

I will work to make Lawson a company that meets the expectations of all our stakeholders by efficiently sensing and cross-functionally responding to diverse risks.



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The Lawson Group has engaged in the convenience store and other businesses that support customers' everyday needs. In recent years, new risks have been increasing such as the frequent extreme weather events, leakage of personal information and spread of viral infection. The role of CR Executive Officer*¹ is to respond to the risks by promoting internal control and compliance risk management system in the entire group.

We have worked on food safety and hygiene management, information security, crime prevention measures and disaster response. We believe that it is our important mission to offer food that is safe and suitable to eat, protect community safety and our customers' information, and, in the event of a disaster, keep offering goods and services in affected areas, taking advantage of our network of stores.

The basis is to meet the needs of our customers and the community. Moreover, Lawson wants to satisfy much more than the needs. About 200 thousand people work in various business operations of the Lawson Group. The CR Executive Officer's role is to keep paying attention so that all such works are conducted in harmony with the community to maintain the soundness as a business.

The largest risk that occurred this year is COVID-19. The major issue has been how to ensure the safety and security of our customers and store employees while continuing operations. We have taken measures such as supplying plastic sheets to prevent droplet transmission, masks, and disinfectants and providing social distance posters and floor stickers to show customers where to stand. In addition, we put up posters to indicate a less crowded time of the day in each store to reduce customer congestion.

In the COVID-19 pandemic, digitalization accelerated. Self-checkout registers, with which customers pay without a cashier's help, have become increasingly available in the stores nationwide. Furthermore, smartphone cash registers, or customers making payments by using an application, have become available in

some stores. On top of that, fully automated stores started on an experimental basis. There is a fear of new risks in digitalization. We will focus especially on the safety of the customers who make electronic payments. Working from home has become popular in the Company as well. The establishment of worker-friendly workplaces is another role of the CR Executive Officer. In a poor environment, innovations will not occur, and goods and services that satisfy customers will not be provided. We will develop a harassment-free highly-motivated corporate culture through active communication.

We are also working hard for the SDGs. Frequent natural disasters, such as large-scale typhoons and torrential rains are said to be caused by global warming. Individuals and companies should work together to address them. Lawson has agreed with the Task Force on Climate-Related Financial Disclosures (TCFD) in April 2020. We will grasp the risks and chances of global climate change and make positive responses. Besides, the reduction of plastic use and food waste is an issue that should be solved promptly. We think that customer support and securing of profitability are necessary to continue these activities. We have set up the target values, respectively. We will gather the knowledge and expertise, both internally and externally and conduct various experiments in the stores for the achievement of the targets.

The relationship between the franchise stores and Headquarters has changed in our history of 45 years. We have developed better communication through the Lawson Owner Welfare Association, area meetings, and MO (Management Owner) General Meetings for multiple-store management. We will continue our efforts, now and in the future, to establish a clear and open relationship that enables the free exchange of opinions to achieve the common goal of building good stores that contribute to the community.

I will work to make Lawson an existence useful to the community, the Group trusted by the community, and the employees proud to work in the Group.

*¹ CR Executive Officer: The executive with overall responsibility for the development and implementation of a framework for identifying misconduct and problems concerning legal compliance and preventing risks from arising

Internal control

Basic policy regarding the internal control system

With the convenience store business at its core, the Lawson Group's business operations range from high-end supermarket and entertainment-related businesses to financial, e-commerce, and consulting services, together with LAWSON stores in every prefecture in Japan, as well as several stores overseas. The Group provides a wide variety of products and services, as such, we are not only required to observe various laws and regulations but also must assess the diverse range of possible risks and implement the appropriate countermeasures. In light of these characteristics, Lawson has established the "Basic Policy for Maintaining the Internal Control System" to support its efforts to achieve healthy, sustainable growth. We are promoting maintenance of our internal control system based on this policy, while responding to changes in our management environment, conducting periodical reviews of the policy itself, and endeavoring to maintain and enhance an effective, practical internal control system.

The main revisions of the aforementioned Basic Policy implemented in fiscal 2020 are described below:

■ Addition of the important laws that especially must be made widely known

The consumer-related laws (Food Labeling Act, Food Sanitation Act, Health Promotion Act, etc.) have been added as the important laws that especially must be made widely known for compliance purposes to establish a system that ensures product safety and reliability, which is our business lifeline, and that aims to secure consumers' trust.

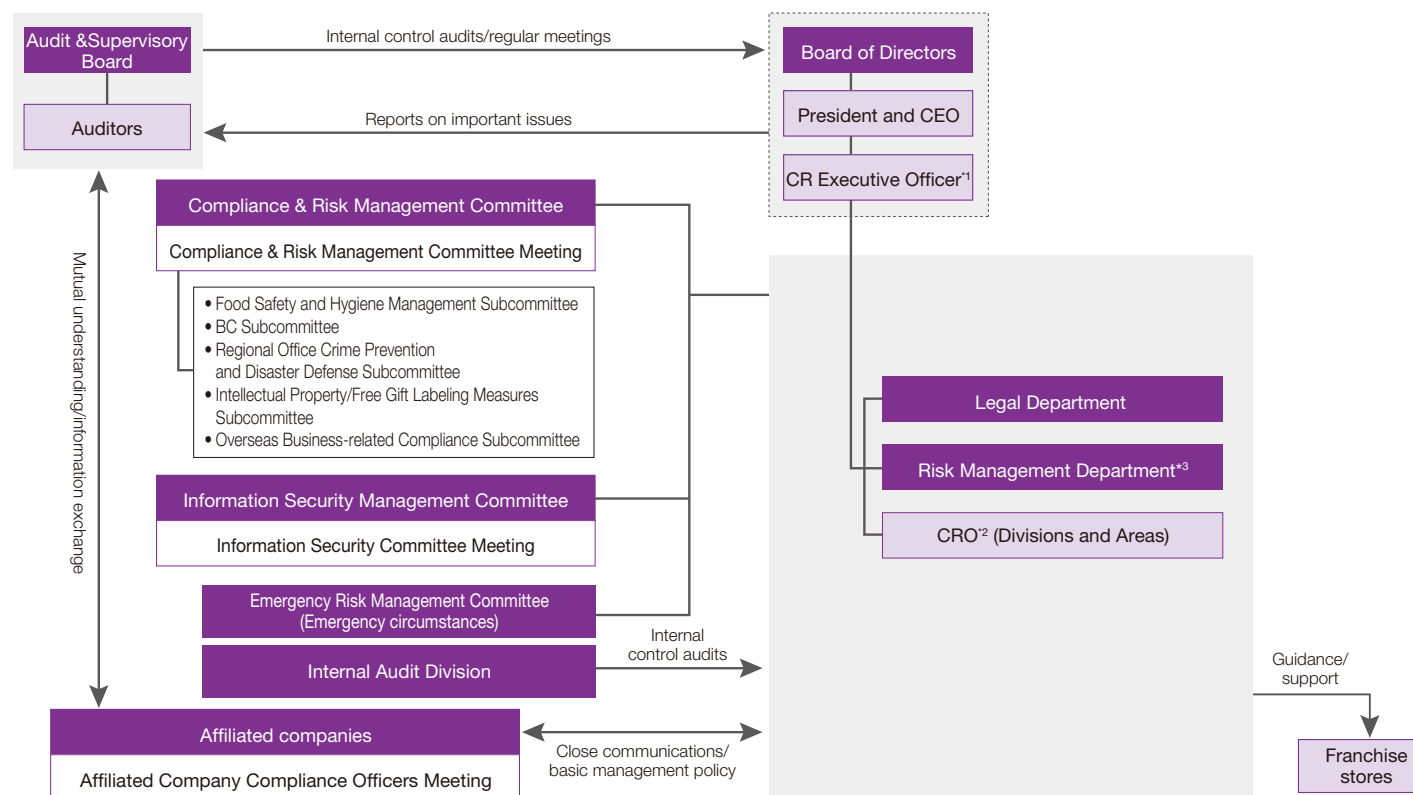
Moreover, adding Intellectual Property Acts reinforces the internal checking system for labels, etc. to prevent the infringement of intellectual property rights (trademark right, copyright, etc.) in developing sales promotion materials.

■ Stipulated the implementation of regular personnel rotation

As an employee's assignment to a particular job for many years may lead to an environment where misconduct could occur, we have newly stipulated the implementation of

regular personnel rotations to eliminate the dependence on a particular employee to do a certain job and prevent misconduct.

● Lawson's internal control system (as of June 1, 2020)



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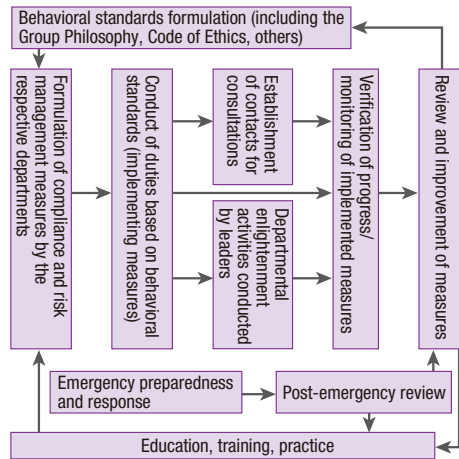
*2 CROs (Compliance and Risk management Officers): Persons responsible for compliance in the various divisions who support the CR Executive Officer and assume overall responsibility for the development and execution of a frameworks for identifying misconduct and problems concerning legal compliance and preventing risks from arising

*3 The Information Security Management Office is incorporated into the Risk Management Department.

Lawson's compliance and risk management system

Lawson has established a compliance and risk management framework based on its Corporate Conduct Charter and Code of Ethics. We seek to conduct business as a good corporate citizen, acting honestly and considerately according to high ethical standards, implementing the PDCA (Plan-Do-Check-Action) cycle, and organically linking our behavioral standards with our education and training programs, communication functions and monitoring activities.

● Management organization



Formulation of behavioral standards

We have established the Code of Ethics to indicate the important points from an ethical perspective when taking action based on Group Philosophy and Lawson's Way. We have also established Group Privacy Policy and Lawson Group Purchasing Policy to ensure business conduct throughout the Group.



Lawson Group C&R Handbook

Appointment of CR promotion officers

We have appointed an executive officer responsible for CR (compliance and risk) with responsibility for promoting compliance and risk management. Compliance and risk management officers (CROs) assigned to each department at headquarters and the regional offices are tasked with establishing and raising awareness of compliance measures and risk countermeasures in their respective departments and with contributing to creation of a culture that emphasizes compliance with social norms.

Full implementation of education and training

Lawson conducts compliance and risk management training for all its employees each year for the purpose of improving their ethical awareness and risk response capabilities. It has developed a training system to support structured, systematic learning, moreover, that begins with training of newly recruited employee and extends to training of newly appointed management personnel and specialized occupational training as well as biannual compliance training for management members provided by outside instructors. Our ongoing implementation of these training programs is designed to encourage personnel in every position and with every job description to share in the problem-solving process leading to business enhancement. We are currently reviewing the program contents in light of our changing risk environment.

Establishing and raising awareness of the Consultation/Whistleblower Hotline

In addition to Human Resources Department personnel who specialize in consulting concerning sexual harassment and abuse of power and legal personnel who provide consultations on legal matters, Lawson has established consultation

contacts to receive internal notifications and provide consultations concerning compliance and risk management issues. Besides establishing the Lawson Group Outside Consultation/Whistleblower Hotline involving law firms and other external organizations, it has created a framework for providing business partners' employees and store crew members with anonymous consultations and contacts to receive consultations from franchise owners.

Lawson is working harder today than ever to increase awareness and understanding of these services and frameworks by communicating about them with employees and other concerned parties.

Reinforced operational management and monitoring

Lawson has established the Legal Department to supervise compliance and the Risk Management Department to supervise risk management under the CR Executive Officer's direction. These departments cooperatively serve as cross-departmental secretariats for the Compliance & Risk Management Committee Meeting and manage the progress of measures implemented in these areas by individual departments throughout the Group to promote an effective compliance risk management system. The Risk Management Department, jointly with the IT Department, serves as the secretariat for the Information Security Committee Meeting to further enhance information security management.

Five separate subcommittees (the Food Safety and Hygiene Management Subcommittee, the BC Subcommittee, the Regional Office Crime Prevention and Disaster Defense Subcommittee, the Intellectual Property/Free Gift Labeling Measures Subcommittee and Overseas Business-related Compliance Subcommittee) have been established under the Compliance & Risk

Management Committee Meeting and tasked with managing the progress of important measures while preventing the emergence of risks.

The subcommittees collaborate with the Corporate Auditors Office, moreover, receiving reports on the results of compliance audits as needed while also providing detailed guidance for implementing measures and offering proposals for improvements.

Besides awareness surveys involving all the employees, the monitoring activities extend to circulation of questionnaires among business partners concerning such matters as delivery of merchandise to stores and store construction as part of efforts to review the compliance systems from a broad perspective.

Enhanced cooperation among Group companies

Officers responsible for compliance and risk management have been appointed by the Group companies as well, and Lawson also holds meetings of affiliated companies' compliance officers. Besides formulating codes of ethics and providing training to heighten employee awareness, it conducts the same employee awareness surveys and business partner questionnaires at the Group companies as at Lawson. The Corporate Auditors Office conducts audits of operational duties at the Group companies, whose boards of auditors convene meetings to provide guidance and assistance in establishing and improving their compliance, risk management and information security frameworks.



Group officer training

Responses to emergencies

Lawson places particular emphasis on “food safety and hygiene management,” “information security” and “disaster relief,” and it has prepared a structure for responding to emergencies and resolving problems rapidly.

Meetings of the Compliance & Risk Management Committee and the Information Security Committee as well as of the five subcommittees are convened under ordinary circumstances to assess risks and to formulate and promote measures to avoid them and prevent their occurrence. Should a serious risk situation arise, an Emergency Risk Management Committee is organized to resolve issues swiftly and minimize damage. Once the problems have been resolved, the Company analyzes the factors contributing to the occurrence and reviews and improves the relevant measures to prevent any recurrence.

We are reinforcing our emergency response capabilities, moreover, through efforts such as formulating the Business Continuity Plan (BCP) and implementing disaster mitigation measures. Our aim is to institute a business continuity (BC) framework that prevents interruption of important business activities, even when emergencies involving serious damage occur.

“Resilience Certification”

Lawson is certified as an enterprise that contributes to the building of national resilience against disasters.

Lawson has received confirmation from the National Resilience Promotion Office, Cabinet Secretariat to the effect that it conforms to the “requirements of a certified organization” stipulated in the “Guidelines relating to certification of groups contributing to the building of national resilience against disasters” established in February 2016. Lawson was recognized by the Association for Resilience Japan as the first convenience store to contribute to the building of national resilience against disasters.



Assuring continuity of business operations

Fundamental policies and objectives for maintaining business continuity (BC)

Interruption of important business activities shall be avoided, even when emergency situations involving serious damage occur, while maintaining a priority on securing people’s safety and wellbeing. Even if business operations are unavoidably interrupted, critical functions shall be resumed quickly in order to avoid undermining our customers’ satisfaction or corporate value.

■ Three main goals for maintaining BC

● Fulfilling Lawson’s mission as a “community lifeline”

We will endeavor to ensure uninterrupted provision of products and services to customers by keeping stores open whenever possible.

● Continuation of the franchise (FC) business

We will determine specific periods and methods for resuming operations and maintain the requisite level of FC headquarters operations.

● Securing appropriate earnings

We have implemented measures in consideration of the impact emergencies could exert on earnings and of social conditions in order to secure an appropriate level of earnings necessary to the Company’s survival.

Disaster preparedness and response

When large-scale disasters occur, our first priority is to confirm the safety of Lawson employees and our FC owners and crews. Lawson conducts Companywide training three times a year in which participants acquire experience in implementing a variety of measures, including responding by telephone, email and disaster message dialing and applying the safety check system. This prepares every individual to respond smoothly should emergencies arise. Manuals elucidating the requisite disaster preparedness and responses are distributed to the stores.

When disasters occur, disaster relief headquarters are set up immediately in three locations in the affected area: headquarters,

Practical procedures are compiled in the Business Continuity Plan (BCP), and we are pursuing efforts to establish a BC framework in line with the BCP, and to sustain and enhance it, as important issues for management.

Mechanism for enhancing BC capabilities

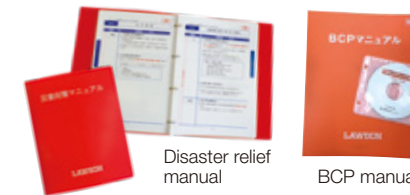
Activities conducted to improve response capabilities are essential for sustaining a corporate climate adapted to responding sensitively to a variety of crises. Lawson is continually reviewing such business components as “hardware” factors involving office buildings and lifelines, “software” factors involving its BCP and manuals, and “skills” factors involving employees and FC stores. The Company uses its findings to implement improvements in crisis response capabilities throughout the Group.

Formulation of the Disaster Relief Manual and BCP Guidelines

Lawson has formulated the “Disaster Relief Manual” based on the disaster relief policy, defining the

approach toward disaster relief and the standard of conduct of the organization and its employees in the event of a disaster. There are different versions of the manual, “Concept of Operations,” “Initial Actions,” and “Response and Recovery Actions,” in which the response rules and procedures for measures according to the disaster level for all employees and the entire organization are described.

Additionally, in the event of a major incident impacting the headquarters operations, to ensure the continuance of important business activities as the franchise headquarters, we have formulated the “BCP Guidelines” based on the Business Continuity Plan, defining the organization’s standard of conduct. The BCP Guidelines describes the operating procedures, etc. in the occurrence of the Tokyo Inland Earthquake.



regional offices and local sites. Lawson takes advantage of a Disaster Information Map System designed to enable personnel to confirm the disaster situation in real-time and implement support measures for shops, factories and delivery centers, so that stores in the disaster



Disaster Information Map System

A comprehensive Disaster Information Map System for mapping disaster information in real time. The information is monitored and collected 24 hours a day, 365 days a year.

area can be reopened for business at an early date.

Implemented mobile sales in disaster-stricken areas

While many stores were affected and forced to close temporarily by Typhoon No. 19 in October 2019, some of them implemented mobile sales in parking lots. They provided mobile phone charging service by making available high-speed rechargers lent by NTT DOCOMO, INC. with whom Lawson has concluded a disaster relief agreement.



Lawson mobile sales vehicle (in the parking lot of a temporarily closed store)

Cooperation with local governments at times of disaster

In its capacity as a community lifeline, Lawson is making progress toward concluding agreements with local governments concerning cooperation in the provision of goods and assistance to stranded commuters in times of disaster.

<Entities concluding agreements on provision of goods in times of disasters>

Local governments: 47 prefectures, 21 cities and wards

Mass transit systems: 11

Electric power companies: 4

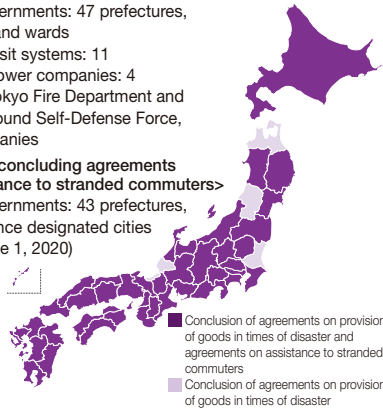
Others: Tokyo Fire Department and Japan Ground Self-Defense Force, fuel companies

<Entities concluding agreements on assistance to stranded commuters>

Local governments: 43 prefectures,

10 ordinance designated cities

(As of June 1, 2020)



*Map shows only prefectural-level agreements.

Appointment to the designated public institution based on the Disaster Countermeasures Basic Act

As of July 1, 2017, Lawson was appointed a designated public institution by the Prime Minister based on Article two, Item five of the Disaster Countermeasures Basic Act. During times of normal operation, the Company formulates disaster prevention work plans, conducts disaster drills and stockpiles goods and materials in preparation for playing an important role in disaster prevention, emergency response and restoration. In so doing, it works closely with the relevant government and municipal offices.



A disaster prevention drill (held on January 17, 2020)

Improvement of the information security framework

The “Lawson Group Privacy Policy” has been formulated to promote protection of personal information. To ensure that the relevant personnel understand specific details of the contents and are prepared to implement them, the Company publishes potential mistakes and complaints that may arise at the stores, accompanied by practical responses to them, in various manuals produced for the stores in an effort to raise awareness. Headquarters employees are tested periodically to ensure that they are all acting reliably based on the “Lawson Office Security Rules,” in which matters to be observed are compiled.

We have established a system for specifying methods of gathering and storing information as well as information storage periods and for designating persons responsible for handling customers’ valuable information in each instance after advance checking by specialist departments.

When consigning responsibility for storing personal information to outside organizations, we require that a detailed investigation of the organization’s security framework be conducted in advance and that consignment of the responsibility be made only to organizations that satisfy Lawson’s conditions.

An onsite or documented inspection is conducted annually, moreover, to ensure that the conditions are maintained.

We are also evaluating our information security framework from a variety of other perspectives to ensure that it remains robust by implementing information security audits by our internal audit departments and employing specialized outside companies to carry out surveys of office security and diagnose any vulnerabilities in our information systems.

Crime prevention at stores

We conduct education to ensure that store personnel act with the highest priority placed on personal safety and with crime prevention in mind, in ways such as greeting customers in a cheerful and spirited manner. In addition to the following measures implemented by headquarters, we are cooperating with the police and the Japan Franchise Association in efforts to prevent crimes against the convenience store industry as a whole.

Actions taken as crime prevention measures

1. Promotion of security camera installation

Security cameras are installed at every store to discourage potential perpetrators from committing crimes and to support investigations that may lead to the arrest of perpetrators in the unlikely event an incident should occur. We have upgraded to a digital security camera system, moreover, which provides sharper images and improved recording capabilities.

2. Creation of an environment for store crew education

Reminders to raise awareness of crime prevention are distributed for display on POS cash registers and store computers, and crime prevention DVDs are also delivered to stores for use in educating their store crew members. Various tools and manuals, such as crime prevention self-check lists, have also been prepared.

3. Enhancing guidance provision during patrols

In addition to the regular store patrols, crime prevention guidance is also provided during late-night and crime prevention patrols to raise awareness at franchise stores.

4. Conducting crime prevention drills

Employees are trained under police direction in methods of responding to robberies, including throwing of anti-crime color paintballs.

In recent years, we have also been conducting special fraud prevention drills.



A DVD on measures to prevent robberies and other crimes



A crime prevention self-check list



Training in responding to robbers



Training in anti-crime color paintball throwing