

LAWSON

INTEGRATED REPORT **2022**



Creating **Happiness and Harmony** in Our Communities

Publication of the Integrated Report 2022

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.” Currently, we are promoting 10 Lawson Group Sweeping Transformation Executive Committee projects, Group company business activities, and SDG activities toward achieving the targets of Lawson Group Challenge 2025 that was set for the year 2025, the 50th anniversary of Lawson.

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 with reference to the International Integrated Report Council (IIRC) International Integrate Reporting Framework. Looking ahead, we will continue striving to enhance our disclosures and increase transparency in order to conduct constructive dialogue with our stakeholders.

Masayuki Itonaga Executive Vice President, Member of the Board, and CFO

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 2021 (March 1, 2021 - February 28, 2022), but earlier and later activities are also discussed. See Lawson website for details: <http://lawson.jp/en/>

Future forecasts, projections and plans

This report’s coverage extends beyond current information and data for 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.

(As of the end of February 2022)

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

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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

2022 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 Index, targeting 50% of the market capitalization of each Global Industry Classification Standard (GICS®) Sector of the parent index.

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* GICS® is the Global Industry Classification Standard, an industry classification system created jointly in 1999 by Standard and Poor’s Dow Jones Index Morgan Stanley Capital International.

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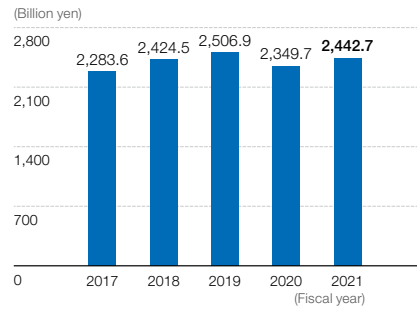
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Financial Highlights

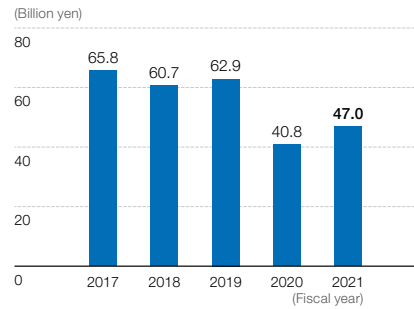
Net sales of all convenience stores (Consolidated)

2,442.7 billion yen



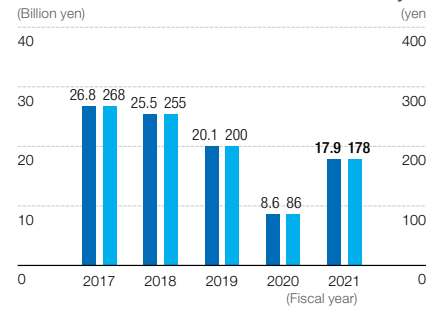
Operating income (Consolidated)

47.0 billion yen

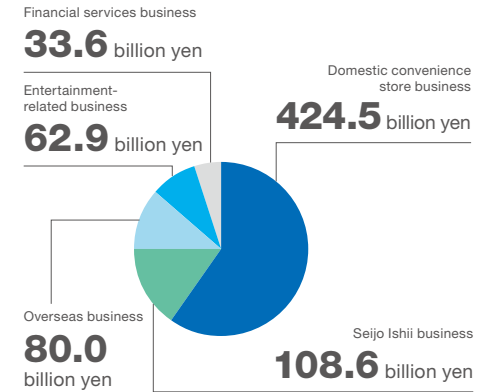


Profit attributable to owners of the parent / Profit per share

Profit attributable to owners of the parent **17.9** billion yen
Profit per share **178** yen

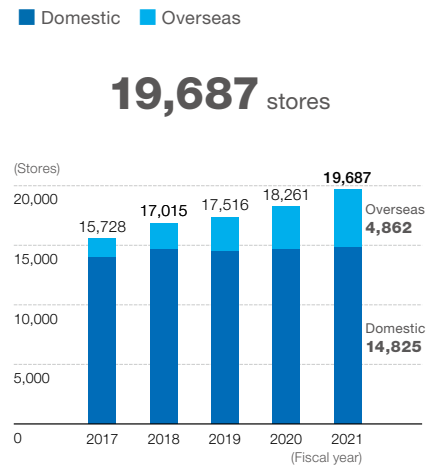


Gross operating revenues by segment



Number of stores

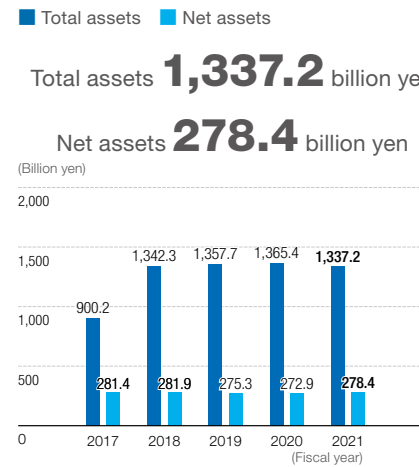
19,687 stores



Total assets / Net assets (Consolidated)

Total assets **1,337.2** billion yen

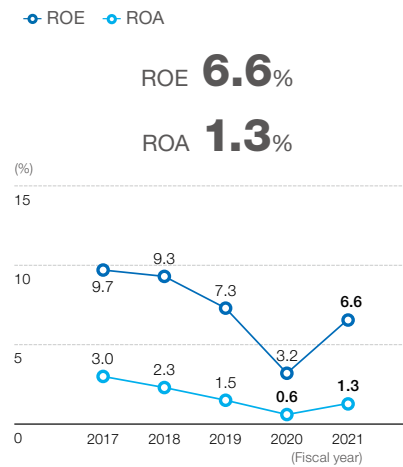
Net assets **278.4** billion yen



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

ROE **6.6%**

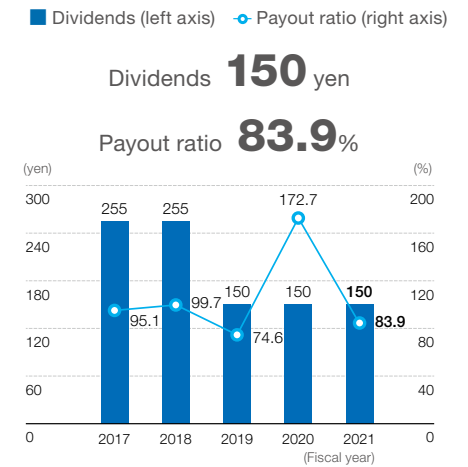
ROA **1.3%**



Dividends and payout ratio

Dividends **150** yen

Payout ratio **83.9%**



Non-financial Highlights

About Lawson!

Message from Top Management

Creating Happiness in Our Communities - Our Story

Strategy for Creating Happiness in Our Communities

A Management Foundation for Creating Happiness in Our Communities

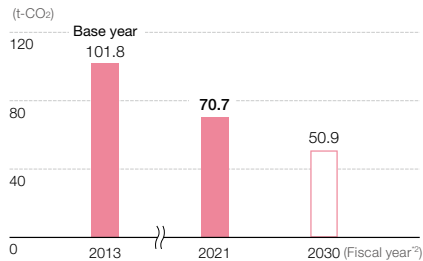
Finance - Company Information

CO₂ emissions per store^{*1}

Goals for fiscal 2030

CO₂ emissions per store

Reduction of **50%** from fiscal 2013



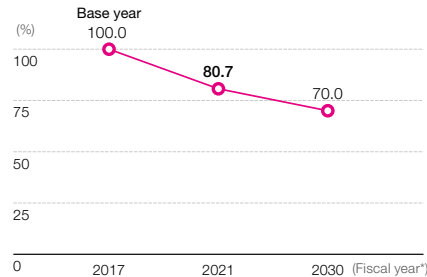
^{*1} CO₂ emissions are calculated using the list of emissions coefficients by electricity provider (substitute values)
^{*2} Calculated from April 1 to March 31 of the following year to coincide with the administrative fiscal year
 Reduction of 30.5% in fiscal 2021 compared with fiscal 2013
 (The figures have been changed due to the change in the coefficient.)

Packaging weight index of plastic packaging items

Goals for fiscal 2030

Plastic for containers and packaging

Reduction of **30%** from fiscal 2017



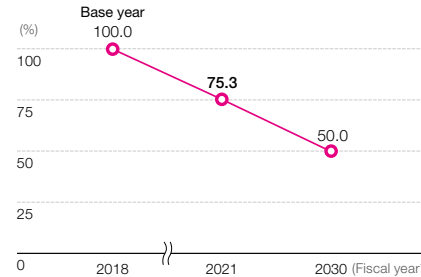
^{*} Calculated from March to February of the following year to coincide with the company's fiscal year

Status of reduction in food loss per store

Goals for fiscal 2030

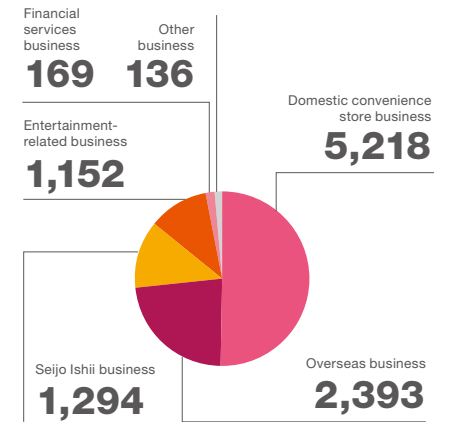
Food loss per store

Reduction of **50%** from fiscal 2018



^{*} Calculated from March to February of the following year to coincide with the company's fiscal year

Number of employees by segment



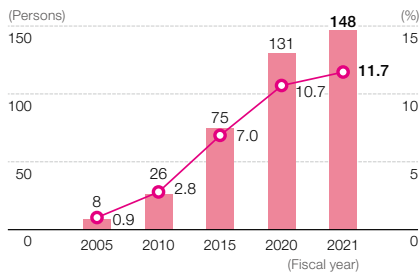
03

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

■ No. of female managers (left axis)
 ● Proportion of female managers among all managers (right axis)

No. of female managers **148**

Proportion of female managers among all managers **11.7%**

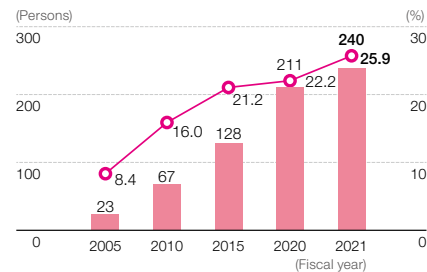


No. of working mothers / Proportion of working mothers among female employees

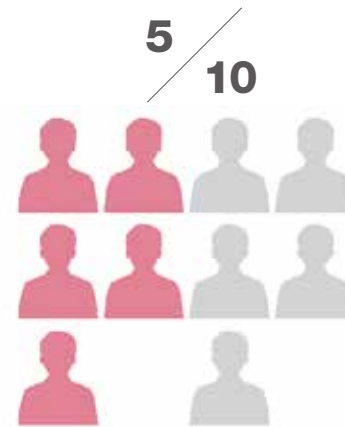
■ No. of working mothers (left axis)
 ● Proportion of working mothers among female employees (right axis)

No. of working mothers **240**

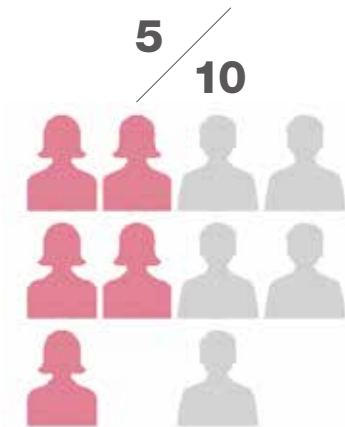
Proportion of working mothers among female employees **25.9%**



Outside (independent) officers



Female officers



About LAWSON!

Challenge
2025

In this feature, we will give simple explanations of three common questions about some of Lawson Group’s positive features. We hope that this will be an opportunity to rediscover the positive features of Lawson Group.

Q1

Why does Lawson have the aim of being “new hubs of refreshment in every community?”

A1

For business opportunities!

Lawson Group was established in 1975. For almost 50 years, we have taken the lead in the evolution of convenience stores while supporting people’s lives and food culture. There have been huge changes in people’s lives and in food culture just in the 50 years. People’s consumption behavior is also rapidly changing under the impact of the pandemic.

We view Lawson Group as being a “business that responds to change.” One of Lawson Group’s greatest strengths is its ability to perceive changes among people and changes in communities, including changing purchasing behavior, increasing health consciousness, and the greater awareness of environmental is-

sues, and to convert those changes into business opportunities with an understanding of the characteristics of the regions where stores are located.

Lawson’s 14,656 stores nationwide, and the 6,117 franchise store owners and approximately 180,000 crew members support “our communities” while Lawson Group has the support of around 10,000 employees.

This involves people’s lives, and as long as life continues to change, the business opportunities for Lawson Group are limitless. Lawson Group accurately perceives business opportunities in each region alongside its numerous members.

A2

For society!

Ensuring safety and security is essential to supporting people’s lives and food culture.

In order to provide a “superior taste” to customers, safety and security comes first, and we put all of our effort into the stable supply of ingredients while also complying with safety-related laws and ensuring quality management. For example, at Lawson, we are expanding LAWSON Farm Corporation qualified to own cropland nationwide in order to stably supply fruits and vegetables.

We are also preparing for large-scale disasters for the purpose of business continuation while also aiming to continue the operation of stores by promptly taking various disaster response measures in order to fulfill our role as a lifeline for the community when disasters occur.

As hubs of refreshment in every community, Lawson is earnestly confronting the issue of store waste, including food waste, plastic bottles and cardboard, and is engaging in the reduction of waste and accurate waste processing based on environmental policies. The reduction of food loss is a particularly serious issue, and we are putting great effort into reducing food loss through a combination of waste control and recycling.

A3

It’s Lawson’s Mission!

Lawson Group is a corporate group that is expanding its business for the sake of the happiness of the community.

The motivation that drives us is the Group philosophy, “Creating Happiness and Harmony in Our Communities,” which will always be our desire.

Based on this philosophy, Lawson Group has stated Three Promises as its business policy. These promises of “superior taste,” “human kindness” and “environmental (Machi) friendliness” are the basis of the Challenge 2025 medium-term management vision that we are now engaging in toward the year 2025, and they form the base approach to the projects of the Sweeping Transformation Executive Committee that was set up toward the realization of new forms of convenience.

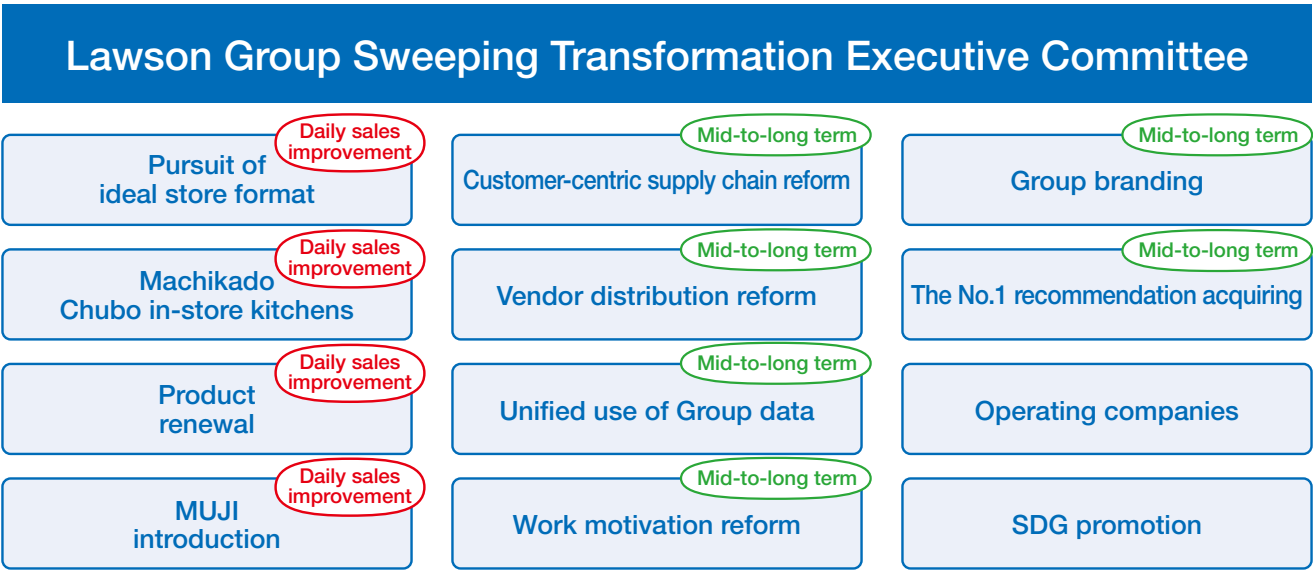
While the business environment undergoes huge changes, we will continue to be close beside the community and beside our customers as we grow together based on the strong desire and mission for Lawson to change with the community for the “happiness of the community.”

Q2 Can profit be made in such a challenging business environment?

A We are making “transformations” in response to upheavals in the business environment!

In a bid to achieve growth in the post-COVID “new normal” society, in September 2020, we established the Lawson Group Sweeping Transformation Executive Committee and started initiatives to realize growth strategies for the entire Group. This Committee is providing agile management based on

strong leadership centering on the business policy of the “Three Promises” and with the President serving as a Committee member. As of fiscal 2022, the Committee has been promoting the following 10 updated projects, as well as Group company business activities and SDG promotional activities.



Sweeping Transformation Executive Committee Main measures for fiscal 2022

	Projects	Planning and major initiatives
Daily sales improvement projects	Pursuit of ideal store format	Remodel 3,500 stores
	Machikado Chubo in-store kitchens	Introduce 1,300 stores, renew menus
	Product renewal	Increased recognition of frozen foods, expanded and improved product offering, response to health demand
	MUJI introduction	Start of introduction of MUJI Products at approx. 5000 stores in the Kanto Koshinetsu region, National expansion scheduled thereafter
	Projects	Planning and major initiatives
Mid-to-long term Projects	Customer-centric supply chain reform	Additional trials of new semi-automatic ordering
	Vendor distribution reform	Expansion of refrigerated distribution Preparation toward POC for AI optimized delivery
	Unified use of Group data	Expansion of deliverable services
	Work motivation reform	Improved working environment
	Group branding	Policies for penetration of Group Philosophy, etc.
	The No.1 recommendation acquiring	Detailed customer evaluation analysis and improvement
	Operating companies	Promotion of Group portfolio strategy
SDG promotion	Green Lawson (environmentally-friendly stores) Reduction of CO ₂ emissions using solar power generation	

Q3

Why can Lawson say that it's sustainable?

A1

Because we have a flexible corporate culture that adapts to changes in communities!

Since its establishment, Lawson has responded proactively to changes in society and developed new products and services.

We commenced 24-hour operation in 1977 in response to customer needs. In 1983, we started copying and printing services. In 1998, we introduced the “Loppi” multimedia terminals to all stores in Japan. ATMs began to be installed in 2001.

We also started NATURAL LAWSON in 2001 and LAWSON STORE 100 in 2005 for the expansion of business and business areas. In 2011, we established Lawson HMV Entertainment (currently Lawson Entertainment). In 2014, we acquired Seijo Ishii and United Entertainment Holdings. We opened Lawson Bank in 2018.

To engage in the resolution of social issues, we opened the in-hospital convenience store Hospital LAWSON in 2000, established LAWSON Farm in 2010, and opened the first Care-focused LAWSON in 2015 as an in-store nursing care center.

Lawson, which started as a handyman in the community, continues to remain close to changes in our communities and is now a component of infrastructure in society.



LAWSON



A2

Because we contribute to the realization of a sustainable society!

At Lawson Group, we classify the material issues (materialities) with respect to the 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. In fiscal 2021, material issues were selected and KPIs were set for the main Group companies. The entire Lawson Group will continue to engage in the resolution of social and environmental issues.

The SDGs Committee was established in March 2019 to tackle the SDGs, and the President was inaugurated as the CSO (Chief Sustainability Officer) in March 2021. The SDGs Promotion Department (current SDGs Promotion Office) was also established and began operating as a full-time department.

In 2019, the "Lawson Blue Challenge 2050!" environmental vision was formulated as a long-term target toward resolving environmental issues. In order to contribute through this vision to the ideal world that the Sustainable Development Goals (SDGs) aim to realize, we have set and are engaging in the goals (KPIs) for 2030 and 2050 through our initiatives to address environmental issues, such as reducing CO₂ emissions, reducing food loss, and reducing plastic in containers and shopping bags.

A3

Because we are combining all of our efforts!

Lawson Group is building positive relationships with various stakeholders and we are combining our efforts to contribute to the realization of a sustainable society.

While providing "superior taste" to customers, we are offering products that are safe and secure and healthy as we strive to increase customer satisfaction.

Employees, franchise store owners and crew members are colleagues that are essential to the sustainable growth of Lawson Group. We will continue to put great effort into health and productivity management while also giving consideration to forming comfortable work environments. Diversity is also an important management strategy, and Lawson has the aim of a strong franchise chain by gathering employees with widely varied values so that all employees can fully demonstrate their potential.

Business partners and all local communities are important stakeholders that are essential to the sustainable growth of Lawson Group. Furthermore, Lawson Group could not exist without the support of Mitsubishi Corporation as the major shareholder and as an important business partner.

Lawson Group will continue to work toward sustainable growth while combining the efforts the diverse stakeholders.

Demonstrating Value as a Business that Responds to Change

Sadanobu Takemasu

President and CEO, Representative Director, Chairman of the Board

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)
Creating Happiness and Harmony in Our Communities	Our goal is to become the hub of refreshment in every community.	Three Promises 	<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.

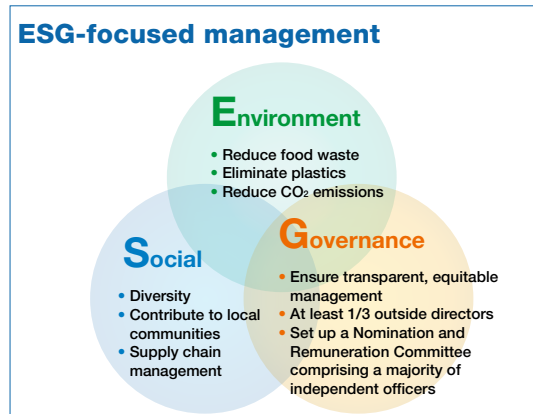
The financial services business reaches its fifth year in 2022. The challenge has now reached a new stage as to how to provide the value of Lawson Bank as a retail bank to customers in the future.

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.

Message from the CFO



Promptly Reforming the Profit Structure

Masayuki Itonaga
Executive Vice President,
Member of the Board,
and CFO

First of all, raising Lawson Group's earning power to pre-COVID levels is my first mission as the new CFO. Despite the increasingly difficult external environment, the goal we are aiming for is to promptly support each of the projects of the Sweeping Transformation Committee based on the medium-term management vision.

Aspirations as the new CFO

I was appointed as the Lawson Group CFO in May 2022.

With the ongoing pandemic, the convenience store industry continues to be in a difficult environment. Also, customer lifestyles continue to undergo huge changes, and the "new normal" will become the standard for life in the future. Under these circumstances, the challenge I face as the CFO is first of all to raise earning power to pre-COVID levels. To that end, we will promptly engage

in reforms to the profit structure in a way that is suited to the new environment.

Among these reforms, the most important challenge is to take measures so that customers come to stores. Having plentiful contact with customers and grasping the needs of customers will lead to increased profits. This is exactly what will enable us to form convenience stores that are useful to customers and that are part of the social infrastructure.

Immediate business environment and fiscal 2021 results

Following on from fiscal 2020, fiscal 2021 was a year in which the ongoing COVID-19 pandemic continued to have a huge impact, including changes in customer lifestyles and purchasing behavior. Within this situation, Lawson Group remained beside customers and society as a "hub of refreshment in every community," rising resolutely to meet the challenge. Operating income in fiscal 2021 was

47.0 billion yen and net income attributable to owners of the parent reached 17.9 billion yen.

In the domestic convenience store business, there were positive trends in frozen foods and other areas as a result of engaging in store remodeling and product reform, including the development of innovative menus. There were also strong sales of bento (boxed meals) and counter fast foods, with particularly favorable results for boxed meals from the in-store food preparation service "Machikado Chubo." Sales in existing stores in the domestic Lawson business were 101.1% YoY. While sales grew due to efforts such as store remodeling and product reform, expenditure also increased due to store remodeling for the future, which led to segment profit of 28.3 billion yen in the domestic convenience store business.

In the entertainment-related business, there was a recovery in ticket handling by Lawson Entertainment with more concerts and sports events being held. Also, viewer numbers and sales recovered with the increased flow of people at UNITED CINEMAS. As a result, segment profit was 2.2 billion yen.

In the Seijo Ishii business, due to the successful response to the shut-in demand and the favorable

Consolidated results for fiscal 2021 (to February 2022)

	(Billion yen)		
	Fiscal 2020	Fiscal 2021	YoY
Gross operating revenue	666.0	698.3	+32.3
Operating income	40.8	47.0	+6.2
Ordinary income	37.6	47.5	+9.9
Profit attributable to owners of the parent	8.6	17.9	+9.2

Segment profit

	(Billion yen)		
	Fiscal 2020	Fiscal 2021	YoY
Domestic convenience store business	28.7	28.3	-0.3
Seijo Ishii business	10.3	11.2	+0.9
Entertainment-related business	-0.2	2.2	+2.5
Financial services business	1.7	2.9	+1.2
Overseas business	0.8	2.3	+1.5
Other business	-0.4	-0.1	+0.3
Total	40.8	47.0	+6.2

transition in dishes and desserts produced in the company's central kitchens, segment profit was 11.2 billion yen.

Regarding the overseas business, segment profit was 2.3 billion yen due to the increase in the number of stores in China, in particular.

Net income attributable to owners of the parent came to 17.9 billion yen, with some positives and some negatives in each segment of Lawson Group.

Medium-term management vision and Sweeping Transformation Committee initiatives

At Lawson Group, the medium-term management vision “Lawson Group Challenge 2025” was set with a view toward the 50th anniversary in 2025 and the aim is to realize the Group Philosophy of “Creating Happiness and Harmony in Our Communities.” In order to keep up with changes in people's lifestyles caused by the COVID-19 pandemic, the Sweeping Transformation Committee was established in order to take on various challenges.

Regarding projects for transforming profit structures, the situation is progressing as planned for the moment. In fiscal 2022, in addition to implementing additional trials toward introducing new semi-automatic ordering system in the “customer-centric supply chain reform project,” we are continuing to engage in AI-based store delivery diagram optimization in the “vendor distribution reform project.” In the “Unified use of Group data project,” in addition to effectively using acquired

Group data in Lawson Group marketing measures, we are implementing external sales of marketing measures using this data. These projects are medium-to long-term initiatives that will produce effects through to 2025.

On the other hand, emphasis is being placed on returns to shareholders by raising capital efficiency while maintaining financial soundness. The performance indicators are set as ROE (return on equity) of 15% or higher and EPS (earnings per share) of 500 yen or higher, but we recognize that there is still a long way to go to achieving the target performance indicators, as the ROE in fiscal 2021 was 6.6% and EPS was 178 yen. From now on, in addition to steadily promoting the measures in each Sweeping Transformation Committee project, the aim is to achieve the targets of Challenge 2025 through a business portfolio strategy that is based on the policies of increasing corporate value, balancing growth investment and returns to shareholders, and the growth of individual Group companies and the growth of Lawson Group as a whole.

For the promotion of the business portfolio strategy, investment will be concentrated on the domestic convenience store business, which is the core business area, with growth and capital profitability as the criteria for judgment. Also, in addition to continued investment in the growth of Group companies, appropriate capital policies will be considered with a view toward industry reorganization and M&A.

With a basic policy for dividends to being a stable lower limit of 150 yen per share per annum while ensuring the necessary internal reserves for future business expansion, we aim for a consolidated payout ratio of 50%.

Sustainability initiatives

Lawson Group has announced ESG-focused management, and is taking strategic decisions from the three perspectives of environment, society and corporate governance with regard to the implementation of investment in sustainable growth. We are also promoting initiatives in response to environmental issues including reducing CO₂ emissions, reducing food loss, and reducing plastic container packaging and shopping bags toward the achievement of the targets for 2030 and 2050 that are stated in our environmental vision, Lawson Blue Challenge 2050! The reduction of food loss, in particular, is of social significance, and the optimization of order numbers and the limitation of waste disposal due to clearance sale measures will lead to increased profits.

From the perspective of human capital, noting the importance of investing in personnel, we are promoting measures that enable employees to take on new challenges, including the provision of a 100 million yen budget for the “100 Million Yen Challenge.” By raising the level of unity as a Group, and increasing motivation and shared understanding among Lawson Group employees in the medium-to long-term, we aim to create an environment that produces new products and services.

Furthermore, as an initiative to raise corporate value in the future, we are also putting effort into DX (digital transformation). Specifically, we are holding digital strategy meetings that are attended by executive staff including the president as we strive to implement discussions about measures relating to digital structural reform and the training of IT human capital.

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 community” from the customer’s perspective.

LAWSON

1975

Opened the first LAWSON store in Sakurazuka, Toyonaka, Osaka

1977

Started 24-hour/day operations

1983

Started copying and printing services

1986

Launched “KARAAGE-KUN Fried Chicken”



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 telephone 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



Lawson as social infrastructure

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

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

(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



1998

ISO 14001 certification

2000

Started Mt. Fuji forest improvement project



1999

Stopped including chopsticks, spoons, and forks in boxed meals

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

1995

Great Hanshin-Awaji Earthquake

1997

Consumption tax increase: 3% to 5%

Our Journey Creating Happiness in Our Communities

About Lawson!	Message from Top Management	Creating Happiness in Our Communities – Our Story	Strategy for Creating Happiness in Our Communities	A Management Foundation for Creating Happiness in Our Communities	Finance – Company Information
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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 Chubo 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 system



2018

Introduction of POS cash registers with automatic change dispensers



2019

Introduction of Delivery service Started tie-up with Uber Eats



2019

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



2021

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



2020

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

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 municipal government (Wakayama Prefecture)
- Opened the first store offering prescription medicines

2011

- Set up "Support Dreams Fund" (Scholarship Program for victims of the Great East Japan Earthquake)
- Introduction of MACHI café in-store freshly brewed coffee using Rainforest Alliance certified beans

2008

- Opened first eco-friendly model store
- 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.
- Phased in paper cold drink cups for the in-store freshly brewed coffee service "MACHI café".

2017

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

2016

Obtained the Resilience Certification

2021

Start of special classes for hospital schools

2022

Implementation of Ukraine Emergency Support Donation activities and provision of food support for Ukrainian refugees

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

About Lawson!

Message from Top Management

Creating Happiness in Our Communities - Our Story

Strategy for Creating Happiness in Our Communities

A Management Foundation for Creating Happiness in Our Communities

Finance - Company Information

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.

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	14,656 stores	Seijo Ishii Business	169 stores
• NATURAL LAWSON	136 stores	Entertainment-related business	
• LAWSON STORE 100	669 stores	• HMV	55 stores
• Hospital LAWSON	337 stores	• UNITED CINEMAS	387 screens
• Stores with nursing care consultation desks for seniors	22 stores	Financial Services Business	13,547 Lawson ATMs
• Stores that sell over-the-counter pharmaceuticals	280 stores	Overseas Business	4,862 stores

Intellectual Capital

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

Group ID	Digital technology
• Ponta membership	• Self checkout registers
Approximately 106.22 million people	All stores
• Lawson online members*	• LAWSON Smartphone Checkout service
Approximately 24 million people	108 stores

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

Financial Capital

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

Shareholders' equity **265.3** billion yen Interest-bearing debt **391.4** billion yen

Human Capital

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

Consolidated employees	10,362 people	Selection as a Health and Productivity Management Brand	4 times
		Certified Health & Productivity Management Organization	6 times
		Nadeshiko Brand Selection	6 times

Social and Relationship Capital

Customers involved in the happiness of our communities

Total number of visitors to Lawson stores per day (domestic) Approximately **1,000** million

Natural Capital

Food resources for remaining close beside our customers

Established **17** LAWSON Farms

Community Happiness Creation Process

Management Capitals Cultivated with the Community

Operating Capital

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

Intellectual Capital

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

Financial Capital

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

Human Capital

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

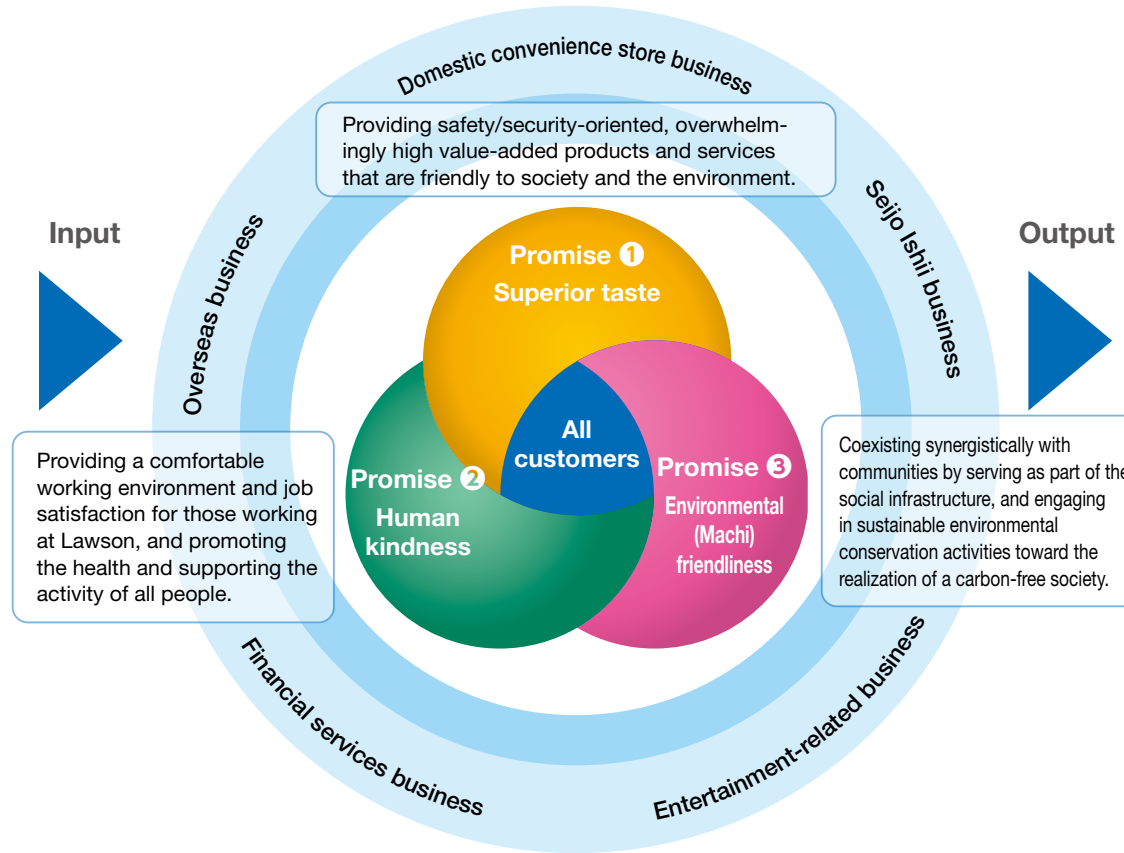
Social and Relationship Capital

Customers involved in the happiness of our communities

Natural Capital

Food resources for remaining close beside our customers

Business model



Group Philosophy

Creating Happiness and Harmony in Our Communities

Value offered by "new hubs of refreshment in every community"

- Products and services in line with customer opinions
- Sustainable joint business with franchise stores
- Reduction of CO₂ emissions, use of plastics and food loss

Response to material issues through the Three Promises and commitment to the SDGs

A Management Foundation for Creating Happiness in Our Communities

Job satisfaction

Spirit of challenge

Digital

Data

Corporate Governance

Contribution to the Sustainable Development Goals (SDGs)

Lawson Group's approach to contributing to the SDGs

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.

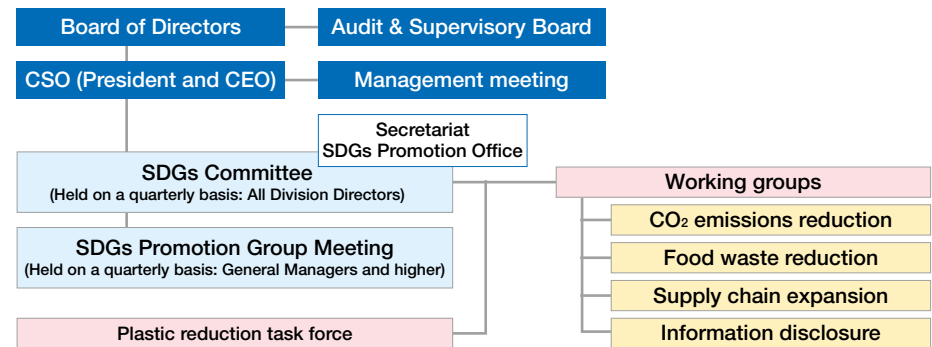
From March 1, 2021, the Company established the position of Chief Sustainability Officer (CSO), with the president, CEO, and representative director appointed to the position to further strengthen initiatives. In responding to the issues, the SDGs Committee identifies material issues that align with the Three Promises, and periodically 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 waste reduction, plastic reduction, supply chain expansion, and information disclosure.

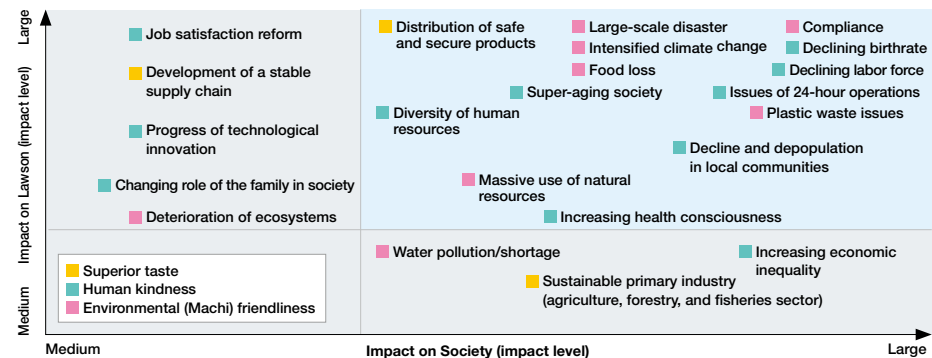
Identification of material issues (materiality)

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.

SDGs Committee Organization













Impacts of identified social issues



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.

Target Setting (material issues)

Business policy	Applicable SDGs	Material issues (materiality)	Major initiatives and services
 <p>Superior taste</p>		<p>Providing Safety/Security-oriented, Overwhelmingly High Value-Added Products and Services that are 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
		<p>Supporting Health Promotion for All People Through Products and Stores</p>	<ul style="list-style-type: none"> • Development of products with consideration for health-based on the 10 themes • Creation of a pharmaceutical product sales system • Expansion of NATURAL LAWSON and HealthCare LAWSON
		<p>Providing Comfortable Work Environments Leading to Job Satisfaction</p>	<ul style="list-style-type: none"> • Creating a comfortable work environment for use by all kinds of people • Training and retention of store crews • Continuation of FC owner support system • Promoting the Management Owner system for multiple-store management
 <p>Human kindness</p>		<p>Supporting Women and Seniors as well as Children's Growth</p>	<ul style="list-style-type: none"> • Maintaining Scholarship program for children from single-parent families • Promoting fund-raising programs for children's futures (school afforestation activities, the "Dream classes," etc.) • Creation of an environment to support children's learning • Donation of products to facilities that require food and other support
		<p>Coexisting Synergistically with Communities by Serving as Part of the Social Infrastructure</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
 <p>Environmental (Machi) friendliness</p>		<p>Sustainable Environmental Conservation Activities Toward the Realization of a Carbon-Free Society</p>	<ul style="list-style-type: none"> • 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 • Reduction of food loss: promotion of selling out stock, selling by weight, development of products with long best-before date
			<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 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. • Sustainable use of resources with consideration for biodiversity

Overview and Promotion 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

By strategically selecting investment targets from the three perspectives of environment, social and corporate governance, the aim is to achieve the performance indicators through a business portfolio strategy based on increasing corporate value, balancing growth investment and returns to shareholders, the growth of individual Group companies and the growth of Lawson Group as a whole.

Challenge 2025 performance indicators

ROE **15%** or higher

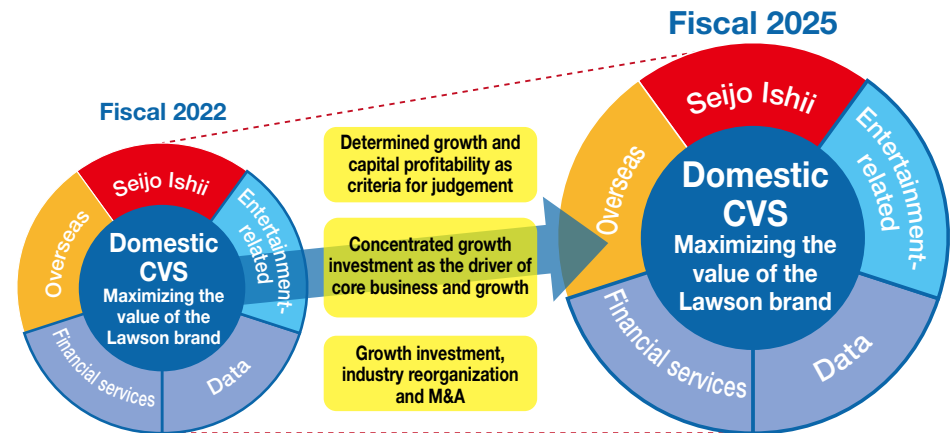
EPS **500** yen or higher

Results	Fiscal 2019	Fiscal 2020	Fiscal 2021
ROE	7.3%	3.2%	6.6%
EPS	200 yen	86 yen	178 yen



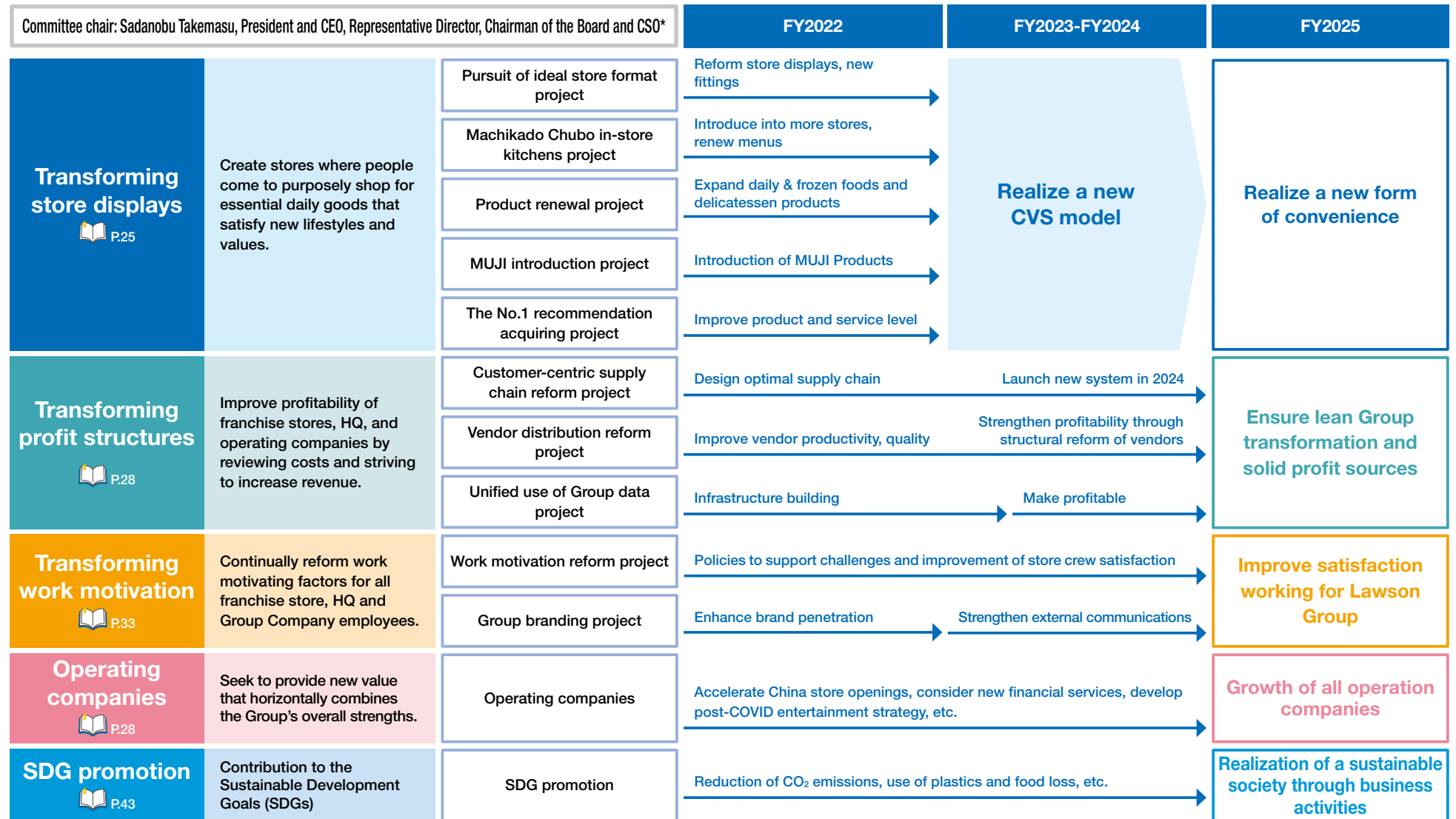
Pursuing new ways to provide convenience with “new hubs of refreshment in every community”

Under Challenge 2025, which was established with a view toward Lawson’s 50th anniversary in 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 conducted a range of initiatives to fulfill our business policy comprising Three Promises: “Superior taste,” “Human Kindness” and “Environmental (Machi) friendliness.” As of May 2022, the Committee has formed 10 projects, as well as Group company business activities and SDG promotional activities, and the President himself serves as a Committee Chair. 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 while aiming to achieve the 2025 performance



indicators through a business portfolio strategy based on increasing corporate value, balancing growth investment and returns to shareholders, the growth of individual Group companies and the growth of Lawson Group as a whole.

Milestones for the Lawson Group Sweeping Transformation Executive Committee






*CSO: Chief Sustainability Officer

Toward achieving Lawson Blue Challenge 2050!

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

In order to contribute to the ideal world that the 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 (the KPIs) for 2025, 2030, and 2050.

Form environmental vision, set long-term goals, take on challenges to achieve a Carbon-free 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 2013 levels Reduce by 15%	Reduce by 50%	Reduce by 100%
 Food waste reduction	2018 levels Reduce by 25%	Reduce by 50%	Reduce by 100%
 Reducing plastic	Plastic for containers and packaging 2017 levels Reduce by 15%	Plastic for containers and packaging Reduce by 30%	100% used Containers and packaging of Lawson's original products Eco-friendly materials
		Containers and packaging of Lawson's original products Eco-friendly materials 50% used	
		Plastic shopping bags Reduce by 100%	

Domestic Convenience Store Business

Transforming store displays Machikado Chubo in-store kitchens project

Initiatives to date

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

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

Strategies under Challenge 2025

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

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

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

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

Delivery service

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

Ghost restaurants using in-store kitchens

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

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



Delivery-specific menu item (Chicken over rice)

Number of stores with kitchen facilities



Overview of Fiscal 2021

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

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



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



Pork Loin Cutlet Curry



Pork Rice Bowl

Domestic Convenience Store Business

Transforming store displays Pursuit of ideal store format project

Overview of Fiscal 2021

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

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

Strategies under Challenge 2025

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

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



Flatbed freezer



Round case



Self-service fixtures for sales of counter fast food



Self-checkout system

Domestic Convenience Store Business

Transforming store displays Product renewal project

Transforming store displays MUJI introduction project

Overview of Fiscal 2021

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

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

Background of the introduction

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

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

Strategies under Challenge 2025

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



Strategies under Challenge 2025

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

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



Gateau au Chocolat



Four types of macaron



Red sea bream sashimi

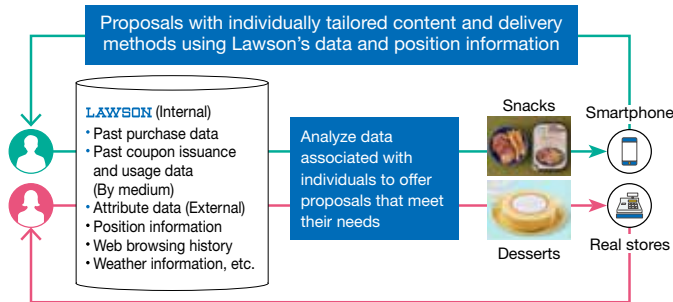
Domestic Convenience Store Business

Transforming profit structures

Unified use of Group data project

Using data to increase customer satisfaction

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



Transforming profit structures

Customer-centric supply chain reform project

Supply chain optimization and measures to counter food loss

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

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

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



Overview of Fiscal 2021

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

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

Strategies under Challenge 2025

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

Seijo Ishii Business



Seijo Ishii

Overview of Fiscal 2021

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

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

95th anniversary in 2022

In 2022, Seijo Ishii reached its 95th anniversary.

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

ありがとう
95th
 SEIJO ISHII
 quality

Strategies under Challenge 2025

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

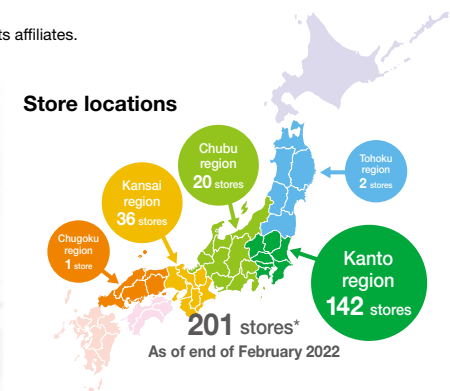
To expand the store network while also strategically opening new stores outside of Kanto region where approximately 70% of stores are located, we will cater to the new lifestyles that emerge after the pandemic by strengthening e-commerce and promoting last-mile business initiatives using delivery services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

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

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



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



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

Entertainment-related business



Overview of Fiscal 2021

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

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

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

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



Selling roll cakes through live commerce

Strategies under Challenge 2025

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

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

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

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



FLEXOUND Pulse™, a new chair for movie theaters

Financial Services Business



Overview of Fiscal 2021

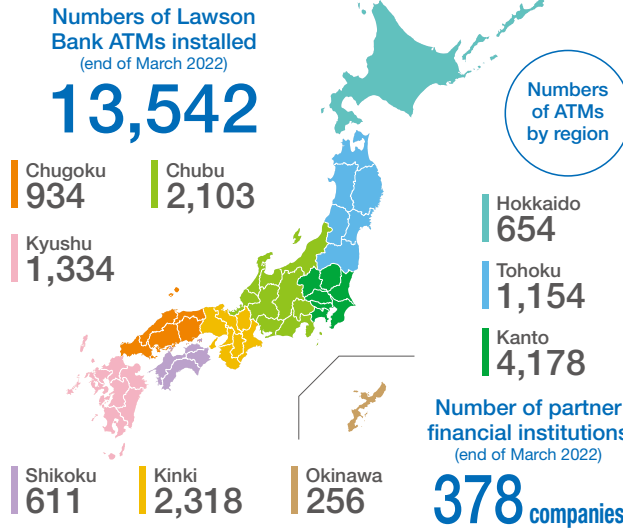
As a member of Lawson Group, Lawson Bank aims to become the bank closest to customers by providing new financial products and services that they find truly useful. In fiscal 2021, the fourth year since the opening of the bank, although the impact of the spread of COVID-19 infections continued to be felt,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

Strategies under Challenge 2025

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

The community-based Lawson Bank ATM network

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



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

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



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

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



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



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

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

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



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

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

Overseas Business

China

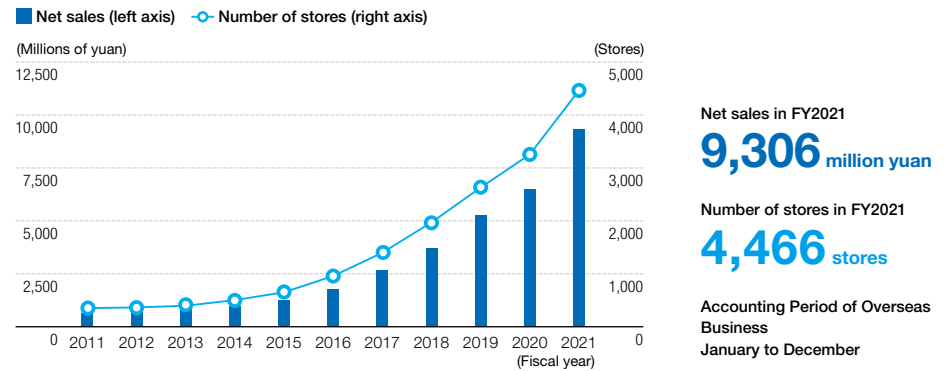
Our Expansion in China

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

Overview of Fiscal 2021

In fiscal 2021, despite the impact of the COVID-19 pandemic, including sporadic behavioral restrictions primarily in the second half of the year, the number of stores increased by 1,210 due to the development of various measures, such as enhanced delivery services and live commerce. As a result, there was a year-on-year increase in both sales and operating income. Also, in a consumer survey in the second half of 2021, there was an overwhelming increase in brand power, including becoming the “No. 1 CVS that people want to use” in each region where Lawson is present. In addition, initiatives have been promoted in connection to post-COVID market needs and SDGs, including opening modern new stores in July 2021 along with Matsushita Electric (China) Co., Ltd. that feature digital signage for displaying information about the latest energy-saving and low-CO₂ facilities and products/advertisements, as well as the provision of books for children in poverty in various regions.

Expansion in China



Strategies under Challenge 2025

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

Store Distribution in China

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

As of end of May 2022

Companywide

Transforming work motivation Work motivation reform project

Overview of Fiscal 2021

The objective of the Work motivation reform project 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 while the Group's diverse human resources have a sense of trust and solidarity with people they work with. It is being carried out by inviting employees from all over the country to participate voluntarily, with each employee formulating specific plans aimed at revitalizing communication and improving work efficiency.

In fiscal 2021, we partially changed the Individual Performance Evaluation system to create a system that encourages autonomous improvements and acceptance of challenges. We implemented measures that contribute to improving work satisfaction, such as implementing projects selected through the 100 Million Yen Challenge, an in-house system that solicits ideas for new challenges to be taken on within a budget set at 100 million yen. We also created opportunities to foster awareness of diversity and coexistence by holding the Lawson Lively Salon (cross-departmental exchange meeting), an online salon for exchanging questions and opinions that is organized across departments, positions, and age ranges.

Strategies under Challenge 2025

In fiscal 2022, we aim to continue fostering and improving employee job satisfaction through the genuine implementation of Lawson's Way in its true sense so that we can grow and expand Lawson Group. We will promote the development of a comfortable and diverse labor environment that serves as the foundation for job satisfaction. We are developing a variety of measures aimed at linking a greater sense of job satisfaction to the growth and achievements of our employees. In this way we can move forward to realize our Group philosophy, "Creating Happiness and Harmony in Our Communities."

Transforming work motivation Group branding project

Overview of Fiscal 2021

The Group branding project is aimed at contributing through our brand to achievement of the 2025 goal of being the No. 1 recommendation by all customers. As a first initiative, we set out to define the strengths of Lawson Group in order to build a strong brand that would differentiate us from our competitors. We conducted consumer surveys and employee workshops, and defined the value of the Lawson Group's existence as a "challenger that aspires to be useful to everyone." In everyday life, as in times of emergency, our Group philosophy is "Creating Happiness and Harmony in Our Communities," and this expresses the desire of Lawson Group employees, who act to realize that philosophy. In FY2021, with the aim of increasing loyalty and sharing the awareness of being a "challenger that aspires to be useful to everyone," we launched an intergroup information-sharing website, provided video livestreaming, conducted training, and held social events.



Branded book and neck lanyard, designed to raise shared awareness among Group employees

Strategies under Challenge 2025

In fiscal 2022, we will continue to foster a sense of unity as a group and develop initiatives to increase employee motivation and a common awareness, with the aim of realizing our group philosophy. In coordination with marketing promotions, we also aim to build our brand by communicating with customers about the ongoing challenges that Lawson Group is undertaking for society and the community.



Companywide

Diversity and human resource development

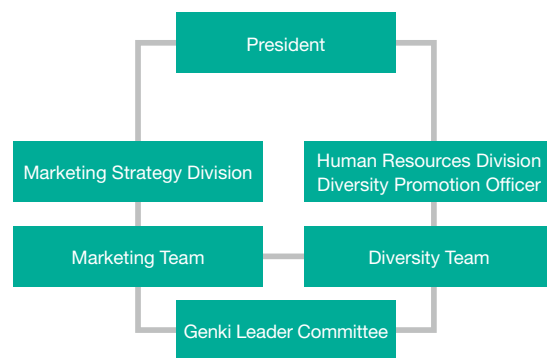
Promotion of diversity and realization of a work/life balance

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 prepared opportunities 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

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.

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.

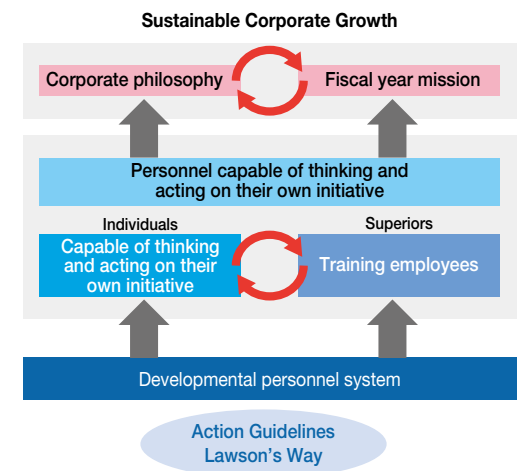
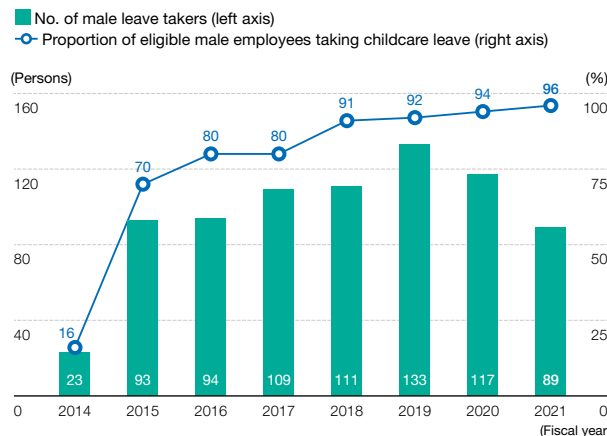
In 2014, Lawson introduced the short-term childcare leave system, in hopes of inspiring active male participation in child-rearing and housework leading to efficient, highly productive work styles among both men and women.

To promote active roles for diverse human resources, we established a remote work system and introduced an active full-time senior employee system, raising our employee retirement age to 65. These measures will help transform Lawson into a company whose employees can continue working with satisfaction.

Human resource development

Guided by our Group philosophy, we operate a developmental personnel system and are training personnel with the aim of encouraging every employee to think and act on their own initiative using 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.

Proportion of eligible male employees taking childcare leave



Companywide

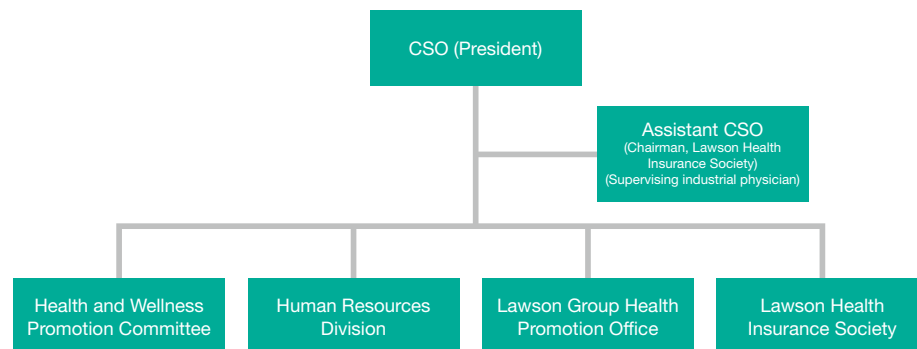
Working environment and health and productivity management

Working environment

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 Company-wide to raise awareness concerning driving safety among store supervisors and others whose jobs involve driving. When a serious work-related accident occurs, we investigate and analyze the cause and share our findings internally with the aim of preventing recurrence. Also, in the area of work environment improvement, we focus on employee care such mental health monitoring activities as presentation of improvement points and stress check results for the various departments.

Health and Productivity Management Promotion System



Health and productivity management

As a company that contributes to customers' overall health, Lawson places paramount importance on the health of its 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 Health and Wellness 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 group-wide health promotion measures in cooperation with the Lawson Group Health Promotion Office, 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 41) include a subsidy plan for medical examinations and operation of a health support desk. For the sixth consecutive year, the Company was selected as one of the “Health and Productivity Management Outstanding Organizations 2022 (large-scale corporate sector),” 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

Together with our customers, 30th Anniversary of donation activities

In September 2022, Lawson will celebrate the 30th anniversary of its placement of donation boxes in its stores, the first convenience store company to do so.

With the warm support and cooperation of everyone, we have received a total of approximately 10.8 billion yen since September 1992 (as of the end of February 2022) through in-store donation boxes, Loppi donation via multimedia terminals in stores, and donations using Ponta points and d-points.



Donation box next to a store register

Lawson Group conducts social contribution activities to realize the concept of “aiming to create a better future for children.” As part of these, we have established Lawson Group’s “Happiness in Communities” Fundraising, which supports donations and activities for three organizations. We also pursue activities such as measures to prevent COVID-19 infections and acceptance of donations for support in emergencies such as earthquakes and torrential rains when needed.

The Lawson Group’s “Happiness in Communities” Fundraising donation point

- Lawson Green Fund (Organization receiving donations: The National Land Afforestation Promotion Organization)
- 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)
- “Dream Classes” Fund (Organization receiving donations: Japan Football Association)

Please visit the following web page for details. <https://www.lawson.jp/en/csr/fund/>



Katsuju Festival - Forest Classroom for Children and Parents (Mothers), an environmental education program using the Lawson Green Fund

Creating imaginative opportunities for children to visualize work

In cooperation with local governments, we are continuing our initiative to collaborate with high school students in developing products using local ingredients. In January 2022, Lawson received the Judging Committee’s Encouragement Award from the Ministry of Education, Culture, Sports, Science and Technology in its 2021 Awards for Companies Promoting Hands-on Youth Activities, in particular recognition of our efforts^{*1} in the Tohoku region. As one way to help create an environment in which children can grow up healthy, we have set up a LAWSON Experience Store in Sendai City’s Student City^{*2}. The program is designed to enable elementary school students to learn about their relationship with society, how the economy works, what money is, what work is, etc., and to develop social independence through experience. Furthermore, since fiscal 2017, we have been cooperating with Corporate Intern Work^{*3}, a program in which junior high and high school students work as corporate interns to solve problems through classes. In fiscal 2021, we helped the program provide learning experiences for approximately 1,100 junior high and high school students at 27 schools.



Products developed jointly with students of Akita Prefectural Kanaashi Agricultural High School



Judging Committee’s Encouragement Award certificate



Student City

*1 In 2020, joint development of products with students in the Tohoku region was conducted six times

*2 A registered trademark of Junior Achievement Japan (the Japanese headquarters of Junior Achievement, the world’s largest economic education organization)

*3 Managed by Twice Research Institute Co., Ltd.

Video produced under the theme of “making children smile”

With opportunities for extracurricular activities and work experience decreasing due to the COVID-19 pandemic, three videos were produced with the hope of bringing smiles to children’s faces. We designed the program to encourage students to have fun at a familiar convenience store near their school or home, such as by learning about the SDGs through examples of our main products: onigiri rice balls, Kara-age-kun, and MACHI café.



Please visit the following web page for details (Japanese only). https://www.lawson.co.jp/company/activity/topics/detail_jin/1449212_9112.html

Companywide

Health initiatives

Initiatives on healthful foods

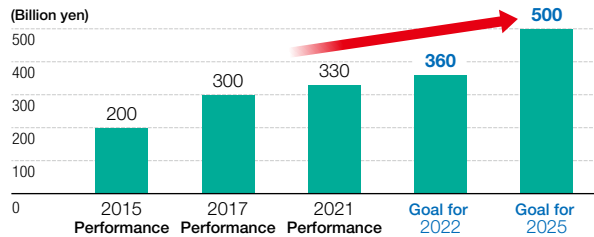
The Lawson Group is developing a range of initiatives in response to increasing health awareness among customers. In 2001 we launched NATURAL LAWSON, which has served as a laboratory for developing health-conscious products that have been sold at LAWSON stores nationwide.

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. We worked to expand them even further in fiscal 2021 through such measures as the launch of sugar-conscious products in staple foods categories including rice and noodles. Lawson offers approximately 3,000 healthful products (including national brand products) in a wide range of categories, from dietary staples and famous KARAAGE-KUN Fried Chicken* to confections and drinks. Our target for healthful

product sales is to reach 500 billion yen in 2025, and roughly 30% of total SKU count.

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

Healthful product sales trends



Product development targeting deliciousness and health

In product development, we set 10 health themes based on our own standards, and are creating products that allow for the intake of essential nutrients such as vegetables and protein, while controlling sugar and salt content. Since the spread of COVID-19 infections, customers' awareness of health and food has changed, and there is a growing demand not only to cut calories and sugar for dieting, but also to actively consume protein and dietary fiber to maintain health.

Our aim from fiscal 2022 is to offer "tastier food"

under the theme of "stay healthy while eating what you like." We are therefore strengthening three themes subject to particularly strong customer demand: the desire to consume fiber, the desire to control sugar intake, and the desire to consume protein. In addition, the packaging of healthful products, which has differed by category, is being updated in phases starting from April 2022, with protein, dietary fiber, sugar content, etc. listed on the front of the package, and the designs unified to make them easier to understand.

LAWSON Farm

In order to ensure a stable supply of farm produce to Lawson Group stores, we have established LAWSON Farm, a corporation eligible for farmland ownership with member farms, at 17 locations nationwide (as of May 2022). LAWSON Farm employs 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.



Please visit the following web page for details (Japanese only).
<https://www.lawson.co.jp/company/activity/social/community/collaboration/#farm>

Reinforcement of 3 themes

Stay healthy while eating what you like.

<p>More fiber</p> <p>Products that show crucial dietary fiber content at a glance</p>	<p>Low carbs</p> <p>Use of bran (grain husks) to control carbohydrate intake</p>	<p>Protein fortification</p> <p>Tasty, easy-to-get protein in products</p>
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History of initiatives for healthful food

From 2012		From 2015	From 2018	From 2020	From 2021		From 2022
Low-carb	Dietary fiber	Vegetables	Vegetables	Low salt	Low-carb	Oil	Protein & dietary fiber
Bran bread	Onigiri rice balls with sticky barley	Smoothie series ¹	Motto! Yasai ("more vegetables") series	Curry featuring the umami of salt-conscious ingredients	Expand to dietary staples	Products made with medium chain triglyceride (MCT) oil ²	Meeting multiple needs

¹ Packaging changed in FY2022.

² Medium chain fatty acids are found in coconut and other palm plants. These oils are characterized by fatty acid chains about half the length of those in common vegetable oils, which facilitates digestion and absorption, making them more readily converted into energy after eating.

Domestic Convenience Store Business

Health initiatives

NATURAL LAWSON



NATURAL LAWSON, which operates 134 stores nationwide (as of the end of May 2022) as a nearby store supporting “beautiful, healthy and comfortable lifestyles,” has been focusing on “supporting health and beauty,” “seasonality,” and “safety and reliability.” In doing so, it 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. In addition, as part of our initiatives to reduce the amount of plastic used, we have launched sales by weight of detergent, hand soap, shampoo, and other products, as well as dried fruits and nuts in some stores.



Grilled chicken with miso and malt



Salad bowl with MCT-oil dressing



Fixtures for sales by weight

Note: Products shown are examples. Sales may be discontinued.

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

In order to meet the needs of a super-aging society, Care-focused LAWSON stores offer consultations by counselors such as care managers at permanent nursing care consultation desks and products that support seniors and their families. At community salons, which serve as regional bases for communities and allow multi-generational interaction, we hold events in collaboration with local governments and private companies on themes such as health promotion and preventive care, providing local residents with healthy places to visit, where they can stop by casually.



Nursing care consultation desk

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 57 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.



Handling of over-the-counter (OTC) drugs with Uber Eats

*As of the end of May 2022

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 April, 2022)

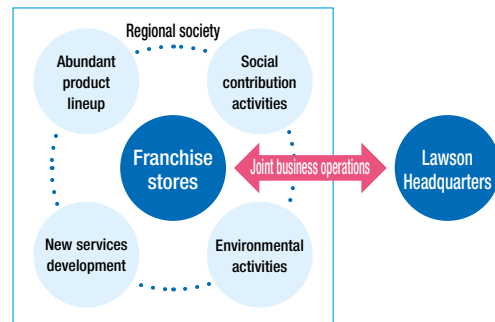
Domestic Convenience Store Business

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, while aiming for stores to serve as "hubs of refreshment in every community" which are essential for customers and their local areas, are crucial to realize 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. In the midst of the COVID-19 pandemic, we are supporting efforts to increase franchise store profits by assisting with product assortments and other measures to improve sales.

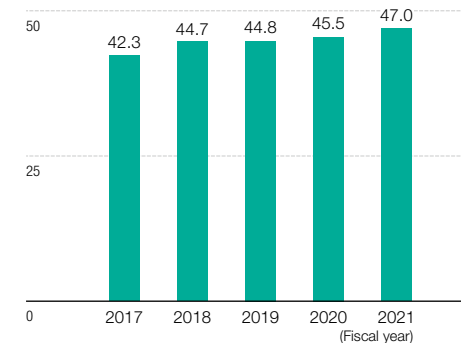


Recommending and supporting multiple store operations

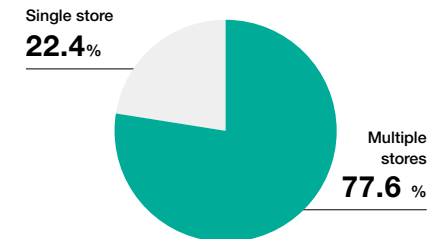
Lawson recommends, moreover, that its franchise owners operate more than one store. This enables them to spread the risk posed by the emergence of new competing stores, so that they can maintain stable management while expanding their business more easily than when operating a single store. A key aspect 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 training (OJT) to develop the skills of store managers at franchise stores. As of the end of February 2022, the multiple store ratio stood at 77.6%, while the multiple store ownership ratio was 47.0%.

Multiple store ownership ratio

(As of the end of February 2022)
Excluding LAWSON STORE 100
(%)



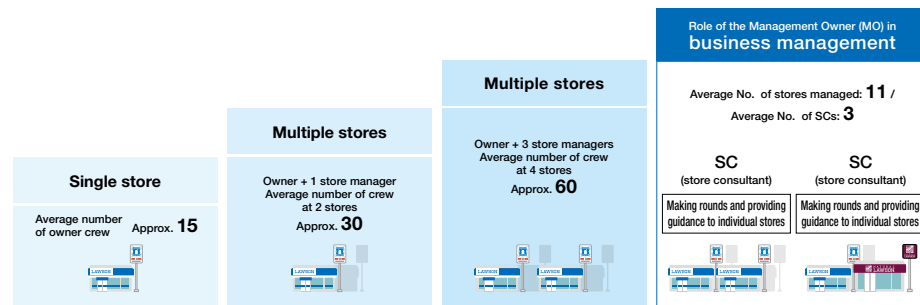
Multiple store ratio



Management Owner (MO) system

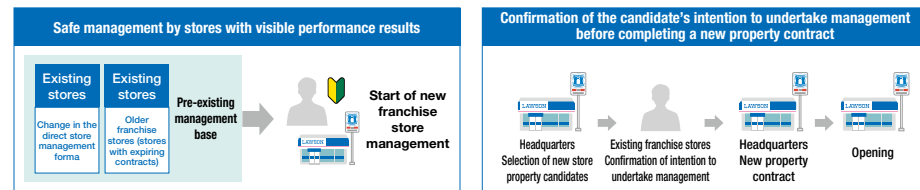
Lawson has established the Management Owner (MO) system to support franchise owners who open additional stores based on a reinforced partnership with the Company. The MO system is making a substantial contribution to the progress of LAWSON chain as a whole, not only by enhancing the brand image of LAWSON 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 the end of February 2022, there were approximately 200 MOs operating stores in various regions of Japan.

Multiple store ownership and the Management Owner (MO) system



Considerations when entering a franchise contract

In matching new aspiring franchisees with franchise contracts, we generally take care to present them with existing properties including current sales and profitability status so that they can feel reassured in concluding franchise contracts and getting involved in store operations. Meanwhile, upon confirming their intention to undertake management, we proceed with contract signing and opening of the new property. Furthermore, from fiscal 2020 we created a new 5-year contract package as an option for those who feel less confident about signing up for the existing 10-year franchise contract.



Communication to build strong partnerships with franchise stores

Lawson has established a number of opportunities 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.



Lawson Seminars

Lawson Seminars (convened twice annually for all franchise stores)

The President and other members of Headquarters 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. A meeting hosted by Headquarters for exchange of opinions is held on the same day, attended by the President and Headquarters management, to provide a venue for joint consideration of 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.

Since fiscal 2020, these communication venues have been changed to an online system in efforts to prevent COVID-19 infections, among other measures.

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

Support amid worker shortages with digital innovation

LAWSON has introduced various systems to improve the efficiency of store operations in order to address the recent labor shortage problem. This reduces the burden on stores and helps them become more efficient.

Automatic change-dispensing POS registers

Adopted at all stores in fiscal 2018. Non-Japanese and seniors can easily operate the system, greatly reducing the workload of cashiers, who no longer have to confirm the money received or make change. Since cash cannot be taken in or out, this has led to a reduction in robberies.



Time required to complete transactions and inspect cash registers

1.5 person hour saved!

Semi-automatic ordering / planned orders

In semi-automatic ordering, AI automatically calculates the optimal product assortment for each store and the number of orders for each product based on individual store data, and in planned ordering, replenishment orders are automatically placed when product inventory falls below a certain level. Daily ordering operations can be performed quickly and accurately, while at the same time reducing waste and sales opportunity losses.

Time required for ordering

2.0 person hours saved!

Tablets

Adopted at all stores in 2017. Even inexperienced store crews can work smoothly by sharing work schedules that visually present the “When?” “Who?” “What?” and “How?” of customer service, merchandise display, cleaning, and other tasks. Recommendations for counter food assortments and the item production numbers are also displayed based on store data.



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”

Provided by our affiliate company Lawson Staff Co., Ltd. for LAWSON stores throughout Japan, this service was introduced in April 2021. 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 put to highly effective use by 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 novice store crew members



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 held Human Resource Development Courses for franchise store owners, store managers and crew leaders who need to train crew members. We also take care to provide easy-to-understand visual training videos and training tools for non-Japanese crew members, including explanations of Japanese culture, to ensure that store crew members can feel at ease and enjoy working at the same store for a long time.


Lawson Owner Welfare Association

For a monthly membership fee of 1,000 yen per store, this organization provides franchise stores with menus of benefits that embody the three core 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 members.

Initiatives for respect for human rights

Lawson Group Human Rights Policy & Promotion System

In June 2021, we established Lawson Group Human Rights Policy as our top-level basic policy on human rights to promote SDGs and ESG-based management. To advance this policy, each department, under the supervision of the CRO, takes initiative to promote respect for human rights in their respective activities. The progress of initiatives in each department is regularly reviewed by the Compliance & Risk Management Committee, chaired by the CRO.

 Full text of the Lawson Group Human Rights Policy
https://www.lawson.jp/en/csr/human_rights/

Human rights due diligence

Lawson conducts human rights due diligence to identify and remedy any negative human rights impacts that might arise from its business activities. If Lawson is found to have caused or been involved in any negative impact on human rights, we will work to remedy the situation. In addition, the results of human rights due diligence will be regularly evaluated and, if inadequate, corrected.

Human rights education and awareness-raising

LAWSON provides education and promotes awareness so that all people involved in its business activities understand the importance of respect for human rights and promote efforts to respect human rights.

Consultation service for human rights issues

A consultation service contact point for Lawson employees has been established and is in operation, providing consultation and receiving internal reports regarding compliance and risk management issues, including human rights violations.

Stakeholder relations

Initiatives with suppliers

In order to gain the support of our business partners for the various policies of Lawson Group, we send them written information informing them of our policies. We also request their cooperation with surveys to check on the status of their sustainability efforts.

Numbers of group policy guidelines and survey requests

	Product Division	Construction Division	Management Division, etc.
Group policy guideline documents sent	662 companies	228 companies	232 companies
Questionnaire survey requests	466 companies	253 companies	140 companies

Consultation services for each stakeholder

We have established and are operating various contact points to receive and handle consultations and reports on a wide range of human rights issues. These include the Supplier Hotline for suppliers, the Crew Hotline for store crews, and the Owner Hotline for franchise store owners.

Stakeholder engagement

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

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

Companywide

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

In order to meet our customers' demands for high-quality products and services made in an appropriate environment, and in accordance with the Lawson Group Transaction and Procurement Policy, we cooperate with our suppliers and other stakeholders to improve the lives of those involved in the production and processing of raw materials. At the same time, we take natural resources and the global environment into consideration as we aim to realize a sustainable supply chain.

Respecting human rights and the natural environment by using coffee beans from Rainforest Alliance Certified farms

For our MACHI café in-store freshly brewed coffee service, we use only coffee beans from Rainforest Alliance Certified farms*. 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 plantation. For example, 200 honeybee hives have been set up to promote pollination of

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We provide a comfortable working environment for workers



Specially-designed cups drawn by artists with disabilities

For more information: ra.org

various native plants and increase biodiversity.

In addition, the cups used to serve coffee were, for a specified period, designed by artists with disabilities. This initiative is the culmination of an idea selected from Lawson's internal open competition project.

*Not applicable to the single origin or decaffeinated series.

Caring for forests by handling forest-certified products

FSC® certification and PEFC certification implement mechanisms by which forests can be utilized while solving problems that threaten them, such as deforestation and illegal logging.

Lawson endorses these forest certifications and is developing and marketing paper products and paper containers and packaging made from certified lumber.

We use FSC®-certified and PEFC-certified products, which are made from wood produced from properly managed forests, recycled resources, and other raw materials from controlled sources, for our original paper cups and beverage cartons.

We will continue our efforts to handle products and procure raw materials that are sustainable and socially and environmentally friendly.

Primary products with forest certification



Environmentally friendly paper cups



Lawson has signed the United Nations Global Compact and will contribute to the development of a sustainable society by supporting and practicing the ten principles in four areas consisting of human rights, labour, environment and anti-corruption.

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



Companywide

Goal for 2030 (KPI) Reduce by **30%** v.2017 levels

Goal for 2030 (KPI) Food loss per store Reduction by **50%** from 2018 level

Efforts to reduce the amount of plastic usage

Experimental inter-industry reuse of coffee cups

Beginning in April 2022, we participated in an experiment to provide cups that can be reused repeatedly at MACHI café, an in-store freshly brewed coffee service, at some LAWSON and NATURAL LAWSON stores in Tokyo.

The system provides reusable cups at participating stores to those who wish to use them, and the cups can be returned at any participating store.



Service conceptual image

Adoption of plastic spoons and forks with slotted handles, wooden spoon option

From April 2022, we began phasing in spoons and forks with slots opened in the handles and shorter lengths to reduce the amount of plastic used. This is expected to reduce annual plastic use by approximately 67 tons. Wooden spoons are also being used on a trial basis in some areas so that stores may have that option available in the future.



Original PET bottled beverage labels reduced to half-size

A total of six original PET bottled beverage products have been switched to half labels, reducing the amount of plastic used for labels by approximately 50%. This is expected to reduce the amount of plastic usage by approximately 100 tons per year.



Reduced food loss

Use of AI to optimize product order quantities

In order to ensure that the stores have the products that customers want and to prevent wasteful disposal, a semi-automatic ordering system has been introduced, which uses AI to ensure that the optimal number of products is ordered.

In addition, discount stickers are utilized to offer sales discounts on ready-made food products with short expiration dates, fast food prepared in the store, and products from the Machikado Chubo kitchen.

Donating the surplus stock of original products on a regular basis

Since August 2019, we have been regularly donating original confectionery and processed foods that are past their dates for delivery to our stores, as well as Christmas cakes, osechi traditional New Year's holiday dishes, daily necessities, and various other types of products. In fiscal 2021, we provided a total of approximately 2.4 million products to households in need, children's cafeterias, orphanages, and other facilities.

Main donation recipients

Food Bank Japan Promotion Group, Kodomo-Takushoku Ouen Dan, Shinagawa ward (Shiawase Shokutaku Jigyo), Kyoto Prefecture (Kyoto Food Center), WeSupport Family, Save the Children, etc.



Kodomo-Takushoku (home meal delivery for children)

We are also experimenting with new support measures such as online distribution of free vouchers for Kodomo-Takushoku users that can be redeemed for boxed meals picked up at the store.

In fiscal 2022, we will expand the scope of our support to include Ukrainian evacuees, and we are also promoting efforts to link food loss reduction to the resolution of other social issues.

Companywide

CO₂ emissions reduction

Goal for 2030 (KPI)	CO ₂ emissions per store Reduction by 50% from 2013 level
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CO₂ emissions reduction

Lawson has set itself the goal of reducing CO₂ emissions per store by 50% compared to 2013 levels by 2030. To achieve this target, we are working to reduce electricity consumption in store facilities, with initiatives such as introducing energy-saving refrigeration systems and solar power generation equipment, and promoting the “Ten Energy-saving Rules” in stores.

Introduction of CO₂ refrigeration systems

Lawson started installing highly energy-efficient non-chlorofluorocarbonic (CO₂ refrigerant) freezing and refrigerating systems in 2010. Approximately 4,700 stores have installed the systems (as of the end of March 2022). 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.

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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.

1. Clean refrigerator and air conditioner filters once a week
2. Keep air conditioner temperature settings at 27°C in summer, 18°C in winter, and OFF in spring and autumn
3. Minimize the time for which doors to walk-in and storage freezers and refrigerators are opened while moving products in and out
4. Keep the area around outdoor units of refrigerators and air conditioners neat and tidy
5. Restock summer products that are frozen in-store from stocks that have been refrigerated
6. Restock hot drinks with products that have been stored at room temperature
7. Do not overfill storage freezers and refrigerators
8. Turn off lighting and air conditioning in back rooms and storage areas when no one is present
9. Arrange products so that they do not disturb the air curtain on open cases
10. Minimize the number of times storage freezers and refrigerators are opened

Submitted a letter of commitment to obtain science-based targets (SBT) certification

To accelerate our efforts to combat climate change, we submitted a commitment letter in June 2022 to obtain SBT certification, which certifies that LAWSON Group’s greenhouse gas reduction targets are consistent with the Paris Agreement.

We will continue to take on the challenge of achieving higher goals to realize a decarbonized society. We will also seek to reduce climate change risks and seize opportunities in our business activities.

Companywide

CO₂ emissions reduction

Goal for 2030 (KPI)	CO ₂ emissions per store Reduction by 50% from 2013 level
---------------------	--

Supplying renewable energy through one of Japan's top domestic off-site power purchase agreements (PPAs)* to approximately 3,600 LAWSON stores

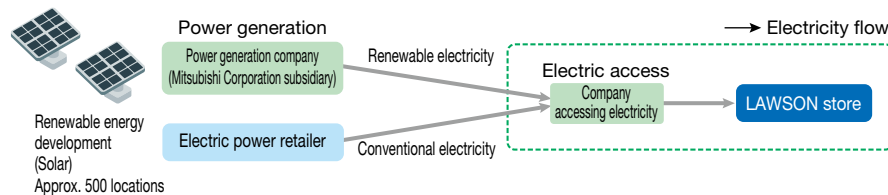
We reached an agreement with Mitsubishi Corporation to study collaboration on supplying renewable energy to LAWSON stores in order to realize a decarbonized society and to ensure a blue and abundant global environment for the future. The plan calls for supplying renewable energy from Mitsubishi's new solar power generation facilities to approximately 3,600 LAWSON stores (including some in the Kanto Koshin region, as well as Gifu, Shizuoka, Aichi, and Mie prefectures).

Having begun installing solar power generation equipment in 2012, we have completed installation in approximately 2,000 of our stores. To further promote the use of renewable energy, we will gradually introduce off-site PPAs, in which renewable energy generated by solar power plants off store premises will be sent to our stores, starting in fiscal 2022.

The scale of the solar power generation facilities is expected to be approximately 45 MW, which is equivalent to the electricity consumption of approximately 9,000 ordinary households. According to calculations, the equivalent of a 19,000t reduction in CO₂ emissions can be expected.

* In a power purchase agreement (PPA), a renewable energy power plant is constructed in a remote location and the renewable electric energy from the plant is supplied via the power transmission and distribution network over an extended period.

Off-site PPA system (conceptual image)



CO₂ emissions generated by our supply chain for fiscal 2021*

CO₂ emissions in total **Approx. 5,462.3 thousand tons**

Method of calculating greenhouse gas emissions in the supply chain
Calculated from the Database of Emissions per Base Unit Ver.3.2, for calculating greenhouse gas emissions of organizations through the supply chain.

Scope/category	Emissions covered	Emissions (kt-CO ₂)
Scope 1 (Direct emissions)	Gasoline consumption of company vehicles	4.2
Scope 2 (Indirect emissions)	Electricity consumption of the Headquarters, regional offices, branches, and stores	1,027.5
Scope 3 (Other indirect emissions)	Category 1 Raw materials purchased (Private and national brand products, plastic shopping bags, etc.)	4,010.5
	Category 2 Buildings, furniture and fixtures etc., and information system hardware	88.2
	Category 3 Electricity consumption associated with procurement of electric power	146.9
	Category 4 Energy consumption of the delivery centers	139.2
	Category 5 In-store waste, and industrial waste due to store closures and remodeling	20.9
	Category 6 Business trips of Lawson Headquarters' employees	0.8
	Category 7 Commuting by Lawson Headquarters employees	1.5
Category 12 Disposal of containers, chopsticks, and plastic shopping bags	22.7	
Total		5,462.3

* Does not cover all of Lawson's supply chain.
Scope 2 includes electricity consumption by stores from 2020.

Reducing CO₂ emissions from delivery trucks

We aim to improve the efficiency of our nationwide logistics network and reduce our environmental impact. Since 2020, we have been working to improve the efficiency of our timetables by using AI to create delivery schedules automatically. In addition to this, we are also working to reduce CO₂ emissions by experimenting with and verifying new technologies, such as fuel cell trucks and electric trucks.



Member of the Board



Sadanobu Takemasu



Masayuki Itonaga



Miki Iwamura Independent officer



Satoko Suzuki Independent officer



Kiyotaka Kikuchi



● Profile

- 1** Years as a Member of the Board: 8
President and CEO, Representative Director, Chairman of the Board, and CSO
Born in 1969, 52 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
- 2** Years as a Member of the Board: 0
Executive Vice President, Member of the Board, and CFO
Born in 1967, 55 years old. Through his duties at Mitsubishi Corporation and secondment at overseas companies, for example, Mr. Itonaga has gained extensive knowledge across all areas of management with a focus on financial affairs and accounting. He has also gained a deep knowledge of all areas of corporate management from serving as the Representative Director and President of Mitsubishi Corporation Financial and Management Services (Japan) Ltd., a subsidiary of Mitsubishi Corporation.

- 3** Years as a Member of the Board: 4
Member of the Board (outside)
The Lead Independent Director
Born in 1965, 56 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.
- 4** Years as a Member of the Board: 2
Member of the Board (outside)
Born in 1977, 44 years old. Ms. Suzuki has served as a member of public and private committees related to "hospitality management" and "globalization of the service industry." She has published many papers, presented at academic conferences and received awards. In addition, she has a wealth of academic knowledge on consumer behavior, marketing and brand management.
- 5** Years as a Member of the Board: 1
Members of the Board
Born in 1966, 55 years old. Mr. Kikuchi has deep 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



Syuichi Imagawa



Jun Miyazaki



Eiko Tsujiyama Independent officer



Yuko Gomi Independent officer



Keiko Yoshida Independent officer



● Profile

- 1** Years as Corporate Auditor: 2
Standing Corporate Auditor
Born in 1958, 63 years old. Mr. Imagawa has expertise in compliance and risk management, as well as convenience store operations and the franchise business based on experience acquired as manager in charge of the Store Operation Division, Product and Logistics Division, branch manager, vice president of CVS Operations Company in Japan, and CR and Human Resources Executive Officer.
- 2** Years as Corporate Auditor: 1
Standing Corporate Auditor
Born in 1955, 66 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.

- 3** Years as Corporate Auditor: 11
Corporate Auditor (outside)
Born in 1947, 74 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.
- 4** Years as Corporate Auditor: 3
Corporate Auditor (outside)
Born in 1972, 50 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.
- 5** Years as Corporate Auditor: 2
Corporate Auditor (outside)
Born in 1954, 68 years old. As a certified public accountant, Ms. Yoshida is a representative of an accounting firm and has a deep knowledge of tax affairs, accounting and management.

Senior Vice Presidents as of May 25, 2022

Senior Executive Managing Officer Executive Managing Officer Executive Managing Officer	Masakatsu Gonai Yuichi Wada Motonobu Miyake	Executive Managing Officer Executive Vice President Executive Vice President	Hitoshi Fujii Akihito Watanabe Tatsushi Sato	Executive Vice President Executive Vice President Executive Vice President	Hiroyuki Karasawa Tatsuya Murase Suguru Kawabata	Executive Vice President Senior Vice President Senior Vice President	Kazuhiro Wakui Yasuhiro Hirokane Satoshi Kumagai	Senior Vice President Senior Vice President Senior Vice President	Miwako Tate Takeji Hino Tomoki Takanishi	Senior Vice President Senior Vice President Senior Vice President	Katsuki Sakai Gyo Katsuta Noboru Kakiuchi	Senior Vice President Senior Vice President (Excluding Board members' additional posts)	Hiroyuki Oki Hiroko Otani
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Members of the Board and Corporate Auditors (as of May 25, 2022)

Name	Position	Outside Officers	Independent officer	Nomination and Compensation Advisory Committee <small>*The double circle, ⊙, indicates the chairperson.</small>	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, Chairman of the Board				8	CSO	●			●	●	●	●
Masayuki Itonaga	Executive Vice President, Member of the Board				0	CFO	●	●				●	
Miki Iwamura	Member of the Board The Lead Independent Director	○	○	○	4	Google Japan LLC Vice President, Asia-Pacific, Japan (Marketing)	●			●	●	●	
Satoko Suzuki	Member of the Board	○	○	○	2	Associate Professor, Hitotsubashi University Business School, School of International Corporate Strategy				●		●	●
Kiyotaka Kikuchi	Member of the Board			○	1	Executive Vice President, Group CEO, Consumer Industry Group (Concurrently) Division COO, Retail Div., Mitsubishi Corporation	●		●			●	●
Corporate Auditor													
Shuichi Imagawa	Standing Corporate Auditor				2	—			●	●			●
Jun Miyazaki	Standing Corporate Auditor				1	—			●	●			●
Eiko Tsujiyama	Corporate Auditor	○	○	⊙	11	Professor Emeritus and Auditor, Waseda University		●					
Yuko Gomi	Corporate Auditor	○	○	○	3	Lawyer (Partner), T. Kunihiro & Co. Attorneys-at-Law			●				
Keiko Yoshida	Corporate Auditor	○	○	○	2	Representative, C.P.A., Shiba Accounting Service Office		●					

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 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. Recognizing that the succession plan for the CEO and President is an important managerial issue, in order to raise the level of procedural objectivity, timeliness and transparency, discussions shall be held by the Nomination and Compensation Advisory Committee, which is a consultative body to

the Board of Directors composed solely of part-time officers (five out of a total of six of whom are independent officers), and the Representative Director and President shall present to this Committee the qualities and attributes required of the CEO of the Company and the method of nominating the successor, and shall gain its approval.

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:
<https://www.lawson.jp/en/csr/governance/>

Corporate Governance Code

- Five general principles**
1. Securing 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

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	2022		
Members of the Board (persons)	18	20	8		9						7				9 ^{*1}			8				7	5		
Outside members of the Board (persons)		2	3		5						3			4		5				3 ^{*2}			2		
Of which independent officers (persons)											1		2					3					2		
Female members of the Board (persons)						1							2					3					2		
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, five 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 five of six positions as Committee members, thus creating a system where opinions can be expressed

with a high degree of independence. Going forward, we will continue our efforts to ensure management transparency and independence, and to improve corporate value to meet the expectations of all our stakeholders.

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.

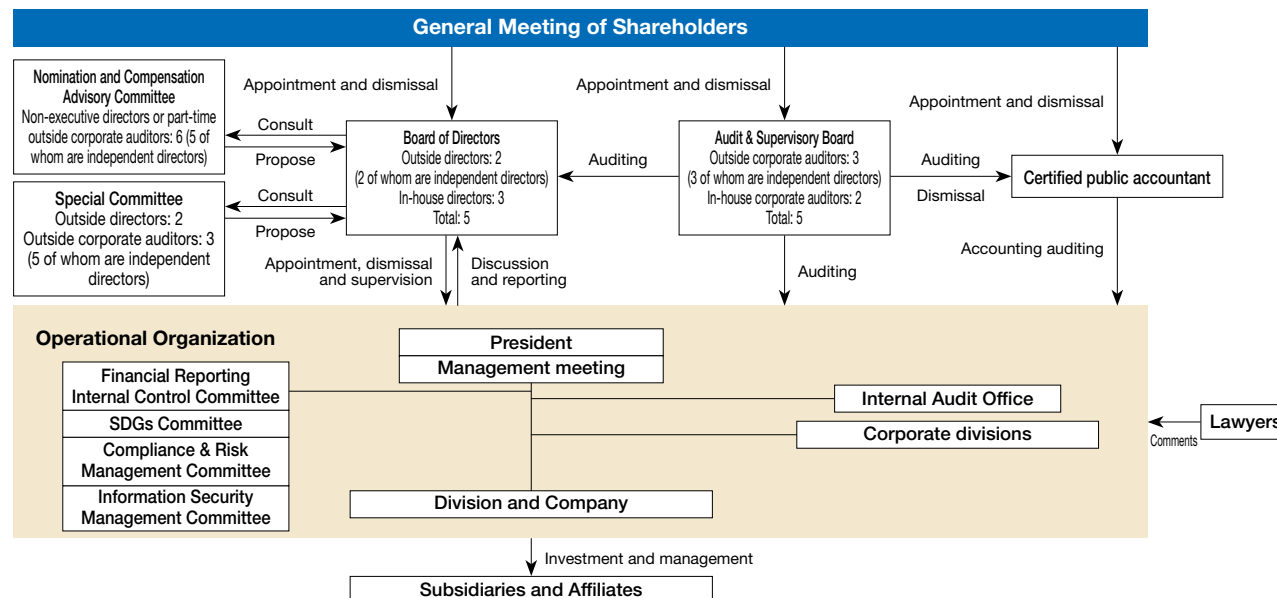
In addition, in the business alliance agreements concluded with Mitsubishi Corporation, it has agreed to conduct a business alliance that respects Lawson's independence and auton-

omy. We recognize that our independence is ensured 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 bring disadvantage to minority shareholders.

Also, a Special Committee may be established at any time to deliberate and review material transactions or actions that involve a conflict of interest between Mitsubishi Corporation and minority shareholders. The Committee, comprising five members including the head of the Committee who are independent outside directors and independent outside corporate auditors that are independent from the parent company, is a system for reviewing the necessity, rationality, validity and fairness of the material transactions or actions based on the high level of independence, and for reporting to the Board of Directors.

Corporate Governance System (As of May 26, 2022)



Operation status of the Board of Directors

The Company's Board of Directors is made up of five members of the Board, including three males and two females, two 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 15 times in fiscal 2021. 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 CEO (and met 15 times in fiscal 2021).

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 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 Lawson Group's Corporate Philosophy, "Creating Happiness and Harmony in Our Communities."
- Persons who can contribute to sustainable growth of 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.
- 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 Lawson Group or its business executors: A group of business partners that provides products or services to Lawson Group, where the amount of the group's transactions with Lawson Group in the previous business year exceeds 2% of the consolidated sales of the group.
- A major business partner of Lawson Group or its business executors: A group of business partners to which Lawson Group provides products or services, where the amount of Lawson Group's transactions with the group in the previous business year exceeds 2% of the consolidated sales (gross operating revenues) of Lawson Group.
- Consultants, accounting experts and legal experts who have received large sums of money and other assets other than executive compensation from Lawson Group: Consultants, accounting specialists such as CPAs and legal specialists

such as attorneys who receive money and assets other than executive compensation from Lawson Group, and whose remuneration from 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 Lawson Group.
- Close relatives of non-business executing members of the Board or accounting advisors of 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 President and CEO is a key management issue; 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 (five members out of the total six are independent officers), which determines the qualifications and attributes required as Lawson's chief executive officer 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 change and power to create 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. High ethical standards

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 accident 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 is set to hold 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. In order to more clearly reflect the contribution of Board members to improving shareholder value, variable compensation operates in tandem with indicators such as EPS (earnings per share) and SDG targets (CO₂ emissions reduction rate, etc.). Share based stock options—share price-linked compensation—are also incorporated as part of the remuneration to strengthen the linkage with returns to shareholders.

A + B = Board members' compensation

A Base compensation

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

Fixed compensation: An amount commensurate with the position determined based on internal rules
 Variable compensation: Using performance-linked compensation that combines performance evaluation for EPS (earnings per share) for each term and an evaluation of SDGs targets (CO₂ emissions reduction rate, etc.) (in order for Board member compensation to operate in line with shareholder profits)

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)

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 2021)

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

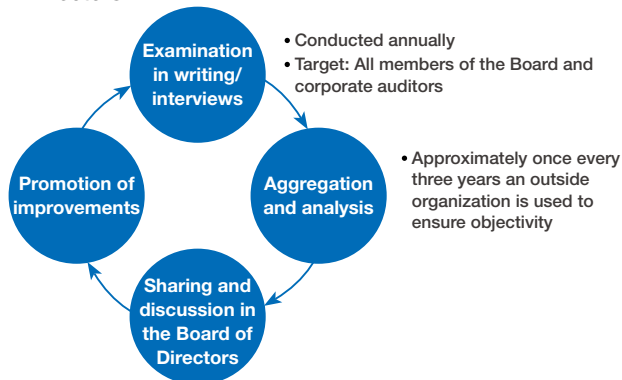
Category	Total compensation	Total by type of compensation			Number of eligible officers
		Fixed compensation	Variable compensation	Stock options	
Members of the Board	258	135	53	69	9
(of which outside members of the Board)	(35)	(30)	(—)	(5)	(3)
Corporate auditors	84	84	—	—	6
(of which outside corporate auditors)	(36)	(36)	(—)	(—)	(3)
Total	342	219	53	69	15

(Note) There were seven members of the Board and five corporate auditors as of the end of February 2022.

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 2021 were submitted by all members of the Board and corporate auditors, 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 Direc-

Self-assessment on the effectiveness of the Board of Directors




tors, as well as ensure that the opinions discussed are considered. We will use an external 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/csr/governance/>

Strengthening Group governance

Lawson and 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 subsidi-

ary'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 that 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 2022, we held two 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.



Expectations from strategic initiatives for sustainable growth

Satoko Suzuki
Member of the Board (outside)
Associate Professor, Hitotsubashi University Business School, School of International Corporate Strategy



Lawson's governance that ensures management independence and autonomy

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

Two years have passed since I was appointed as a Member of the Board (outside) at Lawson. During this time, while speaking with Officers and Executives, I have truly felt that Lawson is an ambitious organization that excels at communication.

The Board of Directors has a good balance between the ratios of each gender, with members that have specialist knowledge in a variety of fields, so that check functions operate from multiple perspectives. President Takemasu, who is the Chairman of the Board, takes a single direction after listening closely to everyone's opinions, which is why Lawson's governance works so well.

From the perspective of a Member of the Board (outside), I sometimes have to make critical observations, such as where Lawson is falling short and where it needs improvement. For example, I think that executives need to improve their capacity to think strategically about goals in the short term and in the mid-to-long term. Also, with regard to branding and marketing communications, which is my specialist field, I feel that we must make further enhancements toward marketing with a view to the post-COVID era.

For the sustainable growth of Lawson in the future, I believe there are three issues that must be tackled. The first is to quickly establish mainstay business founded on areas other than convenience stores. The second is to construct distinctive stores and services in a business area that is known for market saturation and homogeneity. The third is to embed systems and an organizational culture that is both independent and unified.

With regard to the third point, in particular, while enhancing community-based store management, it is necessary for local employees to work independently and to construct an organization that raises personnel of that kind. I expect a lot from this area because Lawson has many employees that are well-tuned to regional customers and partner businesses, and the warm corporate culture is geared toward community-based initiatives.

I was recently appointed as a Member of the Board, and I have been deriving the challenges for the Board of Directors and proposing improvements based on what I have been told when conducting one-on-one interviews with the Members of the Board. I believe that the Lawson Board of Directors has become more effective through the free and open exchange of opinions from individual perspectives based on the opinions and experiences of each member.

As listed companies, Mitsubishi Corporation and Lawson both esteem independence and autonomy. As a member of the parent company, and as a Member of the Board at Lawson, I have a strong awareness of the commission I have received from the shareholders. In discussions at the Board of Directors, we always have in mind the diverse perspectives of stakeholders and that the policies should provide job satisfaction to the owners of franchise stores and employees.

Lawson has stated the strategic concept of "community-based x individual customer and individual store-focused" An important point is how the owners of franchise stores and store managers can offer services suited to individual customers and how they can construct positive relationships. That is why Lawson is working on advanced product development and manufacturing functions that are suited to changing consumer needs and the enhancement of consumer-oriented functions that comprehensively combine real stores with digital features such as apps. I hope that Lawson will get even closer to regional needs in the future and take the lead in next-generation retail business.

Having expounded the integrated promotion of EX¹ and DX² in its medium-term management plan, Mitsubishi Corporation is creating a next-generation community that will contribute to regional stimulation founded on renewable energy. Lawson, which is rooted in the community and has close contact with customers, is part of the important social infrastructure, and the mutual connection between Lawson and Mitsubishi Corporation will be strengthened even more from now on.

*1 Energy transformation

*2 Digital transformation

Internal Control

Basic policy regarding the internal control system

The business of 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 2022 are described below:

■ Responding to risks of violations of human rights

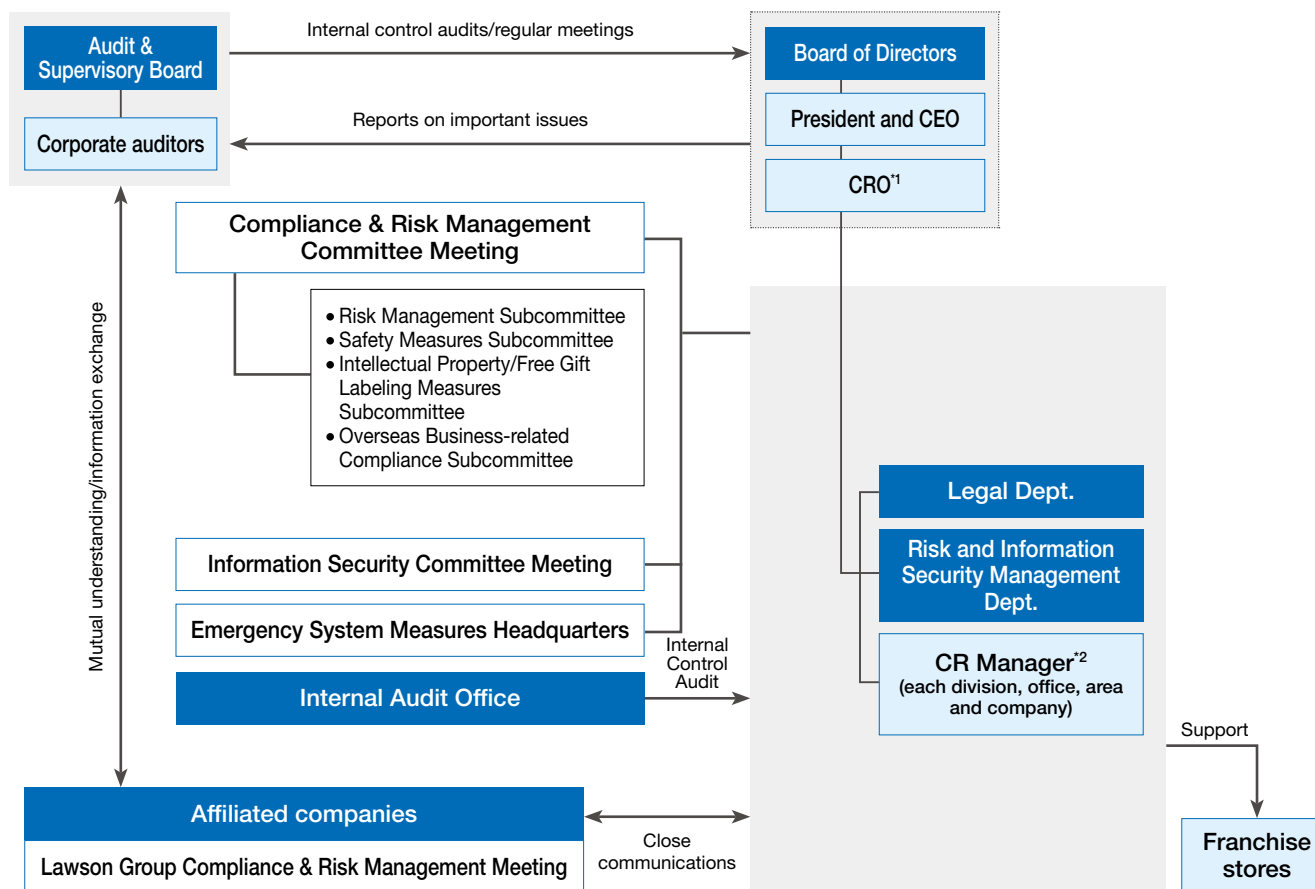
Based on social conditions regarding human rights, and in recognition of the fact that the risk of human rights violations is something to be taken seriously, Lawson has stated that the Consultation/Whistleblower Hotline shall cover matters relating to human rights, and has been promoting initiatives such as due diligence measures regarding human rights.

■ Responding to the revised Whistleblower Protection Act

In response to the revised Whistleblower Protection Act (enacted June 1, 2022) that obligated the provision of whistleblower systems and those engaged in whistleblowing, we have specified the operation of a

Consultation/Whistleblower Hotline that can be used safely by ensuring the privacy of matters that can identify the whistleblower.

Summary of Lawson’s internal control system (as of June 1, 2022)



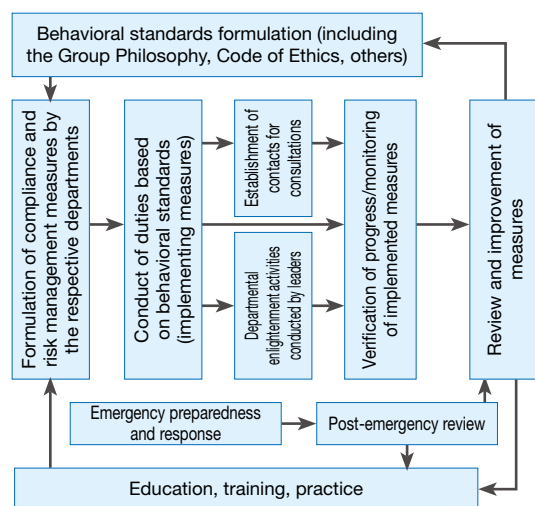
¹ CROs (Chief Compliance and Risk Officer): The executive with overall responsibility for the legal compliance and risk management system and framework in the Lawson Group

² CR (Compliance and Risk Management): Persons responsible for the development and implementation of a framework for identifying misconduct and problems concerning legal compliance and preventing risks from arising in the group where they belong, to support the CRO

Compliance and Risk Management System

Lawson has established a compliance and risk management framework so that all employees can take action based on the Corporate Conduct Charter and the Lawson Code of Ethics.

Management organization



■ Formulation of behavioral standards

In addition to the Lawson Code of Ethics that is the foundation of our work, we have enacted Lawson Group Human Rights Policy and Lawson Group Purchasing Policy, which have been organized into Lawson Group C&R Handbook issued to all employees in order to raise awareness.

■ 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.

■ 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, including human rights violations, illicit trade/corruption and labor issues. Besides establishing the Lawson Group Outside Consultation/Whistleblower Hotline involving law firms and other external organizations, Lawson is endeavoring to quickly ascertain and make corrections to problems by preparing a point of contact for consultations from business partners' employees, store crew members and franchise owners.

■ 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 CRO'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. Besides awareness surveys involving all the employees, monitoring activities include ongoing questionnaires among business partners concerning such matters as delivery of merchandise to stores and store construction as part of efforts to review and improve the compliance systems.

■ Enhanced cooperation among Group companies

Company issues are shared at meetings attended by Compliance and Risk Management officers from each Group company to back up the countermeasures taken. In addition to a variety of training, employee awareness surveys and business partner questionnaires are also conducted together in an effort to reinforce Group-wide Compliance and Risk Management Systems.

■ Improvement of the information security framework

Having enacted the Lawson Group Privacy Policy, management systems have been put in place under the direction of the CRO for the protection of personal information. To ensure that the details of the Privacy Policy are enforced, 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. In addition to compiling matters that require observation in the Lawson Office Security Rules, headquarters employees are tested periodically to ensure that these measures are being reliably implemented.

For details of the Compliance and Risk Management System, please visit the following web page.

Please visit the following web page for details.
<https://www.lawson.jp/en/csr/governance/compliance/>
<https://www.lawson.jp/en/csr/governance/risk/>

Business risks

Main risk factors	Risk details	Response measures to risk, etc.
Risk related to changes in economic conditions	• Interest rate fluctuation Frequency: Medium Impact: Low	• 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.
	• Fluctuation in exchange rates Frequency: Medium Impact: Low	• Mitigate the impact of exchange rate fluctuations by diversifying the contract volume and timing for products and raw materials, etc., procured overseas.
	• Raw materials procurement Frequency: Medium Impact: Medium	• Secure substitute materials and multiple procurement channels from different production areas for the same materials.
Risks related to business activities	• Changes in business activity due to factors such as consumer trends, changing competition situation, and requests to stay at home Frequency: Medium Impact: High	• 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.
	• Food safety and hygiene management and labelling Frequency: High Impact: Medium	• Work with suppliers to ensure rigorous application of quality management, hygiene management, and expiry date management, as well as appropriate labeling, from the production process through to delivery and sales.
	• M&As and business alliances Frequency: Medium Impact: Medium	• 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.
	• Inability to recover receivables Frequency: Medium Impact: Medium	• Conduct credit investigation of new business partners as necessary and implement thorough receivables management.
	• Impairment of property, plant and equipment Frequency: Medium Impact: Medium	• Establish and test accurate investment profitability hypotheses when acquiring property, plant and equipment.
Risks related to laws and regulations, etc.	• Handling of personal information Frequency: Medium Impact: High	• Conduct information security measures and thoroughly promote information security measures and Lawson Group Privacy Policy inside the Group.
	• 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	• Constantly gather and analyze information about legal and regulatory revisions, etc., and respond beforehand.
Risks related to the franchise store business	• Cancellation of a large number of franchise agreements due to deterioration of trust with franchise store owners • Impact of misconduct at a franchise store on the brand image of the entire chain and the Group's performance and financial position Frequency: Medium Impact: Medium	• 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	• Administrative measures such as stoppage of operations due to improper implementation of laws and regulations applicable to Lawson Bank, Inc. or guidance from the supervisory agency. 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	• Compliance with laws and regulations through compliance training, etc., at Lawson Bank, Inc.
	• Delay in responding to environmental changes such as rapid expansion in cashless settlements and sharp decrease in cash circulation Frequency: Medium Impact: High	• 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.	• Physical damage to facilities such as stores or vendors' plants, or disruption of product deliveries, due to the occurrence of natural disasters such as earthquakes, tsunamis, floods, storm surges, typhoons, and blizzards Frequency: Low Impact: High	• 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.
	• 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	• Lawson Group Sweeping Transformation Executive Committee will lead our challenge to respond to the new normal by anticipating new needs.
	• Climate change Frequency: Low Impact: Medium	• Analysis of risks and opportunities, ascertainment of impacts on business strategy, and examination of climate change mitigation and adaptation measures.
	• Information technology (IT) system trouble Frequency: Medium Impact: Medium	• Implement multifaceted countermeasures for cyber security, including technical, process/personnel, and physical aspects, as well as training in preparation for problems that may arise.
	• 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	• Prevent issues from arising through compliance/risk management 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, 2022. 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

In determining the Group’s material issues (materialities), we consider climate change, which is becoming more severe year by year, to be an extremely important issue. As the core company of Lawson Group, Lawson endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020. We are following the TCFD 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 formulates implementation plans, manages progress toward achieving its targets (KPIs), and reports on a regular basis to the Board of Directors regarding the status of initiatives on climate change and other issues.

A working group has been established under the SDGs Committee, tasked with promoting the disclosure of information related to climate change. Personnel in charge of departments and accounting, who undertake business strategies, and personnel in charge of IR, are among those who promote 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

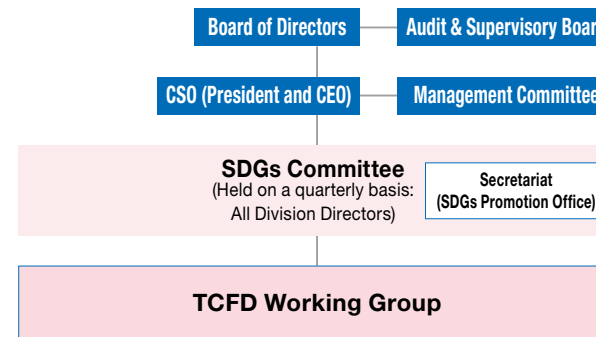
to climate, grasps their impact on business strategy and revises the strategy, and examines various countermeasures for mitigating and adapting to climate change. The working group will also lead efforts to strengthen disclosure of the results of these examinations.

From March 1, 2021, the Company established the position of Chief Sustainability Officer (CSO), with the president, CEO, and representative director appointed to the position, as we further strengthen our efforts to reduce greenhouse gas (GHG) emissions and address other environmental issues in our business activities.

(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 GHG emissions, and those associated with the physical changes caused by climate change, such as weather disasters of increased intensity.

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

Decrease in transport cost due to increased efficiency in logistics			Timing of emergence or realization
Transition risk	Introduction and increase of carbon pricing	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
	Changes in consumer lifestyles and preferences	Increase in procurement cost for substitute raw materials compliant with plastic restrictions	Medium term
Physical risks	Increased severity of weather disasters	Degradation of brand image due to delayed response to environmental awareness	Medium term
	Average temperature increase	Damage due to flooding in stores, decrease in sales due to suspension of operations	Short term
Opportunities	Average temperature increase	Increase in electricity usage at stores, distribution centers, etc.	Long term
	Introduction and increase of carbon pricing	Decrease in raw material procurement costs due to increased efficiency in suppliers' business processes and facilities	Medium term
	Technological development in renewable energy	Decrease in transport cost due to increased efficiency in logistics	Medium term
	Changes in consumer lifestyles and preferences	Decrease in energy cost due to installation of reduced-cost solar cells	Long term
	Average temperature increase	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

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

(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
Reporting 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 tem-

perature 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 we will continue to further enhance and examine the content of the initiative going forward.

Metrics and targets

In consideration of social issues and conditions, we have set KPIs related to social and environmental matters for 2025, the 50th anniversary of the Company’s founding, and for 2030, the target year of the SDGs, and we are working to achieve them. 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

Reduced CO ₂ emissions	
2025	Reduce CO ₂ emissions per store by 15% compared to 2013 levels
2030	50% reduction of the same
2050	100% reduction of the same
Food waste reduction	
2025	Reduce food waste by 25% v. 2018 levels
2030	50% reduction of the same
2050	100% reduction of the same
Reducing plastic	
2025	Reduce plastic for containers and packaging by 15% v. 2017 levels
2030	30% reduction of the same
	Use 50% eco-friendly materials for plastics used in original product containers and packaging
2050	Reduce plastic shopping bags by 100%
	Use 100% eco-friendly materials for plastics used in original product containers and packaging

See the following for details:
<https://www.lawson.jp/en/csr/tcfd/>

Responses to emergencies

Lawson places particular emphasis on “food safety and hygiene management,” “information security,” “disaster relief” and “crime prevention,” 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 four subcommittees are convened under ordinary circumstances to assess risks and to formulate and promote measures to avoid them and prevent their occurrence.

When major risks occur, a task force is set up that strives to promptly resolve problems 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 for-

mulating 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.

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 BCP Guidelines

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 Guidelines describes business procedures in the case of a major earthquake in the Kanto area or a pandemic caused by an infectious disease, for example.



Disaster relief manual

BCP manual

“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.



Disaster preparedness and response

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.

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. Headquarters and franchise stores are preparing for evacuations by notifying employees after jointly confirming possible hazards and shelters.



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.

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, 24 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 March 1, 2022

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. Our headquarters is 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

Digital security cameras with detailed imaging 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.

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 and, more recently, training for special fraud prevention.



A DVD on measures to prevent robberies and other crimes



A crime prevention self-check list

Eleven-Year Financial Summary

	(Unit: Millions of yen)				
(Fiscal year)	2021	2020	2019	2018	2017
For the year:					
Gross operating revenue					
Income from franchised stores	¥ 291,802	¥ 288,480	¥ 314,260	¥ 302,136	¥ 289,232
Net sales	292,237	275,945	302,843	288,579	264,734
Other operating revenue	114,331	101,576	113,132	109,931	103,357
Total gross operating revenue	698,371	666,001	730,236	700,647	657,324
Operating income	47,096	40,876	62,943	60,781	65,820
Profit attributable to owners of the parent	17,900	8,689	20,108	25,585	26,828
Net cash provided by operating activities	146,644	227,954	202,703	128,594	113,938
Net cash used in investing activities	(51,781)	(29,983)	(49,074)	(81,017)	(91,209)
Net cash used in (provided by) financing activities	(109,516)	(140,642)	(163,910)	277,937	(61,238)
Capital expenditures	86,351	48,837	90,726	140,071	140,495
Depreciation and amortization ²	79,942	80,778	79,183	66,844	58,601
At year-end:					
Total assets	¥ 1,337,245	¥ 1,365,430	¥ 1,357,732	¥ 1,342,329	¥ 900,256
Net assets	278,473	272,931	275,347	281,982	281,446
Shareholders' equity ratio	20.4%	19.6%	20.0%	20.6%	30.6%
Cash and cash equivalents	388,444	401,136	343,583	354,236	30,120
Total number of stores in Japan	14,656	14,476	14,444	14,659	13,992
Number of employees (full-time)	10,362	10,385	10,572	10,395	10,028
Per share data:					
Profit (yen/U.S. dollars ¹)	¥ 178	¥ 86	¥ 200	¥ 255	¥ 268
Annual dividends (yen/U.S. dollars ¹)	150	150	150	255	255
Payout ratio	83.9%	172.7%	74.6%	99.7%	95.1%
Financial data:					
Return on equity (ROE)	6.6%	3.2%	7.3%	9.3%	9.7%
Return on assets (ROA)	1.3%	0.6%	1.5%	2.3%	3.0%
Net sales of all stores (Domestic convenience store business):					
Net sales by store format^{3,4}					
Franchise stores	¥ 2,182,725	¥ 2,132,618	¥ 2,296,838	¥ 2,233,739	¥ 2,069,609
Directly managed stores	29,256	33,200	48,162	51,569	91,075
Net sales by product category^{3,4}					
Processed foods	1,190,886	1,156,760	1,237,391	1,202,619	1,138,966
Fast foods	480,260	462,497	546,542	544,530	509,415
Daily foods	343,668	343,772	351,442	329,545	314,481
Non-food products	197,166	202,788	209,624	208,612	197,821
Net sales of all stores	¥ 2,211,981	¥ 2,165,818	¥ 2,345,000	¥ 2,285,308	¥ 2,160,684
Ratio of operating income to net sales of all stores	1.2%	1.2%	1.9%	2.0%	2.4%

¹The U.S. dollar amounts represent the Japanese yen exchange rate against the US dollar as of February 28, 2022 (\$1 = 115.55 yen).

²These figures include amortization of intangible assets.

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

⁴Net 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.

						(Unit: Millions of yen)	(Unit: Thousands of U.S. dollars ¹⁾)						
2016		2015		2014		2013		2012		2011		2021	
¥	275,312	¥	261,681	¥	247,681	¥	242,078	¥	230,002	¥	215,573	\$	2,525,340
	254,169		227,606		174,044		168,159		192,942		208,063		2,529,096
	101,806		94,165		76,188		75,009		64,500		55,320		989,450
	631,288		583,452		497,913		485,247		487,445		478,957		6,043,886
	73,772		72,541		70,482		68,126		66,246		61,769		407,581
	36,400		31,381		32,686		37,965		33,182		24,885		154,911
	99,864		112,205		110,567		81,503		85,188		86,356		1,269,104
	(76,227)		(68,657)		(100,434)		(47,924)		(54,196)		(52,912)		(448,135)
	(25,638)		(50,201)		(3,289)		(39,650)		(31,979)		(27,544)		(947,780)
	119,784		106,747		141,251		84,032		77,361		74,572		747,304
	56,199		49,293		41,826		47,888		43,886		37,845		691,839
¥	866,577	¥	803,212	¥	764,614	¥	620,992	¥	579,809	¥	531,453	\$	11,572,878
	285,995		272,997		263,797		250,497		230,181		214,662		2,409,987
	31.7%		32.9%		33.5%		39.5%		39.1%		39.7%		
	67,692		69,793		76,754		68,759		72,766		73,670		3,361,696
	13,111		12,395		12,276		11,606		11,130		10,457		
	9,403		8,377		7,606		6,336		6,404		6,475		
¥	363	¥	314	¥	327	¥	380	¥	332	¥	249	\$	1.55
	250		245		240		220		200		180		1.30
	68.7%		78.1%		73.4%		57.9%		60.2%		72.2%		
	13.5%		12.0%		13.0%		16.1%		15.2%		12.0%		
	4.4%		4.0%		4.7%		6.3%		6.0%		4.9%		
¥	1,958,550	¥	1,880,395	¥	1,827,779	¥	1,810,418	¥	1,747,915	¥	1,651,433	\$	18,889,875
	84,736		79,872		105,019		126,873		156,339		173,820		253,189
	1,073,044		1,033,448		1,034,355		1,060,455		1,063,120		1,022,378		10,306,067
	481,267		463,431		429,212		408,672		372,706		345,226		4,156,296
	294,141		276,885		277,210		275,437		271,920		263,101		2,974,193
	194,833		186,498		192,020		192,726		196,506		194,546		1,706,326
¥	2,043,287	¥	1,960,266	¥	1,932,798	¥	1,937,292	¥	1,904,254	¥	1,825,253	\$	19,143,064
	2.8%		2.9%		3.2%		3.5%		3.5%		3.4%		

Industry Trends and Sales/Store Related Data

Industry Trends

In 2021 (January-December), the convenience store industry saw strong sales of fresh foods, desserts, frozen foods, and alcoholic beverages as a result of a reinforcement of product assortments responding to changes in purchasing behavior due to demand factors associated with the COVID-19 pandemic, such as one-stop shopping, daily use, and stay-at-home demand. As a result, total annual industry sales increased 1.0% year on year to 11,760.0 billion yen, and net sales at existing stores increased 0.6% year on year. The total number of stores as of the end of December was 56,352, 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)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total retail industry annual sales ^{*2}	150,462	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897	137,585	135,157
Convenience store sector annual sales ^{*2}	11,760	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872	9,477	8,774
Convenience store share	7.8%	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%	6.9%	6.5%

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)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
LAWSON	2,442	2,349	2,506	2,424	2,283	2,157	2,049	1,961	1,945	1,907	1,826
Seven-Eleven Japan	4,953	4,871	5,010	4,899	4,678	4,516	4,291	4,008	3,781	3,508	3,281
FamilyMart ^{*2}	2,842	2,764	2,965	2,983	3,016	3,009	2,006	1,860	1,722	1,585	1,535
Total of the top three chains	10,237	9,984	10,482	10,306	9,977	9,682	8,346	7,829	7,448	7,000	6,642
Total market share of the top three chains	87.0%	85.8%	86.0%	86.0%	84.9%	84.6%	75.9%	75.1%	75.4%	73.9%	75.7%

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)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of convenience stores	56,352	56,542	56,502	56,574	56,374	55,636	54,505	52,725	50,234	47,801	43,373

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

Non-consolidated operating results

(Millions of yen)											
(Fiscal year)	2021	As a percentage of all convenience stores	2020	2019	2018	2017					
Net sales of all convenience stores	2,211,981	100.0%	2,165,818	100.0%	2,296,156	100.0%	2,236,125	100.0%	2,110,454	100.0%	
Gross operating revenue	355,102	16.1%	354,825	16.4%	390,811	17.0%	385,678	17.2%	372,891	17.6%	
Gross operating profit	333,784	15.1%	330,600	15.3%	356,385	15.5%	348,491	15.6%	335,792	15.9%	
Selling, general and administrative expenses	307,913	13.9%	304,449	14.1%	311,660	13.6%	302,779	13.5%	284,771	13.5%	
Advertising and promotional expenses	10,929	0.5%	9,800	0.5%	14,112	0.6%	13,363	0.6%	12,546	0.6%	
Personnel expenses	44,184	2.0%	44,845	2.1%	46,261	2.0%	45,903	2.0%	44,722	2.1%	
Rents	181,260	8.2%	180,709	8.3%	181,194	7.9%	172,574	7.7%	160,243	7.6%	
Other SG&A expenses	71,539	3.2%	69,094	3.2%	70,091	3.1%	70,939	3.1%	67,260	3.2%	
Operating income	25,870	1.2%	26,150	1.2%	44,725	1.9%	45,711	2.0%	51,021	2.4%	
Ordinary income	34,278	1.5%	33,700	1.6%	45,962	2.0%	51,443	2.3%	50,508	2.4%	
Profit	13,470	0.6%	15,894	0.7%	15,486	0.7%	31,002	1.4%	19,417	0.9%	

Management Policies for Fiscal 2021

In FY2021, the Group worked together to promote thorough countermeasures against COVID-19 infection and to respond to demand amid the new normal. Specifically, we have refurbished our stores and renewed our product lineups throughout our domestic convenience store business in response to changes in the business environment. This was done under Lawson Group Sweeping Transformation Executive Committee launched in September 2020 to realize “Challenge 2025,” which was formulated for 2025, the 50th anniversary of Lawson’s establishment. In addition, the entire Lawson Group worked to resolve medium- and long-term issues for sustainable growth, to capture new profit-earning opportunities, and to enhance job satisfaction.

Overview of Domestic Convenience Store Business

In fiscal 2021, while the number of people infected with COVID-19 increased, vaccination by local governments and occupational vaccinations progressed, although states of emergency were declared in many areas and priority measures were applied to prevent the spread of the virus. In the first half of the year, a range of social activities were restricted and voluntary restraints were implemented. In the second half of the year, the number of people infected with COVID-19 declined after October 2021, and the state of emergency declaration and priority measures to prevent the spread of the virus were lifted nationwide, restrictions on social activities eased, and human flow recovered. Since January 2022, however, the rapid spread of the Omicron variant has again led to a downward trend in human flow.

Under these circumstances, Lawson responded to changes in customers’ lifestyles by expanding its lineup of daily-use products, such as frozen foods and daily necessities, and by refurbishing individual stores to better respond to customer demand, in line with the business environment of each individual store. The Company refurbished 2,636 stores in the fourth quarter and completed a total of 4,305 store refurbishments in fiscal 2021. In addition, the introduction of Machikado Chubo, an in-store cooking service that was being promoted in conjunction with store refurbishing, expanded to 8,359 stores as of the end of February 2022.

On the sales front, we are implementing measures to realize our three commitments: “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness.” Our aim is for Lawson to be supported by all customers. We are further strengthening our merchandising of 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 while promoting environmental initiatives, such as reducing food waste, plastic usage, and CO₂ emissions. In our efforts to reduce food waste, we conducted an AI-based discount sale recommendation service. To reduce CO₂ emissions, we conducted an AI-based demonstration experiment to optimize the store delivery scheme. And to reduce plastic use, we conducted sales of food products by weight at NATURAL LAWSON stores.

Overview of Merchandise and Services

Sales grew for fresh foods, frozen foods, daily foods, room-temperature Japanese and Western sweets, and alcoholic beverages, for which we have been expanding our product assortments as part of our efforts to support customers in their daily lives. For frozen foods in particular, sales were strong due to the development of new innovative menu items such as frozen desserts and the phased expansion of the menu starting in November 2021, in addition to grasping the stocking needs for ingredients and prepared foods. In the rice products category, the boxed meal series, which was renewed in March of the same year for longer freshness and chilling, sold well throughout the year, and the Kinshari Onigiri rice ball series and renewed standard rice ball products also sold well. In addition, original products continued to be a hit, such as the new dessert product Gateau au Chocolat launched in September of the same year, and Crispy Fried Chicken counter fast food product launched in October of the same year, both of which were well received. Products offered through the Machikado Chubo in-store cooking service were well received as customers had fewer opportunities to dine out. These products included those with established popularity such as the Thick Pork Cutlet Sandwich, as well as products created in collaboration with restaurant companies. The latter meet local demand by offering the delicious taste of specialty restaurants within the local rice ball series.

Lawson Group was the first convenience store operator to introduce food delivery services, including Uber Eats, which was among five companies whose services were adopted, in addition to the DEMAЕ-CAN portal service in February 2022. As a result, the total number of stores offering the food delivery services of all six providers reached 2,903 in 45 prefectures as of the end of February 2022. In addition, over-the-counter drugs are available through Uber Eats at 71 stores in 14 prefectures.

Overview of Store Operations

In store operations, we focused on reinforcing adherence to the Three Essential Practices, which emphasize (1) serving customers courteously; (2) providing a quality product offering that meets community needs; and (3) keeping our stores and communities clean. We expanded our product lineups to meet the changing lifestyles and values of consumers as we continued our efforts to increase sales while meeting the needs of our customers. These included efforts to improve the profitability of franchise stores by increasing the efficiency of store operations and reducing waste loss and utility costs.

Overview of Store Development

The Group continued to prioritize profitability in store openings.

In fiscal 2021, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE 100 stores opened in Japan was 483, while the number of these stores that closed was 303. This brought our total number of stores in Japan to 14,656 as of the end of February 2022.* Based on the joint business agreement signed with POPLAR Co., Ltd. in September 2020, we converted 122 stores from its brand to the LAWSON-POPLAR and LAWSON brands in fiscal 2021. In addition, based on the comprehensive business alliance agreement signed in May 2021 with H₂O Retailing Corp., we converted 97 of the station kiosks and convenience stores operated by its group company, Asnas Co., Ltd. to LAWSON stores.

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 280 as of the end of February 2022 (of which 49 stores were Pharmacy LAWSON stores equipped with dispensing pharmacies). In addition, the number of Care-focused LAWSON stores with nursing care counters reached 22 as of the end of February 2022. 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 medical hygiene products and nursing care-related supplies, in addition to standard convenience store products and services. The number of these stores reached 337 as of the end of February 2022. 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.

In July 2021, NATURAL LAWSON marked its 20th anniversary as a nearby store supported by customers for facilitating “beautiful, healthy and comfortable” lifestyles. With a meticulously curated lineup of food products made from healthy ingredients, and environmentally friendly detergents and cosmetics, NATURAL LAWSON offers merchandise with its own unique value. In addition, LAWSON STORE100 is a “Menu-Support Convenience Store” that offers a wide range of reliably safe, high-quality vegetables and fruits with a focus on freshness, and products closely related to daily life, to support customers’ day-to-day dietary lifestyles. 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 2022, the number of NATURAL LAWSON stores was 136, and the number of LAWSON STORE 100 stores was 669.

* 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

	(Fiscal year)	2021	2020	2019	2018	2017
Number of stores		14,656	14,476	14,444	14,659	13,992
Openings		483	373	554	1,067	1,250
Closings		303	341	769	400	369
Net increase (decrease)		180	32	-215	667	881

* Includes the numbers of stores operated by Lawson Kochi, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

Number of convenience stores in Japan

	(Fiscal year)	2021		Net increase (decrease) in the term	2020		2019	
		stores	share		stores	share	stores	share
Lawson, Inc.								
Directly managed stores								
LAWSON		201	1.4%	-20	221	1.5%	263	1.8%
NATURAL LAWSON		10	0.1%	-8	18	0.1%	22	0.2%
Franchise stores								
Type B		1,956	13.3%	170	1,786	12.3%	1,794	12.4%
Type G		1,277	8.7%	-43	1,320	9.1%	1,342	9.3%
Type C		9,817	67.0%	73	9,744	67.3%	9,300	64.4%
NATURAL LAWSON		126	0.9%	1	125	0.9%	123	0.9%
LAWSON STORE 100		669	4.6%	-10	679	4.7%	742	5.1%
Subtotal		14,056	95.9%	163	13,893	96.0%	13,586	94.1%
Lawson Sanin, Inc.								
Directly managed stores		—	—	—	—	—	5	0.0%
Franchise stores		—	—	—	—	—	280	1.9%
Subtotal		—	—	—	—	—	285	2.0%
Lawson Kochi, Inc.								
Directly managed stores		6	0.0%	2	4	0.0%	5	0.0%
Franchise stores		132	0.9%	-3	135	0.9%	134	0.9%
Subtotal		138	0.9%	-1	139	1.0%	139	1.0%
Lawson Minamikyushu, Inc.								
Directly managed stores		2	0.0%	—	2	0.0%	3	0.0%
Franchise stores		200	1.4%	3	197	1.4%	192	1.3%
Subtotal		202	1.4%	3	199	1.4%	195	1.4%
Lawson Okinawa, Inc.								
Directly managed stores		3	0.0%	—	3	0.0%	5	0.0%
Franchise stores		257	1.8%	15	242	1.7%	234	1.6%
Subtotal		260	1.8%	15	245	1.7%	239	1.7%
Total number of convenience stores in Japan		14,656	100.0%	180	14,476	100.0%	14,444	100.0%

Overview of Businesses in Figures

Overview of sales

Net sales of all LAWSON stores (consolidated) in fiscal 2021 were 2,442.7 billion yen (down 4.0% from the previous year). Store sales in the domestic convenience store business increased due to the various measures implemented by Lawson Group Sweeping Transformation Executive Committee, as well as the expansion of the number of stores in China.

Domestic sales at existing stores (non-consolidated) in fiscal 2021 are calculated based on store management by Lawson Group Sweeping Transformation Executive Committee. As a result of product renewal initiatives such as the development of innovative menus, there were positive trends in frozen foods and daily food products. Bento (boxed meals) and counter fast foods performed well, with particularly favorable results for bento and sandwiches from the Machikado Chubo in-store food preparation service, which grew in popularity, contributing to sales. As a result, existing-store sales in the domestic Lawson business increased 1.1% year on year. The number of customers decreased by 1.3% year on year, while average spend per customer increased by 2.5% year on year.

Existing store sales, customer count and average spend per customer year on year.*1

(Fiscal year)	2021	2020	2019	2018	2017	2016
Net sales at existing stores (year on year)	101.1%	92.7%	100.1%	99.5%	99.9%	99.8%
Average number of customers	98.7%	85.8%	98.4%	97.7%	98.7%	99.0%
Average spending per customer	102.5%	108.0%	101.7%	101.8%	101.3%	100.8%

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

Sales by product category (Consolidated, total net sales in Japan)*2

(Fiscal year)	(Billions of yen)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Fast foods (share)	470.4	452.8	523.3	520.4	484.9	484.9	484.9	484.9	484.9	484.9
Daily foods (share)	312.9	309.3	307.3	283.9	268.0	268.0	268.0	268.0	268.0	268.0
Processed foods (share)	1,135.3	1,096.3	1,143.6	1,107.3	1,043.0	1,043.0	1,043.0	1,043.0	1,043.0	1,043.0
Included cigarettes (share)	601.1	559.6	559.1	532.9	498.6	498.6	498.6	498.6	498.6	498.6
Non-food products (share)	186.7	192.1	195.7	194.2	182.9	182.9	182.9	182.9	182.9	182.9
Total	2,105.4	2,050.6	2,170.0	2,105.9	1,979.0	1,979.0	1,979.0	1,979.0	1,979.0	1,979.0

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

Product categories

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

Gross profit margin by product category

The gross profit margin was 30.7%, mainly due to an increase in the sales share of cigarettes, a low-margin product, despite an increase in the sales share of fast food.

Gross profit margin by product category (Non-consolidated)*3

(Fiscal year)	2021	2020	2019	2018	2017
Fast foods	39.6%	39.2%	38.9%	38.2%	38.3%
Daily foods	34.6%	34.6%	34.3%	34.0%	33.9%
Processed foods	22.7%	23.2%	23.8%	23.9%	24.0%
Non-food products*4	49.9%	49.7%	50.5%	50.3%	50.1%
Gross profit margin	30.7%	31.0%	31.3%	31.2%	31.3%

Third-party bill settlement services (Non-consolidated)*5

(Fiscal year)	2021	2020	2019	2018	2017
Bill settlements (billions of yen)	2,442	2,465	2,498	2,412	2,263
Number of transactions (millions)	204.6	211.2	214.6	215.2	208.6

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

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

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

Corporate Data As of February 28, 2022

Company name	Lawson, Inc.	Business activities	Franchise chain development of LAWSON, NATURAL LAWSON, LAWSON STORE 100, etc.
Headquarters	East Tower, Gate City Ohsaki, 11-2, Osaki 1-chome, Shinagawa-ku, Tokyo 141-8643, Japan	Net sales for all stores	2,442.7 billion yen (consolidated)
President and CEO, Representative Director, Chairman of the Board	Sadanobu Takemasu	Number of stores	19,687 stores
Established	April 15, 1975	Operating areas	All 47 prefectures in Japan, China (Shanghai and surrounding area, Chongqing and surrounding area, Wuhan, Hefei, Shenyang, Dalian, Beijing and surrounding area, Changsha, Haikou, etc.), Thailand, Indonesia, Philippines, Hawaii
Capital stock	¥58,506.644 million		
Number of employees	10,362 (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 represents the total number of LAWSON brand stores managed by operating companies in the respective regions.

Share Information As of February 28, 2022

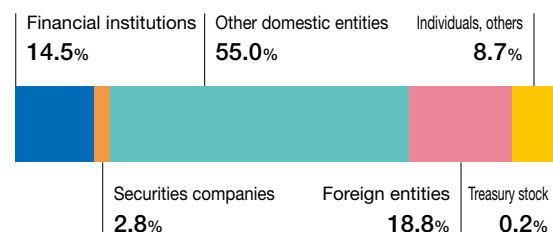
Authorized shares	409,300,000
Shares issued	100,300,000
Shareholders	31,941
Stock exchange listings	Tokyo Stock Exchange (1st Section)
Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

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)	7,176	7.2
3. Custody Bank of Japan, Ltd. (Trust account)	2,174	2.2
4. KDDI Corporation	2,110	2.1
5. NTT DOCOMO, INC.	2,092	2.1
6. Japan Securities Finance Co., Ltd.	1,522	1.5
7. STATE STREET BANK WEST CLIENT - TREATY 505234	1,456	1.5
8. Employee stockholding association	877	0.9
9. BNYM TREATY DTT 15	869	0.9
10. SMBC Nikko Securities Inc.	797	0.8

* The above percentages of total shares held were calculated after excluding 228,807 treasury stocks.

Distribution of shareholders by type



Main Lawson Group Companies As of February 28, 2022

Category	Name of company	Consolidation status
Domestic convenience store business	Lawson, Inc.	
	Lawson Store 100, Inc.	Consolidated subsidiary
	SCI, Inc.	Consolidated subsidiary
	Lawson urbanworks, Inc.	Consolidated subsidiary
	Lawson Okinawa, Inc.	Equity-method affiliate
	Lawson Minamikyushu, Inc.	Equity-method affiliate
Entertainment-related business	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)

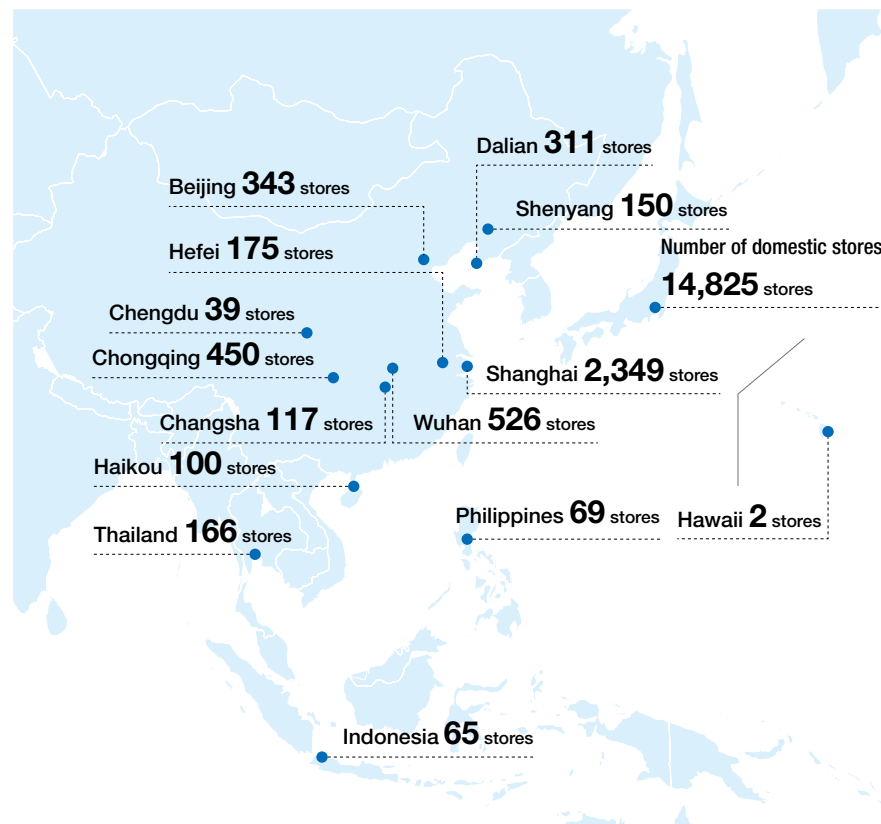
	February 2018	February 2019	February 2020	February 2021	February 2022
LAWSON	93.5	93.7	82.5	74.6	74.3
TOPIX total return	117.6	109.3	105.3	133.1	137.6

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 As of February 28, 2022

Total number of stores (domestic and overseas total)*	Number of domestic stores	Number of overseas stores
19,687 stores	14,825 stores	4,862 stores



* The number of domestic stores represents the total number of LAWSON, NATURAL LAWSON and LAWSON STORE 100 stores operated by Lawson, Inc.; LAWSON STORE 100 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 represents the total number of LAWSON brand stores managed by operating companies in the respective regions.

Main Businesses and Services As of February 28, 2022

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 company

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

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



Operating company

Lawson, Inc.

Based on the concept of a "Menu-Support Convenience Store," these stores offer 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.

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



Operating company

SEIJO ISHII CO., LTD.

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

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.

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.

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.

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.