

Demonstrating Value as a Business that Responds to Change

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A renewed awareness that Lawson is a business that responds to change

Over the last few years, Lawson Group has gone through an unprecedented era of upheaval.

The pandemic, which has continued for more than two years, has changed people's lifestyles and consumer behavior while also bringing an end to the lively consumption by inbound tourists. In other countries, the situation has completely changed, with urban areas in China such as Shanghai being placed under lockdown. The supply chain has also been thrown into disorder due to the rise of geopolitical risks, while the sharp rise in raw material prices and the drastic depreciation of the yen have caused a huge blow to the revenue environment.

We believe that Lawson Group is a business that responds to change. Since its establishment, Lawson has responded proactively to changes in society, constantly identified customer needs, and developed new products and services. Even today, rather than halting our progress, we are constantly working to respond to change. For example, in our main domestic convenience store business, in order to respond to the shut-in demand during the pandemic by making stores that are more suited to daily life, in addition to remodeling stores, we quickly concentrated on various measures such as the expansion of food delivery services and the development of “ghost restaurants.”

No matter what changes occur, we will propose and implement suitable solutions as we take the lead in responding to change. This is what makes Lawson Group “a business that responds to change” with a recognition of what is of vital importance within the tumultuous business environment of the last few years.

Lawson corporate culture and potentialities

The refusal to “balk at challenges” that are useful to communities is an attitude that is being maintained by the approximately 200,000 members of Lawson Group, and this is what we feel defines the corporate culture, strong points and the DNA handed down by our predecessors in Lawson Group.

Lawson Group’s challenge began more than 40 years ago in the era of the founder, Isao Nakauchi. During the Great Hanshin-Awaji Earthquake of 1995, the challenge was to respond to the directive to open the stores despite being unable to provide sufficient products. This experience was useful during the Great East Japan Earthquake in 2011, and during the recent Kumamoto, Hokkaido, and West Japan disasters.

The deep desire to be useful to the community is still alive among the members of Lawson today. At the time of the temporary closure of all schools in Japan in March 2020 during the pandemic, some people expressed the desire to provide onigiri (rice balls) at no cost to after-school childcare facilities, which quickly spread nationwide. As a result, we delivered around 600,000 onigiri to approximately 7,000 after-school childcare facilities nationwide.

This spirit of taking on challenges with the desire to help others is the driving force behind our response to change. There is a strong feeling that each and every one of us has this attitude of taking on challenges in response to minor or major changes. Even during the pandemic, the desire to take on challenges in response to change can be seen in the local initiatives of the Lawson Group Sweeping Transformation Committee and the Medium-Term Management Vision.

Aims and progress for the Lawson Group Sweeping Transformation Committee

Although results have been impacted by the massive changes in the business environment in the last few years, the Lawson Group Sweeping Transformation Committee was established in September 2020 with the idea of converting this difficult situation into a major opportunity. Reforms are being carried out in all kinds of fields, including products, sales floors, increased profitability, use of data and the SDGs.

First, the first half of the 2021 fiscal year was set as the deadline for considering the changing lifestyles of customers and forming ideas around the products and services Lawson Group should be providing, which then underwent trial and implementation. Following the trials, implementation in actual stores began from the second half of the 2021 fiscal year.

For example, in fiscal 2021, reforms suited to the business environment of individual stores were carried out in 4,305 stores, and the in-store food preparation service Machikado Chubo was introduced at the same time. As of the end of February 2022, Machikado Chubo has been expanded to 8,359 stores.

Based on this 18-month initiative and its results, we want to make fiscal 2022 a year in which we further increase implementation and accuracy through PDCA.

Two new projects by the Lawson Group Sweeping Transformation Committee starting in fiscal 2022 are the “MUJI introduction project” and the “the No.1 recommendation acquiring project.”

The collaboration with Ryohin Keikaku Co., Ltd. that offers MUJI products already began two years ago with trial sales of MUJI products at Lawson stores. The next stage starting from May 2022 will be to expand sales to around 5,000 stores in the Kanto Koshinetsu area, before spreading to

Group Philosophy	Vision	Business Policy	Lawson’s Way (Action Guideline)
<p>Creating Happiness and Harmony in Our Communities</p>	<p>Our goal is to become the hub of refreshment in every community.</p>	<p>Three Promises</p> <ul style="list-style-type: none"> Superior taste Human kindness Environmental (Machi) friendliness 	<ol style="list-style-type: none"> 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.

Japan as a whole. While Lawson has achieved a certain recognition for its food product loyalty, there are still issues when it comes to daily necessities. Introducing MUJI products will enhance the potential for Lawson to be selected as the place to purchase daily necessities. We will collaborate with PB product development so that people will say, “I want Lawson socks, underwear and other clothes,” just as they do with food products.

Regarding the No.1 recommendation acquiring project, the aim is for as many customers as possible to choose to purchase Lawson products. This challenge started four years ago, but we are focusing our efforts on it this year as a Sweeping Transformation Committee project.

Desire to achieve the performance indicators for Challenge 2025

In the medium-term management vision Challenge 2025, the performance indicators include ROE of 15% or higher and EPS of 500 yen or higher. Taking into account the immediate harsh business environment, these are not indicators that can be easily achieved. However, by first of all quickly returning the core domestic convenience store business to pre-COVID levels, and then by setting a growth trajectory to achieve the indicators, we believe that capital efficiency will increase and profits will be secured.

In the business environment in fiscal 2021, limitations and self-restraint were more severely imposed on social activity than in fiscal 2020 by the repeated placing of restrictions and mitigation measures due to the intermittent declarations of state of emergency and pre-emergency statuses in response to the pandemic. In the domestic convenience store business, franchise store profits were greater than those of fiscal 2020 as a result of efforts to increase sales through initiatives in response to the changing lifestyles of customers during COVID-19, as well as the optimization of store operations and cost reduction.

Since the start of fiscal 2022, there has been a reduction in the number of infected persons, and consumer behavior brought about by the COVID-19 pandemic has started to change, showing that there is a recovery trend in the market environment. With the Government showing signs of easing restrictions to allow foreign tourists coming into Japan, expectations are building about the revival of the consumption by inbound tourists, which was a major trend in pre-COVID consumption.

The strategic concept stated for fiscal 2022 is “community based × individ-

Lawson Group Challenge 2025

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 **500** yen or higher

ual customer and individual store-focused.”

In convenience stores until now, growth has been achieved through the support of customers for nationwide store development and increased cost competitiveness through store standardization. However, now that the number of stores has increased to such an extent, it is essential for those stores to become part of the daily lives of customers and to respond to everyday demands in order to make further growth. With the complete change in the situation due to the pandemic and the current need to purchase goods for daily use at convenience stores, it is important to understand regional characteristics and to take root in the community in order to further respond to those demands and to become even more a part of daily life. From now on, each store will become rooted in the region with a view toward individual stores determining their own products and services. Forming the optimal store for each and every customer is what this “community based × individual customer and individual store-focused” is all about.

We are also making an effort to expand periphery businesses. The Seijo Ishii business has seen positive results over the last two years by cleverly responding to the shut-in demand. The fact that Seijo Ishii has established itself as a high-quality supermarket brand that differs from general food product supermarkets is a huge strength, and we are considering expanding the Seijo Ishii brand into EC and other countries in the future.

The business environment for the entertainment-related business has been incredibly difficult over the last two years, but due to the provision of high-added value services such as smartphone-based ticket services, we have been able to build up a lean cost structure. The recovery and growth of the business is expected due to the allowance for limited admissions to

live and sporting events and the recent easing of cheering restrictions.

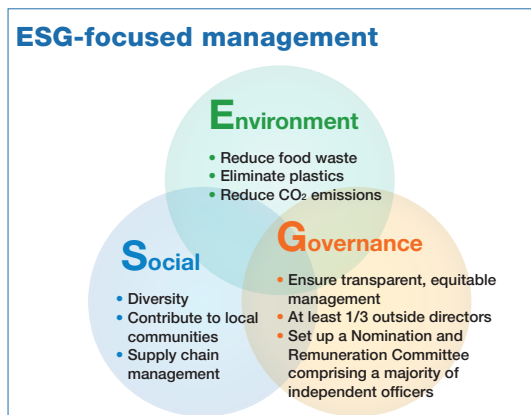
The financial services business reaches its fifth year in 2022. The challenge has now reached a new stage as to how to provide the value of Lawson Bank as a retail bank to customers in the future.

The future of our overseas business is of great interest. With regard to new stores in China, in particular, we have stated the target of opening 10,000 new stores by 2025, and the path to achieving that is becoming clear. While most of the new stores in China have been opened as Lawson wholly-owned subsidiaries, in order for customers in China to think of these stores as “our Lawson” and to accelerate further growth, the perspective of “community based × individual customer and individual store-focused” is required. To that end, another option for the future is to expand stores through cooperation with local partners, including M&A.

By means of such initiatives, if we can reliably increase the presence of the businesses in each market, and make effective use of financing and data, the targets of ROE of 15% or higher and EPS of 500 or higher by 2025 will be achievable.

Sustainability initiatives

The world is facing various problems. For example, one familiar problem is “food loss.” While children are suffering from starvation, a huge amount of food around the world is being thrown away. Climate change is another serious issue. With regard to these problems, if we do not take the initiative to make changes in our actions, the value of the company will diminish, and it will be difficult for



Aiming to be a Group recommended by all kinds of stakeholders

We believe that the era of significant change will continue. In this sense, there is a strong feeling that we are going through a momentous era.

Lawson Group wants to be a store and a company whose continued presence is required both in communities and in society. We will make uncompromising and earnest efforts toward being useful to society.

Ahead of the growth of Lawson Group stands the affluence of society and the realization of the environmental vision, “Lawson Blue Challenge 2050!” which was published with the aim of achieving the targets for 2030 and 2050. As a Group that conducts “business that responds to change,” our aim is to be recommended by all kinds of stakeholders including customers, shareholders, investors, society, and the Earth itself.