

LAWSON

Creating Happiness and Harmony
in Our Communities

INTEGRATED REPORT 2021



Turning “change” in the community into “change” for Lawson



The coronavirus pandemic has triggered major changes in the communities we serve. People's lifestyles have changed drastically, as have their attitudes and values. Refraining from going out and the shift to remote work have led to changes in behavior and in dietary habits. Social issues such as climate change are becoming increasingly diverse and severe, which has further increased the social responsibility of corporations. Since its establishment, Lawson has continued to provide new value to the community by responding to the changes and demands of society and picking up on new trends. We are determined to turn this change in the community into change for Lawson. With this in mind, we will continue to contribute to the happiness of our community.

Changes in purchasing behavior

- Going out less due to remote work
- Fewer unplanned purchases
- Increased consumption while staying at home
- Changes in commercial districts
- Growth of ready-made meals and eating in



Increased health awareness

- Weight gain or loss and changes in physical condition due to staying at home
- Increased interest in foods that improve immune function
- Increased awareness of social connectedness
- Growth in demand for contactless solutions



Rapid changes in employment structure

- Influx of labor from other industries
- Declining birthrate and aging population
- Fewer foreign workers due to immigration restrictions



Increased awareness of environmental issues

- Increase in natural disasters due to climate change
- Demand for CO₂ emissions reductions
- Demand for food loss and plastic waste reductions
- Increased interest in ethical consumption



At Lawson, “Some Things Change” and “Some Stay the Same”

Unchanging Values

Group Philosophy

Creating Happiness and Harmony in Our Communities

Vision

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

New Lawson Declaration

Lawson strives becoming a “Hub of refreshment in every community” for everyone by offering the three “Whew!” Surprises.

Three Promises

Superior taste

*1

Surprise “Whew!” discoveries

Human kindness

*2

Surprise “Whew!” happiness

Environmental (Machi) friendliness

*3

Surprise “Whew!” kindness

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.

*1 Superior taste

- Providing safety/security-oriented overwhelmingly high value-added products and services friendly to society and the environment

*2 Human kindness

- Supporting health promotion for all people through products and stores
- Supporting women and seniors as well as children’s growth
- Providing comfortable work environments leading to job satisfaction

*3 Environmental (Machi) friendliness

- Coexisting synergistically with communities by serving as part of the social infrastructure
- Sustainable environment preservation activities toward a carbon-free society

Changing Provided Values

FY2025

New convenience

New hubs of refreshment in every community



Challenge 2025



Superior tastes



Online medical service



Localized stores

FY2022–FY2024

Realize a new CVS model



Digital certification

Editorial Policy

Publication of the Integrated Report 2021

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." Furthermore, to respond to the changes in society and our customers, in September 2020 we established the Sweeping Transformation Executive Committee, and in April 2021 we formulated Lawson Group Challenge 2025, targeting our 50th founding anniversary in 2025, and started a host of initiatives aimed at becoming the "No. 1 most recommended store among our customers, society, and colleagues."

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's initiatives to transform its business to address changes in the community and in the lifestyles of the people living in it in the pursuit of long-term value creation. Looking ahead, we will continue striving to enhance our disclosures and increase transparency in order to conduct constructive dialogue with our stakeholders.

In preparing this report, we have referred to the International Integrated Reporting Framework promoted by the Value Reporting Foundation, and maintained close coordination with the entire Lawson Group. I confirm that the production process was proper and that the content of the report is appropriate.

Satoshi Nakaniwa

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

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 2020 (March 1, 2020-February 28, 2021), but earlier and later activities are also discussed. See Lawson homepage for details:
<http://lawson.jp/en/>

Future forecasts, projections and plans

This report's coverage extends beyond current information and data for the Lawson Group to future forecasts based on its plans and perspectives at the time of publication. These forecasts represent assumptions and viewpoints arrived at based on information available as of the report's writing. The actual results may differ from the forecasts due to various circumstances and external environmental factors.

Lawson has been adopted as a constituent of the ESG investment stock price index.

(Current as of February 2021)

Its adoption accords to all three selection indicators for ESG investments made by the Government Pension Investment Fund (GPIF).

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The MSCI Japan Empowering Women Index represents the performance of companies that provide leadership in promoting and maintaining gender diversity in their GICS® sector.

2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

The MSCI Japan ESG Select Leaders Index consists of companies with high Environmental, Social and Governance (ESG) performance selected from its parent index, the MSCI Japan IMI Top 700 Index, targeting 50% of the market capitalization of each Global Industry Classification Standard (GICS®) Sector of the parent index.

* THE INCLUSION OF LAWSON, INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF LAWSON, INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

* GICS® is the Global Industry Classification Standard, an industry classification system created jointly in 1999 by the U.S.-based Standard and Poor's credit rating firm and the global financial group Morgan Stanley Capital International.

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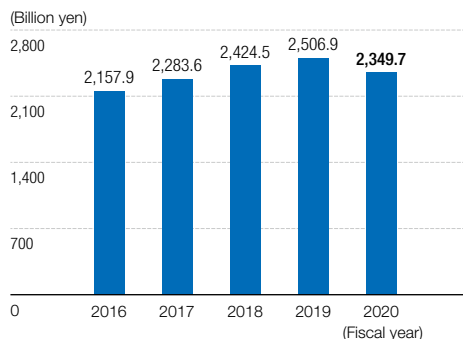
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Financial Highlights

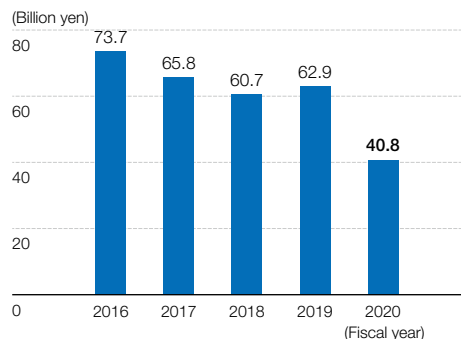
Consolidated net sales of all convenience stores

2,349.7 billion yen



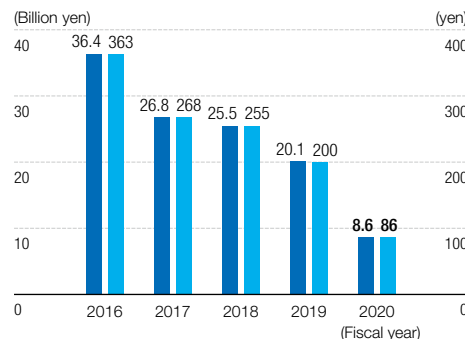
Operating income

40.8 billion yen

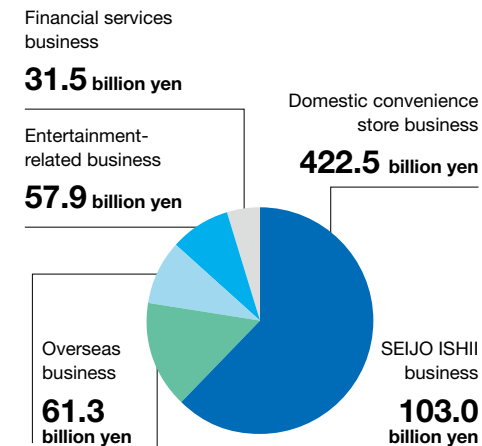


Profit attributable to owners of the parent / Profit per share

Profit attributable to owners of parent **8.6** billion yen
Profit per share **86** yen



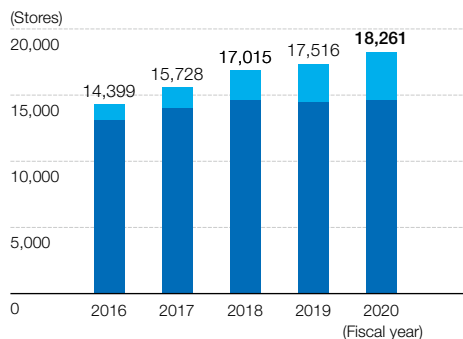
Gross operating revenues by segment



Number of stores

Domestic Overseas

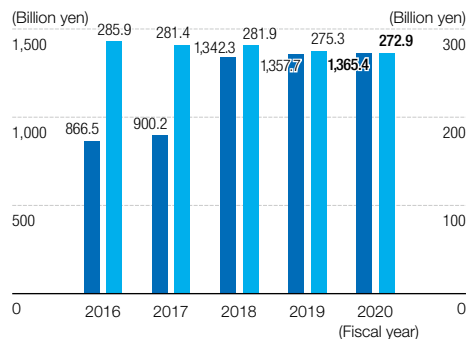
18,261 stores



Total assets / Net assets

Total assets (left axis) Net assets (right axis)

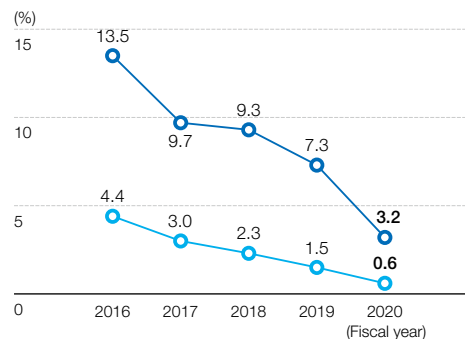
Total assets **1,365.4** billion yen
Net assets **272.9** billion yen



Return on equity (ROE) / Return on assets (ROA)

ROE ROA

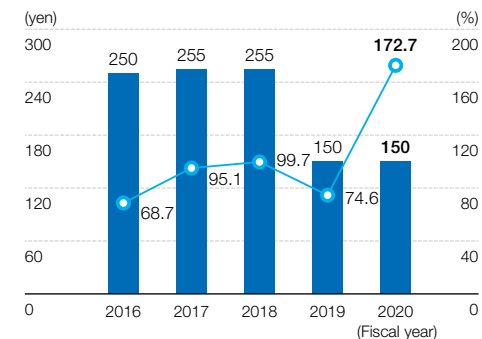
ROE **3.2%**
ROA **0.6%**



Dividends and payout ratio

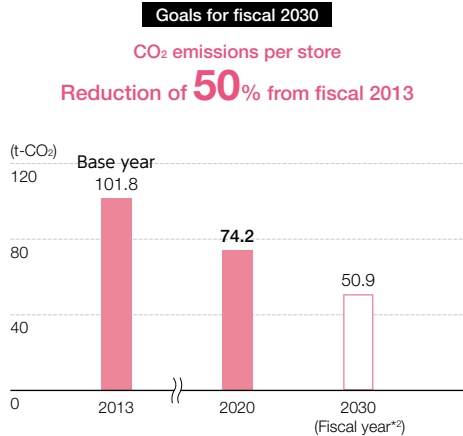
Dividends (left axis) Payout ratio (right axis)

Dividends **150** yen
Payout ratio **172.7%**



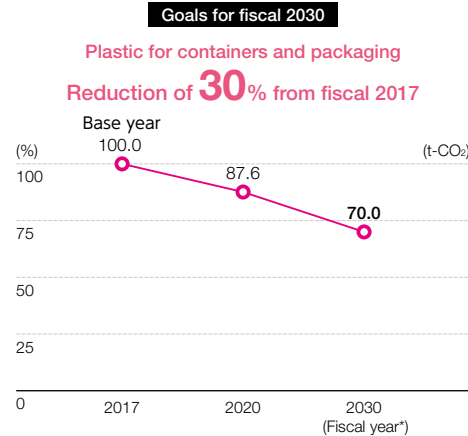
Non-financial Highlights

CO₂ emissions per store*1



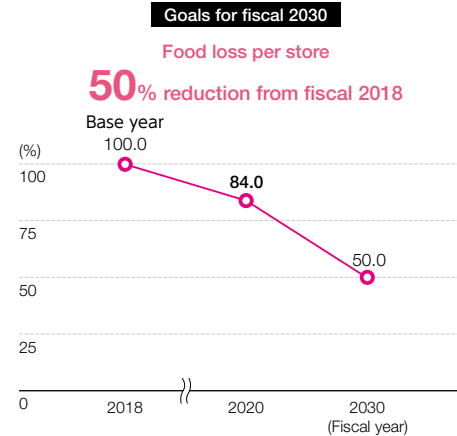
*1 CO₂ emissions are calculated using emissions coefficients by electricity provider
 *2 Calculated from April 1 to March 31 of the following year to coincide with the administrative fiscal year
 A reduction of 27.1% in fiscal 2020 compared with fiscal 2013
 (The figures have been changed due to the change in the coefficient.)

Packaging weight index of plastic packaging items

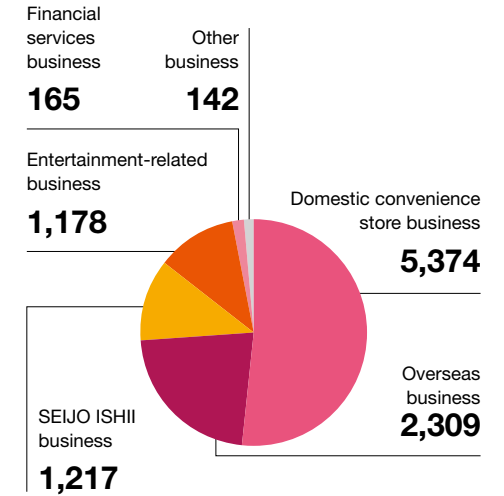


* Calculated from April 1 to March 31 of the following year to coincide with the administrative fiscal year

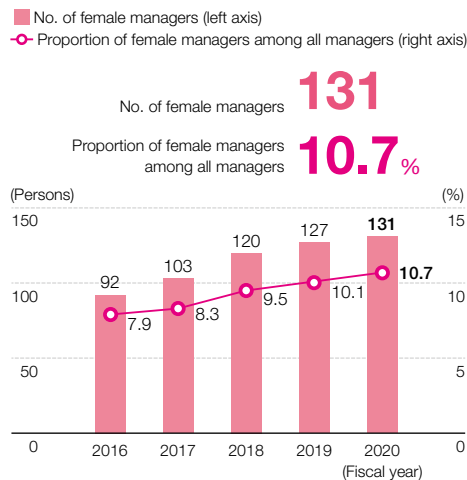
Status of reduction in food loss per store



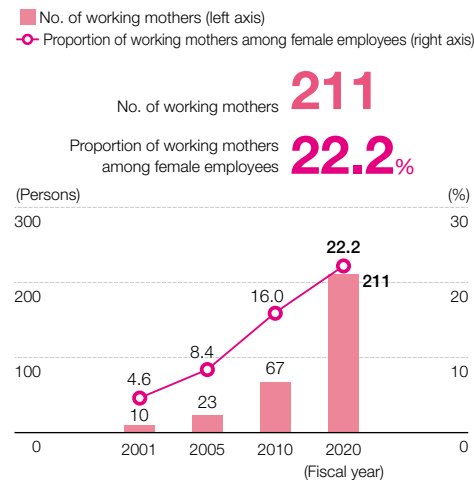
Number of employees by segment



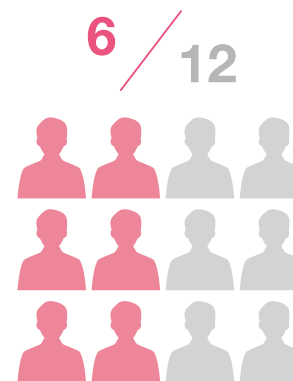
No. of female managers / Proportion of female managers among all managers



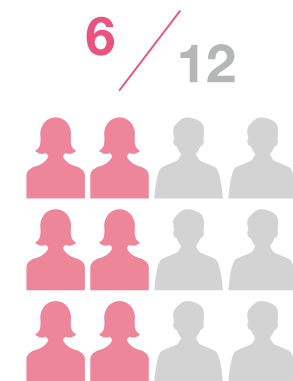
No. of working mothers / Proportion of working mothers among female employees



Ratio of outside officers



Ratio of female officers



Our Journey Creating Happiness in Our Communities

Lawson's responsiveness to change, carrying on an unbroken line

Since its establishment, Lawson has responded proactively to changes in society, regularly identified customer needs, and developed new products and services. Lawson, which started as a handyman in the community, is now a component of infrastructure in the society. To ensure its position as an essential part of the community that provides support for residents, Lawson is determined to continue pursuing and advancing the "Hub of refreshment in every communities" from the customer's perspective.

LAWSON

1975

Opened the first LAWSON store in Sakurazuka, Toyonaka-city, Osaka

1977

Started 24-hour/day operations

1983

Started copying and printing services

1986

Launched "Kara-age-kun (fried chicken nuggets)"



からあげくん

1989

Started third-party bill settlement services for the payment of electricity and gas bills



1991

Started third-party bill settlement services for the payment of electricity and water bills



1996

Launched "Lawson Ticket" service



1996

Opened the first overseas store in Shanghai, China

1997

Realized Lawson's presence in all 47 prefectures of Japan



1998

Introduced "Loppi" multimedia terminals to all stores



2000

Opened first convenience store inside a hospital, "Hospital Lawson"

2000

Formed a business alliance with Mitsubishi Corporation

Handyman in the community

Contribution to solving social issues



1992

- Opened Station Park Waseda experimental environment and welfare store
- Established the LAWSON Green Town Fund (currently "LAWSON Green Fund")

1995

Collected donations for rescue work after the Great Hanshin-Awaji Earthquake

1975

Commencement of the Shinkansen service to Hakata

1983

Sea of Japan Earthquake

1989

Era name change (from Showa to Heisei)
Introduction of consumption tax

1991

Gulf War/Collapse of Japan's bubble economy

1998

ISO 14001 certification
(Shifted to the operation under a voluntary environmental management system in December 2019)



1997

- Started the food waste recycling system
- First convenience store to introduce low-environmental pollution delivery vehicles using CNG

2000

Mt. Fuji forest improvement project



1999

Stopped including chopsticks, spoons, and forks in boxed meals

Lawson as social infrastructure

Started the challenges to reduce food waste, plastic use, and CO₂ emissions

Our Journey Creating Happiness in Our Communities

2001

Started automated teller machine (ATM) service
Established a joint ATM management company "Lawson ATM Networks, Inc."

2001

Opened first "NATURAL LAWSON" store



2003

Established "post boxes" in LAWSON stores nationwide



2004

Started Yu-Pack; Japan Post's domestic parcel delivery service

2005

Opened the first "LAWSON STORE 100" store



2010

Launched the Coalition Loyalty Program Ponta



2010

Established the LAWSON Farm



2011

Established Lawson HMV Entertainment, Inc. (currently Lawson Entertainment, Inc.)

2011

Started operation of Machikado Chubu in-store kitchen

2014

Seijo Ishii



Acquired supermarket chain SEIJO ISHII CO., LTD.

2014

UNITED CINEMAS



Acquired United Entertainment Holdings Co., Ltd. via Lawson HMV Entertainment, Inc.

2015

Opened first "Care-focused LAWSON" with nursing care consultation desks for seniors.

2017

Nationwide rollout of one of China's largest settlement services, "Alipay."



2018

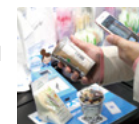
Lawson Bank

Launched the operation of Lawson Bank, Inc.



2018

Introduction of the LAWSON smartphone cash register



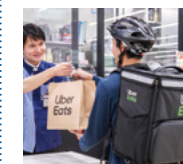
2018

Introduction of POS cash registers with automatic change dispensers



2019

Started tie-up with Uber Eats



2019

Started the operation of fully customer-operated new-type POS cash registers



2020

Started demonstration experiment of "LAWSON Fujitsu Shinkawasaki TS cash register-free store"

2020

Introduced the "foodpanda" food delivery service

Building stores meeting community needs

Started health and diversity initiatives

Full-scale initiatives for SDGs

2007 Started "Bring Your Own Bag campaign"



2006

- Started recycling waste oil in all stores
- Launched school afforestation projects

2003

- First Comprehensive regional agreement with Wakayama Prefecture in Japan
- Opened the first store offering prescription medicines

2011

Set up "Support Dreams Fund" (Scholarship Program for victims of the Great East Japan Earthquake)

2010

Opened first eco-friendly model store

2008

Set own action targets for reducing CO₂ emissions

2015

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

2014

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

2012

- Launched bran bread that contains grain husks
- Started mobile sales of food products and daily necessities

2019

- Established the "SDGs Committee" for the promotion of the SDGs
- Formulated the "Lawson Blue Challenge 2050!" environmental vision.

2017

Set up the "Support Dreams Fund" (Scholarship Program for children from single-parent families)

2016

Obtained the Resilience Certification

2020

- Distributed 584,983 free rice balls to after-school childcare facilities nationwide during the COVID-19 pandemic
- Phased in paper ice cream cups for the in-store freshly brewed coffee service "MACHI café".

2005

The Kyoto Protocol took effect

2008

Great Recession

2011.3.11

Great East Japan Earthquake

2014

Consumption tax increase: 5% to 8%

2015

Adoption of the SDGs

2016

The Paris Agreement took effect

2019

Consumption tax increase: 8% to 10%

2020

Spread of COVID-19

Management Capitals Cultivated with the Community

Under its unique customer-oriented business model characterized by “responsiveness to the needs of everyday life,” “advanced store productivity” and “small commercial area-based manufacturing and retailing,” Lawson will utilize a variety of management capitals cultivated with the community to realize sustainable growth for the company and the creation of value for society.

LAWSON

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

- 14,476** stores
- NATURAL LAWSON **143** stores
- LAWSON STORE 100 **679** stores
- Hospital LAWSON **335** stores
- Stores with nursing care consultation desks for seniors **23** stores
- Stores that sell over-the-counter pharmaceuticals **250** stores

Seijo Ishii Business **164** stores

Entertainment-related Business

- HMV **57** stores
- UNITED CINEMAS **389** screens

Financial Services Business **13,458** Lawson ATMs

Overseas Business **3,621** stores



NATURAL LAWSON

Intellectual Capital

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

Group ID

- Ponta membership
Approximately **102.21** million people
- Lawson online members*1
Approximately **22** million people
- CLUB SPICE members card members*2
Approximately **2.2** million people

*1 Lawson online members is a membership service offering access to Lawson Group services such as HMV and “L-Tike.”
*2 A membership card for the United Cinemas group

Digital technology

- Self checkout registers **All stores**
- LAWSON Smartphone Checkout service **Approximately 500** stores
- POS cash register with automatic change dispenser **Approximately 110** stores



Social and Relationship Capital

Contribution to regions and society to support happy communities

Comprehensive regional agreement

65 local governments

Total donations collected by stores*

8,357,688,554 yen

Cumulative amount as of the end of June 2021





Human Capital

Franchise stores and employees, who are the most important capital for realizing happiness in our communities and advanced store productivity

Consolidated employees 10,385 people
Franchise store owners 5,906 people
Store crews Approximately 184,000 people

Multiple store ownership ratio 45.5%
Multiple store ratio 76.1%

Selection as a Health and Productivity Management Brand 4 times
Certified Health & Productivity Management Outstanding Organization 5 times
Nadeshiko Brand Selection 6 times



Financial Capital

Stable financial foundation enabling a flexible response to changes in the community

Shareholders' equity 262.5 billion yen
Interest-bearing debt 438.3 billion yen



Natural Capital

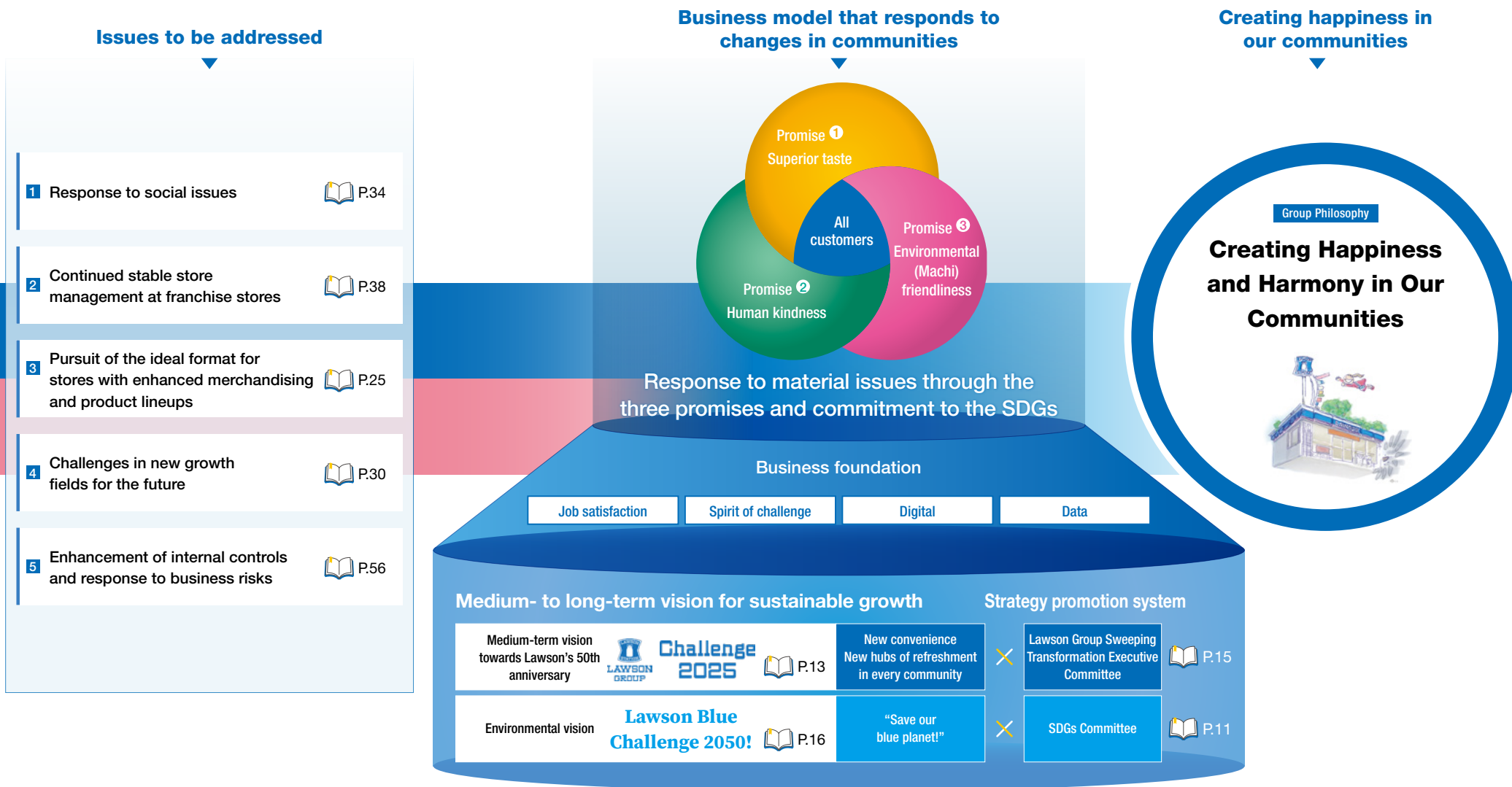
Environmentally friendly stores and functions to help realize a decarbonized, recycling-oriented society

Stores with CO₂ refrigeration systems 4,161 stores
Stores conducting food recycling 16,837 stores



Community Happiness Creation Process

Through the “Three Promises” of its business policy, the Lawson group will respond to changes in the community and customer needs, while working to solve social issues. As our responsibilities as part of social infrastructure increase, we will further evolve as a customer-oriented “hub of refreshment in every community” and contribute to the happiness of the community so that we can continue to be an essential part of it.



Materiality for Creating Happiness in Our Communities

Contribution to the Sustainable Development Goals (SDGs)

The Lawson Group's approach to contributing to the SDGs

The Lawson Group believes that striving to realize the Three Promises to become the hub of refreshment in every community based on its Group philosophy, "Creating Happiness and Harmony in Our Communities," ultimately promotes the Sustainable Development Goals (SDGs). With this in mind, we are working proactively to solve social issues.

Establishing systems for contributing to the SDGs and implementing PDCA cycles

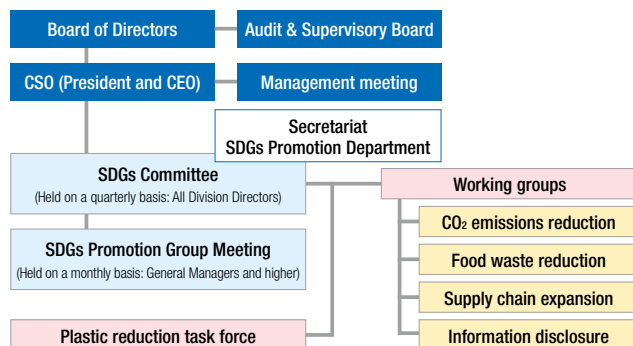
Aiming to realize a sustainable society through our business activities, we have been working to establish systems for solving social issues and implementing PDCA cycles for them, including the establishment of an SDGs Committee in March 2019.



SDGs Committee meeting

SDGs Committee Organization

(As of end of August 2021)



On March 1, 2021 the Company established the position of Chief Sustainability Officer (CSO), with the president and CEO, representative director, appointed to the position. We also established the SDGs Promotion Department as a dedicated department to further strengthen our initiatives with a new structure. In responding to issues, the SDGs Committee periodically identifies issues that align with the Three Promises and shares the progress of the entire Group, while each division conducts self-directed initiatives in its own business activities.

Furthermore, we have established working groups under the SDGs committee to strengthen our initiatives on key issues that require a quick response; namely, CO₂ emissions reduction, food loss reduction, plastic reduction, supply chain expansion, and information disclosure.

Identification of material issues (materiality)

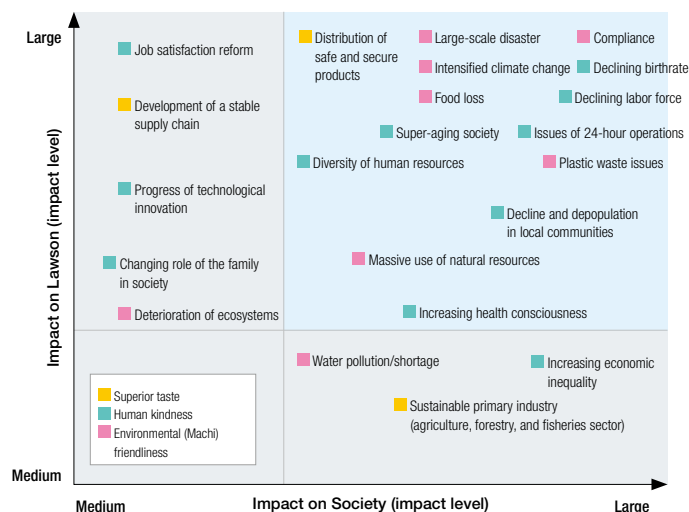
We classify our activities with respect to Lawson's value chain into six categories based on the Three Promises to customers enumerated in our business policy, and in consideration of pertinent social issues and circumstances. We make decisions from the customer's point of view, with the primary emphasis on the safety and security of retailers and on social infrastructure initiatives for the retail industry.




Steps to identifying material issues

STEP 1	In order to find issues with heavy impacts on the environment, society and economy, and then identify Lawson's own material issues, we categorized our business activities into value chain phases, such as raw materials procurement, manufacturing, and distribution and confirmed what initiative was helpful toward achieving each target or goal of the SDGs by clarifying social issues in every phase.
STEP 2	From the social issues identified in the feedback or questionnaire results from stakeholders such as customers, franchise stores, shareholders, and institutional investors, we selected the issues with heavy impacts on society.
STEP 3	Cross-checking the social issues identified through stakeholder feedback with those impacting heavily on Lawson, we prioritized those necessary for us to become the hub of refreshment in every community.
STEP 4	We linked Lawson's initiatives for the specified social issues to the Three Promises, and decided our material issues.

Impacts of identified social issues

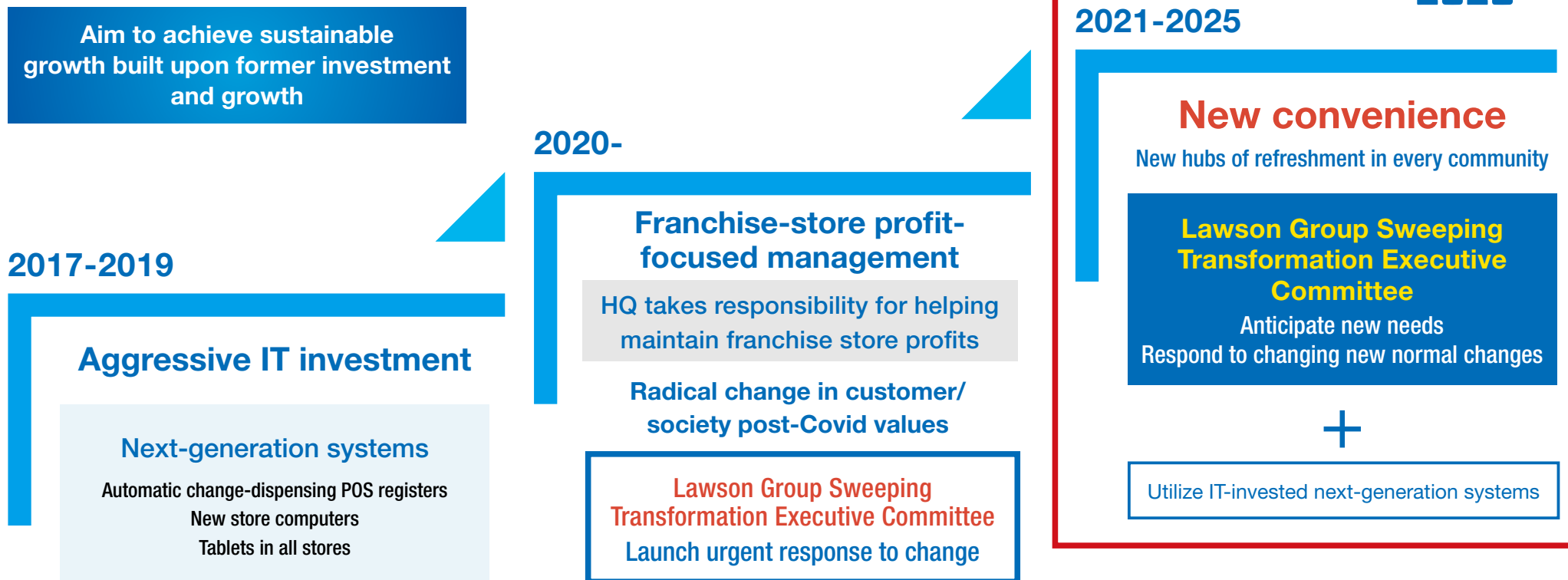


The Three Promises and Materiality

Business policy	Applicable SDGs	Material issues (materiality)	Major initiatives and services	
 <p>Superior taste</p> <p>Surprise “Whew!” discoveries</p>		<p>Providing Safety/Security-oriented Overwhelmingly High Value-Added Products and Services Friendly to Society and the Environment</p>	<ul style="list-style-type: none"> • Providing high value-added private brand products • Deployment of Machikado Chubo in-store kitchens • Planning and developing locally produced products for local consumption, and spontaneously utilizing domestic ingredients • Developing and selling products under consideration of society and the environment 	<ul style="list-style-type: none"> • Deployment of LAWSON Farm agricultural products • Development of products and services in response to changes in society • Developing and operating a supply chain with consideration for society (human rights, etc.) and the environment • Conducting fair trade with suppliers
 <p>Human kindness</p> <p>Surprise “Whew!” happiness</p>		<p>Supporting Health Promotion for All People Through Products and Stores</p> <p>Providing Comfortable Work Environments Leading to Job Satisfaction</p> <p>Supporting Women and Seniors as well as Children’s Growth</p>	<ul style="list-style-type: none"> • Development of products with low salt, low sugar, and fortified protein • No use of preservatives and artificial colors • Creation of a pharmaceutical product sales system • Expansion of NATURAL LAWSON and HealthCare LAWSON • Creating a comfortable work environment for store crew • Training and retention of store crews • Introduction of an owner support system • Promoting the MO system for multiple-store management • Maintaining Scholarship program for children from single-parent families • Promoting fund-raising programs for children’s futures (school afforestation activities, “Dream Classes”, etc.) • Creation of an environment to support children’s learning • Donation of products to facilities that require food support 	<ul style="list-style-type: none"> • Promotion of health promotion partnerships with local governments • Supporting and subsidizing health initiatives for store owners and crews • Promoting health and productivity management (promoting employees’ challenge for health) • Enhancing communication with franchise stores • Promotion of human resource diversity • Promotion of job satisfaction reforms using DX, etc. • Development and expanded use of leave for maternity, childcare, nursing, long-term care, etc. (operation of nursery school) • Deployment of “Care-focused LAWSON for Senior Citizens” program (support for long-term care), regional revitalization events • Promoting Safety Station (SS) activities (community watch service for women, children, and seniors)
 <p>Environmental (Machi) friendliness</p> <p>Surprise “Whew!” kindness</p>		<p>Coexisting Synergistically with Communities by Serving as Part of the Social Infrastructure</p> <p>Sustainable Environment Preservation Activities Toward a Carbon-Free Society</p>	<ul style="list-style-type: none"> • Expansion of mobile sales and delivery services • Online product dispatch, returns, and in-store delivery pick-up services • Promotion of Lawson Bank ATM services, financial service brokerage • CO₂ reduction: Promoting energy efficient stores and offices (Introducing and operating energy efficient equipment) • CO₂ reduction: Utilizing and spreading renewable energy • CO₂ reduction: Efficiency enhancement of distribution and promotion of changeover to environment-friendly trucks 	<ul style="list-style-type: none"> • Government certificate issuance services • Executing comprehensive regional agreements with the local governments, promotion of partnerships • Collaboration with national and local governments to support stricken areas in the event of disaster • Reduction of food loss: promotion of selling out stock, selling by weight, development of products with long best-before dates • Reduction of plastic waste: Reduction in amount of plastic used for containers, packaging, and sales promotion materials, etc. • Reduction of use of natural materials such as copy paper, etc.

Challenge 2025

Review from Fiscal 2017 to Now



Fiscal 2017-2019

In the years leading up to fiscal 2019, the Company made continuous efforts to counter the shortage in labor due to the decline in Japan's working population resulting from a falling birthrate and aging population, while at the same time working to provide more services to meet customer demand. We took steps to strengthen our merchandising and store capabilities, utilizing the semi-automatic ordering system introduced in 2015 to increase ordering accuracy and reduce ordering workload, while increasing the height of display shelving in stores to increase the number of products on display from 3,000 to 3,500.

At the same time, we made proactive investments in IT with a view to making store operations even more efficient. In 2017, we introduced tablets to manage store work schedules, creating an environment where store crews can work uniformly. We completed installation of POS cash registers with automatic change dispensers at all stores by 2019 and implemented measures to enable cash registers to be operated easily by non-Japanese or new store crew members. In addition, to meet the demands of night-time customers, we reviewed the delivery schedule to three times a day in order to strengthen our product lineups.

Fiscal 2020

In fiscal 2020, we expected to see the effects of our previous measures and IT investments, based on franchise store profit-focused management. However, the effects were difficult to measure as the business environment was dramatically altered by the impact of the COVID-19 pandemic. In particular, after the state of emergency was declared in April 2020, sales decreased and we were required to attend urgently to finding solutions for the issues of securing an environment where franchise stores could operate safely under the COVID-19 pandemic, and on recovering their sales. We took concrete measures to prepare the operating environment, including implementing rigorous infection prevention measures at stores and quickly providing support from headquarters for stores experiencing low earnings.

In addition, as customers lifestyles changed, demand increased for five categories of products: fresh food, frozen food, daily foods, Japanese and Western sweets, and alcohol; and we strengthened our product lineups accordingly in an effort to restore sales. These efforts enabled franchise stores to maintain profit levels with the previous fiscal year, despite the pandemic. Furthermore, in a bid to achieve growth in this new business environment, in September we established the Lawson Group Sweeping Transformation Executive Committee and started initiatives to realize growth strategies for the entire Group.

Overview of Challenge 2025

Challenge 2025

New convenience

New hubs of refreshment in every community

Lawson Group Sweeping Transformation Executive Committee

Anticipate new needs
Respond to changing new normal changes



Utilize IT-invested next-generation systems

In addition to sales and profit indicators, strategically select investment opportunities from a tripartite perspective of the environment, society and corporate governance in order to achieve sustainable growth.

Challenge 2025 performance indicators

ROE **15%** or higher

EPS **500yen** or higher

Results	FY2018	FY2019	FY2020
ROE	9.3%	7.3%	3.2%
EPS	255yen	200yen	86yen



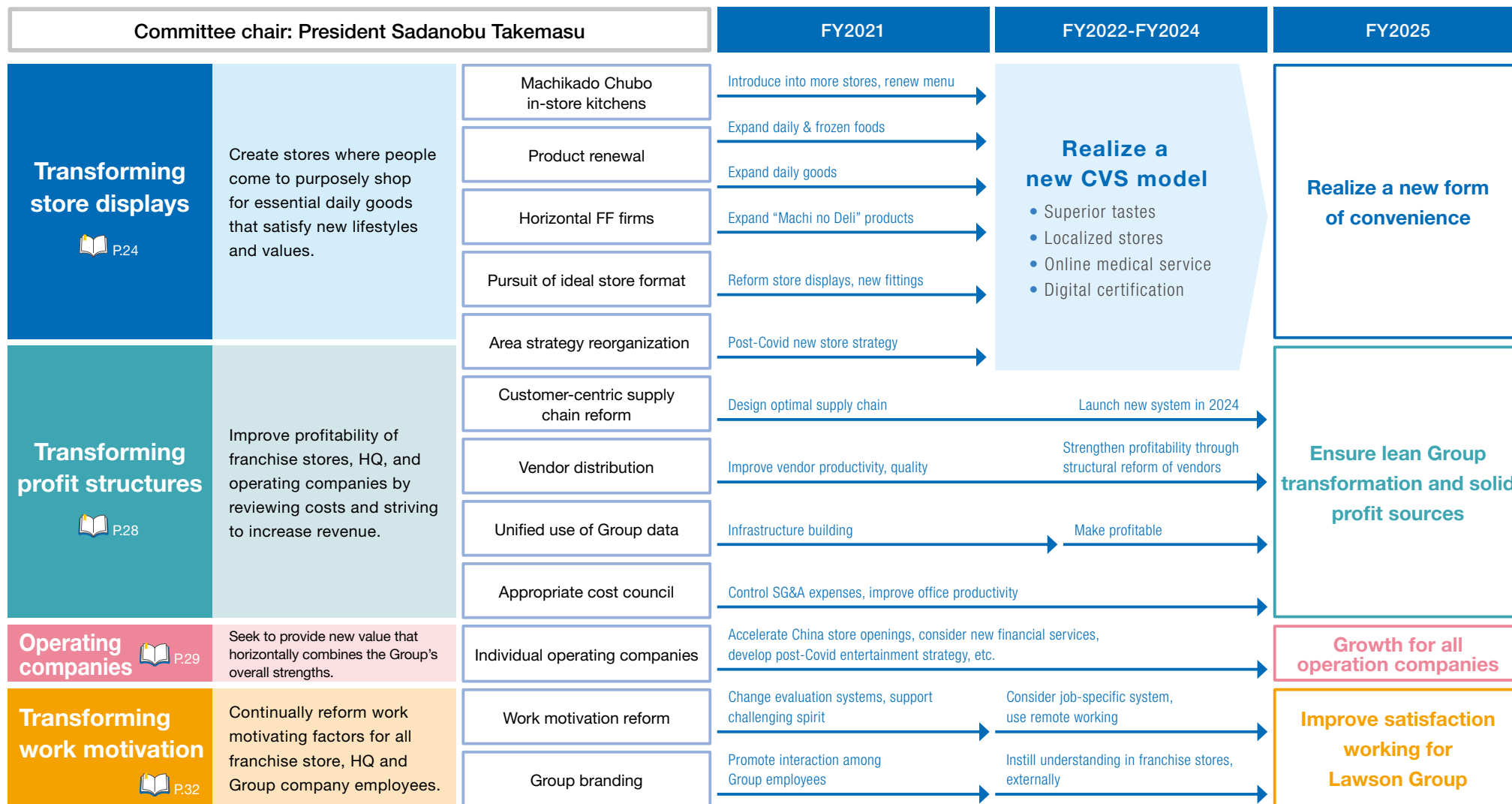
Pursuing new ways to provide convenience with “New hubs of refreshment in every community”

We have formulated Challenge 2025, targeting our 50th founding anniversary in 2025. Under Challenge 2025, we aim to realize the Group philosophy, “Creating Happiness and Harmony in Our Communities” by becoming the No. 1 recommended store for our customers, communities, and colleagues and creating “New hubs of refreshment in every community,” as we pursue new ways to provide convenience. In our pursuit of new ways to provide convenience, we established the Lawson Group Sweeping Transformation Executive Committee in September 2020, and we have launched a range of initiatives to fulfill our business policy comprising three promises: “Superior taste,” “Human Kindness” and “Environmental (Machi) friendliness.” The committee is made up of 12 projects and decarbonization, and it is chaired by the president himself to enhance its agility and promote rigorous progress management on milestones established for each project. The overall projects are categorized into four themes, namely “transforming store displays,” “transforming profit structures,” “operating

companies,” and “transforming work motivation.” The main projects for each theme are as follows. “Transforming store displays” includes the ideal store format project for realizing merchandize assortments that correspond to customers’ lifestyle changes and convenient methods of selling, as well as the product renewal project, which aims to provide frozen foods and daily food items that offer greater value and ease of use. “Transforming profit structures” includes the vendor distribution project, which aims to optimize supply chains, as well as the unified use of Group data project, which aims to create earnings opportunities by unifying customer data from Group companies and using it for marketing. “Operating companies” include the individual operating companies project, which will work to achieve sustainable growth of operating companies; while “Transforming work motivation” includes the work motivation reform project which seeks to foster job satisfaction among employees, who are an important foundation of the business.

In addition to these initiatives, under Challenge 2025 we will also strategically select investment targets from the three perspectives of environment, society, and corporate governance, aiming to achieve sustainable growth for the entire Lawson Group. For 2025, we are aiming to achieve ROE of 15% or more and EPS of 500 yen or more.

Milestones for the Lawson Group Sweeping Transformation Executive Committee






Lawson Blue Challenge 2050!

Towards achieving Lawson Blue Challenge 2050!

The Lawson Group formulated its environmental vision, Lawson Blue Challenge 2050! in 2019, aiming to realize a decarbonized society by 2050 and ensure an abundant, blue planet for the future. In June 2021, we revised our CO₂ emissions reduction target for 2030 upward from 30% to 50% as part of setting a higher standard to drive our efforts further.

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

Form environmental vision, set long-term goals,
take on challenges to achieve a low-carbon society in 2050.

	2025 50th anniversary	2030 SDG targets	2050 Environmental vision Lawson Blue Challenge 2050! —Save our blue planet!—
 Reducing CO₂ emissions	CO ₂ emissions per store Reduce by 15% v.2013 levels	Reduce by 50%*	Reduce by 100%
 Reducing food waste	Reduce by 25% v.2018 levels	Reduce by 50%	Reduce by 100%
 Reducing plastic	Plastic containers Reduce by 15% v.2017 levels	Plastic containers Reduce by 30%	Containers and packaging of Lawson's original products Eco-friendly materials 100% used
		Containers and packaging of Lawson's original products Eco-friendly materials 50% used	
		Plastic shopping bags Reduce by 100%	

*Targets revised upward in June 2021

Message from the President



Sadanobu Takemasu

President and CEO
Representative Director
Chairman of the Board

We will accelerate our transformation into a new convenience store to support the happiness and development of our communities.

Returning to the Group Philosophy

The spread of COVID-19 has brought about huge changes in the world of a kind that occur only once in a hundred years. Obligated to change their very living patterns, people seem to have changed their behavior and values. In all of this upheaval, I have found it most important to review our purpose in society, returning to our group philosophy, “Creating Happiness and Harmony in Our Communities,” and seeing that the work of each individual in the Lawson Group contributes to our project of providing happiness in our communities.

The important point for the convenience store business is how well we can cope with change. Thus far, LAWSON stores have provided new forms of convenience to meet societies needs in each era. These have included both products and services, such as sales of deep-fried foods, installation of post boxes, printing out copies of residence certificates from in-store multifunctional copiers, and in-store kitchens. In order to grasp and respond to the small daily changes and great era-marking changes in our communities without overlooking them, we must constantly strive to change ourselves. And I believe that our driving motivation in this effort is the Group philosophy, “Creating Happiness and Harmony in Our Communities.” When each individual member of the Lawson Group performs their job with this philosophy constantly in mind, it leads to the development and happiness of our franchise stores, and to the happiness of the community. In turn, the Lawson Group will also develop. I consider it my duty to set this process in motion.

Group Philosophy

Creating Happiness and Harmony in Our Communities

Vision

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

Business Policy

Three Promises



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.

Protecting our franchise stores in order to grow together with them

Before the COVID-19 pandemic, one of the main issues that we faced was increase store productivity and earnings due to labor shortages. As a measure to address this, in 2015 we introduced a semi-automatic ordering system using artificial intelligence (AI) to relieve the burden on franchise stores, and took steps to increase the accuracy of purchasing operations and reduce the time needed for ordering. From fiscal 2017 to fiscal 2019, we accelerated IT investment in stores and focused on increasing efficiency in store operations. These efforts included distributing tablet devices to all stores to simplify store work schedule management, introducing POS cash registers with automatic change dispensers that are easy for senior and non-Japanese crew members to operate and the LAWSON Smartphone Checkout service, which allow customers to scan and pay for products using their own smartphones. I think that these initiatives have proven to be extremely beneficial.

After March 2020, the COVID-19 pandemic expanded rapidly, with the first state of emergency being declared in April, causing a sharp drop in store sales. The Lawson Group has a system for direct communication with the President, that enables franchise stores to send messages directly to me. In this time of uncertainty about the future, I have received many messages expressing anxiety through this system. We have responded by prioritizing the safety of our franchise store and store crews, and above all that of the customers who visit the stores, implementing rigorous infection-prevention measures and providing support to franchise stores that have experienced adverse operations due to a fall in earnings. During this time, we have continued to reassure our franchise stores that headquarters will protect them, and headquarters has been engaged in a team effort to support them. We have a responsibility to protect our franchise stores, but we also have a responsibility not only

to continue operations in an adverse environment, but to grow our business. At the start of the pandemic, we aimed to secure the profits of franchise stores by controlling their three main costs—labor cost, food waste loss, and utility cost. The IT investments we have made to date have been highly effective in producing efficiency gains in store operations.

We have also been working to strengthen our product range to encourage customers to visit LAWSON stores for breakfast and dinner as well as lunch. As the pandemic continues, many customers hope to be able to meet their needs at a nearby LAWSON rather than a distant supermarket, and we have seen some changes in our customer base, such as an increase in customers who previously did not visit the stores. As a result, in fiscal 2020 we were able to generate store profit on par with fiscal 2019. Our franchise stores have told us that they found their efforts working together with headquarters to face the COVID-19 pandemic have borne fruit, and that they are glad to have been operating LAWSON stores.



Plastic curtains over the cash register counter help to prevent infections



Self-checkout registers are used to avoid contact

Realizing a new type of convenience store for the post-COVID-19 era

The Japanese economy is expected to begin recovering in earnest from the end of 2021, when further progress in vaccinations has been achieved. However, outbreaks of COVID-19 are expected to continue sporadically after that, and it is expected that a return to the pre-COVID-19 living environment will take longer.

In this market environment, I feel that the concept of convenience offered by convenience stores is gradually being reevaluated. As I mentioned before, up to now, convenience stores have grown by responding to changes in the community. Furthermore, as we overcome countless major changes, such as natural disasters, our role as part of social infrastructure has grown in importance. In addition to the environmental change caused by the COVID-19 pandemic, we are also required to cope with social changes such as a falling birthrate and aging population and climate change. In today's continually changing world, it seems that now is really the time to consider how convenience stores should change going forward.

In our Challenge 2025 medium-term vision, formulated to

mark Lawson's 50th year in business in 2025, we have set out to adapt to the changes under the new normal, and beyond that, aim to realize "new hubs of refreshment in every community." The Lawson Group will make a concerted effort to achieve this vision.

Convenience stores have been developed in line with a uniform standard model for the whole country, but this is going to change. Customers' requirements differ by area, community, and store locality. By engaging with their needs properly and satisfying them, we will be able to provide a new kind of convenience.

Different stores are required to play different roles. For example, while stores located in city centers are required to provide convenience predicated mainly on speed, stores in suburban areas are used by a wide range of age groups, and they fulfill the role of watching over children and seniors. We will look to provide value that goes beyond the convenience of being able to quickly buy immediate necessities.

In addition, we are also making progress on initiatives to address social issues. At Care-focused LAWSON stores (with nursing care consultation desks for seniors) we offered consultations for booking COVID-19 vaccinations and a service providing regular medical examinations by arranging

for a mobile medical examination vehicle in the car park. We also conduct mobile sales for senior customer and others who have difficulty going out to shop. These examples embody a new concept of convenience.

Our "hub of refreshment in every community" is the place that will be able to provide this new kind of convenience; it is our new vision of a convenience store expressed in Challenge 2025. I believe that advancing our transformation towards this goal will enable us to become the "No. 1 most recommended store" among our customers, society, and colleagues (franchise stores and employees, etc.), and lead to the realization of our Group philosophy, "Creating Happiness and Harmony in Our Communities."

Bringing transformation to all areas through the Sweeping Transformation Executive Committee

With the popularization of remote working and the need to stay at home, customer numbers are falling at stores located in office and commercial districts. Meanwhile, stores located in residential areas have found they need to stock different



Delivery of medicine from a store by Uber Eats



Care-focused LAWSON stores (with nursing care consultation desks for seniors) provide consultations on COVID-19 vaccination bookings

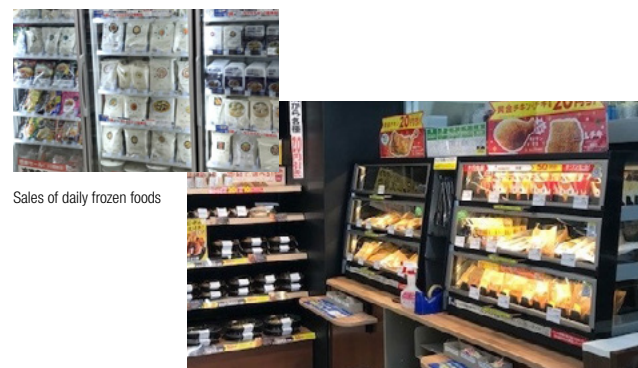


Small-volume deli items sold as the "Machi no Deli" series (Availability limited to parts of the Kanto and Kinki regions)
*Images do not depict actual products

products. Lawson faced a difficult period with the COVID-19 pandemic, but the increase in new demands that are different from before is also an opportunity. To increase the speed of our response to change and capture this opportunity, in September 2020 we established the Lawson Group Sweeping Transformation Executive Committee, of which I am the chairman.

The Sweeping Transformation Executive Committee plays a key role in Challenge 2025. We have established four themes for sweeping transformation; namely “transforming store displays,” “transforming profit structures,” “operating companies,” and “transforming work motivation.” The committee is made up of 12 projects related to these themes and decarbonization activities.

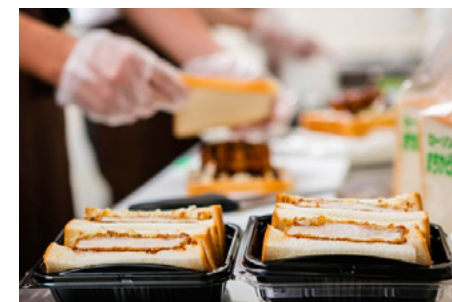
In the project for pursuing the ideal store format, which is related to the theme of “transforming store displays,” we are promoting renovations aimed at creating stores where people can easily purchase essential daily goods. This is in response to an increase in needs for shopping close to home and having meals at home following the popularization of remote working and the need to stay at home. To begin, we renovated 500 stores as pilot renovated stores starting in May 2021. We are gathering various data from these stores



Sales of daily frozen foods

Self-service sales of individually packaged deep-fried deli items

to use in subsequent store renovations. For example, we are conducting analysis of the data to determine how the various conditions in the store, such as its equipment, can cause differences in popular selling products and customer numbers in stores with the same location conditions. Using this information, we aim to renovate each store in the optimal way based on data to achieve a better effect, rather than conducting a uniform store renovation program based on a set formula. Furthermore, since we have achieved strong improvements in daily sales at our pilot renovated stores, in fiscal 2021 we plan to expand the renovation program to up to 5,000 stores. Moreover, for the Machikado Chubo in-store kitchens project, which is also related to “transforming store displays,” we will expand our continually growing Machikado Chubo in-store kitchen products in response to demand from customers who have found fewer



In-store food preparation service Machikado Chubo

Lawson Group Sweeping Transformation Executive Committee

Organizational structure

Committee chair: President Sadanobu Takemasu



Main items

Transforming store displays

Create stores where people come to purposely shop for essential daily goods that satisfy new lifestyles and values.

Transforming profit structures

Improve profitability of franchise stores, HQ, and operating companies by reviewing costs and striving to increase revenue.

Operating companies

Seek to provide new value that horizontally combines the Group's overall strengths.

Transforming work motivation

Continually reform work motivating factors for all franchise store, HQ and Group company employees.

opportunities to eat out due to COVID-19. The project allows us to prepare products in the in-store kitchen and provide them right there so that we can respond flexibly to customer demand. As of the end of July 2021, we had installed kitchens in 7,000 stores, and we plan to expand this to up to 8,400 stores during fiscal 2021.

We will also focus our efforts on daily necessities. In convenience stores to date, demand for daily necessities has been centered primarily on urgent purchases. We would like to change the demand for daily necessities to purchases by preference. As part of this effort, we have launched a trial selling MUJI products at around 100 stores.

In our initiatives for “transforming profit structures,” we are working to eliminate waste to improve the profit structure and to make use of existing assets to generate earnings. In our customer-centric supply chain reform project, we are harnessing the power of IT and AI to help us eliminate losses due to waste at various points in the supply chain and build an optimal logistics network. In our project for making unified use of Group data, we are enabling each individual Group company’s own customer data to be used in a unified form to enable deeper understanding of customers so that we can meet their individual needs.

Under the theme of “transforming work motivation,” we are reexamining our evaluation systems to enhance employee motivation to take on challenges and promoting interaction between Group employees, among other measures, aiming to improve job satisfaction among Lawson Group employees, our important human capital.

Taking on challenges for the entire Lawson Group

The Sweeping Transformation Executive Committee will also promote initiatives to encourage the sustainable growth of our operating companies in each segment. In the China

business, the number of stores exceeded 3,000 in fiscal 2020, and business became profitable on an operating profit basis. In 2021, we have exceeded 4,000 stores, making us the largest Japanese convenience store chain in China. Our earning capability is also growing together with increases in store numbers and local recognition. However, the number of stores per population is still low compared to Japan, and we believe there is room to open more stores going forward. During the COVID-19 pandemic, China required convenience stores to provide social infrastructure functions. By expanding our store network into areas where it is needed, we aim to become an essential presence for Chinese customers. So far, we have increased the number of stores by opening them on our own and through area license agreements with local partners; now however, we are taking on the challenge of expanding our business even further in cooperation with leading local business partners.

In our Seijo Ishii business, profit increased again in fiscal 2020 as sales of fresh foods and other products grew atop an increase in supermarket demand due to the COVID-19 pandemic, while our strong lineup of in-house deli items also performed well. With the start of operations in our new central kitchen plant in the spring of 2022, we will expand our store network and aim for further growth. In the entertainment-related business, despite restrictions on holding events due to the pandemic, the business is on a recovery trend, as we have increased our handling of tickets for viewing live online events and responded to demand associated with staying at home using e-commerce. Looking ahead, we will take up the challenge of building an entertainment business designed for the new normal era, including the use of online live streaming and so forth. In the cinema complex business, we will continue to provide exciting entertainment to customers going forward based on our success in providing a rare space where customers were able to enjoy entertainment during the pandemic. In the financial services business, we will continue to expand the number of partner financial institutions while provid-



ing various services using ATMs and ATM payment networks. We will continue to expand these services and while working to strengthen our earnings base with new initiatives.

DX to contribute to solving social issues

While continuing our existing initiatives to increase the efficiency of store operations, we believe we should also work to optimize the overall supply chain with a view to minimizing food waste losses, mainly through the customer-centric supply chain reform project that I mentioned, through the further use of digital transformation (DX) and AI. Combining the supply chain expertise of Mitsubishi Corporation with the digital technologies of its alliance partner, Nippon Telegraph and Telephone Corporation, we aim to optimize our supply chain with regard to food ordering and so forth. In June 2021, we started a demonstration experiment of a discount sale recommendation service using AI in the Tohoku area. We are also making progress on a plan for customers who use KDDI smartphones, using their smartphone

Lawson Group Challenge 2025

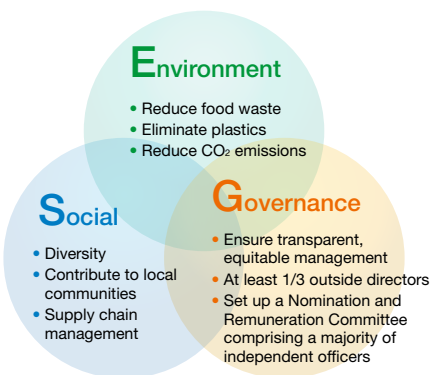
In addition to sales and profit indicators, strategically select investment opportunities from tripartite perspective of the environment, society and corporate governance in order to achieve sustainable growth.

Challenge 2025 Performance indicators

ROE: **15%** or higher

EPS: **500** yen or higher

ESG-focused management



position data and LAWSON purchase history to predict when they are likely to visit a store, then notify them of discounts on rice balls and sandwiches nearing their sell-by deadlines around that time. We will be even more determined to completely sell all of our products than before. We consider DX to be important not only in the pursuit of efficiency gains, convenience, and improved earnings, but also for resolving social and environmental issues, and we will continue to work proactively with DX going forward.

Challenge 2025 performance indicators

The performance indicators for Challenge 2025 include ROE of 15% or higher and EPS of 500 yen. The business environment has changed dramatically during the COVID-19 pandemic, and sales have also been affected. However, we will respond to this change by seeking to transform it into an opportunity. I believe that responding to change will dramatically expand our potential. We expected the results of several years of aggressive IT investment to begin to manifest from fiscal 2020; but the spread of COVID-19 has made it difficult to gauge the effect. Nevertheless, looking at it from a different perspective, we see that a completely different effect has occurred. We completed installation of POS cash registers with automatic change dispensers at all stores in 2019. Initially, we expected these to be effective mainly in responding to labor shortages by increasing the accuracy and efficiency of payments at the checkout. As contact between people became an issue during the pandemic, these cash registers were able to be used as self-service checkouts, enabling us to meet the needs of our customers. By responding sensitively to these kinds of changes and keeping up with demand, we will enable customers to continue using our stores. The accumulation of small gains will drive overall sales growth. The task of rapidly implementing our response to such changes falls to the Sweeping Transformation

Executive Committee. I think that the key points in meeting our Challenge 2025 performance indicators will be the degree to which we can grasp changes in our communities and the degree to which our individual stores can respond flexibly to these changes.

Realizing sustainable growth and a sustainable society

To realize the sustainable growth of the Lawson Group and a sustainable society, Lawson established the SDGs Committee on March 1, 2019, and on March 1, 2021 the Company established the position of Chief Sustainability Officer (CSO), to which I have been appointed. We have stated three promises in our business policy: “Overwhelmingly Delicious,” “Human Kindness” and “Environmental (Machi) Friendliness.” Through our initiatives to fulfill these commitments, we are working to provide solutions for our six material issues and the corresponding Sustainable Development Goals (SDGs). Furthermore, to help realize the Lawsons Group’s sustainable growth and a sustainable society, under Challenge 2025 we intend to practice ESG-focused management. We will incorporate these three perspectives—environmental, social, and governance—in the strategic selection of investments within our activities for reaching our performance indicators.

Finally, I have around 180,000 colleagues in the Lawson Group. I want to make our organization one where my colleagues and I can recognize one another’s value and encourage one another to develop. There are many unique ways that Lawson can contribute to realizing a sustainable society, both in Japan and globally, using its network of real-world stores in each community. We are committed to our ongoing challenge of creating happiness and harmony in our communities.

Strategy for Creating Happiness through the Three Promises

Under “Challenge 2025,” Lawson is looking ahead to its 50th anniversary with the aim of becoming the “No. 1 most recommended store” among our customers, society, and colleagues, and a “hub of refreshment in every community.” To realize this new vision for convenience stores, we will quickly grasp social issues and diversifying values through the “three promises” of our business policy, responding to the changes in our communities and customer needs and contributing to happiness and harmony in our communities.

Superior taste

We will provide safety/security-oriented overwhelmingly high value-added products and services friendly to society and the environment.

Human kindness

We will support health promotion and active roles for all people and provide comfortable work environments leading to job satisfaction for everyone who works at Lawson.

Environmental (Machi) friendliness

We will work to co-exist synergistically with communities by serving as part of the social infrastructure, while engaging in sustainable environmental preservation activities toward a carbon-free society.

Strategy for Creating Happiness through the Three Promises

Superior
taste

Domestic Convenience Store Business

Transforming store displays

Machikado Chubo in-store kitchens project

◀ Initiatives to date

Lawson has developed the Machikado Chubo in-store kitchen to provide boxed meals and sandwiches prepared in-store. Our aim is to offer people in the community the pleasure of a meal that has been made with care in our store.

The Machikado Chubo in-store kitchen concept developed from our in-store preparation initiative, which Lawson has been promoting since 2004. The project started from an idea among franchise store owners and Lawson employees who wanted to offer hot meals to customers who found themselves without access to lifeline services such as electricity, water, and gas due to the impact of the Great East Japan Earthquake in March 2011.

Since then, through repeated trial and error regarding food preparation processes and kitchen facilities, around 7,000, or 48%, of LAWSON stores throughout Japan are now able to offer this service, and with the support of customers, we have expanded the number of stores to reach the largest scale in Japan for retail stores with in-store kitchens.

The expansion of Machikado Chubo in-store kitchens would be impossible without the development of crews

who carry out food preparation, improvement of the kitchen facilities, and the cooperation of franchise store owners. We will promote a range of initiatives to expand the Machikado Chubo in-store kitchens such as making operations more efficient with the introduction of self-checkout cash registers and self-service microwave ovens, thereby creating time for franchise store owners and crews to increase their skills for in-store food preparation, and conducting human resource development.

▶ Strategies under Challenge 2025

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

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

We will also proactively develop and sell health-conscious products. By fiscal 2022, we will reduce the equivalent salt

content of each meal to 3 g or less for all products, and reduce the use of additives to provide delicious and healthy meals.

We are also conducting environmentally conscious activities. Since Machikado Chubo in-store kitchens enable us to manage the number of items produced in each store, they contribute to reducing food losses due to overproduction. We are also making a proactive effort to eliminate plastic by changing the bowls used in our rice bowl category from plastic to cardboard. This is expected to reduce plastic use by around 250 t per year.

We will continue to add more initiatives such as these in order to provide Machikado Chubo products that can only be realized by Lawson.



Thick-cut Sangenton pork cutlet sandwich
(Made with sauce produced by the Tonkatsu Maisen)



Food being prepared in-store



Boxed lunch featuring fried chicken with spicy
nanban sauce and five types of vegetables



Chicken *nanban* rice bowl with Sakurajima
chicken raised in Kagoshima Prefecture



Beef curry developed in collaboration
with Nakamura-ya



Authentic Nagoya-style miso pork cutlet rice bowl

Domestic Convenience Store Business

Transforming store displays

Pursuit of Ideal Store Format Project

◀ Accelerating Change in the Role of the Convenience Store

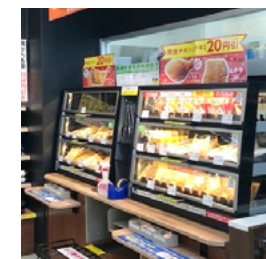
The COVID-19 pandemic has transformed the lifestyles of our customers, driving a marked shift toward buying products at convenience stores near suburban residential areas. In addition, the product lineups and services expected of convenience stores have changed due to the increased popularity of food delivery services. Customers' needs have shifted from the traditional need for so-called time-saving shopping that can be done conveniently nearby, to the need to buy products necessary for daily life. The role of convenience stores has begun to change in turn. For example, in areas where there are no fruit and vegetable stores, convenience stores sell fresh vegetables. In areas without fast food restaurants or bookstores, convenience stores serve as a substitute.

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

▶ Strategies under Challenge 2025

To realize “new hubs of refreshment in every community” that suit the new era, we have started the Pursuit of Ideal Store Format Project.

First, we will differentiate our Machikado Chubo in-store kitchen products by offering boxed meals and fast food products that meet the needs of the three daily meals—breakfast, lunch and dinner—taking advantage of our ability to prepare and serve food immediately in the store. Next, we will gauge the needs and purchasing behavior of customers, which vary by location, and optimize individual stores through measures such as increasing the lineup of frozen foods and daily food products through the addition of fixtures. In addition, to encourage new customers to visit our stores, we will actively introduce delivery services and online payment services, offering new ways to use convenience stores. We will also promote self-service stores in response to the increasing customer preference for a contactless shopping experience and in preparation for long-term labor shortages. These efforts include the use of self-checkout services



Self-service sales of individually packaged over-the-counter fast food

We aim to realize an ideal store format that matches the needs of the times and of the local community.

Yuichi Wada

Senior Executive Managing Officer
Store Operations Division Director—
Corporate Sales and Store Development Division



and the introduction of fixtures for self-service sales of individually packaged over-the-counter fast food. As well as making it easier for customers to move around the store as they select items to buy, the use of round cases for multi-faceted display will also serve to present the sales floor transformation to the customer visually.



Round cases for multifaceted display of an assortment of desserts and deli items

We plan to renovate a total of 5,000 stores in fiscal 2021, including 500 pilot renovated stores. We will also build new kitchens. As of the end of July, 7,000 stores were equipped with kitchens. In fiscal 2021 we plan to expand this to a total of 8,400 stores.

In selecting stores to renovate, we will analyze the trends of pilot renovated stores in detail. We will assess quantitative data on the following four factors: whether the store has a kitchen or not; daily sales; the population of the commercial area, particularly the nighttime population; and the number of years since the store opened. In addition to these, the hardware condition of the store, the economic situation, and of course the management ability and motivation of the owner are also major factors.

Strategy for Creating Happiness through the Three Promises

Domestic Convenience Store Business

Transforming store displays

Product renewal project

Overview of Fiscal 2020

In fiscal 2020, the spread of COVID-19 caused significant changes in people's lifestyles, including increased time at home, mask-wearing, and restrictions on eating out. We responded to the situation by developing products to capture changes in consumer behavior, namely increased health awareness, increased hygiene awareness, increased thriftiness, and increased needs for eating at home.

One of our main initiatives is Machikado Chubo in-store kitchens. The sense of value attached to freshly prepared food is extremely important, and our numbers show the results of our efforts to strengthen this initiative, such as collaboration products with restaurants and products developed under the direction of partners. We have also seen huge growth in the daily food product and frozen food categories, where we have launched carefully selected products based on a tried-and-true lineup such as gyoza dumplings and sweet-and-sour pork. We have also strengthened our lineups of desserts and healthful food products.

To further improve our profit margin, we are cutting down on waste by promoting efforts to keep foods fresher for longer without compromising on taste in our ready-made meal products. As we continuously revised our ingredients and packaging, we worked to reduce the volume of plastic containers and film, making them thinner and converting to paper containers, as well as reducing plastic by changing the mix of biomass materials.

We will work to strengthen our merchandising by rapidly grasping changes in customer needs.

Hitoshi Fujii

Executive Vice President
Merchandising Division Director



Strategies under Challenge 2025

Product renewal is an important project within the theme of transforming store displays promoted by the Sweeping Transformation Executive Committee. We will dramatically upscale and further strengthen our merchandising to increase consumer recognition of the value of Machikado Chubo in-store food preparation. We will also address the issue of low recognition of daily food products and frozen foods, which is an area where customer needs are increasing, by rapidly developing products that will capture public attention with their delicious taste and lead to repeat purchases.

In daily food products, we will focus on increasing recognition with new designs, expanding the menu, and increasing the lineup of products with long best-before dates. In addition, we will emphasize the use of locally produced ingredients, pursuit of health, and reduction of additives. In frozen foods, we are seeing a shift from commercial use to household use, and from stock demand to instant meal demand. By focusing on new product proposals, we will realize new sales floor proposals.

In daily necessities, we will turn our attention to improving sales floor efficiency, continuing to consolidate existing products while taking steps to introduce MUJI products.

By implementing these measures, Lawson aims to acquire a new customer base and expand spending per customer by increasing the number of purchase items. In this way, we will achieve the targets of Challenge 2025.

A meal made up from products available at LAWSON stores



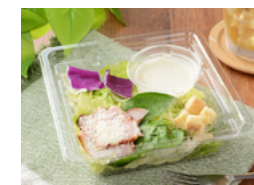
Lawson produce to brighten up meals at home



Hamburger Steak
—In rich demi-glace sauce made with sauteed onion—
(Launched on August 31, 2021)



Tokekoru "melted" croquettes



Bacon Caesar Salad



Cassata 2 pieces

Other products

- Potato Salad
- Lettuce Salad
- Mixed Salad
- Sesame Dressing 190ml
- Casa Subercaseaux Cabernet Sauvignon 750ml
- Gold Master 350ml
- Koshihikari Rice 180g

Domestic Convenience Store Business

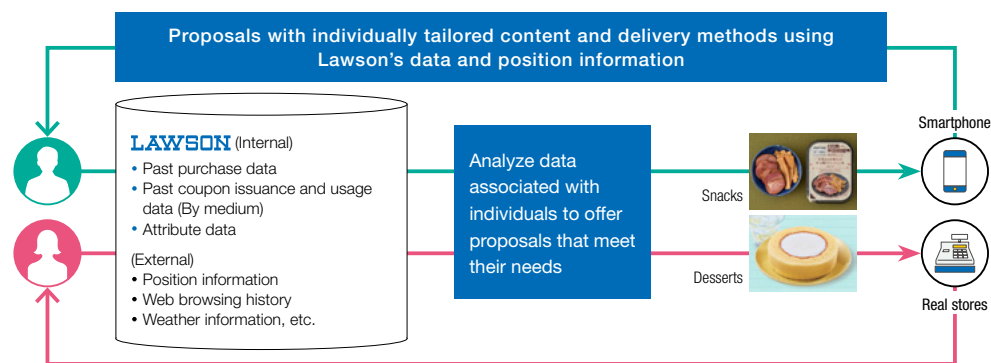
Transforming profit structures Unified use of Group data project

Using Data to Increase Customer Satisfaction

Lawson has been using the POS data and coalition loyalty program member data in store management and product development to meet customers' various needs in greater detail. The unified use of Group data project will widen the scope of data use to include not only Lawson but also data owned by Lawson Group companies and external data to provide customers with personalized product and service information tailored to their individual preferences. The information will be provided in the form of recommendations, coupons, and so forth related to products and services, using appropriate timing and methods of delivery corresponding to customers' different interests. Using these data, we aim to offer customers the experience of a new form of convenience and increase customer satisfaction.

Reflecting Data in Support for Store Operations

Going further, we will promote initiatives for even more sophisticated use of data. We will provide data on customer values and links with commercial area maps to support customized product lineups for each store. This will enable stores to match customers preferred timing in setting up displays, reducing cash register wait times, and providing freshly prepared products. In addition, we will support new store openings by franchise store owners by using data to help them understand commercial areas around the location and make decisions.



Transforming profit structures Customer-centric supply chain reform project

Tackling Food Loss by Optimizing the Entire Supply Chain

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

We have been working to increase ordering accuracy at stores using the semi-automatic ordering system introduced in 2015, which uses AI to recommend order volumes based on store sales capabilities. Now we will increase accuracy using the latest AI technology and aim to completely sell all of the purchased products. Previously, discounted sales of products nearing their sell-by deadlines were heavily dependent on the level of experience at the store. Now, we will use AI to make recommendations on the amount and period of the discounts based on the inventory status of each store on the day in an effort to more effectively completely sell out of products. We launched a demonstration experiment for this initiative at certain stores in the Tohoku region in June 2021. Based on the results, we aim to introduce the initiative to all stores during fiscal 2023.

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



Image of a discount sale recommendation on screen



Applying discount stickers with prices recommended using AI

Domestic Convenience Store Business



◀ Overview of Fiscal 2020

In response to changes in the business environment caused by the COVID-19 pandemic, we strengthened our fresh meat, fish, fruits and vegetables, and daily delivery category, expanded our lineup of frozen foods, and introduced new merchandise to meet stock needs. As a result, amid a difficult environment we achieved existing-store sales of only 1.6% lower than those recorded in fiscal 2019. The cost structure reforms that we implemented early on were successful, leading to improved profits from the second half of the fiscal year. Many aspects of the value that we provide to our customers still need to evolve, however, and we are working to resolve these issues so that we can attract more customers.

▶ Strategies under Challenge 2025

As a lifestyle-based convenience store, we position fresh food and daily delivered foods as our strengths. We will continue refining our ability to support consumers in their daily lives by focusing on offering seasonal suggestions, communicating with customers, and providing safety and security. While examining macro-consumption trends such as the aging population and the increasing number of single-person households, we will also use customer segment data, which we have included from fiscal 2020, aiming to grow our market share within commercial areas by working with our franchise stores to accelerate individual store management.



Guided by the store concept of “a menu-support convenience store,” the store proposes fresh food and other grocery products to support people’s daily diets. The stores also offer its “100 Yen” series of original products.

Seijo Ishii Business



Seijo Ishii

The entire company is working together as one team to celebrate the 100th anniversary of our founding.

Hiroyuki Karasawa

Executive Vice President
Division Director, Corporate Strategy
and Planning Division



◀ Overview of Fiscal 2020

Guided by a corporate philosophy of “quality food for a quality life,” Seijo Ishii is working as one toward the milestone year of 2027, when it will celebrate the 100th anniversary of its founding.

In fiscal 2020, Seijo Ishii opened a total of 11 stores—9 company-operated stores and 2 franchise stores—including the Sun Station Terrace Okayama store, its first store in the Chugoku region, bringing the total number of stores to 193 at the end of fiscal 2019.

Seijo Ishii has differentiated itself from its competitors with its unique business model of “vertical integration of food,” in which all of its processes—from importing, logistics, and manufacturing to wholesaling, retail sales, and restaurant operations—are carried out in-house.

In addition, we are working to improve customer satisfaction by discovering and developing products that are unique to Seijo Ishii without being bound by existing ideas, and by training employees to refine their product knowledge and sales skills.

▶ Strategies under Challenge 2025

Seijo Ishii will start operations of a new central kitchen plant in fiscal 2022. It is advancing a number of initiatives in preparation for this, such as expanding its store network and developing new core products.

To expand the store network, as well as strategically opening new stores, we will cater to the new lifestyles that emerge after the pandemic by strengthening e-commerce and promoting last mile business initiatives using delivery services such as Uber Eats. We will use the LAWSON Group network to increase points of contact with customers and expand sales channels.

To respond to diversifying sales channels, Seijo Ishii will strengthen its efforts to provide delicious food when it tastes best and in perfect condition. It will focus not only on the direct imports that have traditionally been its specialty, but also by selling selected seasonal produce from all over Japan. By properly communicating the value of these products through stories, we will continue to create new Seijo Ishii fans and develop new customers beyond our existing base.



Image of the new central kitchen plant (Yamato City, Kanagawa Prefecture) scheduled to start operation in spring 2022

Entertainment-related Business

LAWSON
ENTERTAINMENT



We will respond to changes in the market environment and provide exciting shopping experiences.

Haruhiko Noborisaka
Deputy Senior Vice President
Division Director of Entertainment
Business Division

Overview of Fiscal 2020

Fiscal 2020 was a year in which the COVID-19 pandemic dealt a heavy blow to the entertainment industry, triggering drastic changes in our business environment. In this environment, we consider it our primary mission to respond to the changing needs of the community. In our entertainment-related business, as in our other businesses, we embraced the challenge of turning adversity into opportunity.

In the ticketing business of Lawson Entertainment, we expanded the scope of ticket offerings beyond the traditional event format to include tickets for viewing live online events. In the merchandise sales business, we targeted online shopping and holding events, for which demand has increased. In the cinema complex business of UNITED CINEMAS, we enhanced the variety of screening content and provided new ways of viewing, such as drive-in theaters, while also taking measures to ensure the safety and security of theaters. We have also adopted a leaner management structure aimed at making all our businesses more resilient against fluctuations in market conditions. Through these measures, we have put our business performance on a steady track for recovery.

UNITED
CINEMAS

Strategies under Challenge 2025

The entertainment-related business is much the same as our convenience store business, which provides an infrastructure for daily life. Our primary mission is to respond to the needs of the community and understand our customers, providing a social infrastructure, whatever the business environment may be.

Our business and all its business domains sit precisely at the center of a changing market environment where consumption is taking place across the boundaries of goods and services, real and digital. The COVID-19 pandemic has accelerated these changes, and we recognize that there can be no return to the past.

In fiscal 2021, which marks the start of Challenge 2025, we will seize the opportunity to reinforce and enhance our response to market needs, on which we have relentlessly focused our efforts to date. To enable our business to continue to create unique value, we will carry out digital transformation (DX) based on organic collaboration, strengthening our business foundation and expanding our customer touch points to create a hybrid business.

The world of entertainment nurtures dreams and hopes, offering many opportunities to experience happiness. By maintaining this business as a pillar for sustainable growth of the Lawson Group, we are responding to the demand of our customers for exciting shopping experiences and fulfilling Lawson's group philosophy of "Creating Happiness and Harmony in Our Communities."

Financial Services Business



Lawson Bank

Overview of Fiscal 2020

In fiscal 2020, the third year of operation of this business, we continued to achieve profitability as in the previous fiscal year amid a continuing severe business environment due to the impact of the COVID-19 pandemic. This was a result of our firm efforts in the ATM business and retail business, as well as our efforts to exercise cost control in our operations. This was an important year in which we were able to launch a variety of services. These included the Immediate Account Settlement Service, which allows customers to charge payment apps and electronic money from their accounts with financial institutions, and a service that allows customers to charge payment apps with cash from ATMs.

Strategies under Challenge 2025

Backed by a network of approximately 13,500 ATMs and more than 370 partner financial institutions, we will further expand our services by taking advantage of our unique position as a bank in a convenience store group, where we connect finance and distribution. We will adopt our customers' perspective as we work to deliver new levels of convenience to our customers amid a changing environment.



Overseas Business

China

“Creating Happiness and Harmony in Our Communities”—around the world. We will align our business development to the culture of each region.

Motonobu Miyake

Executive Vice President, China Business Division Director and Lawson (China) Holdings, Inc. General Manager



also developed an application for supervisors to manage the status of their guidance to franchise stores. The number of prospective franchisees increased due to LAWSON’s stance of supporting franchisees, and by matching this with an increase in vacant properties due to the impact of the COVID-19 pandemic, we were able to expand the number of our stores in various regions. As of the end of 2020, we had expanded our operations to 12 provinces and cities, including new entry into the Hebei and Hainan provinces. We have the largest number of Japanese-affiliated convenience stores in China and our entire China business has become profitable on an operating income basis.

◀ Our Expansion in China

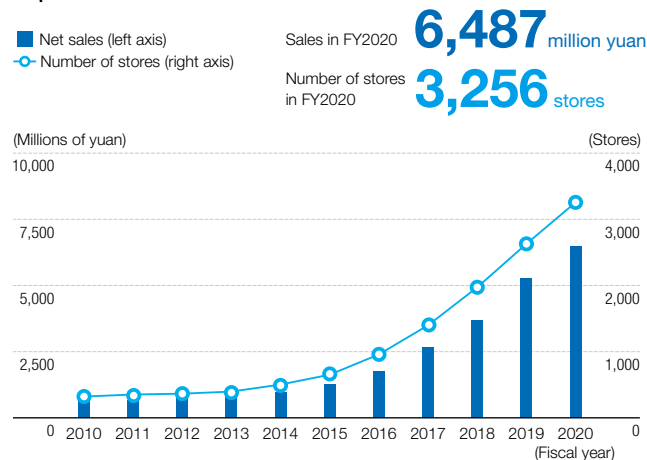
Lawson entered Shanghai in 1996, becoming the first Japanese convenience store to introduce the modern convenience store model to China. During the 2000s, we were unable to establish a brand image due to sluggish growth in the number of stores amid soaring rents and intensifying competition. In the 2010s, however, we reconfigured our basic strategy for China. We established a system for developing our own expertise and IT and core infrastructure to adapt to changes in local culture and

economic conditions. We then advanced our business expansion by sharing our accumulated expertise with our subsidiaries and area licensees. As a result, we have gained strong levels of recognition and brand reputation in various regions, recording roughly tenfold growth in our net sales and the number of our stores over the last ten years.

➤ Strategies under Challenge 2025

As of the end of May 2021, we had 3,640 stores throughout China. We are targeting 6,000 stores by 2022 and 10,000 stores by 2025. We have in place a system of accumulated expertise, IT, and core infrastructure that enables us to maximize growth of stores in each region in accordance with our China basic strategy and to accelerate regional expansion. As brand recognition of LAWSON increases in China, we have increasingly been approached by many regions about opportunities such as market entry or licensing offers. There are increasing possibilities for expanding new area licenses. The Chinese government has made the modernization and expansion of China’s convenience stores part of its policy toward driving growth in domestic demand and improving the lifestyles of Chinese people. However, the number of convenience stores relative to the population is still relatively small in China compared to Japan and other countries. We therefore see considerable room for expansion in the future. There are also many opportunities for area licensing and M&A given the large number of local convenience stores in each region. China is a vast country where cultural and economic levels vary between regions. We will therefore start with our Chinese subsidiaries that operate in each cultural zone as we aggressively expand our business in China. In doing so, we will contribute to the Lawson Group as a whole.

Expansion in China



◀ Overview of Fiscal 2020

In fiscal 2020, sales temporarily declined due to the impact of the COVID-19 pandemic. However, the recovery trend started relatively quickly as case numbers declined. We thus implemented a range of initiatives such as infection prevention measures, strengthening support for franchisees, delivery services, and live commerce. We strengthened our private brand products in China by locally manufacturing and selling product ranges that were major hits in Japan: BASCHEE- Basque-style cheesecake, and Akuma-no-onigiri (“Devil’s Rice Ball”=rice ball too delicious to stop eating). We also actively pursued collaboration around various types of intellectual property, advancing a brand strategy aimed at promoting purposeful purchasing inspired by a positive association with LAWSON. Another key focus has been digitalization. In addition to offering a variety of benefits through our members-only smartphone app, we have started taking advance reservations for pickup at designated stores. We have

Strategy for Creating Happiness through the Three Promises



Companywide

Transforming work motivation

Work motivation reform

We will drive forward with our challenges based on diverse values, enabling our employees to feel motivated in their work and creating happiness in the community.

Katsuyuki Imada

Member of the Board
Senior Executive Managing Officer
Corporate Strategy and Planning Division Director, –Human Resources,
–New Business Division, and Executive Assistant to Deputy CSO (CSR Promotion)



◀ The Talent Sought by Lawson

The kind of talent that we look for at Lawson is people who can think and act on their own initiative. With more than 18,000 stores in Japan and overseas, each store has different products to suit different customer needs, and many things happen every day. For the headquarters to try to issue instructions for all of these details would be impractical and too slow. That is why we need people who can understand our customers, our stores, and shop floors—people who can think and act on their own initiative. Our people need to have the awareness to actively challenge themselves to seek better results, rather than repeating the same thing day after day.

Just as our Three Promises advocate “Human kindness” and “Environmental (Machi) friendliness,” the guiding principle of our business is to work together with our store owners and crew, and to live in harmony with the diverse people of the world.

▶ Strategies under Challenge 2025

The main objective of the Work Motivation Reform Project in Challenge 2025 is to stimulate the growth of our Group by fostering personal development and a sense of achievement among our employees, empowering them to take initiative in addressing challenges. To support this, the project aims to instill a sense of trust and solidarity among the Group’s diverse human resources.

Two measures to incentivize employees to embrace challenges

In addition to business improvements such as adopting online communication tools and further advancing digital transformation in line with needs in the field, we have launched two major measures to incentivize employees to take up challenges. The first is a revision to our evaluation system. In a general system that evaluates employees based simply on whether or not they have achieved their goals, it is difficult to create a culture that encourages employees to strive for challenging goals. We have therefore established a new “Challenge Goal” category to evaluate employees for proposing their own goals and targeting these as challenges.

The second is the “100 Million Yen Challenge”. We solicited ideas for new challenges, allocating a budget of 100 million yen to be used for the selected project. We received 203 applications, including some from overseas. There were sales challenges aimed at increasing sales, but among the

applications were ideas for initiatives that truly embodied a sense of coexistence with society and respect for diverse values. For example, there were proposals to create learning opportunities for children who have been hospitalized for a long time, or to decorate product packages with pictures drawn by people with disabilities.

This project is itself being carried out by inviting employees from all over the country to participate voluntarily. Each employee formulates specific plans aimed at revitalizing communication and improving work efficiency. One of the outcomes of this project is the Lawson Lively Salon, a cross-departmental social event. This is an online salon where five to six people from various departments, positions and age groups, can ask each other questions and share their views. This initiative provides an opportunity for employees from all over the country who are not normally in contact with each other to inspire each other. It leads to new challenges, while at the same time fostering an awareness of diversity and coexistence.

In traditional chain store theory, uniformity and standardization have been considered good. At Lawson, however, we have a culture that values diversity. This is evidenced by the variety of stores and brands we have developed, including NATURAL LAWSON and LAWSON STORE 100. By encouraging all our employees to “think and act on their own initiative,” we drive the creation of synergies. In this way we can move forward to realize our Group philosophy, “Creating Happiness and Harmony in Our Communities.”



Companywide

Diversity and human resource development

Promotion of diversity and realization of a work/life balance

Lawson promotes diversity with the aim of assembling employees with widely varied values who join together and perform to their full potential to strengthen its franchise chain further. We have constructed systems for promoting diversity and inclusion under the direction of the President, established a special subsidiary to promote employment of people with disabilities, developed childcare facilities in our workplaces, and opened offices for conducting labor management consultations with a focus on improving operating efficiency and work environments.

In recruiting activities, we disregard gender, nationality, age, school, and origin, focusing instead on individual suitability, motivation, and ability. In our regular recruitment, since 2005 we have targeted a 50-50 ratio of male and female recruits, and from 2008 we have made a continued effort to recruit non-Japanese employees.

In our desire to retain our female employees over the long term, we have introduced such programs as career development training, childcare leave training, and elective leadership training to support young women in their career and life planning. By fiscal 2030, we aim to achieve a 30% ratio of female managers, and we are also taking step to develop female management candidates in our Next-Generation Development Committee, which aims to develop the next generation of leaders for senior management roles from among our general managers.

In 2014, Lawson introduced the short-term childcare leave system, in hopes of inspiring active male participation in child-rearing and housework leading to efficient, highly productive work styles among both men and women. The ratio of fathers taking childcare leave reached 94% in fiscal 2020, indicating that this practice is taking root in Lawson's corporate culture.

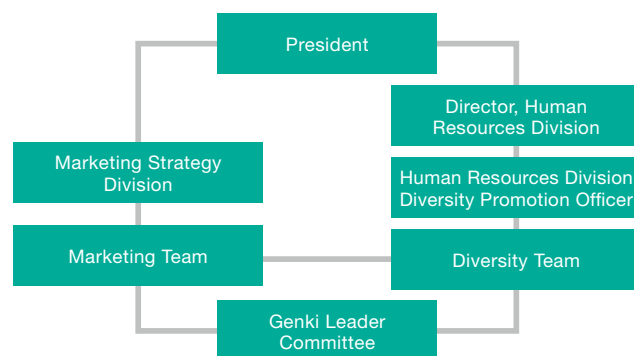
To promote active roles for diverse human resources, we introduced a flexible full-time (limited work location) employee system designed for compatibility with obligations such as

childcare, long-term care and cancer treatment; established a remote work system for all employees; and introduced an active full-time senior employee system, raising our employee retirement age to 65 effective March 2021. These measures will help transform Lawson into a company whose employees can continue working with satisfaction.

In other initiatives, the Sweeping Transformation Executive Committee is examining or implementing various initiatives to enable employees to continue working and growing energetically over the long term. These include setting up a rewarding work reformation project, establishing Challenge Goals, and driving digital transformation, as well as vertical, horizontal, and diagonal communication strategies.

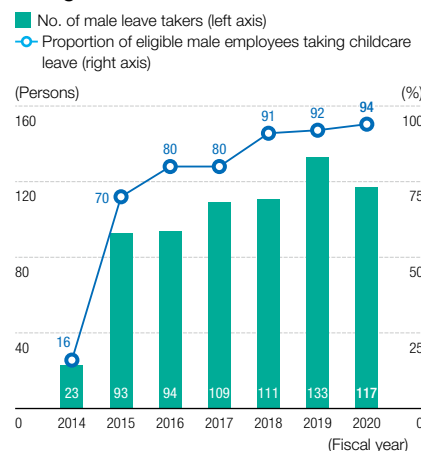
As a result of these efforts, Lawson was again selected as a Nadeshiko Brand in fiscal 2020 (sixth time in aggregate). Nadeshiko Brands are listed companies selected by the Ministry of Enterprise, Trade and Industry and the Tokyo Stock Exchange for outstanding achievement in encouraging women's success in the workplace.

Diversity Promotion System

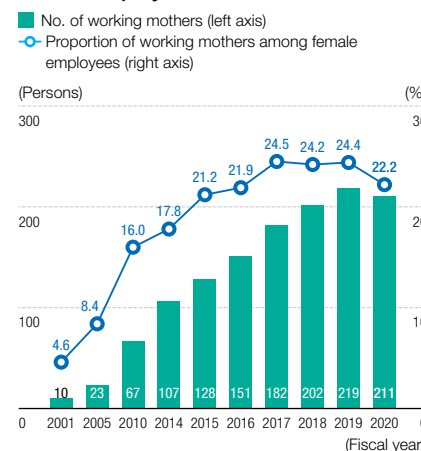


Operating under the President's direction, the Human Resources Division takes responsibility for system design, operations and appointments, while the Marketing Strategy Division seeks to create new value from ideas generated by female employees.

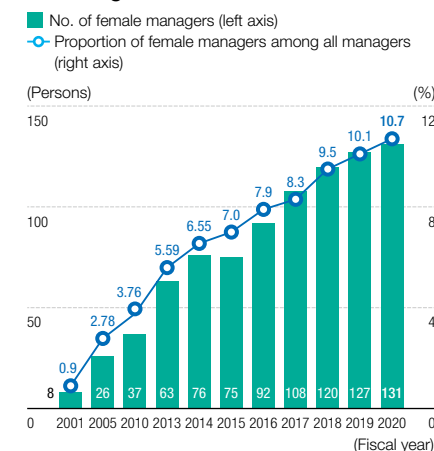
Proportion of eligible male employees taking childcare leave



Proportion of working mothers among female employees



Proportion of female managers among all managers



Companywide

Occupational safety and health and productivity management

Human Resource Development

Guided by our Group philosophy, we operate a developmental personnel system aimed at encouraging every employee to think and act on their own initiative. As part of this, we use two evaluation systems: the Employee Behavior and Skill Level Evaluation, which evaluates the employee behaviors (processes) that produce positive results; and the Performance Evaluation, which assesses the results of the behavior.

We also support individual career development and growth through career development interviews, and have adopted a free agent (FA) system designed to enable employees to take on ambitious goals toward their career development.

We are building a system for motivating employees and improving the overall performance of Lawson. We aim to drive business improvements and innovation by encouraging staff to avoid allowing their thinking to become constrained by the boundaries of their own role, instead adopting a company-wide perspective. Key initiatives in this area are the Lawson Challenge Awards, an internal award system for employees who voluntarily take on challenges and bring about improvements in their work and business performance, and the 100 Million Yen Challenge, a plan submission program.



The President joins participants in a selective training session for female employees

Occupational safety and hygiene

We have established a labor-management consultation forum that emphasizes thorough discussions aimed at improving employees' operational efficiency and work environment. We are continuing our efforts to create a comfortable workplace, working to improve the work environment through employee participation in areas such as reforms to our organizational culture and the use of systems. In each area, both labor and management conduct self-checks of the work environment before holding discussions to identify problems at an early stage and resolve them quickly.

We ensure that the 5S Methodology of "Sort, Set, Shine, Standardize, and Sustain" is fully implemented by our franchise stores in accordance with procedures clearly specified in our operation manuals. We also hold safety management meetings Companywide 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 recurrence.

Also, in the area of work environment improvement, we focus on such mental health monitoring activities as presentation of improvement points and stress check results for the various departments.

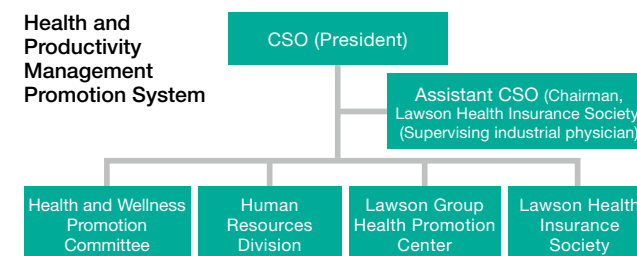
Health and productivity management

As a company that contributes to customers' overall health, Lawson places paramount importance on the health of our employees as well as the owners and crews of franchise stores. We announced a health declaration to this end in 2013. With the President serving as Chief Sustainability Officer (CSO) and Chairman of the Health Hub Promotion Committee, we have recently established a system to promote health management

and lead efforts to reinforce and direct health initiatives and health management for the Company and its customers. Since September 2018, we have been working to strengthen Groupwide health promotion measures in cooperation with the Lawson Group Health and Wellness Promotion Center, a body operating under the direct supervision of the President, the Human Resources Division, the labor union, and the Lawson Health Insurance Society.

Promoting the health of its franchise owners is another important concern for Lawson. The various health preservation programs provided through the Lawson Owner Welfare Association (see page 40) include a subsidy plan for medical examinations and operation of a health support desk.

As a result of these efforts, Lawson was selected as a "Health and Productivity Management Brand 2021," its fourth time to receive this recognition. In addition, the Company was selected as one of the "Health and Productivity Management Outstanding Organizations 2021," an award that honors corporations for excellence in health management, based on our efforts to address local health issues.



Conducting interviews with industrial physicians and public health nurses to support employee health



Companywide

Social Initiatives

Dealing with the impact of the COVID-19 pandemic

All of us at Lawson are working to protect everyone in our stores from infection by the COVID-19. We are also conducting various activities to support people who are facing difficulties day after day.

Initiatives for medical professionals

To support medical professionals working on the front lines of medicine, on certain days between April and June 2020 at around 300 Hospital LAWSON stores in 47 prefectures throughout Japan, we offered a half-price sale on all Uchi Café SWEETS original desserts and small size coffee from the MACHI café in-store freshly brewed coffee service. In May, we gathered messages in support of medical professionals through Lawsons' official social media accounts and incorporated them into a poster thanking everyone working at hospitals, which was then displayed at our stores.

In other efforts, in April 2021 we started a program of donating original processed foods that had passed their delivery deadlines at our logistics centers. In May 2021, we started a donation drive linked to sales volumes of MACHI café, donating 4,646,827 yen to the Japanese Nursing Association. We have received messages of gratitude from medical professionals for this support.



Donation presentation ceremony (Japanese Nursing Association)

Vaccination booking consultation services

In May 2021, we provided consultations on COVID-19 vaccine bookings at some of our Care-focused LAWSON stores (stores with nursing care consultation counters and salon services) as an initiative to dispel anxiety among local residents.

Support for producers and use of locally produced ingredients

We are supporting producers by developing products that use ingredients whose consumption is in decline. For example, at Lawson Stores in the Chugoku and Shikoku area (1,477 stores as of end of August, 2020, excluding some areas of Shimonoseki City, Yamaguchi Prefecture) we launched Mixed Rice with Red Sea Bream (Kinshari onigiri rice balls) using farmed red sea bream from Ehime Prefecture.



Mixed Rice with Red Sea Bream (Kinshari onigiri rice balls)

Delivering the taste of a specialty store, expanding collaboration with restaurants

As people stay at home and adopt new lifestyles, we are collaborating with 35 famous restaurants throughout Japan to develop products under their supervision, such as a Beef Stew Rice supervised by Yoshikami and Hayashi Rice Gratin supervised by RESTAURANT TAIMEIKEN. Using our nationwide network of approximately 14,500 stores as a new sales channel, we aim to bring cheer to local neighborhoods through the great taste of specialty stores.



Beef Stew Rice supervised by Yoshikami

Delivery service

In August 2019, Lawson became the first convenience store operator in Japan to introduce Uber Eats.*1 Responding to a surge in demand for deliveries associated with the spread of COVID-19, we introduced foodpanda*2 in November 2020 and Wolt*3 at NATURAL LAWSON in April 2021, bringing delivery services by the three providers in total to 1,893 stores in 30 prefectures. In February 2021, we started the first pharmaceutical delivery service in Japan with Uber Eats, now operating at 25 stores (as of July 1, 2021).

Items handled: *1 Approximately 370 items *2 Approximately 400 items
*3 Approximately 400 items



Uber Eats

Wolt

foodpanda

SMARI box

SMARI box is a socially distanced package shipping service that permits customers to return rental or e-commerce products without conducting shipping or acceptance procedures at the store counter. As of July 2021, the service was introduced at approximately 3,000 stores in the Kanto, Kansai, and Chukyo areas. Users of the Japan Post's e-shipping service that enables sellers using flea market apps to ship products can also deposit items at stores with dedicated SMARI boxes, reducing the time spent waiting at the store counter to conduct sending procedures.



Community Happiness donation activities

The Lawson Group conducts social contribution activities to realize the concept of “Aiming to create a better future for children.” As part of these, we established the Lawson Group’s “Happiness in communities” Fund-raising Campaign, which supports donations and activities for three organizations. We also pursue activities such as measures to prevent COVID-19 infections and accept donations for emergencies such as earthquake and torrential rain disasters as needed.

A total of some 10 billion yen (as of end February 2021) has been collected since September 1992 through in-store donation boxes and Loppi multimedia terminals, and from Ponta point and d-point donations.



Donation boxes at cash registers

Support Dreams Fund (Scholarship program for children from single-parent families)

- Organization receiving donation: National Federation of Single Parents and Children’s Welfare Associations in Japan

This scholarship program was established to provide support to children in single-parent families who wish to realize their dreams. The program provides 30,000 yen per month to 400 students from the third year of junior high school to the third year of high school throughout Japan. In addition to scholarship payments, the program also supports the children through learning support and experience programs.



“Dream Classes” Fund

- Organization receiving donations: Public interest corporation: Japan Football Association

We support the “Dream Classes” where athletes talk to children about the importance of having a dream. The classes started in 2019, and in fiscal 2020 we held 42 classes at 22 schools, reaching approximately 1,260 students. The classes were held online in order to prevent infection.



Lawson Green Fund

- Organization receiving donations: The National Land Afforestation Promotion Organization

We support school afforestation activities conducted in primary/junior high schools and special needs schools throughout the nation, and also support forest improvement projects led by voluntary organizations. The number of projects joined by franchise owners and others is 1,611 as of the end of February 2021.



Companywide

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 significantly to around 30% of total food products in fiscal 2019, as they found strong support among customers. In fiscal 2021, we will work to expand them even further.




Three essentials of development for healthful foods

Product development and sales are focused on three essentials for solving customers' lifestyle issues (low carb, low salt, and protein intake), and aiming not only at reducing calories and salt, but also making products that taste even more delicious.

Lawson's Three Essentials for Health

- Skipping breakfast • Lifestyle diseases (excessive carbohydrate or salt consumption) • Needs for healthy life extension

Lawson's Three Essentials for Health

Low salt	Low carbs	Protein fortification
		
30% (max.) reduced salt content centered on main normal diet staples	Use of bran (grain husks) to control carbohydrate intake	Steamed chicken breast, high in protein

Product development targeting deliciousness and health

Our bran bread, onigiri rice balls with sticky barley, and smoothie series have been widely popular among customers, such as those concerned with sugar intake. Repeated renewals of such products from the initial development stage have won wide support.

In terms of salt content, we are working to develop new expertise and technologies to maintain superior taste by bringing out the delicious flavors inherent in the soup stock, other ingredients and seasonings. Health conscious frozen food products with clearly labeled dietary fiber and carbohydrate content are also popular. We also sell food products that use soy meat to supplement protein shortfall as needed.

Furthermore, over the past few years, we have taken up the challenge of changing the common view of convenience store foods. We have been working on not using salt and chemical seasonings and reducing calories in dietary staples. During the COVID-19 pandemic, a decrease in opportunities for going outside led to an increase in stress and lack of exercise in customers. We are therefore focusing on developing products with a greater emphasis on protein to help people build muscle.

LAWSON Farm

In its efforts to assure LAWSON stores a stable supply of vegetables and fruits that support the healthy eating habits of our customers, the Lawson Group has established LAWSON Farm, a corporation eligible for farmland ownership with member farms at 17 locations nationwide. LAWSON Farms employ the Nakashima method of farming, which involves conducting soil diagnoses to develop ideal soil for growing crops before planting and supplies appropriate nutrition according to the growing conditions to produce healthy, delicious vegetables and fruits. We are also working to satisfy the GAP (JGAP, ASIAGAP)* guidelines for sustainable agricultural production through efforts in the areas of quality improvement, food safety and environmental protection.



* GAP: Good Agricultural Practice (agricultural production process management). LAWSON Farms accorded GAP certification have attained the Japanese JGAP standard or international ASIAGAP standard.

Please refer to the link below for details.
<https://www.lawson.co.jp/company/activity/lawsonfarm/>

History of initiatives for healthful food

From 2012		From 2015	From 2018	From 2020	From 2021
Low carb	Dietary fiber	Vegetables	Vegetables	Low salt	Low carb
Bran bread	Onigiri rice balls with sticky barley	Smoothie series	Motto! Yasai ("more vegetables") series	No added salt	Expand to dietary staples
					

Domestic Convenience Store Business

Health initiatives

NATURAL LAWSON



In July 2021, NATURAL LAWSON marked its 20th anniversary as a nearby store supporting “beautiful, healthy and comfortable” lifestyles with 143 stores nationwide as of the end of February 2021. With a focus on “supporting health and beauty,” “seasonality,” and “safety and reliability,” NATURAL LAWSON offers a unique and carefully selected lineup of environmentally friendly daily products such as detergents and cosmetics and food products that are delicious and healthy while also offering great value. Moreover, as part of our initiatives to reduce plastic, in addition to our previous detergent range, in February 2021 we launched sales by weight of hand soap, shampoo, and similar items, and also started sales by weight of dry fruits and nuts at some stores from July. In addition, in August 2021, we ran a demonstration experiment at some stores, in which we swapped plastic-wrapped disposable chopsticks and plastic spoons, usually supplied free with product purchases, for paper-wrapped disposable chopsticks and wooden spoons.



20th anniversary commemoration product: “Tomato Burger”



Chilled udon with Awaji Island onions and thin-sliced pork



Fixtures for sales by weight

Care-focused LAWSON stores with nursing care consultation desks for seniors

Health consciousness has been advanced through the operation of Care-focused LAWSON stores offering consultations by counselors such as care managers at permanent nursing care consultation desks and products that support seniors and their families. We also use their community salons as regional bases for multi-generational interaction to hold health assessment meetings, “Orange Café” dementia caregiver training courses and other events related to health and preventative care. In May 2021, we conducted consultation services regarding COVID-19 vaccination bookings at some stores.



Nursing care consultation desk at Care-focused Lawson



Consultation meeting regarding COVID-19 vaccination bookings

Health-care focused stores and stores selling over-the-counter pharmaceuticals

We are expanding the number of stores that sell over-the-counter pharmaceuticals and prescription drugs through partnerships with dispensing pharmacies and drug store chains, and training of registered sales personnel. We also continue to open healthcare-focused stores offering a wider assortment of cosmetics and daily necessities than ordinary Lawson stores. At some stores equipped with drug-dispensing pharmacies, we are trialing online drug administration guidance and receipt of prescriptions. In addition, from February 2021, we started the first deliveries of pharmaceutical products using Uber Eats in Japan at some of our stores handling over-the-counter

pharmaceuticals. This service handles 52 types* of Type-2 and Type-3 OTC drugs including cold medicines, eye drops, and stomach medicines. The service meets the needs of customers who want to purchase medicine without going outside.

*As of the end of July 2021



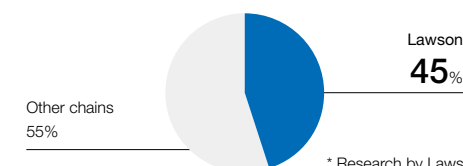
Hospital Lawson (in-hospital) convenience stores

Lawson has responded to the needs of hospital patients for convenience stores by proceeding to open Hospital Lawson convenience stores in hospitals, and is now No. 1



for the number of convenience stores in hospitals. Besides regular products and services, Hospital Lawson stores feature a lineup of products designated by hospitals. We also cooperate with individual hospitals in developing customized stores and services such as hospital wagon sales. Recognizing the hospital as a community in its own right, we seek the daily happiness of every hospital patient by giving careful consideration to their detailed needs.

Ratio of stores in hospitals by convenience store chain*



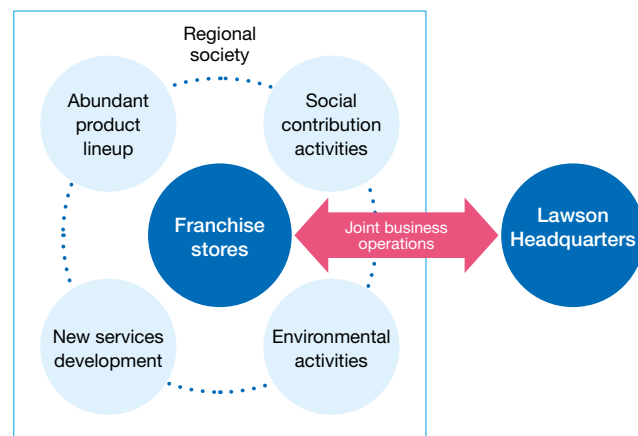
* Research by Lawson (as of the end of July, 2021)

Domestic Convenience Store Business

Support for franchise stores

Supporting franchise store management and reinforcing trust

Lawson's closest, most strategic partners are the franchise owners and store crews who serve customers on the forefront in communities throughout Japan. Strengthening the trust between franchise stores and Lawson and aiming to have stores become a "Hub of refreshment in every community" that is essential for customers and the local region are important for realizing the Group's Corporate Philosophy, "Creating Happiness and Harmony in Our Communities." Lawson is using digital technology to reduce the need for staff and labor in store operations, while headquarters contributes by supporting franchise store recruitment activities and optimizing their benefit packages, as well as by reinforcing various initiatives and systems to encourage sound store management through clear, open communication.



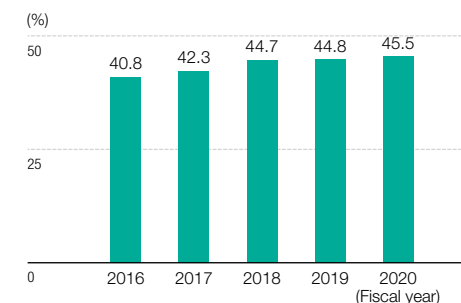
Furthermore, Lawson has a strong focus on increasing franchise store profits, and to ensure that every Lawson employee works more responsibly than ever before to achieve this, from fiscal 2020, the Company's overall management target was changed from sales to franchise store profits, and the key performance indicator (KPI) for employee bonuses was changed to franchise store profits. For stores that have suffered from sharp declines in customer numbers and sales due to the COVID-19 pandemic, headquarters is providing management support tailored to individual stores to support stable operations.

Recommending and supporting multiple store operations

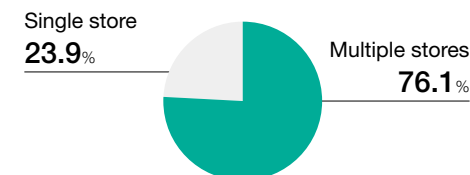
Lawson recommends, moreover, that its franchise owners operate more than one store. This enables them to spread the risk posed by the emergence of new competing stores, so that they can maintain stable management while expanding their business more easily than when operating a single store. A key aspect of multiple store operations is the development of store managers who can be relied upon to manage store operations in place of the owner. From fiscal 2020, Lawson has started the support for store manager training, in which Lawson trainers visit individual stores to provide on-the-job (OJT) training to develop the skills of store managers at franchise stores.

As of the end of February 2021, the multiple store ratio stood at 76.1%, while the multiple store ownership ratio was 45.5%.

Multiple store ownership ratio *As of end February 2021



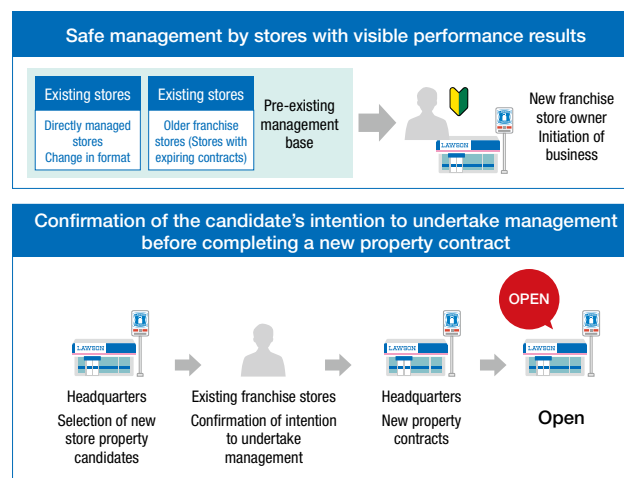
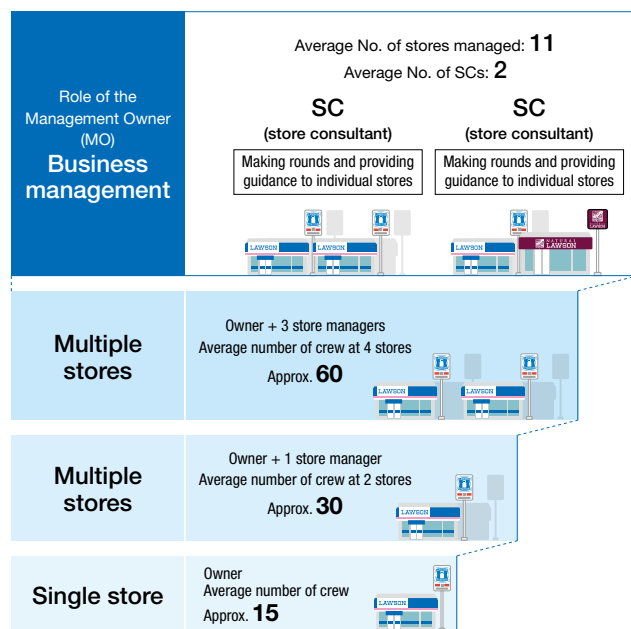
Multiple store ratio *As of end February 2021



Management Owner (MO) system

Lawson has established the Management Owner (MO) system to support franchise owners who open additional stores based on a reinforced partnership with the Company. The MO system is making 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 providing a platform for MOs to exchange opinions or propose improved work procedures to headquarters management personnel as representatives of the franchise stores in their region. As of end February 2020, there were approximately 190 MOs operating stores in various regions of Japan.

Multiple store ownership and the Management Owner (MO) system



Communication to build strong partnerships with franchise stores

Lawson has established a number of systems aimed at strengthening its partnerships with franchise stores by enabling members of the Board of Directors, including the President, to communicate directly with franchise stores. We place special value on feedback from our franchise stores, which operate in direct contact with customers, and seek to achieve mutual consideration and mutual prosperity with them through close communication. In fiscal 2020, we have taken such measures as a change to online meetings to prevent further spread of COVID-19.



Lawson Seminars

Lawson Seminars (convened twice annually for all franchise stores)

The President and other members of management share the Company's policies and directions with the franchise owners by providing them with detailed explanations of future business strategies, and informing them of product development planning in conformance with the policies.

Area meetings (convened monthly at branch offices throughout Japan)

Franchise stores from the same areas gather to share details of sales activities planned for the following month as well as of their past successes, or to exchange opinions with the aim of helping individual stores improve their management capabilities.

Lawson Owner Welfare Association board meetings (2 times/year)

Meetings of Headquarters executive officers and representatives selected from among franchise owners in each area convene twice a year. Organized to provide franchise owners with opportunities to exchange opinions with Headquarters, the meetings are attended by the President and other members of Lawson's Board of Directors, who join in discussions covering a range of issues.

MO General Assembly (1 time/year)/MO Executive Committee meeting (2 times/year)

Lawson's management owners meet regularly with headquarters management to exchange opinions as representatives of their regional franchise stores in accordance with Lawson's Group-wide practice of participation in management.

Lawson Owner Hotline (as needed/available to all franchise stores)

In July 2019, Lawson established a system of both internal and external telephone consultation contacts (in law offices) to enhance communication with franchise owners.

We also provide for direct communication with the President (as needed) and conduct questionnaire surveys at member stores (once a year).

Supporting work style reforms

Owner support system

From September 2020, we deployed around 60 Lawson staff at eight offices nationwide to support franchise store owners in taking leave.

One-time personnel recruiting service “matchbox”

From April 2021, we introduced the one-time personnel recruiting service “matchbox” provided by our affiliate company, Lawson Staff Co., Ltd., for LAWSON stores throughout Japan. Stores can advertise online for people to fill open shifts, and registered job seekers can apply to stores that suit their conditions, allowing stores to select personnel. The service has been highly beneficial to franchise store owners seeking to find workers for shifts during times when they are short staffed, or to fill sudden absences.



Promoting the use of learning tools for beginners

We have created a learning tool called “Starting Work at Lawson” that contains all the operations that need to be learned by new crew members (part time) when starting the job. This tool enables them to quickly learn about things such as basic store rules and how to serve customers at the register. We have also held courses on how to train new crew members for franchise store owners, store managers, and crew leaders who need to provide the training, as well as learning tools for non-Japanese crew members. Our goal is to enable crew members to enjoy working at the same store for a long while.



Lawson Owner Welfare Association

The Lawson Owner Welfare Association provides franchise stores with benefits embodying the three principles of “comfort,” “health” and “peace of mind.” The wide range of benefit packages includes various allowances, mutual aid and compensation for franchise owner members and their families as well as for store crew and staff members.

Franchise store SDGs award

The Lawson Group is encouraging franchise stores to engage in initiatives for the UN Sustainable Development Goals (SDGs) through the building of strong relationships between Lawson Headquarters and franchise stores. We also hope that these will lead to contributions to local communities.

Since fiscal 2020, Lawson has held the “Franchise Store SDGs Awards” to foster understanding of the SDGs among franchise stores and to increase their motivation. We call for examples of “activities to bring happiness to the community” undertaken by stores and present awards for the initiatives of 10 stores judged by a panel of Lawson’s corporate officers.

Examples of franchise stores SDGs Awards

- Providing safety support on pedestrian crossings and periodic rubbish clean-up around the state highway
- Handing out coloring in sheets in the store and presenting children who participate with croquettes or bubble sets
- Twice weekly mobile sales at a facility for elderly residents, and hearing their requests
- Hosting junior high school students for work experience and conducting visiting lessons at the school
- Washed and donated approximately 2,000 MACHI café milk packs to an elementary school
- Clean up activities in the shopping district and provision of guidance on illegal signage and preventing abandoned bicycles
- Visiting lessons at elementary schools to teach about Lawson social contribution activities and environmental issues, hosting store visits, for seventeen years
- Daily morning clean-up of the area around the store and participation in regular clean-up of the local shopping district
- Ongoing support for local children’s club, including donations of rice balls and original sweets
- Mobile sales to areas with poor shopping access, such as construction sites and areas near the mountains

Companywide

Developing and operating a supply chain with consideration for society (human rights, etc.) and the environment

Respecting human rights and the natural environment by using coffee beans from Rainforest Alliance certified plantations

Lawson is working to improve the lives of people involved in the production and processing of raw materials. We are also working to develop a sustainable supply chain that takes natural resources and the environment into consideration.

For our MACHI café in-store freshly brewed coffee service, we use only coffee beans from Rainforest Alliance certified plantations.* This certification is awarded to farms that use sustainable farming methods to meet rigorous environmental, social and economic standards.

At the Ipanema plantation in Brazil, where we procure our coffee beans, we are working to improve the working environment for plantation workers and support the education of the children. We are also working to protect the lush greenery by creating a nature conservation area within the



For more information:
ra.org/en



We provide a comfortable working environment for workers.



More than 160 beehives have been set up on the plantation.

plantation. For example, more than 160 honeybee hives have been set up to promote pollination of various native plants and increase biodiversity.

*Not applicable to the single origin or decaffeinated series.

Increasing our use of FSC®-certified products

We promote the use of products, containers, and packaging made from raw materials that have the FSC® certification, a standard for responsible forestry. We use these materials in paper cups, paper plates for original products, and paper packs for beverages. We plan to expand our use of environmentally friendly and sustainable options in our product offering and in our raw materials procurement.

Main FSC®-certified products



Environmentally friendly paper cups



Prisma Pack Natural Lawson Mixed Vegetables and Fruits



責任ある森林管理のマーク

Lawson Group Human Rights Policy

Lawson has been conducting corporate activities with a respect for human rights based on the Lawson Group Corporate Conduct Charter and the Lawson Group Transaction Policy. To promote the efforts to achieve the SDGs and ESG-focused management even more, on June 16, 2021, the Board of Directors established the Lawson Group Human Rights Policy. As well as respecting human rights in its own business activities, Lawson expects all stakeholders to agree to this policy, and will engage in dialogue and consultation toward ensuring respect for human rights.

Lawson Group Human Rights Policy (excerpt)

1. Respect for human rights: the Lawson Group's stance and the expectations of our stakeholders
2. Key themes of human rights
 - (1) Prohibition of discrimination
 - (2) Prohibition of child labor
 - (3) Prohibition of forced labor
 - (4) Appropriate wage payment and appropriate management of working hours
 - (5) Equal employment opportunities
 - (6) Protection of workers and prohibition of harassment
 - (7) Respect for personal information and privacy
3. Conducting human rights due diligence
4. Responding to consultations and reports; resolving and correcting problems
5. Promotion of human rights-related education and awareness-raising
6. Information Disclosure



The full text of the policy is available at the following link.
<https://www.lawson.co.jp/company/corporate/system/respect/>

Strategy for Creating Happiness through the Three Promises



Companywide

Reduced CO₂ emissions

Goal for 2030 (KPI)
CO₂ emissions per store
Reduction of 50% from 2013
(Target revised upward in June 2021)

Surprise ‘Whew!’ kindness project

Lawson started the “Surprise ‘Whew!’ kindness project: in July 2020, aiming to contribute to the vision of the SDGs by promoting initiatives for solving environmental issues, such as CO₂ emissions, food waste, and reducing plastic from containers, packaging, and shopping bags. We have set targets (KPIs) for 2030 and 2050.

Reduced CO₂ emissions

In April 2021, the Japanese government revised its targets for greenhouse gas (GHG) reduction upward, changing it to a 46% reduction compared to 2013. Lawson has followed suit, revising its 2030 target for reduction in CO₂ emissions per store upward from a 30% reduction from 2013 to a 50% reduction from 2013. To achieve this target, we are working to reduce electricity consumption in stores, with initiatives such as introducing energy-saving refrigeration systems, upgrading to the latest air conditioners and LED lighting, and promoting the “Ten Energy-saving Rules” in stores.

Introduction of CO₂ refrigeration systems

Lawson started installing highly energy-efficient CO₂ refrigeration systems in 2010. Approximately 4,200 stores have installed the systems (as of the end of March 2021). These systems use CO₂ refrigerants whose impact on global warming is said to be smaller than that of CFCs, and therefore can materially reduce greenhouse gas emissions. Also, they are very energy-efficient.



CO₂ refrigerant cooling/refrigeration system

Implementation of “Ten Energy-saving Rules” at the stores

Lawson has established the “Ten Energy-saving Rules” to improve the operational efficiency of in-store refrigeration and air conditioning systems, and reduce the total amount of electricity used. Based on these rules, we perform maintenance duties such as adjusting the set temperature, and cleaning filters at each store.



CO₂ emissions generated by our supply chain for fiscal 2020

CO₂ emissions in total **Approx. 5,301.9 thousand tons**

Method of calculating greenhouse gas emissions in the supply chain
Calculated from the Database of Emissions per Base Unit Ver.3.1, based on the Basic Guidelines on Accounting for Greenhouse Gas Emissions throughout the Supply Chain, Ver.1.0, explanations by industry (retail industry).

Category	Emissions covered	Emissions (Thousand t-CO ₂)
Scope 1 (Direct emissions)	Gasoline consumption of company vehicles	4.3
Scope 2 (Indirect emissions)	Electricity consumption of the headquarters, regional offices, branches, and company-operated stores	980.7
Scope 3 (Other indirect emissions)	Raw materials purchased (Private and national brand products, plastic shopping bags, etc.)	4,025.7
	Electricity consumption associated with procurement of electric power	144.9
	Energy consumption of the delivery centers	101.0
	In-store waste, and industrial waste due to store closures and remodeling	20.6
	Business travel of Lawson Headquarters employees	0.9
	Disposal of containers, chopsticks, and plastic shopping bags	23.8
Total		5,301.9

* Does not cover all of Lawson’s supply chains
Scope 2 is the sum of electricity use at stores from fiscal 2020

Companywide

Reduced use of plastics and food loss

Reduced use of plastics

Goal for 2030 (KPI)	Plastic containers and packaging Reduction of 30% from 2017 (Adoption of original product packaging using 50% eco-friendly materials)
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Reducing plastic use for packaging

We strive to replace plastic packaging items with paper ones, and reduce the volume of plastic waste while retaining the taste and quality of our original products. Also, we are committed to reducing plastic use by utilizing plastic packaging items partly made from plant-derived materials.

MACHI café



Changed to paper material for all iced coffee cup sizes: S, M, Mega

- Changing cup material from plastic to paper, expecting to reduce plastic use by approximately 2,165 tons per year
- Switching to lids with a sip-thru hole that allows customers to drink their beverages without the need for a straw

Using paper containers for certain Machikado Chubu in-store kitchen offerings and the “Choi” series of small-volume boxed meals

- Changing rice bowl-type boxed lunch containers to paper containers, expecting to reduce plastic usage by approximately 250 tons per year
- Using paper containers for the small-volume type “Choi” series of cooked noodles and chilled boxed meals



Changing the wrapping materials for rice ball products

- The specifications of plastic materials have been changed for the wrapping of all hand-rolled rice ball products, and some directly wrapped rice ball products and rice ball products sold with other products in a bundle. Some of the wrapping has been changed to plant-derived materials, and the thickness of the wrapping sheet has also been reduced.



Sales by weight – a new initiative at NATURAL LAWSON

- Some NATURAL LAWSON stores have been trialing sales by weight, enabling customers to buy just the amount they need, in the container of their choice. This initiative not only helps to reduce plastic containers used in conventional products, but also suits people who want to try a small sample.
- In addition to daily necessities such as detergent (from August 2020) and shampoo and body soap (from February 2021), we have now also started sales by weight for food such as dried fruit and nuts (from July 2021).



Started demonstration experiment of PET bottle reduction and recovery machine in collaboration with the Kirin group

- In collaboration with Kirin Holdings Company, Limited and Kirin Beverage Company, Limited, in July 2021 we started a demonstration experiment for recovering used PET bottle containers at LAWSON Yokohama Shinkoyasu Store, aiming to promote PET bottle reuse and recycling. Recovered PET bottles are collected using the vending machine operation route of Kirin Beverage Company, Limited, to achieve more efficient transport and reduce environmental impacts such as CO₂.



Charge for plastic shopping bags

- Effective July 1, 2020, it became law for stores to charge for plastic shopping bags in order to help preserve the global environment. Accordingly, in addition to charging for shopping bags, Lawson is producing bags with a mix of approximately 30% plant-derived materials to reduce the use of plastics. The shopping bag refusal rate at the end of February 2021 had reached 74.9%. In addition, part of the proceeds from shopping bag sales at directly operated stores was donated in the form of rice to Food Bank Japan Promotion Group as an initiative to provide food support for children.

Reduced food loss

Goal for 2030 (KPI)	Reduction of food waste by 50% from 2018 level
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Donating the surplus stock of original products on a regular basis

Since August 2019, Lawson has periodically donated to the Japan Food Bank Promotion Group original sweet products, processed foods, etc., that missed the delivery deadlines*. During the Christmas season in December 2020, we expanded this activity to include chilled products such as Christmas cake and hamburger steaks. We have also expanded the scope of recipients for these donations. In addition to the Bunyko-Ward “Kodomo-Takushoku” children’s food delivery program, from December 2020, we have been supporting Kodomo-Takushoku operators throughout Japan through the supporting organization, Kodomo-Takushoku Ouen Dan. As a new initiative, we also tried distributing free coupons for boxed meals to users of the service that can be redeemed directly at stores. In fiscal 2020, we delivered a total of around 270,000 products to needy families through these organizations, as well as to Children’s Cafeterias, orphanages, and facilities for people with disabilities.

* Food products are delivered for donation much earlier than their best-before dates.

Recycling of unsold food

The daily volume of unsold food products at Lawson stores is 5.5 kg per store, along with 2.4 kg of food oil (oil waste) used for deep-fried food products. In order to reduce food waste, we optimize order volumes and offer discounts to promote the complete sale of all stock. We also deliver unsold food products to recycle plants to have them recycled into animal feed for swine or poultry, or fertilizer. Oil waste is also recycled as a nutritional additive for animal feed, biodiesel, etc.

Domestic Convenience Store Business

Regional cooperation

Comprehensive agreements with local governments and administrative services

Comprehensive agreements with local governments

Having concluded comprehensive agreements with local governments throughout Japan, Lawson is collaborating with them in programs aimed at revitalizing local communities and creating community environments in which everyone can lead a comfortable life.

As of the end of June 2021, we were cooperating with 65 local governments (45 prefectural and 20 municipal governments) in a wide variety of projects. The list includes welfare and childrearing support, such as provision of hot water for baby milk, product development leveraging use of local specialties and seasonal ingredients, crime prevention activities, environmental improvement through greening and cleaning activities, provision of supplies and support for people who are stranded away from home during disasters. In addition to all these, some stores have formed tie-ups with local governments to serve as antenna shops to promote recommended local products and provide tourist information.



Stores with antenna shops for local governments

Administrative services available at Lawson

Customers can get various forms of government-issued documents with the My Number Card, or Basic Resident Register Card at Lawson stores throughout the country. Currently, this service is available in 858 cities, wards, towns, and villages (as of August 10, 2021). The in-store multi-functional copier can be used to print out copies of residence certificates, seal registration certificates, tax payment certificates, family register certificates, copies of supplementary family registers, etc.*



* The public services available at Lawson stores vary depending on the local municipality

Promotion of mobile sales

We visit facilities for the elderly, companies, and factories to sell food and daily necessities, to reach customers who cannot easily visit our stores. In cooperation with local governments, we also provide mobile shopping services to remote areas, as well as a “community watch service” in which we check in on the elderly.



Participation in safety station activities

The convenience store industry has faced a growing number of demands from society in recent years for actions ranging from crime prevention and disaster response and safety measures to supporting the sound, healthy development of young people.

The Lawson Group is responding by participating actively in the Safety Station activities (SS activities) of the Japan Franchise Association, cooperating with efforts to implement safe, secure community development, and working to ensure a wholesome youth environment. We are also taking measures to prevent robbery and special fraud, protect women and children who feel threatened, and safeguard confused elderly residents who wander away from home. Lawson’s pursuit of these efforts earned commendations from local police for 733 instances of special fraud prevention at its stores in fiscal 2020.



Incidents in 2020

Sheltering women from potential threats	1,353 stores	At least 1,999 instances
Sheltering children from potential threats	707 stores	At least 1,013 instances
Safeguarding seniors	2,615 stores	At least 4,768 instances
Preventing scams (wire fraud, etc.)	2,319 stores	
Encouraging young people to go home during late-night hours	7,837 stores	

Source: FY2020 survey of franchise store owners and store managers (JFA); extracted figures for Lawson only.

Financial Strategy

Message from the CFO



Satoshi Nakaniwa

Member of the Board
Executive Managing Officer,
Chief Financial Officer

As a company that deals directly with issues facing society, we will maintain a sound financial position making growth investments focused on capital efficiency and adopting a leaner profit structure to drive sustainable growth.

Fiscal 2020 in review

Fiscal 2020 was heavily impacted by the COVID-19 pandemic, including changes in customers' lifestyles and purchasing behavior. Even in this adverse management environment, the Lawson Group remained constantly beside customers and society as a "hub of refreshment in every community," rising resolutely to meet the challenge. Despite these efforts, we were unable to avoid a fall in profit compared to fiscal 2019, with operating income of 40.8 billion yen and net income attributable to owners of the parent of 8.6 billion yen.

Existing store sales in the domestic convenience store business decreased by 7.3% from the previous year, while

customer traffic declined by 14.2% from the previous year due to the spread of remote working and a decrease in opportunities for going out. Spending per customer rose by 8.0% from the previous year, mainly reflecting growth in frozen foods, daily foods, and fresh foods, as product lineups were expanded in response to an increase in customers eating at home. Despite continuous cost reduction efforts, the impact of existing store sales was significant for the domestic convenience store business, resulting in segment profit of 28.7 billion yen (down 18.3 billion yen from the previous year).

The pandemic had an especially prominent impact on the entertainment-related business, which recorded a segment loss of 0.2 billion yen (a deterioration of 5.6 billion yen from segment profit in the previous year). While the adverse management environment continued throughout the year, Lawson Entertainment worked to expand sales of online live streaming tickets and the e-commerce business as events continued to be cancelled or downscaled. At United Cinemas, we were forced to suspend operations at all cinemas at one point, but in the second half of the fiscal year there were some hit movies featuring popular animation.

In the Seijo Ishi business, our operations were supported by growth in supermarket demand from consumers obliged to stay at home, resulting in segment profit of 10.3 billion yen, (up by 1.9 billion yen from the previous year). Meanwhile the

overseas business turned profitable, registering a segment profit of 0.8 billion yen, (an improvement of 1.8 billion from the previous year), mainly reflecting the China business, which rebounded quickly from the impact of COVID-19.

In this way, the Lawson Group experienced both positive and negative influences in each segment. However, net income attributable to owners of the parent came to 8.6 billion yen, (a decrease of 11.4 billion yen from the previous year), mainly due to factors increasing and decreasing operating income, the recording of an impairment loss related to stores in extraordinary loss, and losses related to the COVID-19 pandemic, despite recording a gain on sale of cross-held shares in extraordinary income.

Adoption of a lean profit structure to help achieve management targets

In fiscal 2020, despite the adverse management environment, we focused on reducing costs. Profits at franchise stores, began to increase year on year from the second quarter onward, mainly as a result of efforts to reduce the three main costs—food waste loss, labor cost, and utility cost. We also worked to review advertising using digital technology and took steps to reduce land rents.

Consolidated results for fiscal 2020 (to February 2021)

(Unit: Million yen)

	Fiscal 2019	Fiscal 2020	YoY
Gross operating revenues	730,236	666,001	-64,234
Operating income	62,943	40,876	-22,066
Ordinary income	56,346	37,610	-18,735
Net income attributable to owners of the parent	20,108	8,689	-11,418

Segment profit

(Unit: Million yen)

	Fiscal 2019	Fiscal 2020	YoY
Domestic convenience store business	47,121	28,739	-18,381
Seijo Ishi business	8,348	10,329	+1,980
Entertainment-related business	5,313	-297	-5,611
Financial services business	3,088	1,753	-1,335
Overseas business	-1,005	809	+1,815
Other business	76	-456	-533
Total	62,943	40,876	-22,066

Under Challenge 2025, our vision formulated for the Lawson Group's 50th founding anniversary in 2025, we are working under the guidance of the Sweeping Transformation Executive Committee to execute further profit structure transformation. For example, in our customer-centric supply chain reform project and our vendor distribution project, we are using artificial intelligence (AI) and digital transformation (DX) to reduce both wastage loss and opportunity loss at stores and in the supply chain. Through efforts such as these, we will promote the adoption of a lean profit structure for the Lawson Group.

In our full-year plan for fiscal 2021, we have assumed that the COVID-19 pandemic will still need more time to be controlled, despite the steady spread of vaccinations. On this basis, having factored in an improvement in existing store sales, mainly due to merchandise assortments of products aligned to changes in customer needs and a recovery in the entertainment-related business, our plan for the fiscal year is for consolidated operating income of 50.0 billion yen (up 9.1 billion yen year on year) and net income attributable to owners of the parent of 13.5 billion yen (up 4.8 billion).

Preserving a sound financial position and shareholder returns

Under Challenge 2025, we are aiming to achieve return on equity (ROE) of 15% or higher, and we will strive for EPS of 500 yen or higher, representing a level of net profit that could support a consolidated dividend payout ratio of 50%. The Lawson Group emphasizes ROE, reflecting the importance that we place returning profits to shareholders. In order to improve each of the elements of ROE, which is expressed as "net profit margin × total asset turnover × financial leverage" we will promote the abovementioned adoption of a lean profit structure, and also a lean financial position by using investment criteria based on the cost of capital and replacing existing investments. At the same

time, having Lawson Bank, Inc. as a member of the Lawson Group means that preserving a sound financial position leads to favorable financing conditions and improved earnings capability. As the Lawson Group continues its sustainable growth, I believe it will be important to practice a balanced approach to management, preserving a sound financial position while enhancing capital efficiency.

Moreover, we also consider shareholder returns to be an extremely important management priority. Our approach to the consolidated dividend payout ratio is to preserve a sound financial position, while making a return of profit to shareholders commensurate with earnings. On this basis, we have set the lower limit of dividends at 150 yen per share, with plans to grow the dividend sustainably through sustainable profit growth under Challenge 2025, while maintaining the necessary internal reserves for future business development.

Growth investments by the Sweeping Transformation Executive Committee with an emphasis on capital efficiency

In addition to the rapid changes in our customers and markets, various technological innovations are also in motion. To make appropriate investments utilizing the latest technologies, the Sweeping Transformation Executive Committee drafts investment plans that involve working rapidly through PDCA cycles to make daily updates and act flexibly and continuously.

One such investment is the project for pursuing the ideal store format in the domestic convenience store business. In this project, we plan to invest 32.0 billion yen on 5,000 stores in 2021. We are looking at store renovation that varies to suit characteristics such as commercial area, location, and customer base, and we are currently in the process of detailed testing. Meanwhile, in the Seijo Ishi business, we are planning an addition to the central kitchen to keep pace with increased

demand from customers, as well as an increase in store numbers in the overseas business, which has turned profitable. We aim to increase the investment efficiency of the Lawson Group by increasing the precision of our risk and return calculation for investments and realizing the maximum effect from growth investments that emphasize capital efficiency.

Commitment to the SDGs through the ESG management

With regard to environmental issues, we will take steps to reduce food loss, plastic use, and CO₂ emissions through Lawson Blue Challenge 2050!, our environmental vision for 2050. As part of these efforts, we will replace store-related assets with environmentally compliant alternatives in the process of investing for renovating and renewing existing stores.

The capital markets are paying close attention to environmental, social and governance (ESG) investment, and the Lawson Group has expressed its commitment to the Sustainable Development Goals (SDGs). As a convenience store chain, which is part of social infrastructure, we have already taken measures to tackle social issues in the community directly, such as making contributions to local communities and taking countermeasures for labor shortages, guided by the Group philosophy, "Creating Happiness and Harmony in Our Communities." We set our role as being the same as ever, to engage with the SDGs through ESG management as an extension of our existing activities. Regardless of the market environment, the Lawson Group is committed to being the No. 1 recommendation of its customers and community and will continue working to achieve sustainable growth and create corporate value.

Executives

Members of the Board



Sadanobu Takemasu Years as a Member of the Board: 7

President and CEO, Representative Director, Chairman of the Board, and CSO, University President, Lawson University

Born 1969, 51 years old. Appointed Senior Executive Vice President, Representative Director in 2014. Appointed President and CEO, 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



Katsuyuki Imada Years as a Member of the Board: 4

Member of the Board, Senior Executive Managing Officer, Corporate Strategy and Planning Division Director, —Human Resources, —New Business Division, and Executive Assistant to Deputy CSO (CSR Promotion)

Born in 1963, 58 years old. Mr. Imada has experience at Mitsubishi Corporation and has served as CFO, Division Director of Corporate Strategy and Planning Division, Division Director of Next Generation CVS Division, Lawson, Inc. He has a wide range of experience, and is currently, in charge of overall corporate strategy including corporate planning, corporate governance, initiatives for SDGs, and the development of next-generation CVS as Director, Senior Executive Managing Officer, Division Director, Corporate Strategy of Lawson, Inc.



Satoshi Nakaniwa Years as a Member of the Board: 4

Executive Managing Officer, Member of the Board, and CFO

Born in 1969, 52 years old. Mr. Nakaniwa has experience serving at Mitsubishi Corporation, and has a wide range of experience. He has been in charge of finance and accounting, business risk management and investor relations as well as purchase control as Director, Executive Managing Officer, and CFO of Lawson, Inc.



Keiko Hayashi Years as a Member of the Board: 5

Member of the Board (outside) **Independent officer**

Born 1959, 62 years old. Ms. Hayashi founded DoCLASSE Co., Ltd., which handles the planning, manufacturing, sales and delivery of clothes, fashion goods and jewelry. As the president of the company, she has extensive experience and expertise in corporate management. Through her experience, including in a foreign consulting firm, she also has a strong knowledge of product development and marketing-related operations.



Miki Iwamura Years as a Member of the Board: 3

Member of the Board (outside) **Independent officer**

Born 1965, 55 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: 1

Member of the Board (outside) **Independent officer**

Born in 1977, 43 years old. Ms. Suzuki has served as a member of public and private committees related to "hospitality management" globalization of Japanese companies. 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.



Kiyotaka Kikuchi Years as a Member of the Board: 0

Member of the Board

Born 1966, 54 years old. Mr. Kikuchi has a wealth of knowledge on the consumer industry field, mainly in the food industry, through his duties at Mitsubishi Corporation as well as his secondment to a meat processing manufacturer.

Corporate Auditors



Shuichi Imagawa Years as Corporate Auditor: 1
Standing Corporate Auditor

Born 1958, 62 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 Company in Japan, and CR and Human Resources Executive Officer.



Jun Miyazaki Years as Corporate Auditor: 0
Standing Corporate Auditor

Born 1955, 65 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.



Eiko Tsujiyama Years as Corporate Auditor: 10
Corporate Auditor (outside) **Independent officer**

Born 1947, 73 years old. Ms. Tsujiyama has in-depth knowledge of corporate finance and accounting having served as a member of the Business Accounting Council of the Japanese Financial Services Agency as well as serving as chairman for the National Tax Council of the Japanese National Tax Agency, and as an honorary professor (accounting) as an academic and certified public accountant.



Yuko Gomi Years as Corporate Auditor: 2
Corporate Auditor (outside) **Independent officer**

Born 1972, 49 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: 1
Corporate Auditor (outside) **Independent officer**

Born in 1954, 67 years old. As a certified public accountant, Ms. Yoshida is a representative of an accounting firm and has knowledge of tax affairs, accounting and management.

Senior Vice Presidents As of May 25, 2020

Senior Executive Managing Officer	Masakatsu Gonai	Senior Vice President	Yasuhiko Hirokane
Senior Executive Managing Officer	Yuichi Wada	Senior Vice President	Zhang Joshua
Executive Vice President	Motonobu Miyake	Senior Vice President	Toshihiko Chihiro
Executive Vice President	Akihito Watanabe	Senior Vice President	Satoshi Kumagai
Executive Vice President	Hitoshi Fujii	Senior Vice President	Tatsuya Murase
Executive Vice President	Tatsushi Sato	Senior Vice President	Noriaki Tsuruta
Executive Vice President	Hiroyuki Karasawa	Senior Vice President	Miwako Tate
Executive Vice President	Kazuhiro Wakui	Senior Vice President	Yasuhiro Iseki
		Senior Vice President	Takeji Hino
		Senior Vice President	Tomoki Takanishi
		Senior Vice President	Kazuhiro Harada
		Senior Vice President	Hiroko Otani
		Senior Vice President	Noboru Kakiuchi

(Excluding Board members' additional posts)

Members of the Board and Corporate Auditors (As of May 25, 2021)

Name	Position	Outside Officers	Independent Officers	Nomination and Compensation Advisory Committee *The double circle, ⊙, indicates the chairperson.	Number of years in current position	Responsibilities and concurrent positions	Main area of experience and expertise						
							Corporate management	Corporate finance/accounting	Legal affairs/compliance and risk	Marketing	IT/DX	Global experience	Franchise and retail business
Member of the Board													
Sadanobu Takemasu	President and CEO, Representative Director				7	CSO and University President, Lawson University	●			●	●	●	●
Katsuyuki Imada	Member of the Board, Senior Executive Managing Officer				4	Corporate Strategy and Planning Division Director, –Human Resources, –New Business Division, and Executive Assistant to Deputy CSO (CSR Promotion)	●	●				●	●
Satoshi Nakaniwa	Member of the Board, Executive Managing Officer				4	CFO	●	●				●	●
Keiko Hayashi	Member of the Board	○	○	○	5	DoCLASSE Co., Ltd., President and CEO	●			●		●	●
Miki Iwamura	Member of the Board	○	○	○	3	Google Japan LLC Vice President, Asia-Pacific, Japan (Marketing)	●			●	●	●	
Satoko Suzuki	Member of the Board	○	○	○	1	Hitotsubashi University Business School, School of International Corporate Strategy, Associate Professor				●		●	●
Kiyotaka Kikuchi	Member of the Board			○	0	Executive Vice President, Group CEO, Consumer Industry Group (Concurrently) Division COO, Retail Div., Mitsubishi Corporation	●		●			●	●
Corporate Auditor													
Shuichi Imagawa	Standing Corporate Auditor				1	–			●	●			●
Jun Miyazaki	Standing Corporate Auditor				0	–			●	●			●
Eiko Tsujiyama	Corporate Auditor	○	○	⊙	10	Professor Emeritus, Waseda University		●					
Yuko Gomi	Corporate Auditor	○	○	○	2	Lawyer (Partner), T. Kunihiro & Co. Attorneys-at-Law			●				
Keiko Yoshida	Corporate Auditor	○	○	○	1	Representative, C.P.A., SHIBA Accounting Service Office		●					

Executive Officer Voices



Using Mitsubishi Corporation's resources to enhance the value of Lawson.

Kiyotaka Kikuchi
Member of the Board
Executive Vice President, Group CEO, Consumer Industry Group (Concurrently) Division COO, Retail Div., Mitsubishi Corporation



Respect for Lawson's attitude of continuing to take on challenges with a spirit of trial and error.

Keiko Hayashi
Member of the Board (outside)
President and CEO,
DoCLASSE Co., Ltd.

The convenience store has become a more integral part of our lifestyles than ever due to the impact of the COVID-19 pandemic. It has taken on increased importance as social infrastructure. This change in role is irreversible and likely to gain further momentum, driven by the continuing demographic trend of an aging population. Going forward, consumers will focus not on the number of stores but on their quality. I hope that stores will implement digitalization as much as possible, while improving their merchandise assortments and service levels. Each store should aim to be a unique presence in the community, with an identity that reflects the needs of local consumers.

Mitsubishi Corporation will provide functional support to help Lawson respond to these changes and enhance its value. As we do so, we will also consider, from a variety of perspectives, what Lawson means for society. Industry One, a joint venture between Mitsubishi Corporation and Nippon Telegraph and Telephone Corporation (NTT), will combine Mitsubishi Corporation's knowledge with NTT's digital technology to help optimize Lawson's supply chain. Another key initiative is data marketing that uses Lawson's purchase data and KDDI's location information to reduce both waste loss and opportunity loss. In addition, with the SMARI service, rental and e-commerce products that are being returned are loaded for return delivery onto Mitsubishi Shokuhin trucks that have come to the stores to deliver other products. This enhances both convenience for consumers and delivery efficiency.

As a member of the Board of Directors, I will fully utilize Mitsubishi Corporation's resources to support Lawson's self-sustained growth. I will draw from the knowledge I have gained over many years working with the food industry and in management to provide analysis and insights from a macro perspective and from a consumer perspective. In this way, I hope to play a role in supporting Lawson's medium- to long-term sustainable growth.

Lawson's Board of Directors is characterized by a high ratio of women, who bring a wide range of expertise from a variety of fields. That diversity creates a unique, open atmosphere in which we can engage in energetic discussions. In the five years since I became an outside member of the Board, the effectiveness of the Board of Directors has steadily increased under the sincere personality and leadership of President Takemasu. In Challenge 2025, I see a determination in Lawson to transform itself into a company that creates new value by embracing the new normal as an opportunity. The introduction of food delivery services such as Uber Eats, medicine delivery services, and other value-added services such as Machikado Chubo in-store kitchens and dispensing pharmacies are major strengths of Lawson as it aims offer new forms of convenience going forward. The Lawson Group is working to address the SDGs through initiatives based on the "Lawson Blue Challenge 2050!" environmental vision. There could also be an opportunity for a different approach in which Lawson works together with its franchise stores under the concept of achieving the SDGs together with customers by leveraging the 14,000 stores across Japan and 4,000 stores overseas as points of contact with consumers. Outside members of the Board must always bear in mind the perspectives of individual shareholders and other stakeholders. For this reason, we also share our opinions candidly at board meetings. One excellent trait of Lawson is that when the team realizes that there is a better way to do something, they reflect on that and try to change without hesitation. I have high hopes for Lawson as it continues to embrace challenges with a spirit of trial and error.

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 based on high ethical standards based on the Group Philosophy and the Lawson Corporate Conduct Charter and the Lawson Code of Ethics. It also requires active disclosure in accordance with the "Basic Principles Concerning Information Disclosure."

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. In addition to the independence standards determined by the Tokyo Stock Exchange, Inc., 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 divided 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.

The Company recognizes that the succession plan of the CEO is one of our key management issues; thus, acting as an advisory body to the Board of Directors in order to augment the impartiality, timeliness, and transparency of the process, discussions are carried out among members of the Nomination and Compensation Advisory Committee, comprised only from part-time officers (six members out of the total of seven are independent officers), to which the qualifications and attributes required as the Company's chief executive as well as the method of nominating the successor are presented by the President and CEO, Representative Director, for approval.

Although Lawson became a consolidated subsidiary of Mitsubishi Corporation on February 15, 2017, from the perspective of protection of minority shareholders, we will continue our efforts to assure appropriate governance as an independent listed company.

Corporate Governance Code

Five general principles	
1.	Rights and equality of shareholders
2.	Appropriate collaboration with stakeholders other than shareholders
3.	Ensuring appropriate information disclosure and transparency
4.	Board of Directors' responsibilities
5.	Dialog with shareholders

Lawson's efforts related to the Corporate Governance Code ("CG Code") are also published in various reports, including corporate governance reports, convocation notices for general meetings of shareholders, and securities reports. Please visit the following site to see the content of disclosure items related to the individual rules in the CG Code.

 For details of the Corporate Governance Code: <https://www.lawson.jp/en/about/governance/>

* We plan to post a corporate governance report compliant with the revised CG Code for June 2021 in 2021.

Details of major corporate governance measures implemented since 2000

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Members of the Board (number)	18	20	8		9						7				9 ^{*1}			8				7		
Outside members of the Board (number)		2	3		5					3			4		5					3 ^{*2}				
Of which independent officers (number)											1	2						3						
Female members of the Board (number)							1						2					3						
Ensuring transparency of Board members' compensation			2002 – Compensation Advisory Committee established.										2014 – Nomination and Compensation Advisory Committee established.											
						2005 – Board members' retirement benefit system abolished.																		
						2005 – Share-based stock compensation options for members of the Board introduced.																		
													2012 – Corporate auditors' retirement benefit system abolished.											
Ratio of shares held by Mitsubishi Corporation (major movements)		2001 Mitsubishi Corporation becomes largest shareholder.													April 2015 33.4%		February 2017 50.1%							

*1 The number of members of the Board is as of the close of the General Meeting of Shareholders each year, except for 2014, when there were nine members of the Board up to July 31 and eight members after August 1.

*2 The reduction in the number of outside members of the Board in 2017 was because two no longer satisfied the requirements of outside members of the Board due to the increase in the ratio of shares held by Mitsubishi Corporation.

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 who are considered to have no conflict of interest with the general shareholders have been appointed to comprise at least one third of the members of the Board. Moreover, six women have been appointed to the positions of member of the Board or corporate auditor with a view to promoting diversity with the composition of the executive officers taken into consideration. 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, meanwhile, independent officers have been selected to fill six of seven 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.

Special circumstances with the potential to seriously impact corporate governance

Mitsubishi Corporation, our parent company, currently holds 50.2% of Lawson's voting rights (50,150,000 shares). Lawson has a business alliance with Mitsubishi Corporation, but Lawson's internal organizations make independent decisions regarding management and business activities in general, ensuring Lawson's independence as a listed company conducting business operations. In addition, in the business alliance agreements concluded with Mitsubishi Corporation, it has agreed to conduct a business alliance that respects Lawson's independence and autonomy. We recognize that our

independence is supported by our parent company.

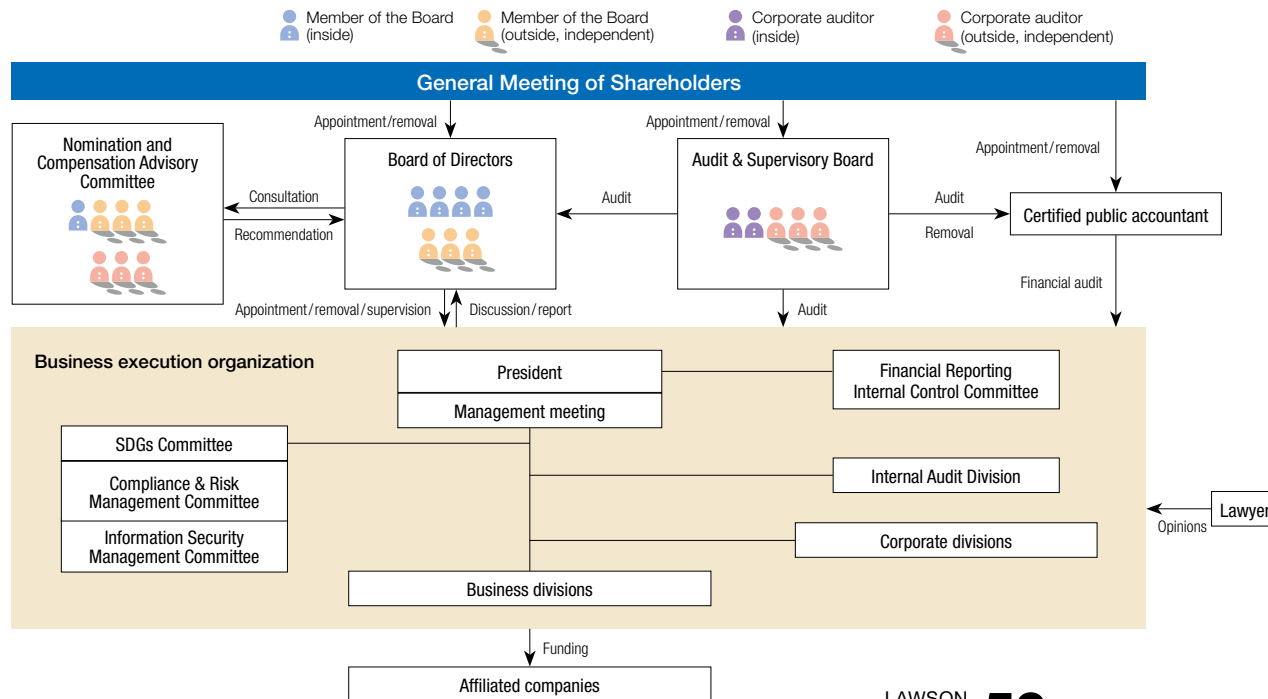
As an independent listed company, Lawson determines the terms and conditions of transactions after comparing and examining the prices offered by other companies, prevailing market prices, etc., even in the transactions with Mitsubishi Corporation, Lawson's parent company, and its group companies, just like in transactions in general, in order not to cause loss to minority shareholders.

Operation status of the Board of Directors

The Company's Board of Directors is made up of seven members of the Board, including four males and three females, three of whom are independent members of the Board. The Board of Directors not only decides important management matters such as issues stipulated by laws and regulations and the Articles of Incorporation, but also monitors the conduct of business operations by its members of the Board. The Board met 13 times in fiscal 2020. Furthermore, the Company has adopted an executive officer system and entrusts authority to executive officers to expedite business execution. Moreover, the Company holds management meetings as a supplementary decision-making body to the Board of Directors. The management meeting comprises personnel who are generally of executive managing officer level or above and members designated by the President. (and met 13 times in fiscal 2020).

Status of committees

The Company has established and operates various committees. These include the SDGs Committee, which conducts a companywide response to the SDGs; the Compliance & Risk Management Committee, which supervises the compliance and risk management system; the Information Security Committee, which supervises the information security maintenance and management system; and the Financial Reporting Internal Control Committee, which supervises the maintenance and effectiveness evaluation of internal controls over financial reporting; as well as the Lawson Group Sweeping Transformation Executive Committee, which promotes companywide strategies for achieving Challenge 2025; the Digital Transformation Promotion Committee, which examines and promotes digital transformation; and the Health Hub Promotion Committee, which plans and proposes strategies for enabling the entire Lawson Group to function as a community health hub.



Policy on nomination and standards for appointment and independence of candidates for member of the Board

Lawson has established criteria for appointing officers and for making judgments regarding independence. The voluntarily established Nomination and Compensation Advisory Committee serves as an advisory body, moreover, that expresses its opinion to the Board of Directors regarding nominations of candidates for the positions of member of the Board and representative director. It should be noted with respect to candidates for corporate auditor that they are individuals with the financial, accounting, risk management and/ or legal experience and expertise required to fulfill the duties of corporate auditors whose candidacy is approved by the Audit & Supervisory Board.

<Appointment criteria for officers>

- Persons whose views resonate deeply with the Lawson Group's Corporate Philosophy, "Creating Happiness and Harmony in Our Communities."
- Persons who can contribute to sustainable growth of the Lawson Group and enhance its corporate value.
- Persons with good mental and physical health that will not interfere with pursuit of their corporate duties.
- Respected persons with dignity and high ethical standards who comply conscientiously with laws and regulations.
- Persons capable of making objective judgments, and endowed with excellent foresight and insight.
- Persons possessed of a wealth of experience and expertise in corporate management or specialized fields.
- Persons who are able to ensure sufficient time to conduct their duties.
- Persons to whom none of the grounds for disqualification specified in the Companies Act apply.
- As concerns independent officers, persons in compliance with the Judgment Criteria Regarding Independence stipulated by Lawson.

<Judgment criteria regarding independence>

- A major business partner of the Lawson Group or its business executors: A group of business partners that provides products or services to the Lawson Group, where the amount of the group's transactions with the Lawson Group in the

previous business year exceeds 2% of the consolidated sales of the group.

- A major business partner of the Lawson Group or its business executors: A group of business partners to which the Lawson Group provides products or services, where the amount of the Lawson Group's transactions with the group in the previous business year exceeds 2% of the consolidated sales (gross operating revenues) of the Lawson Group.
- Consultants, accounting experts and legal experts who have received large sums of money and other assets other than executive compensation from the Lawson Group: Consultants, accounting specialists such as CPAs and legal specialists such as attorneys who receive money and assets other than executive compensation from the Lawson Group, and whose remuneration from the Lawson Group has amounted to 5 million yen or more annually for the past two years.
- Major shareholders of Lawson (in cases in which the major shareholder in question is a corporation, the corporation's business executors).
- Close relatives of the business executors of the Lawson Group.
- Close relatives of non-business executing members of the Board or accounting advisors of the Lawson Group (in the case of outside corporate auditors).
- Outside members of the board and outside corporate auditors whose tenure at the time of reappointment exceeds 8 years and 12 years, respectively, in the aggregate.

People to whom none of the above evaluation criteria for independence apply are considered for outside officer candidates. Note that even a person who fits any of the above criteria can be selected as a candidate for independent outside officer if the Board of Directors determines that said person is virtually independent. In such case, the reason is explained and disclosed at the time of the candidate's appointment as outside officer.

Succession planning for chief executive officers

Lawson recognizes that the succession plan of the CEO is one of our key management issues; thus, acting as an advisory body to the Board of Directors in order to augment the

impartiality, timeliness, and transparency of the process, discussions are carried out among members of the Nomination and Compensation Advisory Committee, comprised only from part-time officers (six members out of the total seven are independent officers), which determines the qualifications and attributes required as Lawson's chief executive as described below. Then the method of developing and nominating the successor is presented to the committee by the President and CEO, Representative Director, for approval.

1. Ability to respond to and engineer change
2. Strong leadership
3. High-level communication skills
4. Broad perspectives for viewing the Group as a whole and strong commitment to governance
5. Impeccable ethics

The attributes for the successor do not specify whether they need to be from inside or outside of the Company. When selecting successors, multiple candidates are presented to the Nomination and Compensation Advisory Committee.

Support systems for outside members of the Board and outside corporate auditors

The Board of Directors Secretariat is established to conduct administrative tasks for the Board of Directors, communicate with the outside members of the Board, and submit reports each time an incident occurs. The Corporate Auditors Office with two full-time staff members is established to support the corporate auditors in their duties, conduct administrative tasks for the Audit & Supervisory Board, and communicate with the outside corporate auditors.

Outside officers are provided with opportunities to acquire essential knowledge concerning the operations, finances, organization, etc., of the Company. Furthermore, to enable them to deepen their understanding of the Group's business, they are given the opportunity to participate in key events such as conferences to announce Company policy and to tour Group-related facilities. In order for independent outside officers to actively contribute to discussions at the Board of Directors' meetings, the Company holds meetings to exchange opinions with only independent outside officers at least once a year.

Officers' Compensation

Basic policy

Lawson's policy is to design its remuneration system in a manner that links Board members' compensation with returns to shareholders, while retaining its function as an incentive for enhancement of corporate value, continuous growth and improvement of corporate performance and ensuring a sufficient and appropriate level of remuneration to reward individual members of the Board for the duties they perform. The base compensation includes a variable compensation component linked to the Company's performance, moreover, as well as a fixed compensation component. To reflect the Board members' contribution to improving shareholder value more accurately, variable compensation is linked to such earnings indicators as EPS (earnings per share). Share based stock options—share price-linked compensation—are also incorporated as part of the remuneration to strengthen the linkage with returns to shareholders.

Furthermore, following a partial revision of indicators for variable compensation in fiscal 2021, "SDG targets (CO₂ reduction rate, etc.)" has now been included as an indicator

to help realize the environmental vision, Lawson Blue Challenge 2050!.

Details of Board members' compensation

Board members' compensation paid by Lawson consists of (A) base compensation through cash payments and (B) share price linked compensation through stock option allocations. Note that no performance-based variable compensation is paid to part-time members of the Board, because they serve the representative directors and Board of Directors in a specialized supervisory and advisory capacity.

Details of corporate auditors' compensation

Corporate auditors' compensation is determined according to a basic policy of paying compensation at a sufficient and appropriate level in consideration of the duties performed by individual corporate auditors. It comprises base compensation (fixed compensation) paid in cash. The amount is determined through consultation with the corporate auditors, with consideration given to such factors as full-time or part-time status and share of the auditing work, within a range approved by the General Meeting of Shareholders.

Disclosure method for officers' compensation

Total amounts of officers' compensation are listed in the Company's securities reports and business reports.

Details of officers' compensation (fiscal 2020)

Total compensation, total amounts by type of compensation and number of eligible officers per company officer category

(Millions of yen)

Category	Total compensation	Total by type of compensation		Number of eligible officers
		Base compensation	Stock options	
Members of the Board	252	180	72	9
(of which outside members of the Board)	(34)	(30)	(4)	(4)
Corporate auditors	81	81	—	6
(of which outside corporate auditors)	(39)	(39)	(—)	(4)
Total	334	261	72	15

(Note) There were seven members of the Board and five corporate auditors as of end February 2021.

A + B = Board members' compensation

A Base compensation

Consisting of: fixed compensation (about 60%) + variable compensation (about 40%)

Fixed compensation: A fixed amount commensurate with the position determined based on internal rules
 Variable compensation: Performance-based remuneration linked to the Company's performance, including EPS (earnings per share), in the fiscal period concerned (To ensure linkage between Board members' compensation and shareholders' interests)

B Share-price linked compensation

Stock options offered through allocation of shares

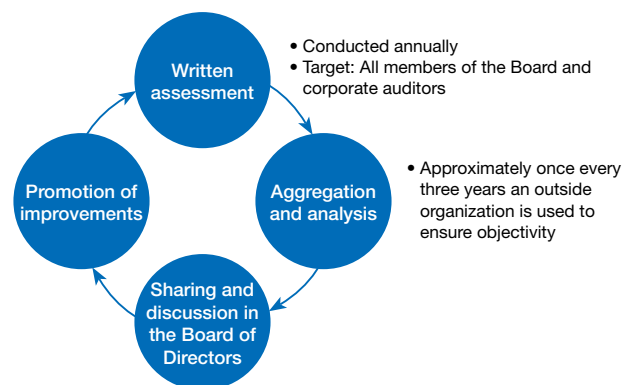
(Recognized as compensation linked to medium- and long-term improvement in corporate value)

- Exercise price per share: 1 yen
- Number of shares allocated: Determined according to the number of shares allocated in accordance with the Board member's position and the rate of achievement of the EPS target.
- Exercise period: Exercisable only within a predetermined period after leaving the Company (Not exercisable during tenure in office)

Assessment of the Board of Directors' effectiveness

In order to further enforce the effectiveness and functions of the Board of Directors, the Company conducts a "self-assessment on the effectiveness of the Board of Directors," mainly consisting of a document survey to be completed by all members of the Board and corporate auditors. Responses to the survey for 2020 were submitted by all 12 members, comprising eight members of the Board and four corporate auditors (as of the date of the survey), and compiled and analyzed by an external organization. As a result, it was observed that the current Board of Directors of the Company is enforcing effectiveness through its role in the resolution of important management matters and the appropriate monitoring of business execution, and these results were shared and discussed at the meeting of the Board of Directors. Moreover, in the above survey, in order to further reinforce effectiveness, constructive opinions were discussed at the meeting of the Board of Directors. Moving forward, we will endeavor to make improvements to further enhance the effectiveness of the Board of Directors, as well as ensure that the opinions discussed are considered. We will use an external

Self-assessment on the effectiveness of the Board of Directors



organization about once in three years in order to ensure the objectivity of the results of the analysis of the self-assessment.

Status of internal control system development

The construction and maintenance of an internal control system is considered an important issue for management to ensure healthy, sustainable business growth. In accordance with the provisions of the Financial Instruments and Exchange Act, in addition to the Companies Act and Ordinance for Enforcement of the Companies Act, a Basic Policy for Maintaining the Internal Control System is determined each fiscal year.

These policies are subject to frequent revision in accordance with changes in the business environment in order to ensure the effectiveness, efficiency and appropriateness of business. Efforts to develop an effective, rational internal control system contribute to maintaining and increasing corporate value.

 Link for information about the internal control system
<https://www.lawson.jp/en/about/governance/>

Strengthening Group governance

Lawson and the Lawson Group have established the following systems to strengthen their initiatives for ensuring the correctness of business operations.

- (1) Systems for reporting to the Company on matters pertaining to the execution of duties by the subsidiary's members of the board, etc., and systems for ensuring that the performance of duties by members of the board, etc., of subsidiaries is efficient.
- (2) Rules and other systems for risk management by the subsidiary and systems for ensuring that the subsidiary's members of the board, etc., and employees execute their duties in conformity with laws, ordinances, and the articles of incorporation.
- (3) Systems reporting immediately to the parent company upon recognition of a situation could harm Lawson and its affiliated companies.

Furthermore, Lawson has designated a compliance and risk management officer at its major affiliated companies and maintains a system that can respond swiftly if an incident were to occur.

Policy on strategically held shares

Lawson sometimes holds listed shares strategically for the purposes of raising its value over the medium to long term, but we endeavor to keep such holdings to the minimum required. When acquiring such holdings, we perform a detailed investigation for each individual issue to ascertain whether the purpose of holding is appropriate, whether the benefits and risks associated with holding are commensurate with the cost of capital, etc. Furthermore, each year the Board of Directors reviews the appropriateness of holdings, and as of the end of February 2021, we held four different listed stocks. From time to time we review the reasons for these strategic shareholdings, taking into account, for example, their impact on increasing our corporate value. Furthermore, when acquiring or disposing of listed shares, we ensure compliance with insider trading rules.

Compliance and Risk Management

Internal Control

Basic policy regarding the internal control system

The business of the Lawson Group encompasses a wide-range of operations, from the core business of convenience stores to high-end supermarkets and entertainment-related business, to financial, e-commerce, and consulting services. We operate a large number of LAWSON stores, covering every prefecture in Japan and several markets overseas, each of which offers a wide variety of products and services. As such, we are not only required to observe various laws and regulations but must also 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 2021 are described below:

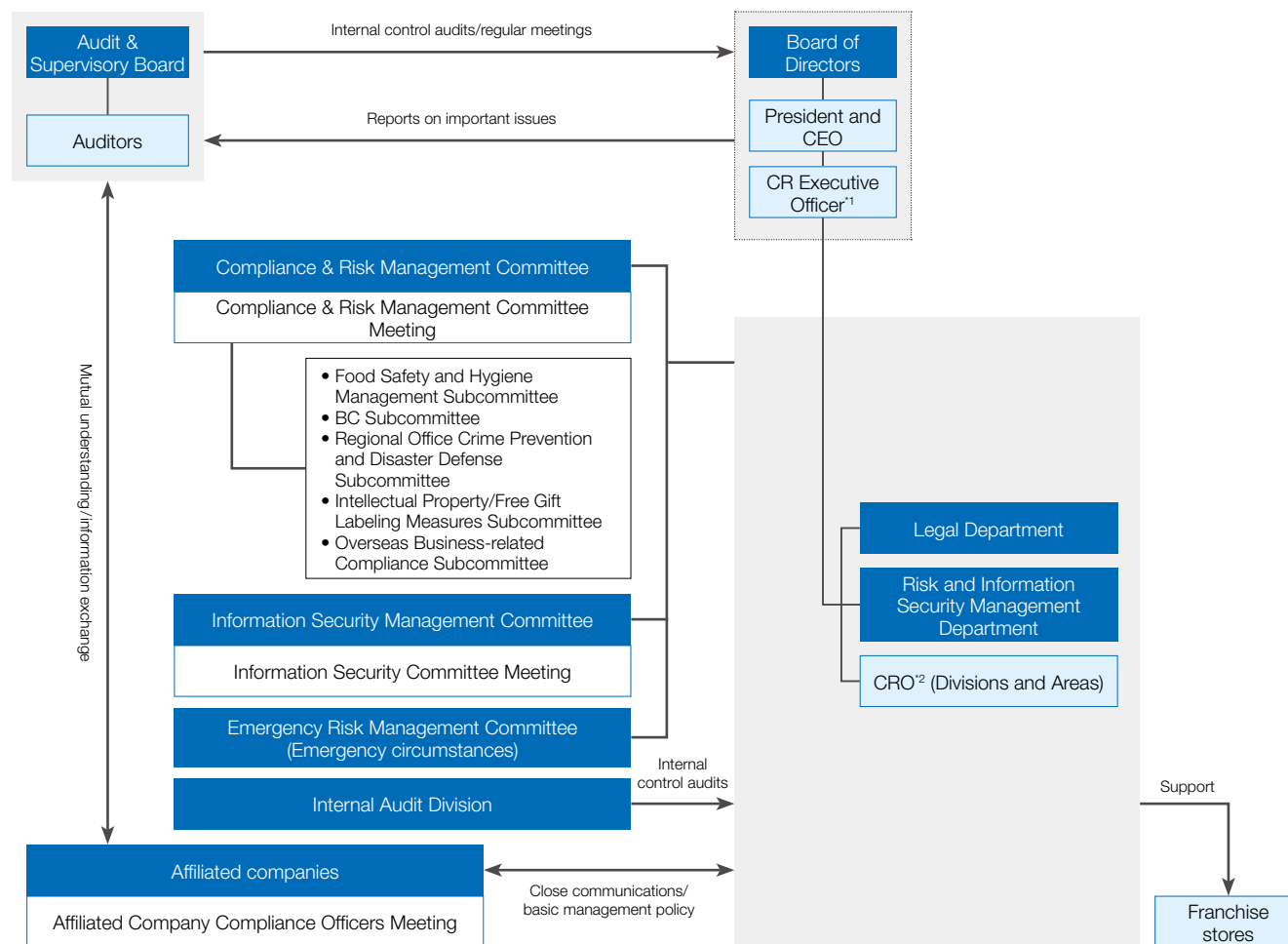
■ Specified infectious disease outbreaks as a risk

In light of the COVID-19 pandemic, we have reconfirmed that epidemics of infectious diseases present a severe business risk. We have therefore added specific mention not only of new strains of influenza but also various other infectious diseases as assumed risks in the formulation of Lawson’s business continuity plan (BCP).

■ Added promotion of digital transformation (DX)

As the headquarters that supports the franchise business, we have newly added the promotion of DX through the renewal of IT infrastructure and other measures as a means to realizing our future vision.

Lawson’s internal control system (as of June 1, 2021)



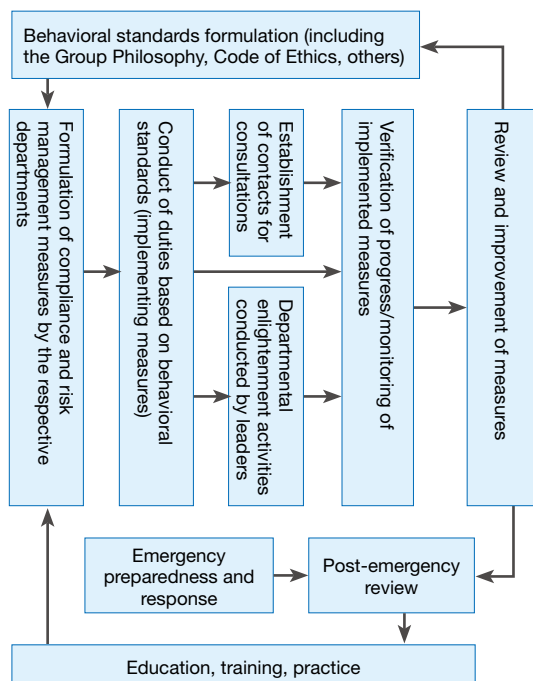
*1 CR Executive Officer: The executive with overall responsibility for the development and implementation of a framework for identifying misconduct and problems concerning legal compliance and preventing risks from arising

*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 implementation of a framework for identifying misconduct and problems concerning legal compliance and preventing risks from arising

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 the Lawson Group Human Rights Policy, the Lawson Group Privacy Policy, and the Lawson Group Purchasing Policy to ensure business conduct throughout the Group. In addition, we have organized these into the Lawson Group C&R Handbook, which is issued to all employees in order to raise awareness.



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 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 employees and extends to training of newly appointed management personnel and specialized occupational training as well as 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 and Information Security 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 and Information Security 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, 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 to provide guidance and assistance in establishing and improving their compliance, risk management and information security frameworks.



Group officer training

Improvement of the information security framework

The “Lawson Group Personal Information Protection 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 reliably following the rules 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 handling 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.



Lawson Office Security Rules

Business risks

Main risk factors	Risk details	Response measures to risk, etc.
Risk related to changes in economic conditions	<ul style="list-style-type: none"> Interest rate fluctuation Frequency: Medium Impact: Low 	<ul style="list-style-type: none"> Suppress the impact of interest rate fluctuations by monitoring market trends, diversifying fund procurement sources and lending periods, and using procurement at fixed interest rates.
	<ul style="list-style-type: none"> Fluctuation in exchange rates Frequency: Medium Impact: Low 	<ul style="list-style-type: none"> Mitigate the impact of exchange rate fluctuations by diversifying the contract volume and timing for products and raw materials, etc., procured overseas.
	<ul style="list-style-type: none"> High prices of raw materials Frequency: Medium Impact: Low 	<ul style="list-style-type: none"> Secure substitute materials and multiple procurement channels from different production areas for the same materials.
Risks related to business activities	<ul style="list-style-type: none"> Changes in business activity due to factors such as consumer trends, changing competition situation, and requests to stay at home Frequency: Medium Impact: High 	<ul style="list-style-type: none"> Respond to changes by pursuing ideal store formats, including stronger merchandising and product lineups. Promote infection prevention in stores and remote working for the Company's employees.
	<ul style="list-style-type: none"> Food safety and hygiene management and labelling Frequency: High Impact: Medium 	<ul style="list-style-type: none"> Work with suppliers to ensure rigorous application of quality management, hygiene management, and expiry date management, as well as appropriate labelling, from the production process through to delivery and sales.
	<ul style="list-style-type: none"> M&As and business alliances Frequency: Medium Impact: Medium 	<ul style="list-style-type: none"> Conduct adequate study such as third-party surveys, etc., when acquiring shares or entering business alliances, etc., and formulate accurate business plans and clear standards for withdrawal when making a decision.
	<ul style="list-style-type: none"> Inability to recover receivables Frequency: Medium Impact: Medium 	<ul style="list-style-type: none"> Conduct credit investigation of new business partners as necessary and implement thorough receivables management.
	<ul style="list-style-type: none"> Impairment of property, plant and equipment Frequency: Medium Impact: Medium 	<ul style="list-style-type: none"> Establish and test accurate investment profitability hypotheses when acquiring property, plant and equipment.
Risks related to laws and regulations, etc.	<ul style="list-style-type: none"> Changes in various laws and regulations related to store development, store operation, hygiene management, trading, and environmental protection, etc., and changes in government guidelines in areas where stores are opened Frequency: Medium Impact: Medium 	<ul style="list-style-type: none"> Constantly gather and analyze information about legal and regulatory revisions, etc., and respond beforehand.
	<ul style="list-style-type: none"> Handling of personal information Frequency: Medium Impact: High 	<ul style="list-style-type: none"> Conduct information security measures and thoroughly promote information security measures and the Lawson Group Privacy Policy inside the Group. Partially transfer risk by taking out insurance.
Risks related to the franchise store business	<ul style="list-style-type: none"> Cancellation of a large number of franchise agreements due to deterioration of trust with franchise store owners Frequency: Medium Impact: Medium Impact of misconduct at a franchise store on the brand image of the entire chain and the Group's performance and financial position 	<ul style="list-style-type: none"> Provide sufficient information and appropriate support through daily communication with franchise stores to prevent misconduct incidents, etc., and build partnerships with franchise stores by conducting various initiatives for continued stable store operations.
Risks related to the banking business	<ul style="list-style-type: none"> Administrative measures such as stoppage of operations due to improper execution of laws and regulations applicable to Lawson Bank, Inc. or guidance from the supervisory agency Frequency: Medium Impact: High 	<ul style="list-style-type: none"> Compliance with laws and regulations through compliance training, etc., at Lawson Bank, Inc.
	<ul style="list-style-type: none"> Restriction of products and services development due to new establishment, changes, or removal of laws and regulations, and guidance from the supervisory agency Frequency: Medium Impact: High Delay in responding to environmental changes such as rapid expansion in cashless settlements and sharp decrease in cash circulation 	<ul style="list-style-type: none"> Respond to environmental changes by sharing information through regular communication between Lawson Bank, Inc. and the Company, and examination of synergy creation.
Risks related to disasters, climate change, and trouble, etc.	<ul style="list-style-type: none"> Physical damage to facilities such as vendors' plants or disruption of product deliveries due to natural disasters such as earthquakes, tsunamis, floods, storm surges, typhoons, and blizzards Frequency: Low Impact: High 	<ul style="list-style-type: none"> Formulate business continuity plans (BCPs) and established business continuity management (BCM) structure. Ensure effectiveness of the Disaster Relief Manual and the BCP Manual by conducting disaster drills three times a year, and partially transfer risk by taking out insurance.
	<ul style="list-style-type: none"> Temporary store closures or major changes in corporate activities, social activities, and consumer behavior due to the spread of infectious disease or related state or emergency declaration Frequency: Low Impact: High 	<ul style="list-style-type: none"> The Lawson Group Sweeping Transformation Executive Committee will lead our challenge to respond to the new normal by anticipating new needs.
	<ul style="list-style-type: none"> Climate change Frequency: Low Impact: Medium 	<ul style="list-style-type: none"> Analysis of risks and opportunities related to climate change, ascertainment of impacts on business strategy, and examination of climate change mitigation and adaptation measures.
	<ul style="list-style-type: none"> Information technology (IT) system trouble Frequency: Medium Impact: Medium 	<ul style="list-style-type: none"> Strengthen IT system security and train for problem situations through multifaceted countermeasures covering technological aspects, process and human aspects, and physical aspects.
	<ul style="list-style-type: none"> Quality issues with products or services, incidents or accidents occurring at stores, etc., brand value decrease due to misconduct, etc., by Group executives or franchise stores, and sales downturn, etc. Frequency: High Impact: Medium 	<ul style="list-style-type: none"> Prevent issues from arising through compliance training.

* Low frequency refers to a probability of the maximum conceivable risk event occurring once in 10 or more years. High impact indicates a maximum conceivable damage impact of 10 billion yen or more.

* The above data is based on our determination as of May 25, 2021. It does not necessarily cover all of the risks related to the Group's business, and it also contains some uncertainty. Actual results may be different.

Response to TCFD



To sustain the blessings of Earth for future generations, the Lawson Group will consider the environment in every aspect of our business activities and strive to achieve sustainable development and coexistence with local communities. We have made coexistence with local communities and striving to achieve sustainable development basic principles of our Lawson Group Environmental Policy.

Furthermore, in determining the Group’s material issues, we consider the issue of climate change, which is becoming more severe year by year, to be an extremely important issue. As the core company of the Lawson Group, Lawson endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020, and we are following its recommendations to promote disclosure of information on governance, strategy, risk management, and metrics and targets.

Governance

Lawson created the SDGs Committee in March 2019, aiming to help realize a sustainable society through its business activities. The committee meets four times a year and is under the direct supervision of the president and CEO, representative director. Its members are made up of all division managers up to the rank of director. The committee has declared its intention to engage in “sustainable environment preservation activities toward a carbon-free society,” in order to realize “Environmental (Machi) friendliness.” The committee is promoting the formulation of action plans with set targets (KPIs) and progress management.

A working group has been established under the SDGs Committee, tasked with promoting the disclosure of information related to climate change. The personnel in charge of management planning and accounting, who undertake business strategies, the personnel in charge of investor relations (IR), and the departments that manage risk are promoting disclosure of information related to governance, strategy, risk management, and metrics and targets, as recommended by the TCFD. The working group analyzes risks and opportunities related to climate, grasps their impact on business strategy and revises the strategy, and examines various countermeasures for

mitigating and adapting to climate change. The working group will also lead efforts to strengthen disclosure of the results of these examinations.

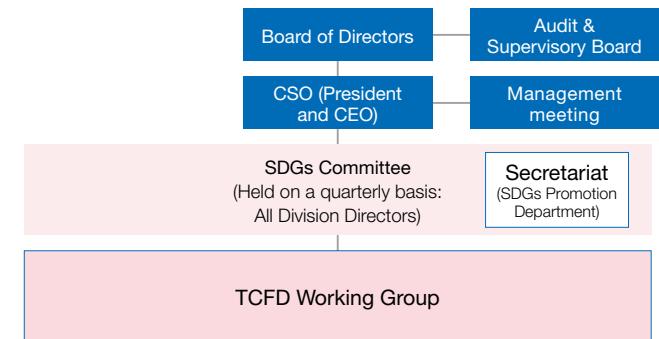
On March 1, 2021, we established the position of Chief Science Officer (CSO), which has been assumed by the president and CEO, representative director. On the same day, we also established the SDGs Promotion Department as a dedicated department to further strengthen our initiatives with a new structure.

(1) Identification of risks and opportunities

Risks and opportunities associated with climate change include those associated with the transition to a low carbon economy, such as regulations on greenhouse gas (GHG) emissions, and those associated with the physical changes caused by climate change, such as weather disasters of increased intensity.

Lawson recognizes that these risks and opportunities will emerge at different times. In the following table, they are organized into short term (less than 3 years), medium term (3–10 years), and long-term (10 years and above) perspectives.

Organizational structure



Roles of the working group

- Analysis of risks and opportunities related to climate change
- Ascertainment of impacts on business strategy
- Examination of climate change mitigation and adaptation measures
- Disclosure of information regarding climate change-related initiatives

		Main risks and opportunities	Timing of emergence or realization
Transition risk	Introduction and increase of carbon prices	Increase in store operation costs due to introduction of carbon prices	Medium term
	Strengthening of GHG emissions regulations	Increase in costs of raw material procurement and manufacturing due to introduction of carbon prices	Medium term
	Increase in electricity prices	Increase in energy cost due to increase in electricity prices	Medium term
	Strengthening of fluorocarbon regulations	Increase in costs of raw material procurement and manufacturing due to increase in electricity prices	Medium term
	Strengthening of plastic regulations	Increase in investment cost for non-fluorocarbon equipment, etc., in stores	Short term
Physical risks	Changes in consumer lifestyles and preferences	Increase in procurement cost for substitute raw materials compliant with plastic restrictions	Medium term
	Increased severity of weather disasters	Degradation of brand image due to delayed response to environmental awareness	Medium term
Opportunities	Average temperature increase	Damage due to flooding in stores, decrease in sales due to suspension of operations	Short term
	Introduction and increase of carbon pricing	Increase in electricity usage at stores, distribution centers, etc.	Long term
	Technological development in renewable energy	Decrease in raw material procurement costs due to increased efficiency in suppliers' business processes and facilities	Medium term
	Changes in consumer lifestyles and preferences	Decrease in transport cost due to increased efficiency in logistics	Medium term
	Average temperature increase	Decrease in energy cost due to installation of reduced-cost solar cells	Long term
		Increase in sales due to development of environmentally conscious products and services	Medium term
		Increase in sales due to development of products and services tailored to changes in customer preferences due to higher temperatures	Short term

(2) Scenario analysis

We are conducting scenario analysis for the entire Group regarding the impacts on business of risks and opportunities. To begin, we have started scenario analysis on the following analysis targets.

Target businesses	Domestic convenience store business
Scope of analysis	Lawson and franchise stores
Analysis period	2030, 2050
Analysis target	Impact on stores of the increase in store operation costs due to carbon price introduction, increase in energy cost due to increased electricity prices, and increased intensity of weather disasters
Referenced scenarios	IEA WEO 2019, SDS STEPS (2°C), CPS (4°C) IPCC Fifth Assessment Report, RCP2.6 (2°C) RCP8.5 (4°C)

Carbon prices and energy cost

We conducted a scenario analysis of the case where Lawson conducts initiatives to save energy, which it is implementing as a material issue, and the case where it does not conduct the initiatives, taking into account the future carbon prices, electricity sector emissions, and projected electricity prices. We also conducted an analysis of the procurement cost of the renewable energy needed to achieve 100% reduction in CO₂ emissions per store by 2050, which Lawson has set as an initiative for promoting the SDGs. The result of this analysis indicates that if a carbon price of \$100 to \$140 per ton of CO₂ were introduced to keep the increase in temperature below 2°C at both 2030 and 2050, even taking into consideration a decrease in emissions factors for the electricity sector due to decarbonization, the Company will experience a certain amount of financial impact if it does not take measures to reduce energy consumption.

On the other hand, if the company has taken steps to save energy, it will be able to reduce not only the store operation cost due to introduction of carbon prices, but also electricity charges, allowing the financial impact to be controlled within a tolerable range. Furthermore, to achieve a 100% reduction in CO₂ emissions per store by 2050, we must not only promote energy saving, but also procure renewable energy. We found that although the fluctuation in procurement prices causes a small variation in the impact amount, the financial impact can be controlled within a tolerable range.

Weather disasters

Our analysis results shows that the financial impact of increased flood damage under both the 2°C and 4°C scenarios through to 2050 is limited and within a tolerable range. On the other hand, an analysis by region showed that there are some cases where stores are located in areas with high risk of water damage. We will therefore examine further disaster prevention countermeasures going forward.

(3) Policy and initiatives going forward based on analysis results

Lawson has identified climate change-related risks and opportunities, and conducted analysis of their impact on business based on the 2°C and 4°C scenarios. This initiative has only just started, and it will be necessary to further enhance and examine the content of the initiative going forward.

In addition, with the recent increase in momentum on climate change issues around the world, there has been significant activity in Japan and globally in terms of creating policies, laws, and regulations regarding climate change. Under these conditions, we will work to revise our business strategies and increase the accuracy of our analysis, partly to promote countermeasures that contribute to climate change mitigation and adaptation. Furthermore, by disclosing the results of this analysis, we aim to respond to the demands of our stakeholders.

Metrics and targets

We are pursuing steady efforts to achieve the KPIs we determined in fiscal 2019 with respect to the issues and conditions faced in the social environment in 2030. Furthermore, in an effort to contribute to the formation of a decarbonized society and the vision of the SDGs, we have taken on the challenge of even higher targets (reducing CO₂ emissions, reducing food waste, reducing plastic) in our environmental vision, Lawson Blue Challenge 2050! – “Save our blue planet!”

KPIs

Reducing CO ₂ emissions	
2030	Reduce CO ₂ emissions per store by 50% v. 2013 levels (Target revised upward in June 2021)
2050	Reduce by 100%
Reducing food waste	
2030	Reduce food waste by 50% v. 2018 levels
2050	100% reduction of the same
Reducing plastic	
	Reduce plastic for containers and packaging by 30% v. 2017 levels
2030	Use 50% eco-friendly materials for plastics used in original product containers and packaging
	Reduce plastic shopping bags by 100%
2050	Use 100% eco-friendly materials for plastics used in original product containers and packaging

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.

In accordance with the “Guidelines relating to certification of groups contributing to the building of national resilience against disasters” established by the National Resilience Promotion Office, Cabinet Secretariat 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 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 business

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

Practical procedures are compiled in the 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

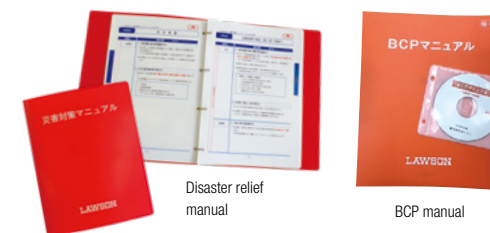
Activities conducted to improve response capabilities are essential for sustaining a corporate climate adapted to responding sensitively to a variety of crises. Lawson is continually reviewing such business components as “hardware” factors involving office buildings and lifelines, “software” factors involving its BCP and manuals, and “skills” factors involving employees

and franchise 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” 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.

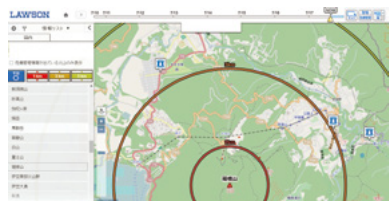
Additionally, in the event of a major incident impacting the headquarters operations, to ensure the continuance of important business activities as the franchise headquarters, we have formulated the “BCP manual” defining the organization’s standard of conduct. The BCP manual describes the operating procedures,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



Disaster preparedness and response

When large-scale disasters occur, our first priority is to confirm the safety of Lawson employees and our franchise 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, 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 area can be reopened for business at an early date.



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.

Response to torrential rains in July 2020

In July 2020, torrential rains in Kumamoto Prefecture forced many stores to suspend their operations.

In the carparks of stores whose operations were suspended due to flooding inside, we sold products from mobile sales vehicles (rice balls, bakery items, daily necessities, etc.).



Lawson mobile sales vehicle

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, 23 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, 2021

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.

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, we also provide crime prevention support for stores during late-night and crime prevention patrols to raise awareness together with 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

Eleven-Year Financial Summary

	(Millions of yen)				
(Fiscal year)	2020	2019	2018	2017	2016
For the year:					
Gross operating revenues					
Franchise commissions from franchise stores	¥ 288,480	¥ 314,260	¥ 302,136	¥ 289,232	¥ 275,312
Net sales	275,945	302,843	288,579	264,734	254,169
Other	101,576	113,132	109,931	103,357	101,806
Total operating revenues	666,001	730,236	700,647	657,324	631,288
Operating income	40,876	62,943	60,781	65,820	73,772
Net income attributable to owners of the parent	8,689	20,108	25,585	26,828	36,400
Net cash provided by operating activities	227,954	202,703	128,594	113,938	99,864
Net cash used in investing activities	(29,983)	(49,074)	(81,017)	(91,209)	(76,227)
Net cash used in (provided by) financing activities	(140,642)	(163,910)	277,937	(61,238)	(25,638)
Capital expenditures	48,837	90,726	140,071	140,495	119,784
Depreciation and amortization*2	80,778	79,183	66,844	58,601	56,199
At year-end:					
Total assets	¥ 1,365,430	¥ 1,357,732	¥ 1,342,329	¥ 900,256	¥ 866,577
Net assets	272,931	275,347	281,982	281,446	285,995
Shareholders' equity ratio	19.6%	20.0%	20.6%	30.6%	31.7%
Cash and cash equivalents	401,136	343,583	354,236	30,120	67,692
Total number of stores in Japan	14,476	14,444	14,659	13,992	13,111
Number of employees (full-time)	10,385	10,572	10,395	10,028	9,403
Per share data:					
Net income (yen/U.S. dollars*1)	¥ 86	¥ 200	¥ 255	¥ 268	¥ 363
Cash dividends (yen/U.S. dollars*1)	150	150	255	255	250
Payout ratio	172.7%	74.6%	99.7%	95.1%	68.7%
Financial data:					
Return on equity (ROE)	3.2%	7.3%	9.3%	9.7%	13.5%
Return on assets (ROA)	0.6%	1.5%	2.3%	3.0%	4.4%
Net sales of all stores (Domestic convenience store business):					
Net sales by store format*3*4					
Franchise stores	¥ 2,132,618	¥ 2,296,838	¥ 2,233,739	¥ 2,069,609	¥ 1,958,550
Company-operated stores	33,200	48,162	51,569	91,075	84,736
Net sales by product category*3*4					
Processed foods	1,156,760	1,237,391	1,202,619	1,138,966	1,073,044
Fast foods	462,497	546,542	544,530	509,415	481,267
Daily foods	343,772	351,442	329,545	314,481	294,141
Non-food products	202,788	209,624	208,612	197,821	194,833
Net sales of all stores	¥ 2,165,818	¥ 2,345,000	¥ 2,285,308	¥ 2,160,684	¥ 2,043,287
Ratio of operating income to net sales of all stores	1.7%	2.5%	2.5%	2.9%	3.4%

*1. The U.S. dollar amounts represent the Japanese yen exchange rate against the US dollar as of February 26, 2021 (\$1 = ¥106.25).

*2. These figures include depreciation and amortization of intangible assets.

*3. These figures include sales reported by franchise stores and are unaudited.

*4. Net sales for the fiscal years 2016, 2017, 2018, and 2019 represent sales by stores operated by Lawson, Inc. as well as those by Lawson Sanin, Inc.

						(Millions of yen)	(Thousands of U.S. dollars*1)
2015	2014	2013	2012	2011	2010	2020	
¥ 261,681	¥ 247,681	¥ 242,078	¥ 230,002	¥ 215,573	¥ 197,673	\$ 2,715,106	
227,606	174,044	168,159	192,942	208,063	192,329	2,597,129	
94,165	76,188	75,009	64,500	55,320	51,274	956,009	
583,452	497,913	485,247	487,445	478,957	441,277	6,268,245	
72,541	70,482	68,126	66,246	61,769	55,540	384,715	
31,381	32,686	37,965	33,182	24,885	25,386	81,779	
112,205	110,567	81,503	85,188	86,356	72,210	2,145,449	
(68,657)	(100,434)	(47,924)	(54,196)	(52,912)	(30,522)	(282,193)	
(50,201)	(3,289)	(39,650)	(31,979)	(27,544)	(28,798)	(1,323,689)	
106,747	141,251	84,032	77,361	74,572	50,326	597,892	
49,293	41,826	47,888	43,886	37,845	33,083	760,264	
¥ 803,212	¥ 764,614	¥ 620,992	¥ 579,809	¥ 531,453	¥ 476,036	\$ 12,851,106	
272,997	263,797	250,497	230,181	214,662	208,466	2,568,762	
32.9%	33.5%	39.5%	39.1%	39.7%	42.7%		
69,793	76,754	68,759	72,766	73,670	67,712	3,775,398	
12,395	12,276	11,606	11,130	10,457	9,994		
8,377	7,606	6,336	6,404	6,475	5,703		
¥ 314	¥ 327	¥ 380	¥ 332	¥ 249	¥ 255	\$ 0.81	
245	240	220	200	180	170	1.41	
78.1%	73.4%	57.9%	60.2%	72.2%	66.8%		
12.0%	13.0%	16.1%	15.2%	12.0%	12.8%		
4.0%	4.7%	6.3%	6.0%	4.9%	5.5%		
¥ 1,880,395	¥ 1,827,779	¥ 1,810,418	¥ 1,747,915	¥ 1,651,433	¥ 1,499,576	\$ 20,071,699	
79,872	105,019	126,873	156,339	173,820	183,205	312,471	
1,033,448	1,034,355	1,060,455	1,063,120	1,022,378	897,415	10,887,153	
463,431	429,212	408,672	372,706	345,226	321,851	4,352,913	
276,885	277,210	275,437	271,920	263,101	264,166	3,235,501	
186,498	192,020	192,726	196,506	194,546	199,348	1,908,593	
¥ 1,960,266	¥ 1,932,798	¥ 1,937,292	¥ 1,904,254	¥ 1,825,253	¥ 1,682,782	\$ 20,384,169	
3.5%	3.6%	3.5%	3.5%	3.4%	3.3%		

Industry Trends and Sales/Store Related Data

Industry Trends

Annual sales for the convenience store industry in 2020 (January to December) amounted to 11,642.2 billion yen, down 4.7% year on year. The decline mainly reflected a decrease in the number of customers visiting stores in office areas and tourist spots due to the effects of people working from home and sheltering at home, despite strong sales of fresh foods and deli items due to lifestyle changes stemming from the COVID-19 pandemic, and an increase in spending per customer due to bulk purchases and the effects of the GoTo Campaign. The total number of stores as of the end of December was 56,542, which was roughly the same level as the previous year.*

* 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

												(Billions of yen)	
(Calendar year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010		
Total retail industry annual sales*2	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897	137,585	135,157	136,479		
Convenience store sector annual sales*2	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872	9,477	8,774	8,113		
Convenience store share	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%	6.9%	6.5%	5.9%		

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.

The net sales of all stores among the top three chains in the convenience store industry*1

												(Billions of yen)	
(Fiscal year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010		
Lawson	2,349	2,506	2,424	2,283	2,157	2,049	1,961	1,945	1,907	1,826	1,683		
Seven-Eleven Japan	4,871	5,010	4,899	4,678	4,516	4,291	4,008	3,781	3,508	3,281	2,948		
FamilyMart*2	2,764	2,965	2,983	3,016	3,009	2,006	1,860	1,722	1,585	1,535	1,440		
Total of the top three chains	9,984	10,482	10,306	9,977	9,682	8,346	7,829	7,448	7,000	6,642	6,071		
Total market share of the top three chains	85.76%	86.03%	86.04%	84.95%	84.60%	75.90%	75.11%	75.45%	73.86%	75.70%	74.83%		

Source: Data published by each company

*1. 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.

*2. 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

												(Stores)
(Calendar year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	
Number of convenience stores	56,542	56,502	56,574	56,374	55,636	54,505	52,725	50,234	47,801	43,373	42,347	

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

Non-consolidated operating results

												(Millions of yen)	
(Fiscal year)	2020	As a percentage of all stores	2019	2018	2017	2016							
Net sales of all stores	2,165,818	100.0%	2,296,156	100.0%	2,236,125	100.0%	2,110,454	100.0%	2,027,504	100.0%			
Gross operating revenues	354,825	16.4%	390,811	17.0%	385,678	17.2%	372,891	17.6%	356,186	17.5%			
Gross operating profit	330,600	15.3%	356,385	15.5%	348,491	15.6%	335,792	15.9%	325,716	16.0%			
Selling, general and administrative expenses	304,449	14.1%	311,660	13.6%	302,779	13.5%	284,771	13.5%	268,296	13.2%			
Advertising and promotional expenses	9,800	0.5%	14,112	0.6%	13,363	0.6%	12,546	0.6%	13,808	0.6%			
Personnel expenses	44,845	2.1%	46,261	2.0%	45,903	2.0%	44,722	2.1%	41,527	2.0%			
Facility expenses	180,709	8.3%	181,194	7.9%	172,574	7.7%	160,243	7.6%	150,182	7.4%			
Other SG&A expenses	69,094	3.2%	70,091	3.1%	70,939	3.1%	67,260	3.2%	62,779	3.1%			
Operating income	26,150	1.2%	44,725	1.9%	45,711	2.0%	51,021	2.4%	57,419	2.8%			
Ordinary income	33,700	1.6%	45,962	2.0%	51,443	2.3%	50,508	2.4%	56,459	2.7%			
Net income	15,894	0.7%	15,486	0.7%	31,002	1.4%	19,417	0.9%	19,088	0.9%			

Management Policies for Fiscal 2020

In fiscal 2020, COVID-19 infections began to spread worldwide. In Japan, the first emergency declaration issued for the entire country in April 2020 had a profound impact on economic and social activity and on people's lifestyles. After the state of emergency was lifted in May 2020, the economy began to recover gradually. However, case numbers began to rise again from November 2020, and a second state of emergency was declared for 11 prefectures in January 2021. This slowed the recovery of economic and social activity and impacted on people's lifestyles. The pandemic also drove increased adoption of remote work, which triggered changes in lifestyles and purchasing behavior. The Lawson Group's business was also affected by these changes. Although sales for the Lawson Group declined significantly, we took steps to respond to the changes by strengthening our product lineup, expanding our delivery services, and increasing the number of campaigns in which customers can participate with their smartphones.

Overview of Domestic Convenience Store Business

After the state of emergency was lifted in May 2020, the number of customers and sales entered a recovery trend. However, as COVID-19 case numbers began to rise again from November 2020, a second state of emergency was declared in January 2021, resulting in a decrease in the number of customers. Case numbers declined from February 2021, leading to a recovery trend in the number of customers and sales.

At our stores, we continue to put the safety of our customers and store employees first. We have adopted a range of measures to prevent the spread of COVID-19, such as installing plastic sheets at checkout counters, maintaining social distancing, encouraging workers to wash their hands and gargle, disinfecting thoroughly with alcohol, and ensuring that masks are worn. We have also been actively promoting the use of self-checkout machines, which reduce the amount of human contact during the checkout process.

In terms of operations, as well as pursuing profits for our member stores, we are continuing to implement measures to realize our three commitments: "Superior taste," "Human kindness," and "Environmental (Machi) friendliness." Our aim is for LAWSON to be recommended by all customers. We are further strengthening our merchandising by developing tasty and health-conscious products that only Lawson can offer. In addition to this, we are also working to ensure that we provide courteous customer service as well as promoting environmental initiatives, such as reducing food waste, plastic usage, and CO₂ emissions.

Overview of Merchandise and Services

Sales declined significantly due to a decrease in the number of customers. However, as more people cooked at home instead of going out, we expanded our lineup of products such as fresh vegetables, frozen foods, daily foods, resulting in a significant increase in sales of these products.

In the spring of 2020, we relaunched our private brand products, replacing the existing "LAWSON SELECT" brand with two new brands, "L basic" and "L marche" with renewed logos and packaging as part of our efforts to develop products centered on deli items and so forth, which are in high demand. We will continue working to create stores that respond to the changes in customer lifestyles and needs that have been triggered by the pandemic.

In addition to the Uber Eats food delivery service, we introduced support for "foodpanda" from November 2020 to meet growing demand due to the pandemic. As a result, the total number of stores offering both food delivery services combined reached 1,472 outlets in 27 prefectures as of the end of February 2021. In addition, as a new initiative and a first for Uber Eats in Japan, three Lawson stores in Tokyo have started handling over-the-counter drugs.

We expanded SMARI, our cashier-free shipping service that uses dedicated SMARI boxes, to the Chubu region in November 2020, introducing it at 250 stores in Aichi Prefecture. This brought the total number of stores offering the service to 2,850 stores in the Tokyo, Nagoya and Osaka areas as of the end of February 2021.

Overview of Store Operations

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) providing a quality product offering that meets community needs; and (3) keeping our stores and communities clean. We also continued our efforts to improve the profitability of franchise stores, such as increasing the efficiency of store operations and reducing waste loss and utility costs. At the same time, we focused on expanding our lineup of products that have seen increased demand during the pandemic to increase sales while meeting the needs of our customers.

Overview of Store Development

In store openings, the Group continued to prioritize profitability.

In fiscal 2020, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE 100 stores opened in Japan was 373, while the number of these stores that closed was 341. This brought our total number of stores in Japan to 14,476 as of the end of February 2021.*

In our effort to build a convenience store model that caters to an aging population and rising health consciousness, we are continuing to expand healthcare-focused stores that offer over-the-counter drugs and prescription drugs in partnership with dispensing pharmacies and drugstore chains, as well as a larger product lineup of cosmetics and daily necessities than regular LAWSON stores. Including these healthcare-focused stores, the number of stores handling over-the-counter drugs totaled 250 as of the end of February 2021 (of which 53 stores were Pharmacy LAWSON stores equipped with dispensing pharmacies). In addition, the number of stores with a nursing care consultation counter reached 23 as of the end of February 2021. Furthermore, we have also been expanding our chain of Hospital LAWSON stores, which are in-hospital convenience stores that offer an enhanced lineup of products such as daily necessities for hospital stays, medical hygiene, and nursing care-related supplies, in addition to standard convenience store products and services. The number of these stores reached 335 as of the end of February 2021. Using the expertise we have developed by operating in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

NATURAL LAWSON stores offer an assortment of products exclusive to these stores, whose concept is to support beautiful, healthy and comfortable lifestyles. These include original products with carefully selected ingredients and collaborative products with famous brands. Meanwhile, LAWSON STORE 100 is a mini-supermarket that mainly offers a basic product lineup of fresh foods, meeting customers' daily dietary needs by delivering safe, well-selected vegetables and fruits with an emphasis on freshness and quality. It serves a wide range of customers from children to senior citizens, with a focus on single person and homemaker customers. As of the end of February 2021, the number of NATURAL LAWSON stores was 143, and the number of LAWSON STORE 100 stores was 679.

* The numbers of openings and closings and the total number of stores in Japan include the number of stores operated by Lawson, Inc., and stores operated by Lawson Kochi, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc. which are equity-method affiliates.

Number of stores in the convenience store business in Japan

	(Stores)				
(Fiscal year)	2020	2019	2018	2017	2016
Total number of stores	14,476	14,444	14,659	13,992	13,111
Openings	373	554	1,067	1,250	1,143
Closings	341	769	400	369	427
Net increase (decrease)	32	-215	667	881	716

Note: Including the number of stores operated by Lawson Mart, Inc., Lawson Kochi, Inc., Lawson Kumamoto, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

Number of convenience stores in Japan

	(Fiscal year)		Net increase (decrease) in the term	2019		2018	
	2020	2020		stores	share	stores	share
Lawson, Inc.							
Company-operated stores							
LAWSON	221	1.5%	-42	263	1.8%	303	2.1%
NATURAL LAWSON	18	0.1%	-4	22	0.2%	24	0.2%
Franchise stores							
Type B	1,786	12.3%	-8	1,794	12.4%	1,839	12.5%
Type G	1,320	9.1%	-22	1,342	9.3%	1,466	10.0%
Type C	9,744	67.3%	444	9,300	64.4%	9,244	63.1%
NATURAL LAWSON	125	0.9%	2	123	0.9%	115	0.8%
LAWSON STORE 100	679	4.7%	-63	742	5.1%	806	5.5%
Subtotal	13,893	96.0%	307	13,586	94.1%	13,797	94.1%
Lawson Sanin, Inc.							
Company-operated stores	—	—	-5	5	0.0%	5	0.0%
Franchise stores	—	—	-280	280	1.9%	287	2.0%
Subtotal	—	—	-285	285	2.0%	292	2.0%
Lawson Kochi, Inc.							
Company-operated stores	4	0.0%	-1	5	0.0%	6	0.0%
Franchise stores	135	0.9%	1	134	0.9%	134	0.9%
Subtotal	139	1.0%	—	139	1.0%	140	1.0%
Lawson Minamikyushu, Inc.							
Company-operated stores	2	0.0%	-1	3	0.0%	3	0.0%
Franchise stores	197	1.4%	5	192	1.3%	194	1.3%
Subtotal	199	1.4%	4	195	1.4%	197	1.3%
Lawson Okinawa, Inc.							
Company-operated stores	3	0.0%	-2	5	0.0%	4	0.0%
Franchise stores	242	1.7%	8	234	1.6%	229	1.6%
Subtotal	245	1.7%	6	239	1.7%	233	1.6%
Total number of convenience stores in Japan	14,476	100.0%	32	14,444	100.0%	14,659	100.0%

Other New Initiatives

On September 10, 2020, we entered into a joint business agreement with POPLAR Co., Ltd. to convert and operate some of the stores operating under the POPLAR, SEIKATSU SAIKA, and THREE EIGHT brands into LAWSON POPLAR and LAWSON brands.

On November 30, 2020, we conducted a self inspection and formulated and published an improvement plan in response to the “Fact-Finding Survey Report on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees” (September 2020) and the “Fact-Finding Survey on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees (Overall Questionnaire Results)” compiled by the Fair Trade Commission.

To stabilize the operations of franchise stores, we are working on short-, medium- and long-term support measures. These include providing support for the operation of multiple stores, support for store manager training, and measures for new franchisees. We are making efforts to improve sales and profits of our franchise stores through strong partnership with them. These efforts include providing financial support on an individual store basis to stores that experienced a significant decrease in sales due to the COVID-19 pandemic.

We are supporting local businesses and producers through LAWSON stores by developing products in collaboration with businesses throughout Japan that have been impacted by the pandemic.

Overview of Businesses in Figures

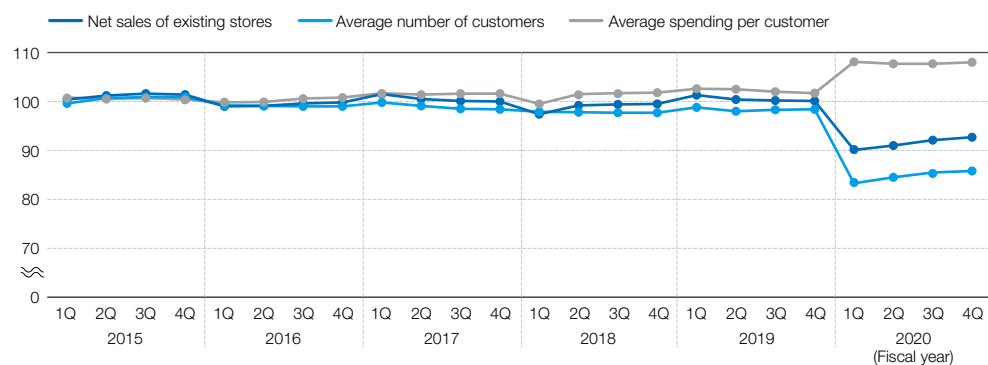
Net sales

Net sales of all LAWSON stores (consolidated) in fiscal 2020 were 2,349.7 billion yen (down 6.3% from the previous year). This was due to a decrease in store sales in the domestic convenience store business as a result of the increased adoption of remote work as well as social distancing measures that discouraged people from going out. Other factors included a decrease in sales in the entertainment-related business due to the cancellation and postponement of box-office performances and theater closures.

Sales of existing stores for fiscal 2020 (non-consolidated basis) decreased by 7.3% compared to the previous fiscal year due to the impact of the COVID-19 pandemic throughout the year. The average number of customers decreased by 14.2% year on year due to remote work and a decrease in opportunities for outings and events. However, average spending per customer increased by 8.0% year on year. This was due to growth in sales of fresh vegetables, frozen foods, and daily foods—areas in which we expanded our product lineup in response to an increase in the number of customers eating at home—as well as the continued strong sales of desserts.

In terms of consolidated results by product category, while sales of rice products and counter fast foods were sluggish, sales of frozen foods, daily foods, and fresh foods increased significantly as more people cooked at home due to the adoption of remote work and social distancing. In addition, the Machikado Chubo in-store kitchen service saw a significant increase in sales over the previous year as its boxed meals, which are carefully prepared in-store, grew in popularity due to there being fewer opportunities for people to go out. In addition, the new series of Uchi Café sweets, Uchi Café Spécialité, sold well as special treats for people to reward themselves amid the prolonged period of sheltering at home. Sales of products related to popular anime and collaboration products were also well received, with cumulative sales exceeding 10 billion yen.

YoY changes in net sales of existing stores, average number of customers and average spending per customer*



Growth rate of net sales of existing stores, average number of customers, and average spending per customer*

(Fiscal year)	2020	2019	2018	2017	2016	2015
Net sales of existing stores (YoY)	92.7%	100.1%	99.5%	99.9%	99.8%	101.4%
Average number of customers	85.8%	98.4%	97.7%	98.7%	99.0%	100.9%
Average spending per customer	108.0%	101.7%	101.8%	101.3%	100.8%	100.4%

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

Sales by product category (Consolidated, total net sales in Japan)*

(Fiscal year)			(Billions of yen)							
	2020		2019		2018		2017		2016	
Fast foods (share)	452.8	22.1%	523.3	24.1%	520.4	24.7%	484.9	24.5%	464.8	24.5%
Daily foods (share)	309.3	15.1%	307.3	14.2%	283.9	13.5%	268.0	13.5%	251.4	13.3%
Processed foods (share)	1,096.3	53.4%	1,143.6	52.7%	1,107.3	52.6%	1,043.0	52.7%	995.3	52.6%
(Cigarettes) (share)	559.6	27.3%	559.1	25.8%	532.9	25.3%	498.6	25.2%	471.9	24.9%
Non-food products (share)	192.1	9.4%	195.7	9.0%	194.2	9.2%	182.9	9.3%	182.1	9.6%
Net sales of all stores (share)	2,050.6	100.0%	2,170.0	100.0%	2,105.9	100.0%	1,979.0	100.0%	1,893.7	100.0%

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

Product categories

Category	Products included
Fast foods	Rice dishes, noodles, sandwiches, delicatessen items, over-the-counter 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.

Gross Profit Margin by Product Category*¹

The gross profit margin was 31.0%. This reflected an increase in the sales composition ratio of low-margin products such as cigarettes, Western-style and chuhai alcoholic beverages, and entertainment lottery tickets, as their sales did not decline even during the COVID-19 pandemic. These impacts were partially offset by improved gross profit margins in the fast foods and daily foods categories due to efforts to improve the margins of original products.

Gross profit margin by product category (Non-consolidated)*¹

(Fiscal year)	2020	2019	2018	2017	2016
Fast foods	39.2%	38.9%	38.2%	38.3%	38.4%
Daily foods	34.6%	34.3%	34.0%	33.9%	34.0%
Processed foods	23.2%	23.8%	23.9%	24.0%	24.1%
Non-food products* ²	49.7%	50.5%	50.3%	50.1%	49.1%
Gross profit margin	31.0%	31.3%	31.2%	31.3%	31.4%

Third-party bill settlement services (Non-consolidated)*³

(Fiscal year)	2020	2019	2018	2017	2016
Bill settlements (millions of yen)	2,465,058	2,498,711	2,412,349	2,263,937	2,132,450
Number of transactions (millions)	211.2	214.6	215.2	208.6	202.0

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

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

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

Corporate Information

Corporate Data As of February 28, 2021

Company name	Lawson, Inc.	Business activities	Franchise chain development of LAWSON, NATURAL LAWSON and LAWSON STORE 100
Headquarters	East Tower, Gate City Ohsaki, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-8643, Japan	Net sales for all stores	¥2,349.7 billion (consolidated)
President and CEO, Representative Director, Chairman of the Board	Sadanobu Takemasu	Number of stores	18,261 (worldwide)
Established	April 15, 1975	Operating areas	All 47 prefectures in Japan, China (Shanghai and surrounding area, Chongqing, Dalian, Beijing and surrounding area, Shenyang, Wuhan, Hefei, Changsha, Haikou), Thailand, Indonesia, Philippines, Hawaii
Capital	¥58,506.644 million		
Number of employees	10,385 (consolidated)		

Notes 1: Net sales for all stores is the sum of total sales by the domestic convenience store business, overseas business and Seijo Ishii stores (consolidated subsidiaries only). For the Seijo Ishii business, only the total for its Company-operated stores is included.

2: Among the total number of stores, the number of domestic stores comprises LAWSON, NATURAL LAWSON and LAWSON STORE 100 stores operated by Lawson Inc.; LAWSON stores operated by Lawson Okinawa Inc., Lawson Minamikyushu Inc. and Lawson Kochi Inc.; and Seijo Ishii stores operated by SEIJO ISHII, CO., LTD. The number of overseas stores comprises stores operated under the LAWSON brand by companies in the respective regions.

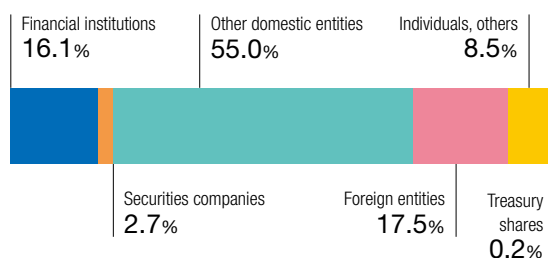
Share Information As of February 28, 2021

Authorized shares	409,300,000
Shares issued	100,300,000
Shareholders	31,317
Stock exchange listings	Tokyo Stock Exchange (1st Section)
Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands)	Percentages of total shares held
1. Mitsubishi Corporation	50,150	50.1
2. The Master Trust Bank of Japan, Ltd. (Trust account)	5,119	5.1
3. Custody Bank of Japan, Ltd. (Trust account)	2,886	2.9
4. KDDI Corporation	2,110	2.1
5. NTT DOCOMO, INC.	2,092	2.1
6. STATE STREET BANK WEST CLIENT—TREATY 505234	1,433	1.4
7. Employee stockholding association	844	0.8
8. Custody Bank of Japan, Ltd. (Trust account 7)	812	0.8
9. Japan Securities Finance Co., Ltd.	799	0.8
10. Custody Bank of Japan, Ltd. (Trust account 5)	790	0.8

Distribution of shareholders by type



* The above percentages of total shares held were calculated after excluding 232,954 treasury stocks.

Main Lawson Group Companies As of February 28, 2021

Category	Name of company	Consolidation status
Domestic convenience store business	Lawson, Inc.	
	Lawson Store100, Inc.	Consolidated subsidiary
	SCI, Inc	Consolidated subsidiary
	Lawson urbanworks, Inc.	Consolidated subsidiary
	Lawson Okinawa, Inc.	Equity-method affiliate
Entertainment-related business	Lawson Minamikyushu, Inc.	Equity-method affiliate
	Lawson Kochi, Inc.	Equity-method affiliate
	Lawson Entertainment, Inc. United Cinemas Co., Ltd.	Consolidated subsidiary (Consolidated subsidiary of Lawson Entertainment, Inc.)
Financial services business	Lawson Bank, Inc.	Consolidated subsidiary
Consulting business	BestPractice, Inc.	Consolidated subsidiary
Overseas business	Lawson (China) Holdings, Inc.	Consolidated subsidiary
	Shanghai Lawson, Inc.	(Consolidated subsidiary of Lawson (China) Holdings, Inc.)
	Chongqing Lawson, Inc.	(Consolidated subsidiary of Lawson (China) Holdings, Inc.)
	Dalian Lawson, Inc.	(Consolidated subsidiary of Lawson (China) Holdings, Inc.)
	Beijing Lawson, Inc.	(Consolidated subsidiary of Lawson (China) Holdings, Inc.)
	Saha Lawson Co., Ltd.	Consolidated subsidiary
SEIJO ISHII business	SEIJO ISHII CO., LTD.	Consolidated subsidiary

Total shareholder return (TSR)

	February 2017	February 2018	February 2019	February 2020	February 2021
Lawson	92.0	86.1	86.3	76.3	69.4
TOPIX total return	120.9	142.2	132.2	127.3	161.0

Lawson Inc. was certified as a DX-Certified Operator under the Digital Transformation (DX) Certification system provided by the Ministry of Economy, Trade and Industry on August 1, 2021

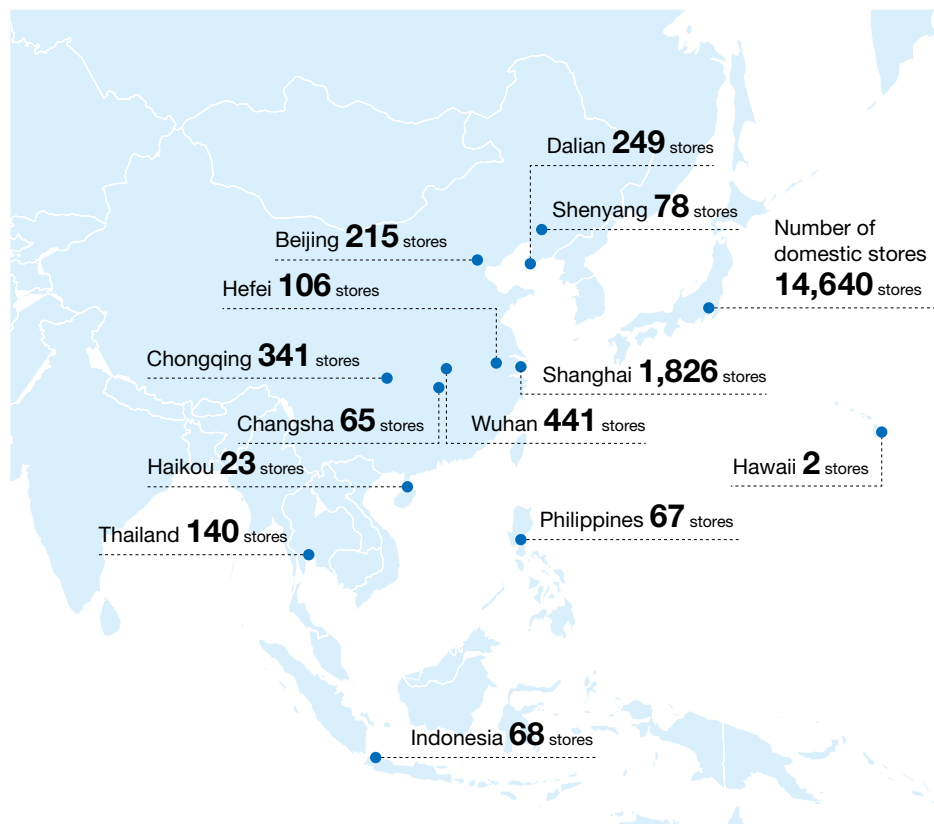


Store Network Development As of February 28, 2021

Total number of stores
(domestic and overseas total)*
18,261 stores

Number of
domestic stores
14,640 stores

Number of
overseas stores
3,621 stores



* The number of domestic stores represents the total number of LAWSON, NATURAL LAWSON and LAWSON STORE 100 stores operated by Lawson, Inc.; Lawson Okinawa, Inc.; Lawson Minamikyushu, Inc.; and Lawson Kochi, Inc.; and Seijo Ishii stores operated by SEIJO ISHII, CO., LTD. The number of overseas stores represents the total number of LAWSON brand stores managed by operating companies in the respective regions.

Main Businesses and Services As of February 28, 2021

LAWSON

A convenience store that believes its fundamental role is "Creating Happiness and Harmony in Our Communities" and operates in various store formats to suit each community's characteristics.

Operating companies

Lawson, Inc.
Lawson Okinawa, Inc.
Lawson Minamikyushu, Inc.
Lawson Kochi, Inc.
Lawson urbanworks, Inc.

NATURAL LAWSON

A nearby store supporting "beautiful, healthy and comfortable" lifestyles based on the concept of "making the most of every day".

Operating company
Lawson, Inc.

LAWSON STORE 100

Based on the concept of a "Menu-Support Convenience Store," Lawson Store 100 offers daily meals centered on ingredients such as fresh food items. We have also developed the 100 Yen series mainly comprising original products.

Operating company

Lawson Store 100, Inc.

SUPERMARKET 成城石井

A lifestyle supermarket for people who are particular about food, providing food from around the world at reasonable world street corner prices.

Operating company

SEIJO ISHII CO., LTD.

LAWSON farm

The farms are located nationwide, producing fresh fruit and vegetables for Lawson Group stores.

Operating company

LAWSON Farm, a corporation eligible for farmland ownership in respective locations

O-チケ

Provision of ticket sales services for a full range of entertainment, including musical & sports events, theaters, leisure facilities and cinemas, planning and sales of entertainment tours, sales of domestic tours, and planning and agency services for fan clubs, event planning & production (sponsorship promotions, investment promotions) and others.

Operating company

Lawson Entertainment, Inc.

HMV & BOOKS

A company selling music and movie CDs & DVDs, books and related goods (through stores & e-commerce) as well as planning and producing events and museum exhibitions in stores.

Operating company

Lawson Entertainment, Inc.

UNITED CINEMAS

Operation of cinema complexes (multiplex movie theaters) offering not only film entertainment but also such enriching experiences as 4DX® (experiential viewing) and various contents other than movies.

Operating company

United Cinemas Co., Ltd.

LAWSON STATION ローソン銀行

A bank that provides financial services such as savings accounts and credit cards, as well as ATM services for cash cards issued by financial institutions throughout Japan at the ATMs in LAWSON stores, etc. The bank has also launched a service that enables you to charge your smartphone apps with cash at the ATMs.

Operating company

Lawson Bank, Inc.