three times per year and ensure the effectiveness of the Disaster Relief Manual and other resources. Develop a BCM structure, and formulate BCP for responding to anticipated scenarios, such as an earthquake with its epicenter in Tokyo.
	16	Risks related to new infectious diseases	High	<ul style="list-style-type: none"> Develop a BCM-related structure, rules, etc., that will ensure a given, essential level of operations required of a headquarters. Under the leadership of the Lawson Group Sweeping Transformation Executive Committee, tackle the challenge of anticipating new needs.

* Impact level guidelines are as follows.

High: Disruption of business that lasts a month or more, etc. / Medium: Disruption of business that lasts between a week to just under a month, etc. / Low: Disruption of business that lasts a week, etc.



For more information about continuity of business
<https://www.lawson.jp/en/csr/governance/continuation/>

Corporate Information

Industry Trends and Sales, Store-related Data

■ Industry trends

In 2023 (January–December), the convenience store industry saw a normalization of economic and social activities as the economy emerged from the COVID-19 pandemic due to the removal of behavioral restrictions and the transition of COVID-19 to a Class 5 infectious disease, an increase in the flow of people and tourists due to the recovery of foreign visitors to Japan, and merchandise assortment and campaigns in response to record-high temperatures and other circumstances. This resulted in strong sales of *onigiri* (rice balls), confectioneries, ice cream, soft drinks, alcoholic beverages, and other items, and total annual industry sales increased 4.4% year on year to 12,732.0 billion yen, with net sales at existing stores increasing 4.1% year on year. As of the end of December, the total number of stores was 56,112.*

* For annual sales and the total number of stores, we referred to the Current Survey of Commerce issued by the Ministry of Economy, Trade and Industry. For the increase/decrease ratio in existing store sales, we referred to the Convenience Store Statistics Investigation Annual Report issued by the Japan Franchise Association.

▶ Retail industry market size and convenience store share*1

(Calendar year)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total retail industry annual sales*2	163,034	154,402	150,462	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897
Convenience store sector annual sales*2	12,732	12,199	11,760	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872
Convenience store share in the retail industry	7.8%	7.9%	7.8%	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%

Source: Current Survey of Commerce, Ministry of Economy, Trade and Industry

*1 The figures above reflect the revision of the figures in 2004 and onwards that the Ministry of Economy, Trade and Industry compiled in March 2013.

*2 Annual sales amounts of the retail industry and the convenience store sector are on a calendar-year basis.

▶ Net sales of all stores among the top three chains in the convenience store industry*3

(FY)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Lawson*4	2,750	2,566	2,442	2,349	2,506	2,424	2,283	2,157	2,049	1,961	1,945
Seven-Eleven Japan	5,345	5,149	4,953	4,871	5,010	4,899	4,678	4,516	4,291	4,008	3,781
FamilyMart*5	3,069	2,958	2,842	2,764	2,965	2,983	3,016	3,009	2,006	1,860	1,722
Total of the top 3 chains	11,164	10,673	10,237	9,984	10,482	10,306	9,977	9,682	8,346	7,829	7,448
Total market share of the top 3 chains	87.7%	87.5%	87.0%	85.8%	86.0%	86.0%	84.9%	84.6%	75.9%	75.1%	75.4%

Source: Data published by each company

*3 The figures for the top three chains are on a fiscal-year basis, while the total market share of the top three chains is the proportion in convenience store sector annual sales on a calendar-year basis.

*4 Lawson has adopted the International Financial Reporting Standards (IFRS) as of fiscal 2022.

*5 In September 2016, Circle K Sunkus and FamilyMart merged and, in November 2018, brand integration of approximately 5,000 stores was completed.

▶ Number of convenience stores

(Calendar year)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Number of convenience stores	56,112	56,232	56,352	56,542	56,502	56,574	56,374	55,636	54,505	52,725	50,234

Source: Current Survey of Commerce, Ministry of Economy, Trade and Industry

▶ Non-consolidated operating results

(FY)	2023		2022		2021		2020		2019	
Net sales of all convenience stores	2,416,293	100.0%	2,299,518	100.0%	2,211,981	100.0%	2,165,818	100.0%	2,296,156	100.0%
Gross operating revenue	391,793	16.2%	357,571	15.5%	355,102	16.1%	354,825	16.4%	390,811	17.0%
Gross operating profit	369,872	15.3%	338,354	14.7%	333,784	15.1%	330,600	15.3%	356,385	15.5%
Selling, general and administrative expenses	311,860	12.9%	303,165	13.2%	307,913	13.9%	304,449	14.1%	311,660	13.6%
Advertising and promotional expenses	15,005	0.6%	10,997	0.5%	10,929	0.5%	9,800	0.5%	14,112	0.6%
Personnel expenses	44,305	1.8%	43,723	1.9%	44,184	2.0%	44,845	2.1%	46,261	2.0%
Rents	183,803	7.6%	182,919	8.0%	181,260	8.2%	180,709	8.3%	181,194	7.9%
Other SG&A expenses	68,747	2.8%	65,524	2.8%	71,539	3.2%	69,094	3.2%	70,091	3.1%
Operating income	58,011	2.4%	35,188	1.5%	25,870	1.2%	26,150	1.2%	44,725	1.9%
Ordinary income	68,928	2.9%	40,618	1.8%	34,278	1.5%	33,700	1.6%	45,962	2.0%
Profit	44,722	1.9%	22,595	1.0%	13,470	0.6%	15,894	0.7%	15,486	0.7%

Corporate Information

■ Management policies for fiscal 2023

In fiscal 2023, as the world continued to move into a post-COVID era, including the transition in the legal status of COVID-19 to a Class 5 infectious disease, the entire Group worked together to realize the Lawson Group Challenge 2025 medium-term management vision. Specifically, in addition to promoting various measures of the Lawson Group Sweeping Transformation Executive Committee launched in September 2020, the whole Group has remained committed to solving medium- to long-term issues to help generate sustainable growth, secure new earnings opportunities, and enhance job satisfaction. The Group has furthermore worked to create a workplace environment and system where diverse human resources can play an active role, introducing various measures for the LGBTQ community. This effort earned Lawson the Gold rating in the PRIDE Index 2023*. We also expanded the area company system for our eight areas nationwide in an effort to realize “community based × individual customer and individual store-focused” operations, transferring authority and functions from headquarters to area companies in order to strengthen our systemic, thorough pursuit of customer value creation at local stores, which are closer to the customer, and promoting various measures related to this topic.

* The PRIDE Index was developed by work with Pride in 2016 to assess corporate efforts to address LGBTQ+ and other sexual minorities in the workplace.

■ Domestic convenience store business

Amid a generally increasing trend in the flow of people, each area company strengthened store displays focusing on ample ranges of their merchandise assortment and volumes of their inventories, based on the store refurbishment and expansion of daily-use products such as frozen foods and daily necessities promoted by the Lawson Group Sweeping Transformation Executive Committee. As of the end of February 2024, the number of stores that have introduced MUJI products, which began in earnest in 2022, reached 12,712 stores. In addition, to address Japan's 2024 logistics problem and to reduce CO₂ emissions, we have reduced the number of daily deliveries of chilled and temperature-controlled products from three to two, starting in December 2023. Furthermore, as we work our way toward 2025, our 50th anniversary year, we continued our efforts in the Happy Lawson Project! with the aim of creating “the hub of refreshment in every community,” and promoted measures to fulfill the Three Promises of our business policy—“Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness”—in an effort to operate Lawson stores endorsed by all our customers.

In addition to further strengthening our distinctive products that focus on taste and health, we are also working to serve customers courteously in our stores and continuing with our environmentally friendly measures such as reducing food loss, plastic usage, and CO₂ emissions.

■ Merchandising and service strategies

As a result of increased flow of people, sales surged for over-the-counter fast foods, soft drinks, and rice dishes, as well as for Machikado Chubo in-store kitchens, bakery items, and cosmetics. For over-the-counter fast foods, sales were driven by new products such as L-KARA (fried chicken) in addition to regular products like KARAAGE-KUN Fried Chicken, and for rice dishes, strong sales were achieved in *onigiri* (rice balls) such as the renewed Kinshari Onigiri series. With regard to products offered by the Machikado Chubo in-store kitchens, we saw strong performance for bento (box lunch) items in which rice is packed separately, in addition to the regular bowl-type items. As for daily delivered foods, sales were driven by the new Melon-pan Bread with Salty Butter and regular favorites in bakery items and ice cream, while in non-food products, sales grew for MUJI products and a new brand of cosmetics jointly developed with a popular cosmetic brand.

The combined number of stores listed on four food delivery services such as Uber Eats, reached 4,884 in 47 prefectures as of the end of February 2024. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 115 Lawson stores in 22 prefectures.

■ Store operations

In store operations, we continued to focus on reinforcing adherence to the three essential practices, which emphasize (1) serving customers courteously; (2) offering a merchandise assortment focused on basic items with high demand; and (3) keeping our stores and communities clean. In our efforts to increase sales, we also focused on expanding our merchandise assortment to respond to changes in customer lifestyles and values. Furthermore, we kept up our initiatives to increase the profitability of franchise stores, including helping them streamline their store operation and control costs associated with food waste and utility expenses.

Corporate Information

■ Store development

In opening new stores, the Group continued to focus on developing profitable stores. During the fiscal year under review, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE 100 stores opened in Japan stood at 280 stores. Meanwhile, we closed a total of 268. As of the end of February 2024, the total number of domestic stores was 14,643*.

In an effort to establish convenience store models catered to an aging population and a growing trend toward health consciousness, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented Lawson stores that offer OTC pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional Lawson stores. The number of stores offering OTC pharmaceuticals has reached 309 stores (includes 45 pharmacy Lawson stores equipped with drug-dispensing pharmacies) as of the end of February 2024. Moreover, the number of stores with nursing care consultation desks for seniors has reached 19 as of the end of February 2024. Furthermore, we have also been expanding our chain of Hospital LAWSON stores, which feature strengthened focus on medical, sanitary, and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 342 as of the end of February 2024. Building on our expertise developed through operation of in-hospital Lawson stores, we will continue to support the lives of all people interacting with hospitals.

Our NATURAL LAWSON stores, which are popular among customers for supporting their beauty, health, and comfortable lifestyles, offer an exclusive selection of finely picked items of value, including food made with healthy ingredients and environmentally friendly detergents and cosmetics. Meanwhile, our LAWSON STORE 100 stores offer daily necessities and safe, reliable, and high-quality fruits and vegetables with a focus on freshness, supporting customers' daily dietary lives by helping them plan their meals. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of the end of February 2024, we operate 130 NATURAL LAWSON stores and 648 LAWSON STORE100 stores.

* The numbers of store openings and closings and total number of stores in Japan include stores operated by Lawson, Inc., Lawson Kochi, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

▶ Number of convenience stores in Japan

(Stores)

(FY)	2023	2022	2021	2020	2019
Total number of stores	14,643	14,631	14,656	14,476	14,444
Openings	280	228	483	373	554
Closings	268	253	303	341	769
Net increase (decrease)	12	(25)	180	32	(215)

Note: These figures include stores operated by Lawson Kochi, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

▶ Number of convenience stores in Japan by store type

(FY)	Net increase (decrease) in the term						
	2023			2022		2021	
	Stores	Share	Stores	Stores	Share	Stores	Share
Lawson, Inc.							
Directly managed stores							
Lawson	188	1.3%	(15)	203	1.4%	201	1.4%
NATURAL LAWSON	6	0.0%	(2)	8	0.1%	10	0.1%
Franchise stores							
Type B	1,889	12.9%	(44)	1,933	13.2%	1,956	13.3%
Type G	1,227	8.4%	(22)	1,249	8.5%	1,277	8.7%
Type C	9,960	68.0%	103	9,857	67.4%	9,817	67.0%
NATURAL LAWSON	124	0.8%	1	123	0.8%	126	0.9%
LAWSON STORE 100	648	4.4%	(13)	661	4.5%	669	4.6%
Subtotal	14,042	95.9%	8	14,034	95.9%	14,056	95.9%
Lawson Kochi, Inc.							
Directly managed stores	7	0.0%	2	5	0.0%	6	0.0%
Franchise stores	131	0.9%	(2)	133	0.9%	132	0.9%
Subtotal	138	0.9%	—	138	0.9%	138	0.9%
Lawson Minamikyushu, Inc.							
Directly managed stores	2	0.0%	—	2	0.0%	2	0.0%
Franchise stores	199	1.4%	1	198	1.4%	200	1.4%
Subtotal	201	1.4%	1	200	1.4%	202	1.4%
Lawson Okinawa, Inc.							
Directly managed stores	1	0.0%	(1)	2	0.0%	3	0.0%
Franchise stores	261	1.8%	4	257	1.8%	257	1.8%
Subtotal	262	1.8%	3	259	1.8%	260	1.8%
Total number of convenience stores in Japan	14,643	100.0%	12	14,631	100.0%	14,656	100.0%

Corporate Information

Overview of sales

Net sales for all Lawson chain stores (consolidated) in fiscal 2023 were 2,750.9 billion yen (up 7.2% year on year). This was due to the increased sales of the domestic convenience store business resulting from the various measures undertaken by the Lawson Group Sweeping Transformation Executive Committee, as well as marketing measures like the Happy Lawson Project! and other factors. Domestic sales at existing stores (non-consolidated) in fiscal 2023 saw strong growth in daily delivered foods and other products as a result of sales floor expansion undertaken as part of the ideal store format project and of the MUJI introduction project, both by the Lawson Group Sweeping Transformation Executive Committee, as well as promotion of the Happy Lawson Project! and the area company system. Over-the-counter fast foods also performed well. As a result, existing-store sales in domestic Lawson business increased 4.6% year on year. The number of customers increased 4.0% year on year, while average spending per customer increased by 0.6% year on year.

Existing store sales, number of customers, and average spending per customer year on year*1

(FY)	2023	2022	2021	2020	2019
Net sales at existing stores (year on year)	104.6%	103.6%	101.1%	92.7%	100.1%
Average number of customers	104.0%	100.9%	98.7%	85.8%	98.4%
Average spending per customer	100.6%	102.7%	102.5%	108.0%	101.7%

*1 The total of LAWSON and NATURAL LAWSON operated by Lawson, Inc.

Sales by product category*2

(FY)	2023		2022		2021		2020		2019	
Fast foods (share)	535.8	23.2%	506.6	23.1%	470.4	22.3%	452.8	22.1%	523.3	24.1%
Daily foods (share)	340.1	14.7%	321.3	14.6%	312.9	14.9%	309.3	15.1%	307.3	14.2%
Processed foods (share)	1,228.2	53.2%	1,174.6	53.6%	1,135.3	53.9%	1,096.3	53.4%	1,143.6	52.7%
Portion for cigarettes (share)	632.2	27.4%	627.9	28.6%	601.1	28.6%	559.6	27.3%	559.1	25.8%
Non-food products (share)	204.4	8.9%	190.4	8.7%	186.7	8.9%	192.1	9.4%	195.7	9.0%
Total	2,308.6	100.0%	2,193.1	100.0%	2,105.4	100.0%	2,050.6	100.0%	2,170.0	100.0%

*2 The total of LAWSON and NATURAL LAWSON operated by Lawson, Inc.

Breakdown by product category

Category	Details
Fast foods	Rice dishes, noodles, sandwiches, delicatessen items, fast foods, etc.
Daily foods	Bakery items, desserts, ice cream, fresh foods, etc.
Processed foods	Soft drinks, alcoholic beverages, cigarettes, processed foods, confectionery, etc.
Non-food products	Daily necessities, books, magazines, etc.

All chain stores: Gross profit margin by product category*3

(FY)	2023	2022	2021	2020	2019
Fast foods	41.1%	40.7%	39.6%	39.2%	38.9%
Daily foods	35.3%	34.9%	34.6%	34.6%	34.3%
Processed foods	23.2%	22.6%	22.7%	23.2%	23.8%
Non-food products*4	50.2%	50.5%	49.9%	49.7%	50.5%
Gross profit margin	31.5%	31.0%	30.7%	31.0%	31.3%

*3 The total of LAWSON and NATURAL LAWSON operated by Lawson, Inc.

*4 Gross profit margin of non-food products is calculated including commission income.

Third-party bill settlement service*5

(FY)	2023	2022	2021	2020	2019
Bill settlements (billions of yen)	2,535	2,579	2,442	2,465	2,498
Number of transactions (million)	197.9	205.0	204.6	211.2	214.6

*5 The total of LAWSON, NATURAL LAWSON and LAWSON STORE 100 operated by Lawson, Inc.

Overview of Lawson's main contracts (FC-Cn contracts)

Contract period	10 years from day of store opening
Franchise store owner requirements	Be at least 20 years old and have two full-time store employees
Land, building, and operations fixtures	Supplied by headquarters
Store construction and interior fitting	Borne by headquarters
Required start-up capital	3.1 million yen (including tax)
Amounts charged by headquarters	Amounts obtained by multiplying the monthly gross profit by the following percentages <ul style="list-style-type: none"> • Portion of monthly gross profit up to 3 million yen: 45% • Portion of monthly gross profit exceeding 3 million yen up to 4.5 million yen: 70% • Portion of monthly gross profit exceeding 4.5 million yen: 60%
Partial assumption of mark-down/disposal costs	Headquarters assumes the cost equivalent to the total amount multiplied by the predetermined assumption rate within the following percentage ranges for product sales <ul style="list-style-type: none"> • Portion exceeding 2.0% up to 3.0%: 20% • Portion exceeding 3.0% up to 4.0%: 30% • Portion exceeding 4.0%: 55%
Partial assumption of lighting/heating costs	Headquarters assumes 50% of lighting/heating costs Note: The amount assumed by headquarters in a given month shall not exceed 250,000 yen.

Editorial Policy

Lawson is working to realize its Group philosophy, “Creating Happiness and Harmony in Our Communities,” through the three promises of its business policy: “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness.”

In fiscal 2023, we achieved the performance indicators for Lawson Group Challenge 2025, two fiscal years ahead of 2025, the target year and the 50th anniversary of our founding. We will continue to create stores preferred by our customers, aiming to be the No.1 recommended brand and to realize new forms of convenience as “the hub of refreshment in every community.”

This report summarizes Lawson’s efforts to respond to changes in communities and the lives of their residents based on hands-on capabilities. In editing this report, our goal has been to create a communication tool that will help all stakeholders to gain a deeper understanding of Lawson, and this report refers to the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).

Masayuki Itonaga, Member of the Board, Executive Managing Officer, Chief Financial Officer

