

Integrated Report 2023



Creating Happiness and Harmony in Our Communities

LAWSON

2023 is the 48th anniversary of Lawson, Inc.
2025 will mark our 50th anniversary

Selected contents

Message from the President

P06



**Creating
new forms of conveniences
on-site**

Feature:Machikado Chubo In-store Kitchens Project

P16

▶ We want customers and franchise stores to know that our products are specifically for them

Feature:Management Owner

P25

▶ Making the convenience store into a desirable profession

Message from the CFO

P31



**We aim to disclose information
to meets market need so that
we can be properly evaluated**

A Discussion by Outside Directors

P50



**Continue to question
the strategy and
will towards growth**

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2,545.4 billion yen



55.0 billion yen



246 yen



8.9 %



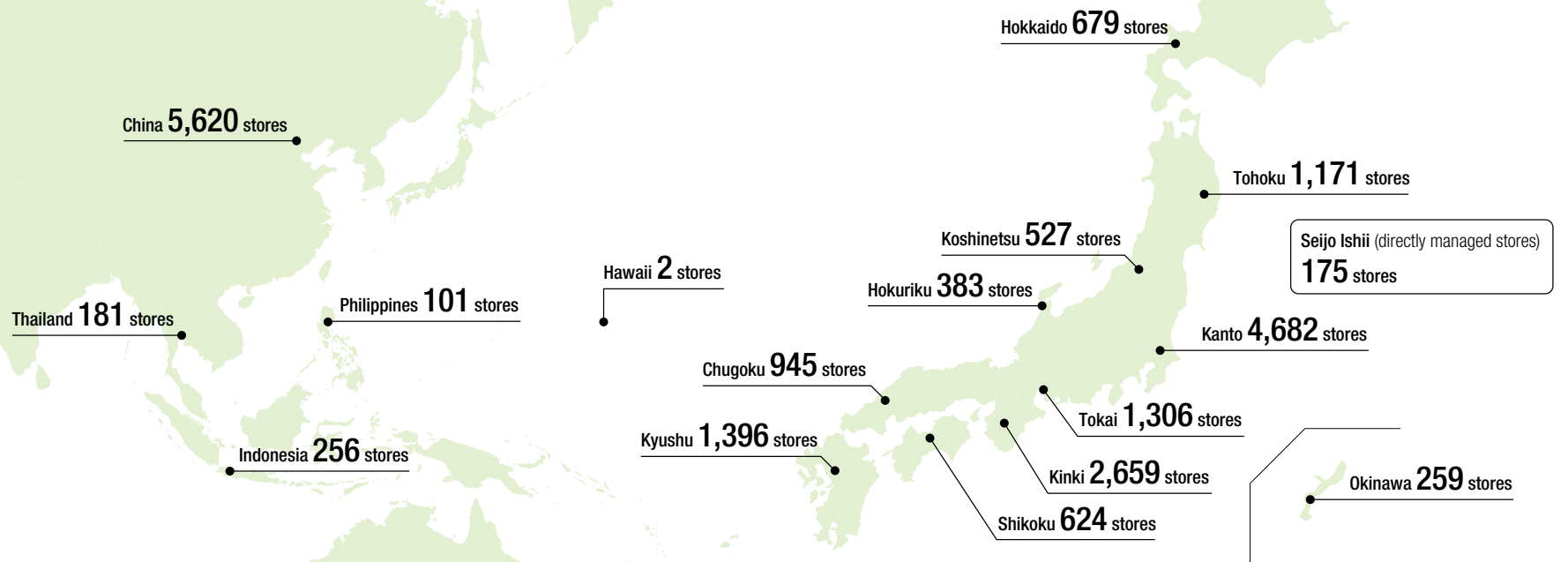
1.8 %



60.8 %

[Overseas **6,160** stores]

[Domestic **14,806** stores]



Entertainment-related business

72.1 billion yen

In addition to ticketing businesses such as Lawson Ticket and Lawson Travel services, and merchandise sales businesses such as HMV stores and e-commerce, the Lawson Group operates a cinema complex business.



Financial services business

34.4 billion yen

Besides operating ATMs using LAWSON Bank ATMs installed at LAWSON stores and other locations, the LAWSON Group has retail services including deposits and credit cards.



Overseas business

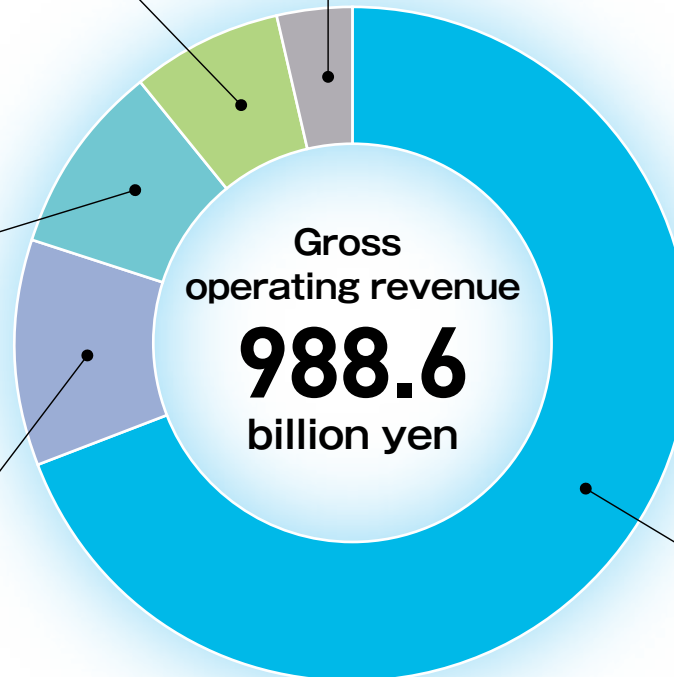
92.1 billion yen

The LAWSON Group opens Japanese-style convenience stores through franchising in China, Thailand, Indonesia, the Philippines, and the U.S. state of Hawaii.

Seijo Ishii business

109.5 billion yen

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



LAWSON



Domestic convenience store business

691.3 billion yen

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.



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.

Notable/
Major Events
(business)

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

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

1975
1 store

1994
5,000 stores

Number of stores

Handyman in the community
Contribution to solving social issues

Lawson as social infrastructure
Started the challenges to reduce CO₂ emissions, food waste, and plastic use

Notable/
Major Events
(environmental,
social services)

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

1997

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

1998

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

1999

Stopped including chopsticks, spoons, and forks in boxed meals

2000

Started Mt. Fuji forest improvement project

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



As of February 28, 2023

14,806 stores



Number of stores

To meet a wide variety of needs

Expansion of business categories and services

Building stores meeting community needs

Full-fledged efforts towards Health, DEI (Diversity, Equity & Inclusion), and SDGs

- | | | | |
|---|--|--|--|
| <p>2003</p> <ul style="list-style-type: none"> First comprehensive regional agreement with municipal government (Wakayama Prefecture) Opened the first store offering prescription medicines | <p>2011</p> <ul style="list-style-type: none"> Set up Support Dreams Fund (scholarship program for victims of the Great East Japan Earthquake) | <p>2015</p> <ul style="list-style-type: none"> Selected for the 2015 Health & Productivity Stock Selection (fourth time in total: 2015–2017, 2021) | <p>2019</p> <ul style="list-style-type: none"> Established the SDGs Committee Formulated the Lawson Blue Challenge 2050 ! environmental vision |
| <p>2006</p> <ul style="list-style-type: none"> Started recycling waste oil in all stores | <p>2012</p> <ul style="list-style-type: none"> Launched bran bread that contains grain husks | <p>2016</p> <ul style="list-style-type: none"> Obtained the Resilience Certification | <p>2020</p> <ul style="list-style-type: none"> Provide onigiri (rice balls) at no cost to after-school childcare facilities nationwide, in response to the pandemic |
| <p>2008</p> <ul style="list-style-type: none"> Opened first eco-friendly model store Set own action targets for reducing CO₂ emissions | <p>2014</p> <ul style="list-style-type: none"> Selected as a Nadeshiko Brand (sixth time in total: 2014–2018, 2021) | <p>2017</p> <ul style="list-style-type: none"> Set up Support Dreams Fund (scholarship program for children from single-parent families) | <p>2022</p> <ul style="list-style-type: none"> Installed pointing sheets with the Ear mark label at cash registers Opened the futuristic Green Lawson (future format stores) stores |

2005
The Kyoto Protocol took effect

2008
Global financial crisis

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



Creating new forms of conveniences on-site

Sadanobu Takemasu

President and CEO, Representative Director,
Chairman of the Board

Taking a hands-on approach

We cherish the Group philosophy of “Creating happiness and harmony in our communities,” which forms the foundation of the Lawson Group. Amid unprecedented social change caused by the COVID-19 pandemic in 2020, we have returned to the starting point of what the Lawson Group can do to create happiness and harmony in our communities. We have been pursuing new conveniences during the pandemic by responding promptly to the drastically changing needs of our customers.

In our franchise business of convenience stores, franchisees are an important factor. To achieve sustainable growth, our franchisees must be profitable. Prior to COVID-19, we emphasized member store profits under our “franchise store profit-focused management” policy, and we added franchise store profits to the company-wide KPI (our Head Office employee evaluation index). Despite declining store sales during the pandemic, we maintained the policy. Through the combined efforts of headquarters and franchisees, the franchisee profit per owner continued to grow in fiscal 2022—as it did in the previous year—even exceeding the pre-pandemic level of fiscal 2019.

Since becoming president, I have emphasized a hands-on approach. Each year I visit about 500 stores nationwide. I have also visited stores during the pandemic to talk directly with customers, owners, store managers, and store crews, and to confirm store operations on-site. I try to make decisions from an on-site perspective, so that discussions at headquarters take account of what is happening out there in our stores.

Our goal is to provide new forms of conveniences that change with the times, while keeping happiness and harmony in our communities at the core.

Traditionally, the role of a convenience store has been to offer food and beverages to people on the go in the morning and at lunchtime. Before the pandemic, a campaign was launched to offer family dinners and packed lunches for the next day, with the goal of boosting sales in the evening and night hours. This campaign did not achieve the results we hoped for.

Customers' purchasing behavior has changed with the pandemic. Customers told us that supermarkets were often far from their homes and were crowded. They told us they liked having a Lawson store nearby selling tofu, milk, bread, and other daily items. As customers' lifestyles have changed, the new forms of convenience they seek from convenience stores has shifted to meet their daily demands. In other words, we can increase the opportunities for our customers to use Lawson by responding quickly to their needs.

Signs of change

To respond to these changes, we launched the Lawson Group Sweeping Transformation Executive Committee in September 2020 and have been working on pursuit of ideal store format and product renewal. We added more fixtures to bolster our lineup of frozen foods and daily-delivered foods. And we introduced in-store kitchen facilities to create an environment that enables us to serve store-cooked rice.

As a result, customers can visit us as part of their daily lives. In fiscal 2022, sales of rice balls and beverages, which are sensitive to flow of people, had not yet recovered to pre-pandemic levels. But sales of daily-use products—such as frozen foods, daily-delivered foods, and daily necessities—have exceeded pre-pandemic levels. Finally, the flow of people has recovered in earnest. Along with the increase in daily-use demand, we expect an increase in demand among our on-the-go morning and afternoon customers.

We are also keen to meet the demand for our delivery services. We want to have a system that covers both convenience and daily demand at our physical stores, while also offering the fastest delivery service to meet our customers' demands. As of May 31, 2023, delivery services were offered by 3,676 of our stores. For both in-person commerce and e-commerce, we are aiming to become the most convenient Lawson we can be.

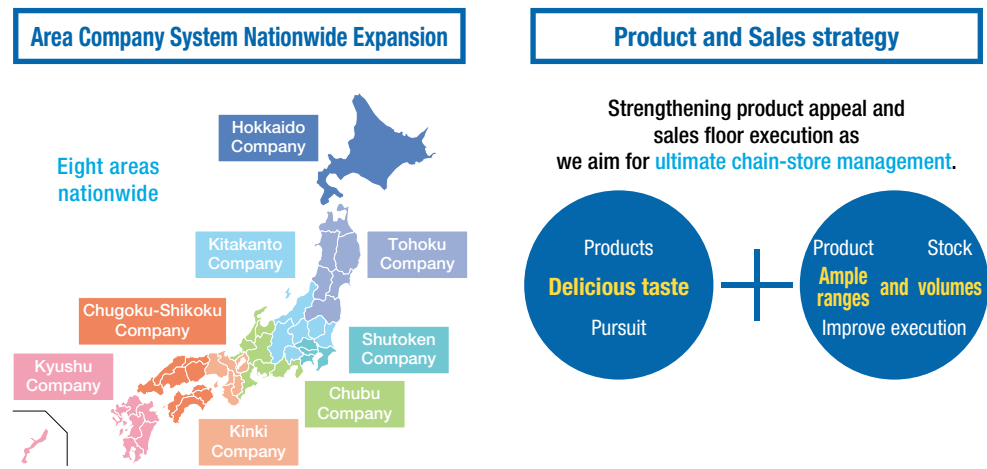
Evolving our concept of “community-based × individual customer and individual store-focused”

Our customers will appreciate our efforts to achieve the Lawson Group Challenge 2025. Through the Challenge, we offer safe and reliable products that bring a new forms of convenience and a sense of excitement to people's daily lives.

For Lawson to become a truly convenient part of daily life, we need to do things like respond to regional variations in food culture. We need to provide products with flavors appropriate to each area—for example, soy sauce-based products in Tokyo and *dashi*-based products in Kansai. This is what we mean by being community-based.

To promote community-based operations, we expanded the area company system in March 2023. The system now covers eight areas nationwide, including Hokkaido and the Kinki region, where we originally rolled out the system. By delegating authority and functions from the headquarters to local stores, we are increasing the degree of management autonomy in each area.

Franchise store owners have responded favorably. They say that they feel closer to the head office and that policies are getting developed faster. By implementing the PDCA cycle closer to customers, we are furthering the concept of individual customer connecting with individual stores.



At the same time, we still need to offer the products that customers expect from Lawson as a national chain. We are part of the social infrastructure. As such, in fiscal 2023 we will create sales floors that focus both on the breadth of the product lineup and on the volume of stock. The goal is to offer what is best for the local community and the customers who live there.

Comprehensively strengthening the sales floor will enhance the effectiveness of our new ordering system, AICO, which is scheduled for a full launch in fiscal 2024. This system forecasts demand for each product based on data such as weather conditions and previous sales at each store. By providing accurate recommendations for order volumes and price discounts, it will help to improve sales and gross profit margins. We believe that this initiative will improve convenience for customers and enhance the sense of security as a chain and community-based appeal.

By preparing a foundation that can meet the demand for convenience and daily necessities, the convenience store can become a supply center for daily commodities even in areas with a declining local population. Convenience stores can thrive even in business areas with a population of 2,000.

We believe the time will come when customers will meet their weekday shopping needs through convenience stores and e-commerce, and they will visit shopping centers and supermarkets only on weekends. To promote daily use of not only foodstuffs but also daily necessities on weekdays, we introduced MUJI products on a full scale from May 2022. If we can expand our wallet share by supporting the basics of daily life, growth is possible even in the domestic convenience store market, which is said to be saturated.

Growth of Group companies

In the Seijo Ishii business, the Yamato No. 3 Central Kitchen, which started operation in July 2022, has doubled its capacity for product manufacturing. By making optimal use of the new central kitchen, we will develop products and services that are unique to Seijo Ishii and accelerate the opening of new stores in each area, including western Japan. We are also considering overseas expansion.

In our Entertainment-related business, our ticketing business has the largest play guide market share, and our cinema complex business has the third-largest number of theaters in the industry. The ticketing business is tightly connected with travel, and we are looking to expand the travel domain through M&A and alliances. We are taking on the challenge of becoming a comprehensive entertainment distribution company.

In our Financial services business, we are working to build new services by taking advantage of the business environment in which around 5 trillion yen is settled annually at Lawson stores in the form of merchandise sales and third party bill settlement services. We are considering developing ATM business and launching new retail business.

Regarding our Overseas business, we believe that we are in a significant growth stage in China. As of May 2023, we had 5,788 Lawson stores in China and we reached 6,000 stores in August. Our goal is to reach 10,000 stores by 2025. Considering that China's population is more than 10 times the size of Japan's, 10,000 stores is merely a milestone.

We intend to expand the number of our stores in the Philippines, Thailand, and Indonesia, and to simultaneously invest in growth and have a return on investment over the next five to ten years.

Background of Enhanced Shareholder Returns

In the Lawson Group Challenge 2025, our medium-term management vision, we have set an ROE of 15% or more and an EPS of 500 yen or more as target indicators. Each segment business is promoting action plans to achieve these targets. After reducing dividends in fiscal 2019 to strengthen support for franchisees, we were able to increase franchise store profits and recover Lawson Group sales and profits by focusing on our "franchise store profit-focused management" policy and by responding to changes in COVID-19. In addition to these factors, as we now see a clear path for growth through fiscal 2025 as a result of the implementation of the action plan, we have decided to increase dividends starting in fiscal 2023.

Sustainability Initiatives and Governance

ESG-focused management is also an important issue for us, along with the target indicators of the Lawson Group Challenge 2025. We have set forth our environmental vision, Lawson Blue Challenge 2050 ! , and are promoting a variety of initiatives to address environmental issues. We are also working on other initiatives, such as Diversity, Equity & Inclusion (DEI).

Specifically, doors have been installed on 80% of the refrigerated/freezer showcases at model stores, along with solar power panels. Proof-of-concept experiments have been conducted to the goal of reducing electricity consumption by 40% and CO₂ emissions by 55% compared to fiscal 2013.



Avatar customer service



Refrigerated case with door

At our next-generation Green Lawson stores, we have introduced an avatar customer service. We are conducting a demonstration experiment to remotely explain the operation of the self-checkout system and provide information on various products and services. This system will enable people who are unable to work at stores in person to play an active role. And if one person can work at several stores at the same time, this will also help to solve the labor shortage.

It is important to have strong governance to bring about ESG-focused management and to achieve the target indicators of the Lawson Group Challenge 2025. Two of Lawson's five directors are independent outside directors and three of its five auditors are independent outside auditors. In addition, a special committee has been established, with all five members consisting of independent outside directors and independent outside corporate auditors. The outside directors and outside corporate auditors play a supervisory and auditing role and discuss management and business issues from their expert perspectives.

Aiming to be the No.1 recommendation

Under the Lawson Group Challenge 2025, we aim to become the most recommended brand among customers, society, and peers by creating and offering new conveniences. In the three years following the outbreak of COVID-19, we have established a group-wide system that allows us to respond quickly to change. This includes launching the Lawson Group Sweeping Transformation Executive Committee in September 2020 and introducing the area company system. We have also been increasing the degree of management autonomy. We are confident that the Lawson Group's efforts have been well received by our customers.

We will continue to develop initiatives that will be supported by all stakeholders, including customers, society, business partners, franchise store owners, store crews, employees, and shareholders. And we will continue to uphold our Group philosophy of "Creating happiness and harmony in our communities." Our wish is to be a company that brings happiness to our communities.



Input

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	14,631 stores	Seijo Ishii business	175 stores
• NATURAL LAWSON	131 stores	Entertainment-related business	
• LAWSON STORE 100	661 stores	• HMV	55 stores
• Hospital LAWSON	345 stores	• UNITED CINEMAS	399 screens
• Stores with nursing care consultation desks for seniors	20 stores	Financial services business Lawson ATMs	13,519
• Stores that sell over-the-counter pharmaceuticals	298 stores	Overseas business	6,160 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 113.78 million people	All stores
<small>(As of the end of July 2023)</small>	
• Lawson online members*	• LAWSON Smartphone Checkout service
Approximately 27.5 million people	107 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	271.2 billion yen	Interest-bearing debt	339.3 billion yen
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Human Capital

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

Consolidated employees	10,648 people	Selection as a Health and Productivity Management Brand	4 times
		Certified Health & Productivity Management Organization	7 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 10 million
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Natural Capital

Food resources for remaining close to our customers

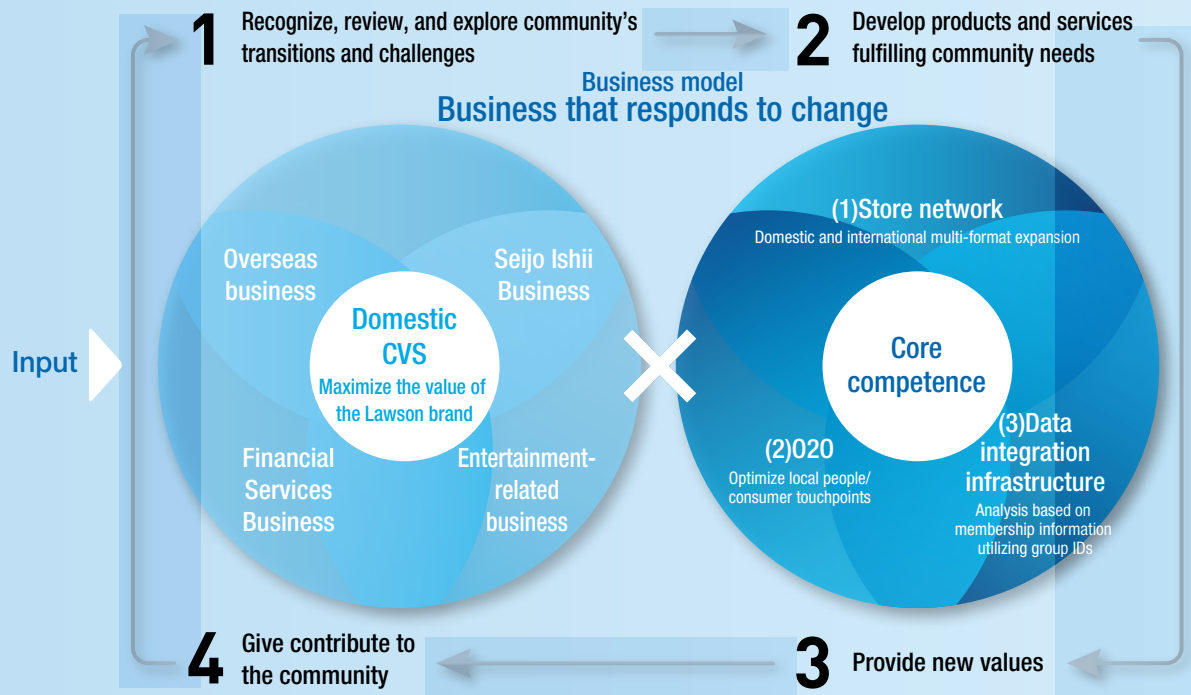
Established	16 LAWSON Farms
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Strategies for Growth

Lawson Group Challenge 2025

Our Vision (Goals)

New hubs of refreshment in every community



Domestic convenience store business

- Community based × individual customer and individual store-focused
- Provide products and services suited to the local area and the business environment of individual stores
- Stores well-established in the local community

Seijo Ishii business

- Offer distinctive, high-quality products

Entertainment-related business

- Provide entertainment through ticketing and cinema complex businesses

Financial services business

- Develop and offer new retail bank services

Overseas business

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

Social value

New convenience in practice

- Products and services responsive to customer feedback
- Sustainable joint ventures with franchise stores
- Provide social infrastructure

Results Consolidated results for fiscal 2022

- Gross operating revenue **988.6 billion yen**
- Operating income **55.0 billion yen**
- Profit attributable to owners of the parent **24.6 billion yen**
- Dividend per share **150 yen**

Lawson Blue Challenge 2050 !

- CO₂ emissions Reduce by **100%**
Per store 2013 levels
- Food waste Reduce by **100%**
Per store 2018 levels
- Containers and packaging of Lawson's original products Eco-friendly materials **100%** used

[A Management Foundation for Creating Happiness in Our Communities]

Corporate governance, internal control, sustainability management

Job satisfaction

Spirit of challenge

[Group Philosophy]

Creating Happiness and Harmony in Our Communities

Contribution to the Sustainable Development Goals (SDGs)

Lawson Group's approach to contributing to the SDGs

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

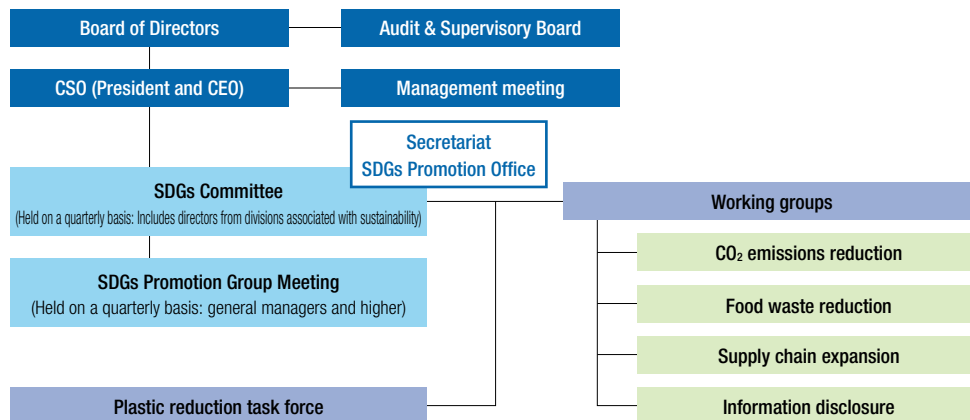
Establishing systems for contributing to the SDGs and implementing PDCA cycles

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

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.

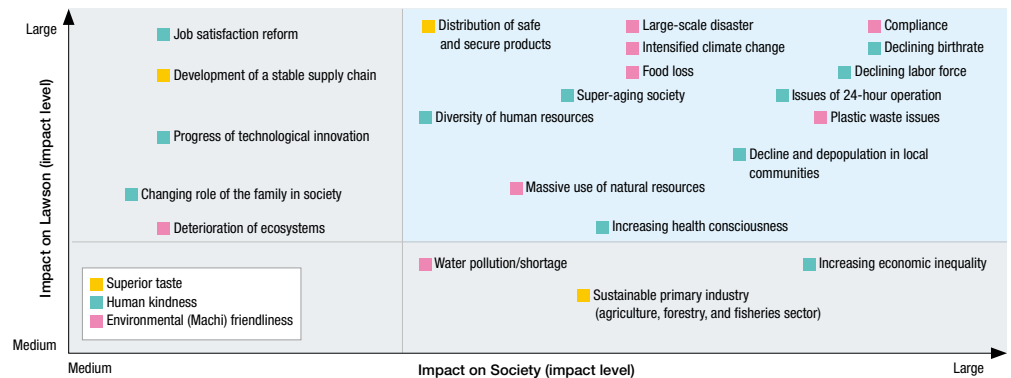
SDGs Committee Organization (as of March 1, 2023)



Identification of material issues (materiality)

The three promises, a policy based on our Group philosophy, is the foundation of our business and the basis for issues we have identified that have heavy impacts on the environment, society, and the economy. We compared the social impact (impact level) expressed in stakeholder opinions with the impact on Lawson, and identified Lawson material issues (materiality) that must be prioritized for us to become a hub of refreshment in every community. We will work on these material issues (materiality) toward the future ideal for Lawson.

Impacts of identified social issues



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

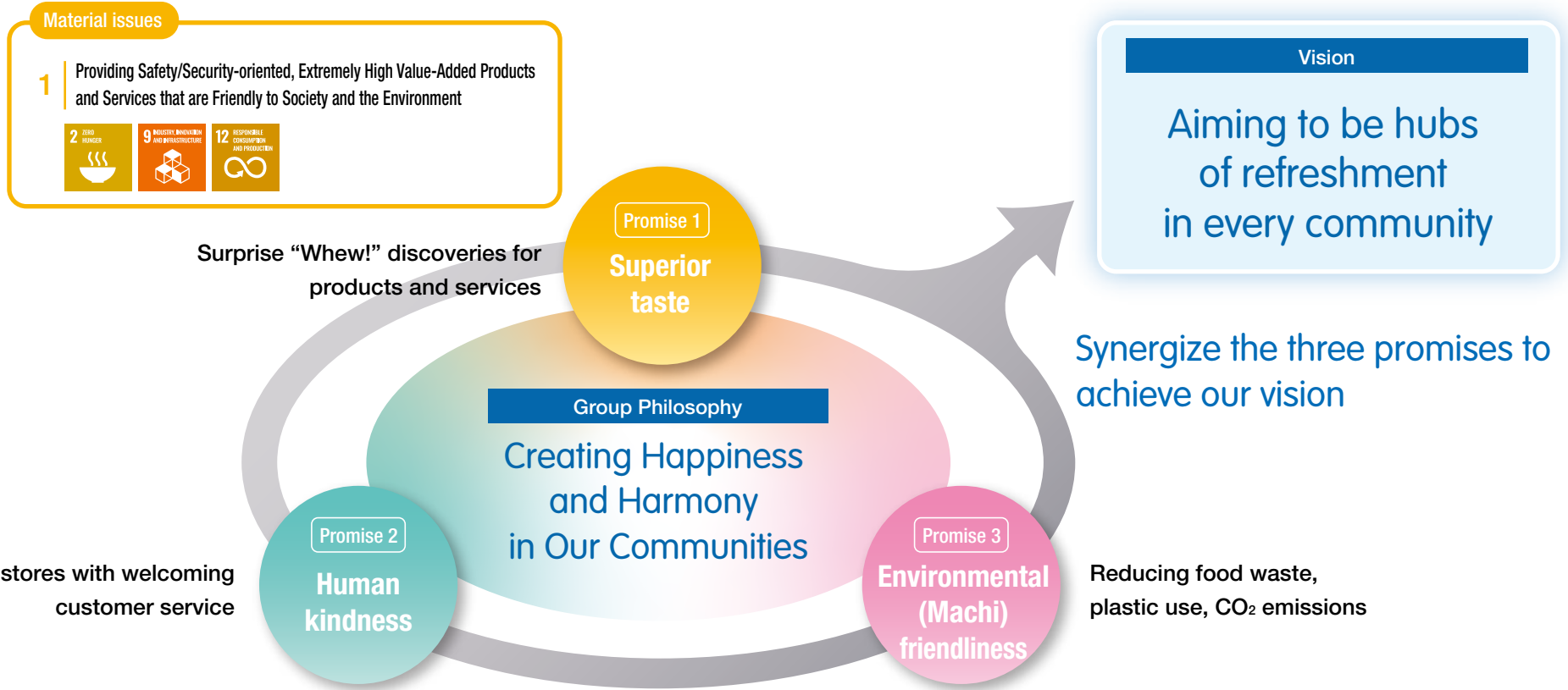


Signing the UN Global Compact

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

Material issues (materiality)



Material issues

2 Supporting health promotion for all people through products and stores

3 Providing comfortable work environments leading to job satisfaction

4 Supporting empowerment of women and seniors, as well as children's growth

2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
1 NO POVERTY
4 QUALITY EDUCATION
17 PARTNERSHIPS FOR THE GOALS

Material issues

5 Coexisting synergistically with communities by serving as part of the social infrastructure

6 Sustainable environmental conservation activities toward the realization of a carbon-free society

11 SUSTAINABLE CITIES AND COMMUNITIES
2 ZERO WASTE
7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

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



Fiscal 2017 to fiscal 2020: Laying a new foundation

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

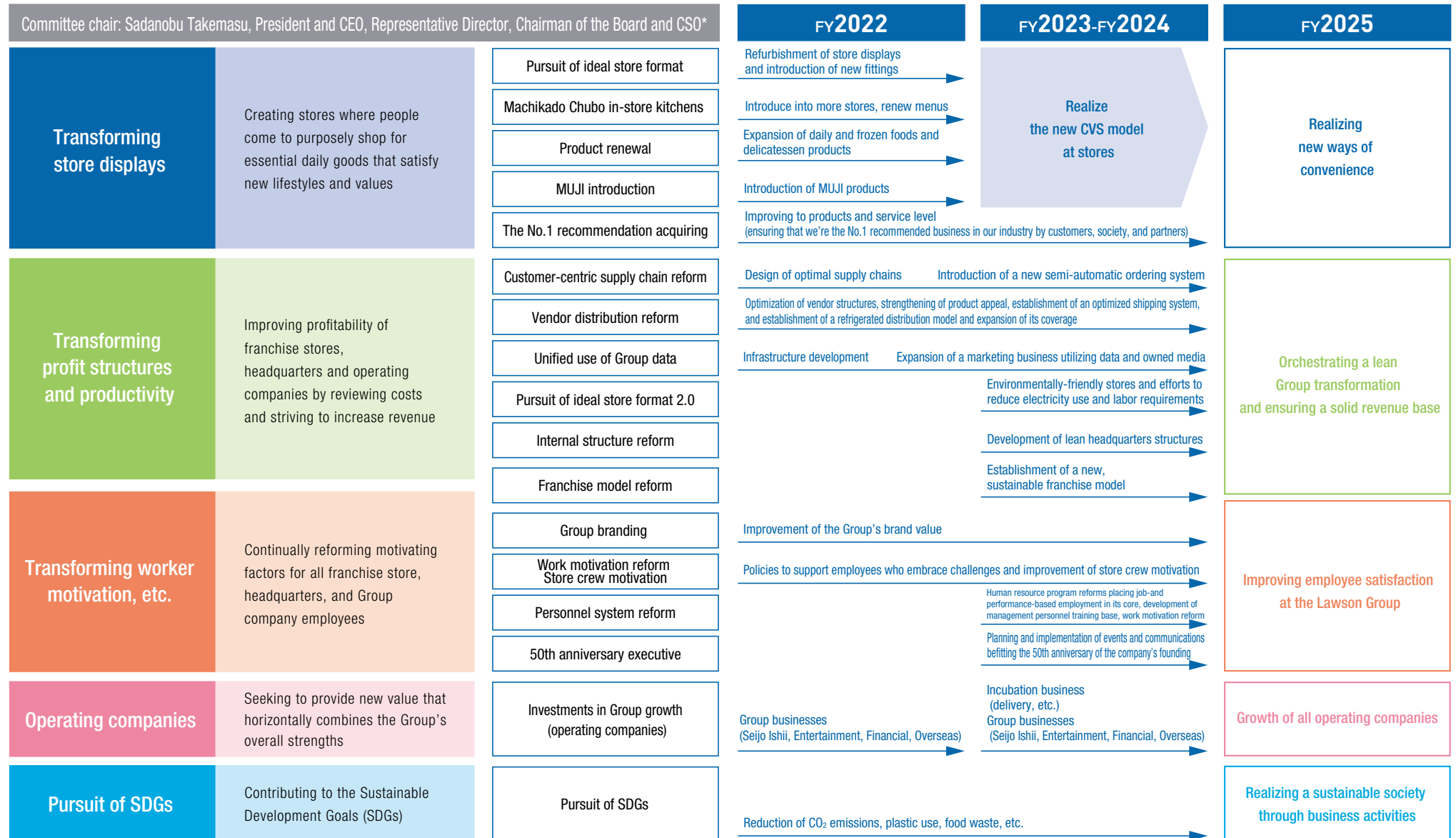
In fiscal 2020, when the business environment changed dramatically as a result of the pandemic and store sales were falling, we responded by embracing an approach to management that focuses on franchise store profit, moving quickly to implement a thorough slate of pandemic-related measures at stores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

Fiscal 2021 onward: Implementing new ways of convenience and realizing new hubs of refreshment in every community

We formulated the Lawson Group Challenge 2025 in fiscal 2021 to prepare for 2025, the 50th anniversary of our founding. The initiative strives to put into practice our Group philosophy of "Creating Happiness and Harmony in Our Communities" by ensuring we're the No. 1 recommended business in our industry by customers, society, and partners (franchise stores, employees, and other stakeholders) alike and creating new hubs of refreshment in every community in the pursuit of new ways of convenience. To realize new ways of convenience, we launched the Lawson Group Sweeping Transformation Executive Committee, which is undertaking a variety of initiatives centering on the three promises of our business policy: "Superior taste," "Human kindness," and "Environmental (Machi) friendliness." The committee, which is chaired by the president to ensure it can function in an agile manner, is carefully managing progress by setting milestones for individual projects.

During fiscal 2021 and fiscal 2022, we achieved results by implementing initiatives to make daily sales improvements; for example, through the pursuit of ideal store format project and implementation of the Machikado Chubo in-store kitchens project. Since fiscal 2023, we've been steadily implementing a series of medium- and long-term initiatives, including adopting a next-generation order system and distribution system based on two daily deliveries, reducing food waste and CO₂ emissions by the pursuit ideal store format 2.0 project (for example, by installing doors on open cases), and undertaking human resources program reforms.

Overview of the Lawson Group Sweeping Transformation Executive Committee



*CSO: Chief Sustainability Officer

Feature Machikado Chubo In-store Kitchens Project

We want customers and franchise stores to know that our products are specifically for them

General manager of daily foods and in-store kitchen dept., Merchandising division
Fumiki Mizushima

As of the end of fiscal 2022, approximately 9,200 stores had introduced the Machikado Chubo in-store kitchens, which provide freshly prepared in-store bento (boxed meals) and sandwiches that are now among Lawson's signature products. What is the reason for their success? We asked Fumiki Mizushima, the general manager of Machikado Chubo.



Focusing on the taste of store-cooked rice

Mizushima, a 20-year veteran of product development, has been in charge of the Machikado Chubo in-store kitchens since 2019 and was in the midst of trial-and-error efforts when the spread of COVID-19 cleared the streets of people.

"Sales of onigiri rice balls and bento (boxed meals), which had been stable every day, became unpredictable, and waste loss became a serious problem. This was a big problem for our franchise stores. But with Machikado Chubo in-store kitchens, which allow on-site cooking, managers can decide whether or not to make the food on a particular day. Since rice cooked in the store is served on the spot, it can be an



Chicken Kara-age
(Fried Chicken) Bento

alternative to eating out. When franchise stores told us how helpful this was, we were convinced that this could turn crisis into opportunity.

"The first hit product of Machikado Chubo was the Thick Pork Cutlet Sandwich. It takes time and effort to make, but it is a dish that conveys the deliciousness of freshly fried pork cutlet straight to your taste buds. In 2021, we also collaborated with famous restaurants such as Maisen, which is renowned for its pork cutlets. In 2022, we added Chicken Kara-age Bento (boxed meals) and Thick Pork Cutlet Bento to the existing menu of rice bowls to make people understand how delicious in-store cooked rice can be."

Feature

Machikado Chubo In-store Kitchens Project

“We are particular about the taste of rice. We previously used one variety of rice nationwide, but now we have divided the country into six blocks, with each serving the rice that people in that region know and love.”

For example, Fukkurinko is used in Hokkaido, Akita-Komachi in Tohoku, and Koshihikari from Niigata in the Kanto area. Products made with locally-produced rice recorded significant growth in sales, especially in regions like Hokkaido, where they were introduced early on.

“Both customers and member of franchise stores saw the products as something customized for them. Convenience stores operate as a business in partnership with franchisees, so it is important that they feel an attachment to the products. Since they cook these products themselves in the store kitchen, they naturally feel a strong connection to them. The products become big sellers and the stores feel proud of them.”

Machikado Chubo products
in a store



There is a noticeable difference in taste between rice that has been allowed to sit after cooking and rice that has been freshly cooked in the store. This distinction in taste is clearly apparent even with fried food. It is such added value that comes from in-store cooking that Mizushima is pursuing with Machikado Chubo in-store kitchens.

“For instance, when it comes to onigiri (rice balls), factories excel in terms of productivity. We carefully evaluate the difference in taste and the quality of service between factory production and in-store cooking, and examine the unique value of each in depth. The value of Machikado Chubo in-store kitchens lies in the delicious, freshly cooked products made in-store. This serves as a differentiating factor from other chains and benefits our franchisees. Particularly crucial is cooking the rice in-store. We will not deviate from this fundamental principle.”

In response to Mizushima’s aspirations, many requests have been received from franchisees for specific improvements. The biggest difference in developing Machikado Chubo in-store kitchens and other products is the strong commitment from franchisees to improve products through their own efforts.

“For example, with the popular pork cutlet sandwich, it takes time for store crew to become skilled at making it. While looking for ways to offer it faster, a franchisee suggested that we use the giant pork sausages sold as counter fast food: if you fry the sausage, place it in the bun, and pull out the skewer, anyone can quickly make a hot dog. This is how products have started to emerge thanks to franchisee input.”

Multiple menu items can be created from a single ingredient, and kara-age can be used both as a side dish and in bento boxes. If we can achieve this flexibility to meet demand at any particular time, it not only improves revenue but also reduces the cost burden for franchisees, who face the challenge of labor shortages.

“As labor shortages resurge in the post-pandemic era, a product improvement like the aforementioned hot dog example is one way of streamlining the cooking process to improve efficiency. However, that alone is not sufficient. Currently, we are working on implementing systems such as multilingual manuals to ensure that even store crew who are not proficient in Japanese can create products for the Machikado Chubo in-store kitchens.”

Environmentally friendly, reduces waste

Machikado Chubo in-store kitchens have already been implemented in approximately 9,200 stores. Installation of kitchen facilities is almost complete, except for those stores located in narrow buildings or in train stations where there is insufficient backroom space. Average sales per store has doubled compared to fiscal 2019, and we foresee it quadrupling in the future.

“The initial expansion scale should be about 10,000 stores. Going forward, we intend to focus on expanding the business area of individual stores by increasing delivery and mobile ordering (cooking after receiving the order).”

This will not only propel business but also contribute to improving the environment and society.

“The shorter time from food preparation to sale allows for the use of fewer additives and significantly reduces waste when compared to making food in factories. It may be a solution to the long-standing issue of wasted bento boxes. We believe that Machikado Chubo is friendly to both the community and the environment and benefits everyone concerned.”



Vendor Distribution Reform Project

Establishment of an optimized shipping model

Transition to two daily deliveries of chilled and temperature-controlled products

From December 2023 to March 2024, we will progressively change the number of shipments to stores of chilled and temperature-controlled products [including bento (boxed meals), noodle products, prepared foods, and sandwiches] in order to comply with the Act on the Arrangement of Related Acts to Promote Work Style Reform, which will affect delivery drivers when it takes effect in April 2024, while reducing CO₂ emissions and controlling costs. Although we switched from three to two daily deliveries in an area that accounts for about 30% of our stores from 2005 to 2018 in an effort to streamline product manufacturing and shipping work, the new approach will change the number of deliveries in the five largest metropolitan areas (Sapporo, Tokyo, Nagoya, Osaka, and Fukuoka), which account for about 70% of all stores, with the result that all stores will receive two deliveries per day. In addition, the measure is expected to reduce CO₂ emissions associated with store deliveries by about 8%.

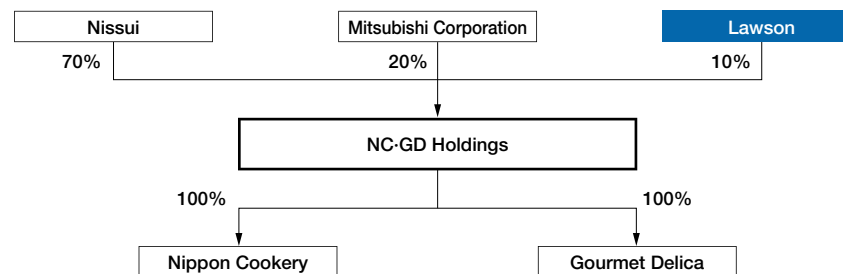


Using AI to optimize store delivery routes

We've been using AI to optimize delivery routes since 2020 in an effort to reduce CO₂ emissions. In October 2021, we introduced store delivery routes created using AI for deliveries to stores served by our room-temperature and frozen product distribution center in Gunma Prefecture (including about 400 locations), and simulations indicate that those changes have lowered the number of delivery trucks by about 8% and CO₂ emissions by about 7%. As of July 2023, the area covered by the initiative has been expanded to the Tohoku, Kanto, Chubu, Kinki, Chugoku, and Shikoku regions.

Optimizing vendor structures and strengthening product appeal

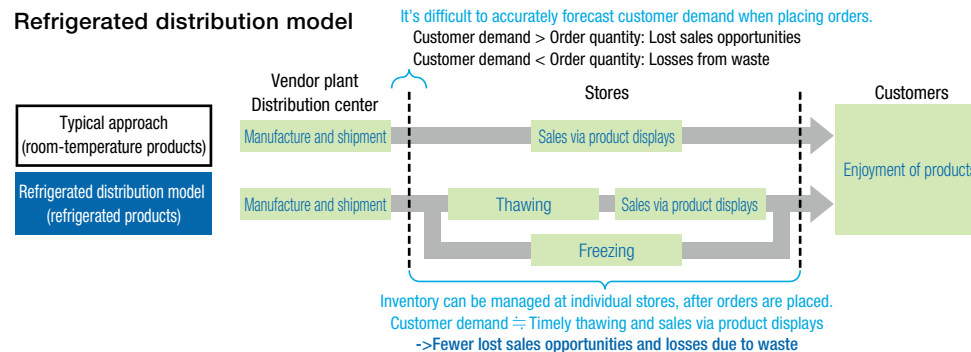
We're optimizing vendor structures in order to strengthen product appeal and maintain stable supply structures. In addition, we acquired a 10% stake in NC-GD Holdings Co., Ltd., which was established as the parent company of Gourmet Delica Co., Ltd., and Nippon Cookery Co., Ltd., both vendors that manufacture and sell products including rice balls, sushi, bento (boxed meals), and prepared foods to Lawson. The investment reflects an effort to provide better products to customers by enabling us to become even more deeply involved in product manufacturing and development.



Establishing a refrigerated distribution model and expanding its coverage

We're working to develop product supply structures that draw on new refrigeration and thawing technologies so that we can offer a product mix that's tailored to customer demand while reducing lost sales opportunities and losses due to waste. A trial project has yielded a number of premium differentiated products made possible by refrigerated distribution, including trout sushi.

Refrigerated distribution model



Customer-centric Supply Chain Reform Project

Balancing supply chain optimization with measures to reduce food waste

Through a project centering on customer-centric supply chain reform, we are addressing food waste, one of Lawson's target social issues. We 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're also striving to maximize franchise store profit by improving daily sales and gross margin.

Rolling out AICO, our next-generation ordering system, nationwide

We've worked to boost the precision with which stores place orders by relying on a semi-automatic ordering system (a system that uses AI to automatically calculate the optimal product mix and order quantities for individual stores based on their own data), which we introduced in 2015. We completed an advance verification of a next-generation ordering system that updated the older semi-automatic system for some stores in the Tohoku region*¹ in 2021 and for some stores in the Tohoku region and Tokyo*² from June through September 2022. Since that process yielded the envisioned benefits in terms of sales, gross margin, and waste volume in target categories*³, we will begin deploying the approach to stores nationwide around March 2023 under the name AI Customized Order/AI Consultant (AICO). By augmenting the product mix and daily order quantity recommendations of the previous semi-automatic system with recommendations for discounts on streamlined system, AICO will help further reduce lost sales opportunities and food losses (due to waste).

Vision for the new ordering mechanism

The AICO next-generation ordering system is designed to implement our individual customer and individual store-focused philosophy by reassessing how each franchise store's sales displays should be configured based on a focus on individual customers and providing AI assistance for ordering to realize that vision. Our vision is to support franchise stores through AI-generated recommendations while respecting local decisions and activities. This fundamental approach is reflected in the inclusion of the words "Customized" (emphasizing our commitment to tailoring advice to individual stores) and "Consultant" (evoking a relationship characterized by close partnership) in the system's name.



*1 Approx. 60 stores

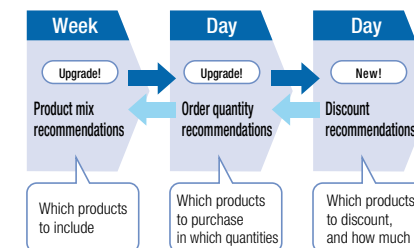
*2 Approx. 180 stores

*3 Target categories: Cooked rice products [bento (boxed meals), room-temperature sushi, rice balls, and chilled bento boxed meals], bread products, noodle products, prepared foods, desserts, bakery items, etc.

Features of the AICO next-generation ordering system

Product mix recommendations

The system will generate weekly product mix recommendations based on each store's customers' purchase history, geographic location, and sales display characteristics. The system will make possible a product mix that better reflects each store's characteristics compared to the current semi-automatic ordering system.



Order quantity recommendations

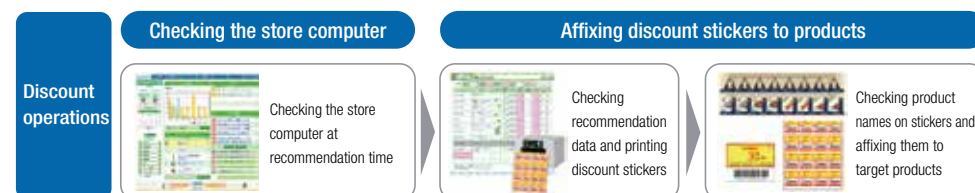
The system will provide more precise recommendations based on progress made in AI and computation technology since the introduction of the current semi-automatic ordering system. It will provide daily recommendations concerning the product order quantities that will maximize profit after forecasting sales based on a broader range of previous data gathered from "own store" and "other stores" (including weather, inventory status, sales results for individual products, and interconnectedness of sales across products).

Discount recommendations

The system will recommend discounts from the perspective of maximizing profit by utilizing the same sales forecasting logic as order recommendations. Although discounted sales of products whose expiration date is approaching traditionally has depended to a significant degree on each store's experience, the new system will make it possible to avoid unnecessary discounts while more effectively selling through inventory by using AI to recommend discount amounts and timings based on individual stores' daily inventory. In addition, by eliminating the need for experience, AICO will help boost the frequency of discounts, lower the workload on managers and veteran crew members, and streamline store operations.

Boosting logic precision and establishing an optimal store guidance model

To prepare for the rollout of the new system, we will spend fiscal 2023 making additional improvements, developing structures that will allow owners and crew members to use it with confidence and peace of mind, and preparing for the deployment. As an example, relating to discount recommendations, we're planning to introduce a mechanism that will make it possible to easily print discount stickers after reviewing recommendations from headquarters as a way to reduce stores' operational workload. Through this and similar initiatives, we'll work to maximize franchise stores' profits while reducing lost sales opportunities and food losses (due to waste) by helping individual stores create the kind of sales displays they want from both digital (in the form of the next-generation ordering system) and analog (through store guidance from supervisors) perspectives.



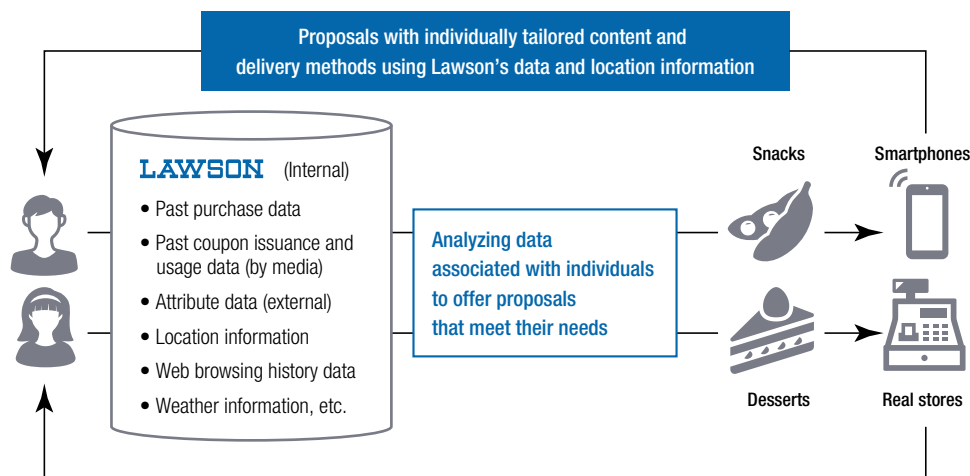
Transforming Profit Structures and Productivity / Transforming Worker Motivation

Transforming profit structures and productivity Unified Use of Group Data Project

Striving to expand our business using data and media

Our drive to realize unified use of Group data augments initiatives conceived to increase the sophistication of our domestic convenience store business, for example market analysis and product development, with an effort to expand the range of data subjected to analysis (data owned by Lawson Group companies, external data, etc.) and to enhance services that make use of data, with the goal of tapping new sources of revenue.

Principal initiatives include working to establish data-driven analytical techniques and efficient promotional models by improving operations through enhancement of the types of data we can collect, visualization of current conditions based on data, and resolution of outstanding issues. We've also started using techniques and models found to be effective to provide services to outside entities, rather than dedicating them to internal use only.



In addition to enhancing customer satisfaction by providing information that meets individual customers' needs, interests, and preferences in an appropriately timed and suitable manner, we're looking to boost headquarters earnings and secure new sources of revenue by utilizing the analytical techniques and promotional models we've developed.

Transforming worker motivation Group Branding Project

Cultivating a sense of unity at the Lawson Group

The Group branding project represents a Group-wide effort to build a brand that resonates with customers.

When the project was launched in 2020, we defined the Lawson Group's core value as "a challenger that aspires to be useful to everyone" based on consumer research, employee workshops, and other input. This value aligns closely with how Lawson Group employees are working to realize the Group philosophy of "Creating Happiness and Harmony in Our Communities" in everyday life as in times of emergency.

In fiscal 2022, we opened an official Lawson Group account on the information-sharing website note.com, communicated information on the Group's information-sharing website, offered training, and held networking events in order to foster shared awareness of the core value while boosting loyalty. We also launched a Group branding page on the Lawson Group's official website in May 2023.

 **Official Lawson Group note account (in Japanese)**
https://note.com/lawsongroup_note/

The Group branding project will continue to build Lawson's brand by communicating information inside and outside the Group about how the Group is embracing challenges on behalf of society and the communities it serves through the Lawson Group's official website and its official note account.

We will also continue to strive to realize the Group's philosophy while pursuing initiatives to foster a sense of unity, boost employee and crew motivation, and foster shared awareness in order to increase employee satisfaction.





Business environment

In fiscal 2022, there was an overall upward trend in the flow of people despite repeated waves of COVID-19. Diversification in customers' lifestyles during the pandemic has led to increasing demand for daily-use products in convenience stores. In response to these changing needs, we have been undertaking store remodeling, with the total number of stores successfully remodeled between fiscal 2021 and the end of fiscal 2022 standing at 7,290.

In addition to increasing fixtures for frozen foods and daily foods, other features added via this store remodeling include offering Machikado Chubo in-store kitchens*1 and the introduction of MUJI products*1 in the hopes of attracting business for daily necessities through specific brand demand and as a result of browsing. We also undertook product innovation to make our frozen foods and daily foods more user-friendly. As a result of these efforts revolving around store remodeling, daily sales improved by 1.9% in fiscal 2022.

Also, we began the Happy Lawson Project*2 in June 2022 in order to let customers know about the store remodeling, product innovations, and other sales floor and product changes. Thanks to the success of the store remodeling and the Happy Lawson Project and other marketing measures, despite the flow of people not being back to pre-pandemic levels, and excluding rice, noodles and soft drinks, which were greatly impacted by the reduced flow of people, sales in all other categories for fiscal 2022 were higher than pre-pandemic fiscal 2019 sales.

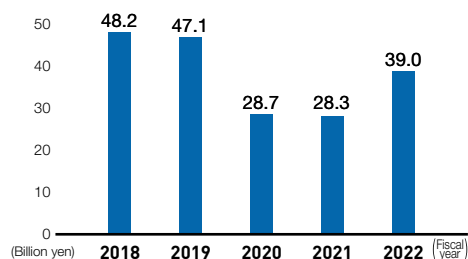


*1 Machikado Chubo in-store kitchens: 9,191 stores in total; MUJI products introduced: 9,621 stores in total (as of the end of February 2023)

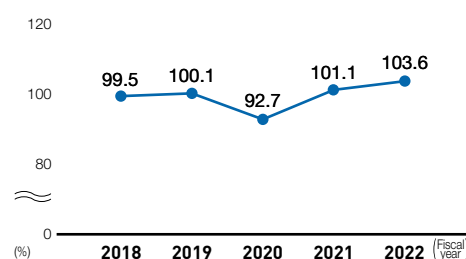
*2 A long-term marketing project to be implemented until 2025, which is the 50th anniversary of Lawson's founding.

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

Segment profit



Daily sales year-on-year

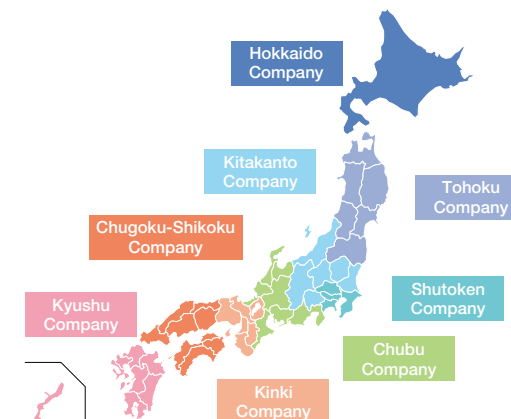


Growth strategies

Using the following strategies, we are aiming for growth and development which is “community-based × individual customer and individual store-focused.”

1. Nationwide expansion of an area company system

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



2. Product strategy, sales strategy and store opening strategy

We will work to thoroughly ensure the deliciousness of our products.

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

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

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



Multi-format store development



NATURAL LAWSON

NATURAL LAWSON, which operates 131 stores nationwide (as of the end of May, 2023) as a nearby store supporting “beautiful, healthy and comfortable lifestyles,” is focused on “supporting health and beauty,” “seasonality” and “safety and reliability.” To realize these ideas, it offers a unique and carefully selected lineup of environmentally friendly detergents, cosmetics, and other daily products, as well as delicious and healthy food products, while also offering great value.

Growth strategies

Promotion of physical and mental well-being

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

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

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

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

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

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



LAWSON STORE 100

In response to changing customer needs, we have revamped the store concept for LAWSON STORE 100 (659 stores throughout Japan as of the end of May, 2023) to being a “Menu-Support Convenience Store” well suited for daily use that meets the growing demand for eating at home. With these stores we actively work to enhance the product appeal of private brands in order to strengthen seasonal meal ideas that support the daily dining table of our customers, and we promote brand strategies to encourage purposeful purchases reminiscent of LAWSON STORE 100 and allow us to be a Menu-Support Convenience Store that fully capitalizes on the advantages of being small stores.

Growth strategies

Becoming a “Menu-Support Convenience Store” that offers daily meal ideas

As a convenience store which is responsive to customers’ lifestyles, particularly with regard to fresh foods and daily food items, we are focused on developing and improving our ability to support the daily lives of people through the “seasonal ideas,” “customer communication,” and “safety and security” we provide on the sales floor. While keeping abreast of macro consumption trends, such as population aging and the increase in single-person households, we will utilize customer segment data to help us accelerate individual store management together with franchisees, and thereby increase market share within commercial areas.



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

Through partnerships with dispensing pharmacies and drug store chains, as well as training registered sales personnel, we are expanding the number of stores that sell over-the-counter pharmaceuticals and prescription drugs. We also continue to open healthcare-focused stores offering a wider assortment of cosmetics and daily-use products than ordinary Lawson stores. At some stores equipped with drug-dispensing pharmacies, we are trialing online drug administration guidance, prescription pick-up, and other services. In addition, from February 2021, at some of our stores handling over-the-counter pharmaceuticals, we started the first deliveries of pharmaceutical products using Uber Eats in Japan. This service handles (as of the end of May, 2023) 63 types of Type-2 and Type-3 OTC drugs, including cold medicines, eye drops and stomach medicines. The service is tailored to the needs of customers who want to purchase medicine without having to go out.

Hospital LAWSON (in-hospital) convenience stores

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

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



Lawson health initiatives

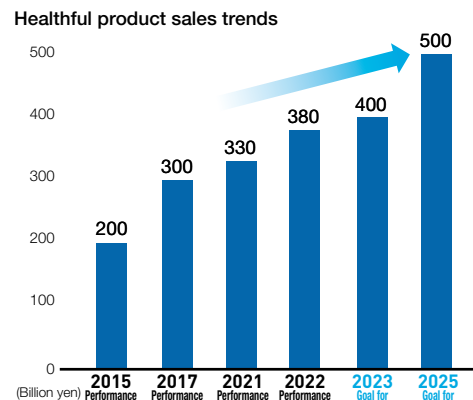
Initiatives on healthful foods

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

Sales of these healthful products represented roughly 20% of our total food products in fiscal 2015, growing to around 26% of total food products in fiscal 2022, and we are working to provide a wide range of products that encompasses everything from onigiri rice balls, healthy and functional baked goods and salads to candy, chilled drinks, processed foods and more.

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, which is roughly 40% of the total SKU count.

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



Product development targeting deliciousness and health

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

For fiscal 2023, our aim continues to be to offer tastier food under the theme of "stay healthy while eating what you like." We are strengthening our product focus in areas where customer need is particularly high, namely protein, dietary fiber, sugar and fat, and we are also pursuing easy-to-understand display methods on the sales floor, such as by displaying nutrient content on packaging through the use of color-coded markings.

LAWSON Farm

In order to ensure a stable supply of domestic farm produce to Lawson Group stores, we have established LAWSON Farm, a corporation eligible to own farmland, at 16 locations nationwide (as of May 2023). LAWSON Farm employs the Nakashima method of farming, which involves conducting soil diagnoses to develop ideal soil for growing crops before planting, and which supplies appropriate nutrition according to the growing conditions to produce healthy, delicious vegetables and fruits.



Reinforcement of 4 themes

Stay healthy while eating what you like

More protein

Tasty products providing an easy source of protein



More fiber

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



Low carbs

Use of bran (grain husks) to control carbohydrate intake











Low fat

Products providing oils which are good for the body



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	Protein	Dietary fiber
Bran bread	Onigiri rice balls with sticky barley	Smoothie series*1	Motto! Yasai ("more vegetables") series	Curry that brings out the umami flavor of its ingredients	Expand to dietary staples	Greater protein	Greater dietary fiber
							

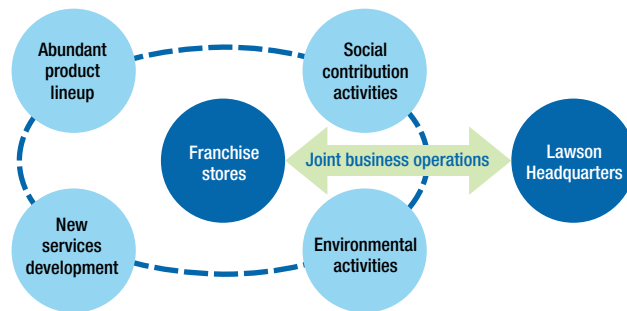
*1 Packaging was changed in fiscal 2022.

Supporting franchise store management and reinforcing trust

Lawson's closest, most strategic partners are the franchise store owners and store crews who serve customers on the forefront in communities throughout Japan. Strengthening the trust between franchise stores and Lawson while striving to develop stores that serve as essential "hubs of refreshment in every community" for customers and their local areas, is crucial to realizing the Group's Corporate Philosophy: "Creating Happiness and Harmony in Our Communities."

Lawson is using digital technology to reduce the need for staff and labor in store operations, while headquarters contributes by supporting franchise store recruitment activities and optimizing their benefit packages, as well as by strengthening various initiatives and systems to encourage sound store management through clear, open communication.

Also, in order to improve franchise store profitability, we offer various means of support, including support for day-to-day sales floor development by supervisors, partial assumption by headquarters of disposal costs in order to facilitate product lineup strengthening, active introduction of energy-saving equipment, and improvement and simplification of store operations.



Recommending and supporting multiple store operations

Lawson recommends that its franchise store 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 more stable management than when operating a single store, while expanding their business easily. 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.

In fiscal 2020, Lawson started providing support for store manager training, in which Lawson trainers visit individual stores to provide on-the-job training (OJT) to develop the skills of franchise store managers. Furthermore, in fiscal 2023, Lawson is launching digital technology-driven, content distribution-based, on-demand training and online store manager training which can be participated in from anywhere in the country. As of the end of February 2023, the multiple store operation ratio stood at 77.9%*, while the multiple store ownership ratio was 47.4%*.

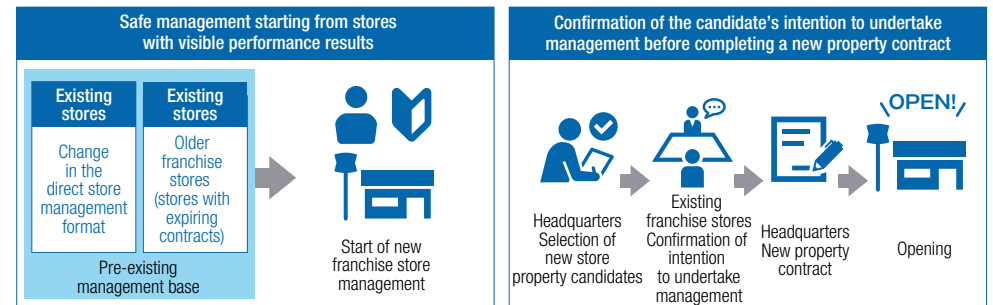
*Excluding LAWSON STORE 100

Management Owner (MO) system

Lawson has established the Management Owner (MO) system to strongly support franchise store owners operating multiple stores through a reinforced partnership with the Company. The MO has made a substantial contribution to the progress of the Lawson chain as a whole, not only by enhancing the brand image of the Lawson chain through development of model stores and sales floors, but also by exchanging opinions or proposing improved work procedures to headquarters management personnel as representatives of the franchise stores in their region. As of the end of February 2023, there were approximately 200 MOs operating stores in various regions of Japan.

Considerations when entering a franchise contract

As for franchise contracts, in matching new aspiring franchisees with franchise properties, we generally take care to present them with existing properties which have visible status of current sales and profitability, 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, in 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.



Feature Management Owner

Making the convenience store into a desirable profession

CEO Active Co., Ltd.
Naomi Ishizuka

Naomi Ishizuka currently operates 25 Lawson stores within Shizuoka. When the Management Owner (MO) system launched in 2010, she was one of the inaugural MOs. Despite overseeing approximately 450 employees, she is very fastidious about her stores and continues to make in-store visits to help with operations. What is the appeal of being an MO and of working for Lawson? We talked with Ishizuka to find out what she thinks.

I want to show how I work to my employees

“The difference, I feel, after becoming an MO is that I have a larger perspective from which to see the store network and Lawson itself. When I was an individual store owner, my perspective was limited to just my store and its environs, but, after becoming an MO, I work together with headquarters in coming up with strategy for my entire area,” says Ishizuka. Before she was an MO, Ishizuka ran three stores, and, before that, she was a beautician.

“I became an owner for the first time in 1994. Before becoming an owner, I was the manager of a beauty salon. I started running a Lawson store in order to put to use some land that my mother owned, but, when I put others in charge of running it, things didn’t go well. So, I quickly quit the beauty salon and took over running the Lawson myself.”



Feature

Management Owner

When Ishizuka quit, the salon owner told her to make sure to work the hardest of everyone around her. If she didn't, the owner said, people wouldn't follow her. "I took those words to heart and started at the store without ever having worked a cash register. Even now, I still do the cash register, stock the shelves, place orders and all the other tasks. I say the same thing to every new Lawson franchise store owner who comes to my store for training. My feeling has always been, and will always be, that I want to show how I work to my employees."

It was in 2008, when Ishizuka was running three stores, that she was invited by Lawson Headquarters to apply to be an MO.

"Because things weren't going how I was hoping at the three stores, I lacked confidence and declined the offer; however, during owner training, we were told by Lawson Headquarters that 'labor shortages will become increasingly serious in an era of population decline. That is why we need to build an MO system that will serve as a strong management foundation.' I couldn't sleep that night. I was thinking about how, once the crew members who had supported us ever since our founding got older, they would need some place to work as well as in the store. So, I returned to the stores, talked with the crew leaders about the extra responsibilities that would fall to them if I try the new role, and they said they understood it. So I became an MO and started opening multiple new stores."



Products found seemingly everywhere, presented in displays seen nowhere else

Store management is carried out strictly by the book. "Ideally, I would tailor the entirety of my sales floors and products to suit each store, but that's a luxury I just don't have yet. This means, then, that the first thing to do is to arrange each store according to a recognizably set pattern. Every detail, like what numbered hole to affix the product shelf plate to, is meticulously predetermined."

She does things this way because of the bad experiences she's had with employees quitting one after another when the responsibility for such decisions was left up to others.

"Running a convenience store is hard. You cannot expect a young person to suddenly be good at it when he or she has no experience. They get scolded when there is a lot of waste loss because of poor ordering, or when there isn't a crew member to fill a hole in a shift. This sort of thing makes them lose confidence and they quit. I finally realized this after talking with employees who had quit. That is why, now, I have people start with a set model and build up success using it. And once they learn a model, they can break it. It was by having people learn the model before they start making their own adjustments that allowed them to grow."

When asked what was of central importance to running a convenience store, Ishizuka answered, "How to generate profit as efficiently as possible in a store with limited floor space; the key is to use the product sales share as a barometer of customer needs."

In the past, the number of display shelves exceeded the sales share for daily-use products, before she found the actual share was just a few percent, according to her. "With the introduction by the Sweeping Transformation Executive Committee of new refrigerators and other equipment, we had a foundation of equipment with which to pursue store development which is matched to sales share. We monitor the daily sales share and look for how to increase daily sales by even just 1,000 or 2,000 yen. I believe that headquarters thinks the same and is helping by changing the composition of the sales floor. The area company system has also been started, which I think will further accelerate the speed of decision-making and make it easier

for owners to provide their input and feedback.

"We must make customers happy by providing them with products found seemingly everywhere but presented in displays seen nowhere else. This is where a convenience store manager shows his or her skill. When ordering, you decide what you think will sell and how much it will sell, lock it in for that week and then think about how to sell it, how to do the POP display, etc. This is what makes this business interesting.

"With the changes made to the sales floor as a result of the Sweeping Transformation Executive Committee's measures, I am thinking hard about how to leverage them for business to produce quantifiable results. President Takemasu says that 'it is the actual store that is everything,' and that is absolutely true. I want to create a good sales floor and do a job worthy of that blue Lawson sign."

In the summer of 2022, Ishizuka began trialing something new. "I am moving to 'cross-functional' operations, where ordering, sales floor development, human resources development, and other duties traditionally handled by store managers are made the full-time responsibility of others who are good at them. There is no precedent for this; I am completely feeling my way as I go. Everyone has strengths and weaknesses, so isn't it better to have a system which lets people make the most of their talents and passions? If I can get all of the roughly 450 employees that I am responsible for to make the most of their different strengths, the result will be truly powerful."

So, what is Ishizuka aiming to achieve in the future? "Making the convenience store into a desirable profession," she replies.

"I want the owners and crew members to feel pride in their work. In the past, the job of a beautician used to be considered undesirable as well, but, with the emergence of charismatic beauticians, it has been transformed into a popular profession. Image is important. That is why I have always cared about crew members' appearance. Of course, this is a business, so it is important to make money. I make good money and drive a nice car, and the money my business makes I want to use to provide a work environment where employees feel motivated, which includes pay and benefits, and where the recently growing number of crew members from overseas feel that they can achieve the Japanese Dream."



Seijo Ishii

Business model and strengths

[Business model]

Seijo Ishii utilizes its own unique business model of “vertical integration of food,” in which all of its processes, from importing, logistics, and manufacturing to wholesaling, retail sales, and restaurant operations, are carried out in-house. By performing the product planning, manufacturing, procurement and sales functions itself, Seijo Ishii is able to dynamically adapt to customer needs and trends and the raw materials procurement environment.



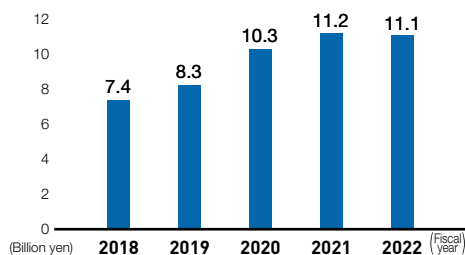
[Strengths]

- Good brand strength backed by high-quality products and services
- Varied store formats adapted for train station buildings, street-level stores, and shopping centers
- Unique product category composition with a high proportion of products from the company's central kitchen and original products

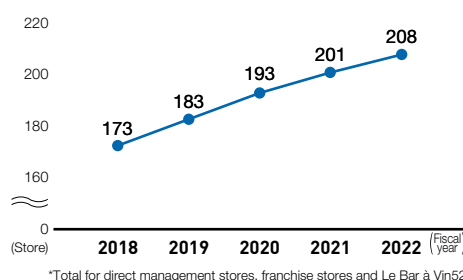
Business environment

With the increase in shut-in demand caused by fewer people going out and more people working from home during the pandemic, sales of fresh food, groceries, and confectionery, centered on large street-level stores, increased significantly for fiscal 2020 to 2021. In fiscal 2022, despite some degree of rebound from the shut-in demand, sales continued to grow as a result of the strong performance in sales stemming from new store openings and dishes prepared in the company's central kitchens.

Segment profit



Number of stores



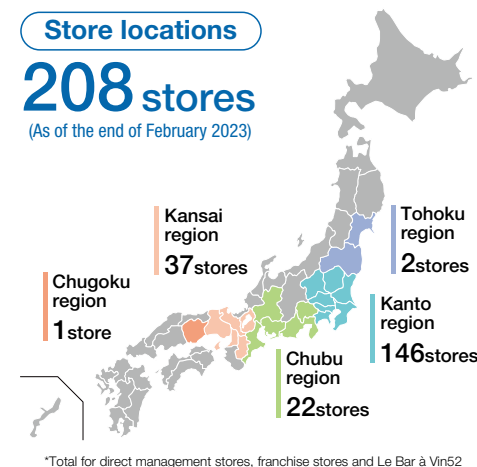
Growth strategies

Accelerate store openings and explore new store opening formats

With an eye toward future expansion of the store network and developing new mainstay products, the new, integrated central kitchen, the Yamato No. 3 central kitchen, went into operation in July 2022, doubling the existing manufacturing capacity (equivalent to 400 stores). The company will continue to open stores in the Kanto region, while also strengthening its expansion into western Japan. In addition, it is tackling the challenge of opening stores with new formats, such as the Seijo Ishii BAKERY specialty store opened in Osaka City in April 2023.



Yamato No. 3 central kitchen



Strengthen e-commerce business

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

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



Lawson Entertainment



UNITED CINEMAS

Business model and strengths

[Business model]

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

UNITED CINEMAS: Develop cinema complex business, and peripheral business, such as advertising sales using theater media.

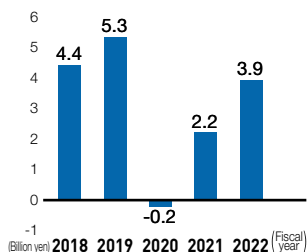
[Strengths]

- Top-class sales strength in terms of ticket agency share
- Able to leverage the Lawson Group's comprehensive strength to procure content
- Planning and sales strength with regard to products and services which fuse "reality and the Internet" and "goods consumption and experience consumption"
- Highly competitive thanks to active efforts to provide added value, such as with a 4D movie screening system

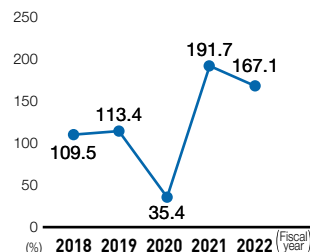
Business environment

Amidst an accelerating trend towards digitalization caused by changing consumer habits during the pandemic, we took full advantage of the Lawson Group's strength to expand our ticket business and cinema complex business by utilizing both real stores and the Internet. As a result, Lawson Entertainment's ticket business in fiscal 2022 was higher than it was for fiscal 2019. In e-commerce business, we expanded our merchandise and saw significant growth in sales compared with fiscal 2019. Also, in the UNITED CINEMAS cinema complex business, the transaction amount per customer increased due to differentiated theater management offering 4DX® (experiential viewing), IMAX®.

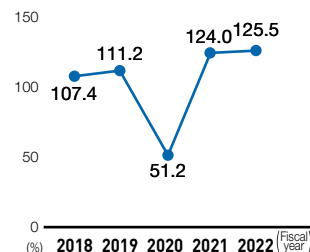
Segment profit



Lawson Entertainment Ticket Sales (YoY)



UNITED CINEMAS Customer Attendance (YoY)



Growth strategies

1. Develop services which seamlessly provide both entertainment and travel tickets

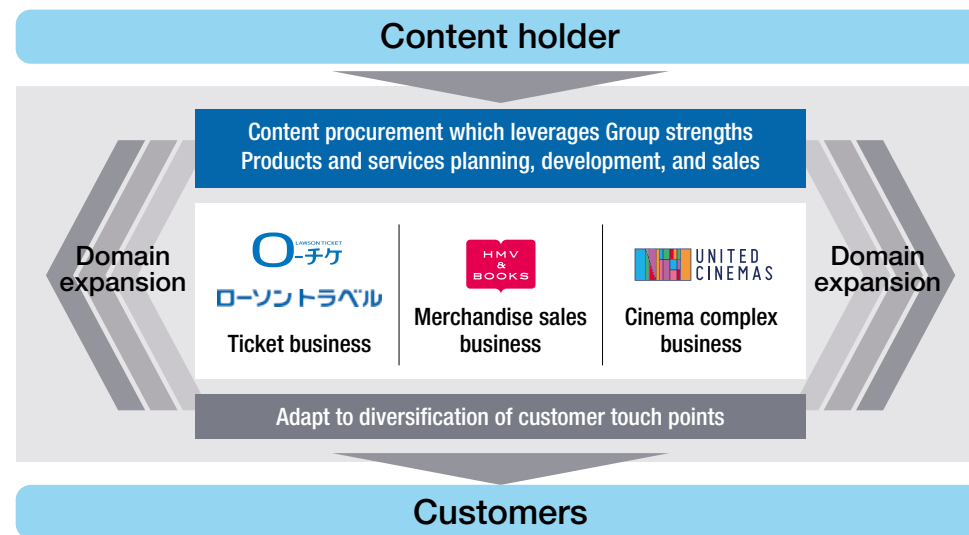
For ticket business, we will put in place a platform through which both entertainment and travel tickets can be purchased and will develop it into a 'one-stop shop' where a person can, for example, organize his or her concert tickets, means of transportation (plane, train, etc.), and accommodation.

2. Pursue development of entertainment-related products for new domains responding to market changes

In merchandise sales business, we will further build up the planning and development strengths which the Lawson Group has cultivated and will expand the products and services domains handled by stores and e-commerce to new domains, such as cosmetics and sports-related domains.

3. Develop entertainment complex business

In cinema complex business, we will provide value-added services using theater facilities, such as acoustic sensory premium seating, to increase theater attendance numbers. In addition, we will broaden the customer base by screening content other than movies. Also, we will strengthen merchandise sales, marketing, sales promotion, and other business, using theaters as a touch point with media and customers.





Lawson Bank

Business model and strengths

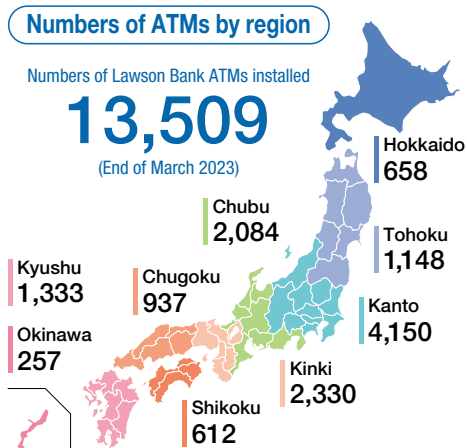
[Business model]

- Develop ATM business which has as its foundation the Lawson Bank ATMs installed in Lawson stores and other locations in all 47 prefectures, as well as develop deposit, credit card, etc., retail business.
- Utilize the ATM network to provide services which connect ATM users with partner financial institutions and cashless operating companies.

[Strengths]

- Network encompassing 385* partner financial institutions and others
- 13,509* ATMs installed in all 47 prefectures in primarily Lawson stores, which are used by more than 3.6 billion people annually
- Systems and structures in place which enable ATM access 24 hours a day, 365 days a year
- Offers Lawson Ponta Plus credit card service in partnership with Ponta Card, which has a membership base of over 100 million members

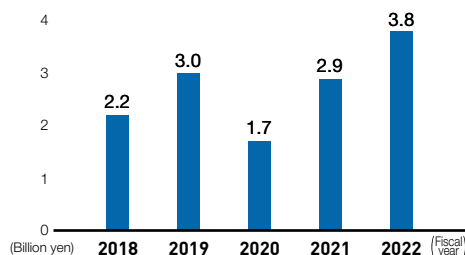
*As of the end of March 2023



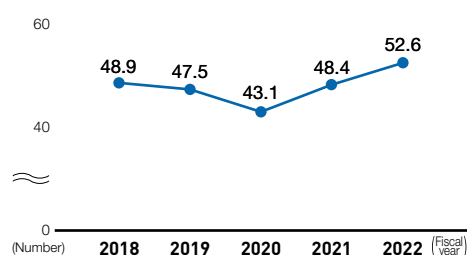
Business environment

Because of the strict restrictions on people's activities during the pandemic, customer numbers for Lawson stores declined, which resulted in a drop in ATM usage. However, in fiscal 2022, the rebound in the flow of people and the demand for going out helped to increase customer numbers in Lawson stores, which in turn increased the average number of ATM transactions per day per machine to 52.6, an increase of 5.1 compared to fiscal 2019 before the pandemic. Also, with the growing adoption of cashless payment, there is increased use of Lawson Bank ATMs to charge up payment applications using cash.

Segment profit



Average number of ATMs used (per machine per day)



Growth strategies

1. Strengthen ATM business

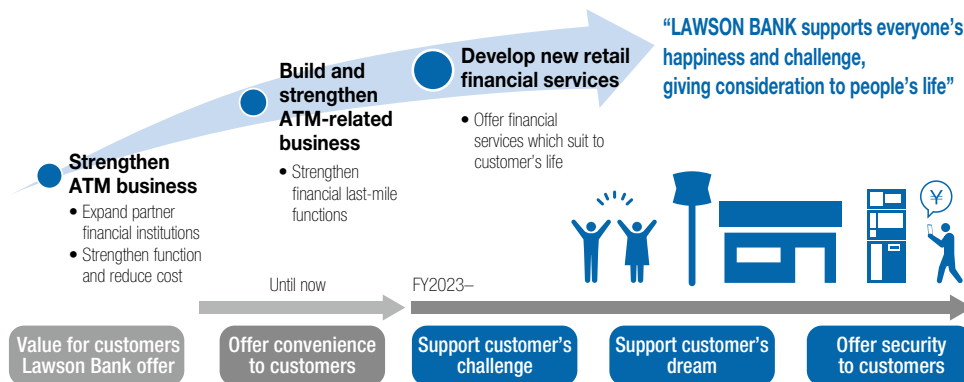
We will work to increase the number of ATM users by expanding our partner financial institutions, as well as expand the number of ATMs installed in locations other than Lawson stores. We will also implement measures aimed at expanding usage of existing services, such as ATM-based payment application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

We are considering linking our ATM Stamp Cards, which we have been implementing since September 2021, with Ponta Card, and, by using Group data and with the agreement of ATM users, we will develop measures that can be used on an ongoing basis.



2. Develop new retail financial services

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



Business model and strengths

[Business model]

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

[Strengths]

- Know-how that has been accumulating since 1996, when we opened our first Japanese-style convenience store in China
- High brand strength, with 20 out of 24 areas where Lawson stores have been opened in China recognizing it as the “No.1 CVS that people want to use”

*Based on consumer survey for the second half of 2022



Lawson store exterior in China

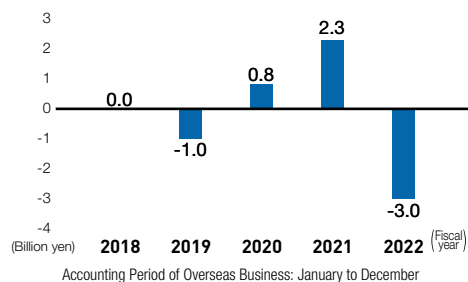
Area	When first store opened
China	July 1996
Indonesia	July 2011
Hawaii (U.S.)	July 2012
Thailand	March 2013
Philippines	March 2015

Business environment

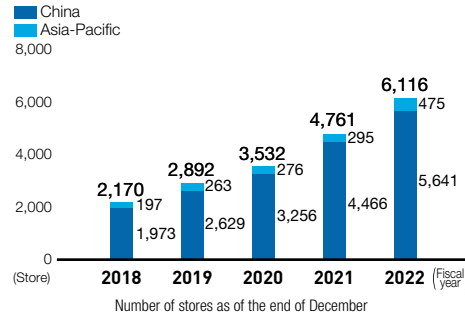
In China, from fiscal 2020 to 2021, despite sporadic restrictions on activities due to the pandemic, we came up with stronger delivery, live commerce, etc., services that provided sales growth. In fiscal 2022, the business environment was severe throughout the year as a result of large-scale restrictions on activities across all of China, such as the total lockdown of Shanghai; however, the flow of people recovered, as did sales, as cities one by one passed their peak infection point, and, in March 2023, sales at existing stores had surpassed those of the previous year.

In regions other than China, since fiscal 2020, we have suspended business at stores, shortened store hours, and taken other measures in response to the impact of the pandemic; however, the flow of people, as well as sales, have been recovering as restrictions on activities are eased and abolished.

Segment profit



Number of stores



Growth strategies (China)

1. Accelerate store openings

We will train management personnel and utilize our base of know-how accumulated to this point to expand store openings into other areas, with the aim of having 10,000 stores by fiscal 2025. In China, due to differences in culture and economic level in different regions, we will use subsidiaries operating in each cultural area as the starting points from which to open stores, and we will use area licenses, M&A, and other means to expand our business.

2. Enhance product strength and pursue DX

We will pursue insourcing of PB products and development of products which promote health. Also, in addition to working on the sustained acquisition of out-of-store income, such as delivery services for which sales are expanding, we will pursue digital transformation (DX), such as the development of group chat and SNS live-stream-driven marketing.



Growth strategies (Asia Pacific)

1. Accelerate store openings

Our goal is to open 3,000 stores by fiscal 2025. In order to further accelerate store opening, we will collaborate with local leading companies, as well as pursue full-scale franchise expansion in the Philippines, expand store openings to major cities outside of Jakarta in Indonesia, and undertake other forms of business promotion.

2. Enhance product strength

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

We aim to **disclose information** to meets market needs so that we can be properly evaluated



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

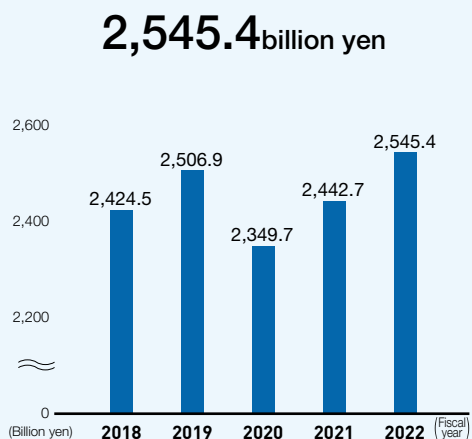
Restore pre-pandemic profitability levels as soon as possible

My primary mission is to return the company to pre-pandemic profitability levels at the earliest possible date.

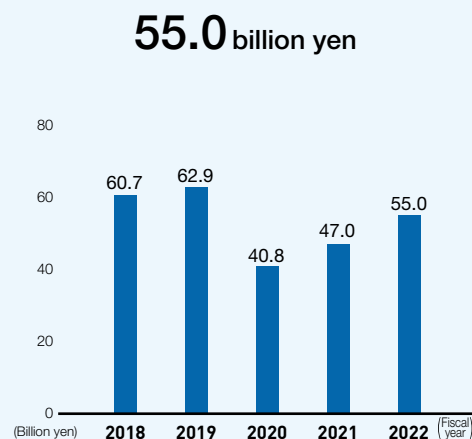
We launched the Lawson Group Sweeping Transformation Executive Committee in September 2020 and customers were able to experience the changed sales areas through attractively remodeled stores and new products. The Happy Lawson Project (nickname: Happy-Law !) was launched with the aim of encouraging customers to visit Lawson stores more often. In addition to the success of these initiatives in the past three years, the post-pandemic recovery of customer traffic at stores helped us to exceed our projected operating income, ordinary income, and profit attributable to owners of the parent in fiscal 2022. We believe that being able to respond to changes in the post-pandemic business climate through effective measures and achieving these better-than-expected results in fiscal 2022 has paved the way to achieving the performance indicators of the Lawson Group Challenge 2025 initiative.

However, we have not yet achieved the level of market recognition we are aiming for, and we feel that we need to proactively approach all stakeholders to accurately identify their needs and disclose information to them. Through a commitment to information disclosure, our goal is to improve the market's recognition of Lawson, its growth strategy, and its prospects.

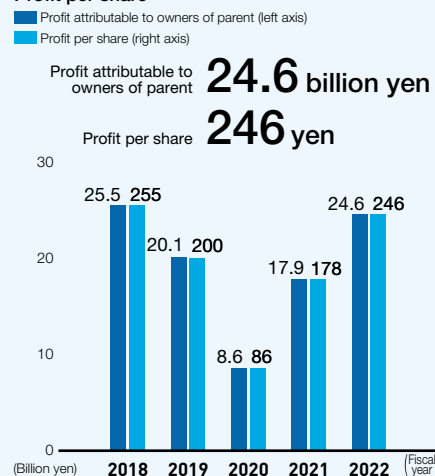
Net sales of all convenience stores (Consolidated)



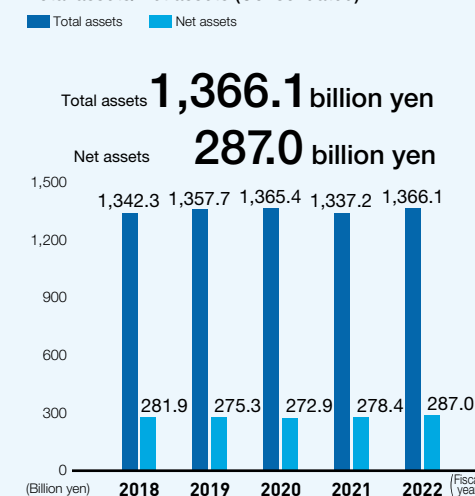
Operating income (Consolidated)



Profit attributable to owners of parent/
Profit per share



Total assets/Net assets (Consolidated)



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

We believe that we must achieve ROE of 15% or higher and EPS of 500 yen or higher, which are the indicators of Lawson Group Challenge 2025. To achieve this, it is important that we steadily implement the Action Plan for Lawson Group Challenge 2025, which we explained at the fiscal 2022 financial results briefing.

The core operating profit target for fiscal 2025 is 100 billion yen or more (IFRS), which will not be easy to achieve considering the core operating profit was 64.3 billion in fiscal 2022. However, the domestic convenience store business achieved 3.6% year-on-year sales growth in 2022 despite the pandemic preventing a recovery in customer traffic.

During the three years through fiscal 2022, we invested mainly in store remodeling and other projects through the Lawson Group Sweeping Transformation Executive Committee, as well as in spreading awareness of the Happy Lawson Project! (Happy-Law!), which was launched in June 2022. From fiscal 2023 onwards, we seek to increase the effectiveness of these investments. For fiscal 2023, we plan to achieve year-on-year sales increases of 6% in the first half, 2% in the second half, and 4% for the full year. We believe that we can achieve our core operating profit target of 100 billion yen or more in fiscal 2025 by reaping the benefits of our investments and steadily executing our action plans with a full-fledged recovery of customer traffic.

Capital expenditures and cost control

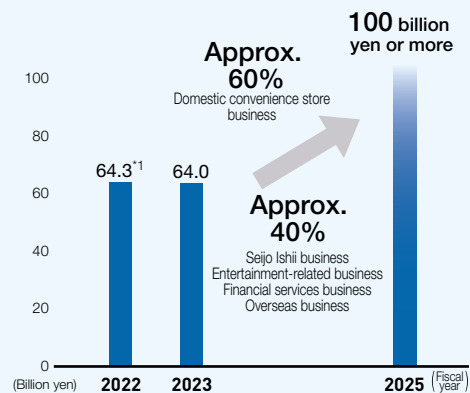
Capital expenditures were 88.0 billion yen in fiscal 2022 and are projected to increase to 117.0 billion yen in fiscal 2023. While store investment in fiscal 2022 was mainly through remodeling of existing Lawson stores on a non-consolidated basis, store investment in fiscal 2023 will mainly consist of opening new stores overseas. In addition, Lawson will continue to remodel existing stores on a stand-alone basis. The company has been installing frozen food fixtures to expand its lineup of daily use products, and renovations in target stores were completed in fiscal 2022. From fiscal 2023, we will remodel our stores in a more environmentally friendly manner. We will replace aging refrigeration systems with equipment that reduces CO₂ emissions and install solar power generation equipment to reduce utility costs.

Lawson plans to increase marketing expenses by 10 billion yen in fiscal 2023 compared with the previous fiscal year. In addition to our Happy-Law ! media strategy, these expenses are aimed at reducing missed sales opportunities through expanded product lineups and realizing synergy by being rooted in "community-based x individual customer and individual store-focused operations." This will achieve the goals of the Lawson Group Challenge 2025.

We will significantly expand our product lineup and the volume of inventory so that we live up to customer expectations all over Japan.

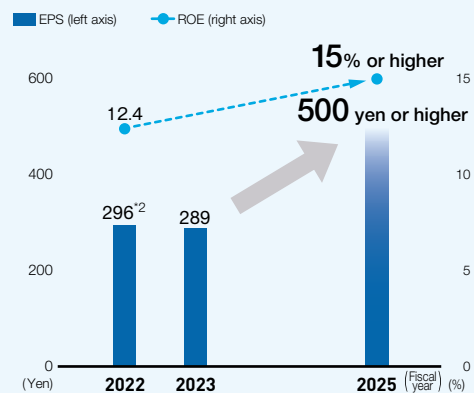
Challenge 2025 performance indicators for fiscal 2025 ROE 15% or higher EPS 500 yen or higher

Core operating profit



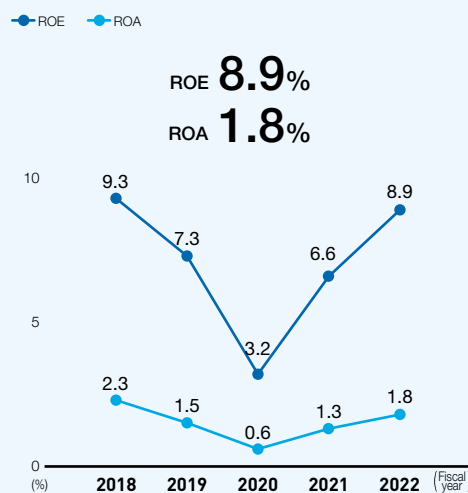
¹ Operating income (Japan GAAP): 55.0 billion yen

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

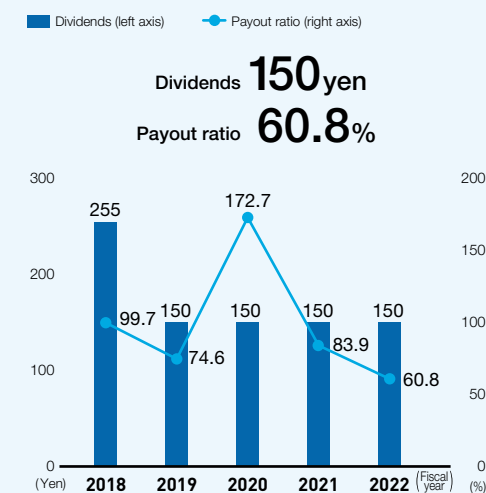


² EPS (Japan GAAP): 246 yen

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



Dividends/Payout ratio



Choose capital policies conducive to growth

Growth and capital profitability are the criteria for judgment of our capital policies. We make concentrated growth investments in our core domestic convenience store business and at the same time consider appropriate capital policies that will be considered with a view toward industry reorganization and M&A. While always striving to balance capital policy and shareholder returns, we aim to achieve the performance indicators of the Lawson Group Challenge 2025 by boosting the growth and corporate value of the Lawson Group as a whole.

Seijo Ishii's application for listing was also part of our capital policy for the growth of our group companies. In light of the market environment, we withdrew the application for listing in December 2022. However, we will continue to support that company's growth while studying capital policies conducive to growth.

Increase shareholder returns

We have decided to change our shareholder return policy from fiscal 2023. Our former policy, which began in fiscal 2019, was to pay dividends with a target consolidated payout ratio of 50% in addition to the minimum annual dividend of 150 yen per share. We will boost shareholder returns toward fiscal 2025. Specifically, the minimum annual dividend per share has been set at 200 yen for fiscal 2023, 225 yen for fiscal 2024, and 250 yen for fiscal 2025, and actual dividend paid each year will be either this amount or a consolidated payout ratio of 50%, whichever is higher. In addition, we will consider additional returns, with a target total return ratio of 70% for the cumulative period from fiscal 2023 to fiscal 2025.

The background for strengthening shareholder returns is the improved profitability of the headquarters and franchise stores. We reduced the dividend in fiscal 2019 due to the need to strengthen support for franchise stores suffering from higher labor costs caused by labor shortages. Since then, as a result of efforts to improve the profits of our franchisees under our franchise store profit-focused management policy, despite the negative effects of the pandemic in fiscal 2020, we were able in fiscal 2021 and 2022 to maintain franchisee profit per owner at a higher level than it had been before the pandemic. The measures we have taken over the past several years, including launching the Lawson Group Sweeping Transformation Executive Committee, have been successful and the profitability of the headquarters and franchise stores has improved. This led us to decide that the time has come to strengthen returns to shareholders and increase dividends.

The value of dialogue with stakeholders

In early May, We went to Europe on our first overseas IR trip in three and a half years. We visited 10 companies in three days and were able to see firsthand what investors want, and I believe that we were able to conduct extremely fruitful discussions. We will continue to actively seek opportunities to meet directly with investors in Europe, North America, and Asia.

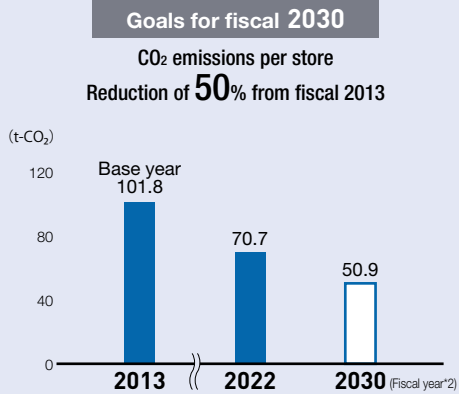
In the convenience stores business, everyone involved is a customer. This includes investors, business partners, franchise stores, and myself. Therefore, my style is to talk to all stakeholders face-to-face as much as possible.

Lawson has voluntarily adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements for the fiscal year ended February 28, 2023, replacing the previously adopted Japanese GAAP. The main reason for this is that we believe that disclosing financial information in accordance with IFRS—the global standard for accounting—will enable overseas investors, who account for about half of our shareholders (excluding stable shareholders), to make more accurate judgments.

IR Activities (Fiscal Year Ended February 28, 2023)

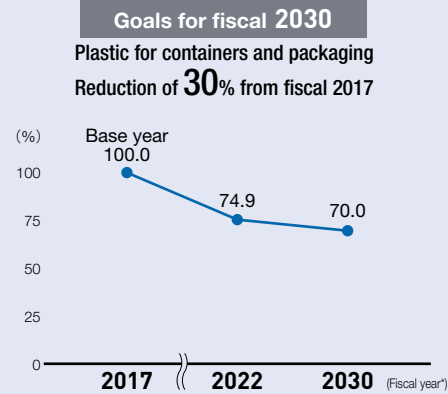
Financial results briefing, financial results conference call	6 times
Dialogue with investors	Approx. 200 times
IR seminar (investor briefing)	2 times

CO₂ emissions per store¹



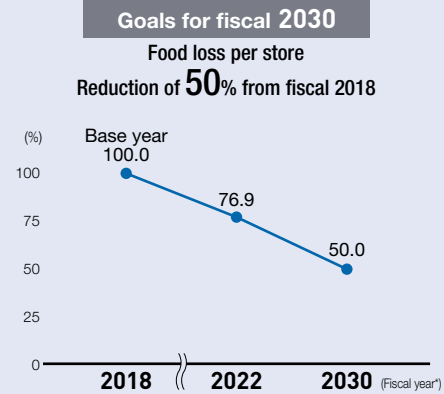
¹ CO₂ emissions are calculated using the list of emissions coefficients by electricity provider (substitute values)
² Calculated from April 1 to March 31 of the following year to coincide with the administrative fiscal year. Reduction of 50.6% in fiscal 2022 compared with fiscal 2013. (The figures have been changed due to the change in the coefficient.)

Packaging weight index of plastic packaging items



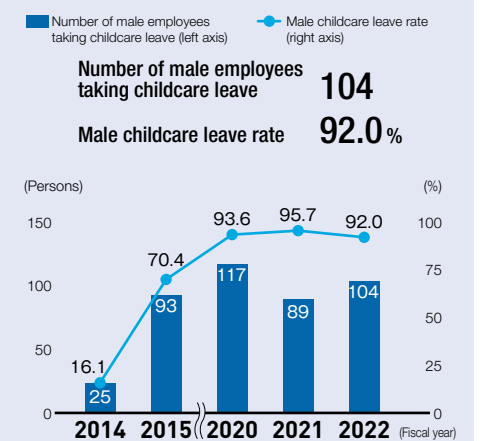
² Calculated from March to February of the following year to coincide with the company's fiscal year

Status of reduction in food loss per store

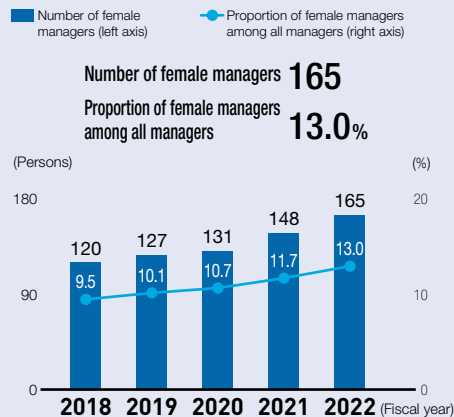


² Calculated from March to February of the following year to coincide with the company's fiscal year

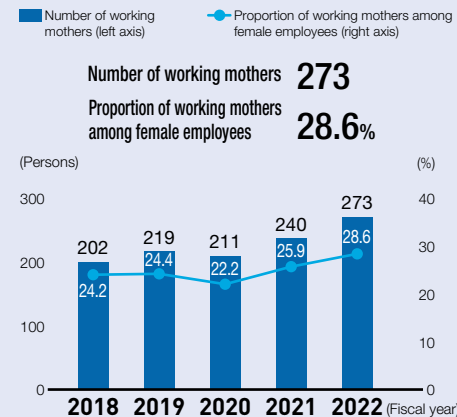
Number of male employees taking childcare leave/ Male childcare leave rate



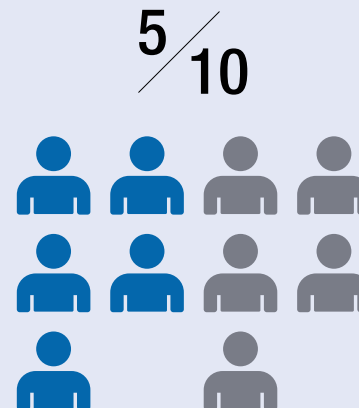
Number of female managers/ Proportion of female managers among all managers



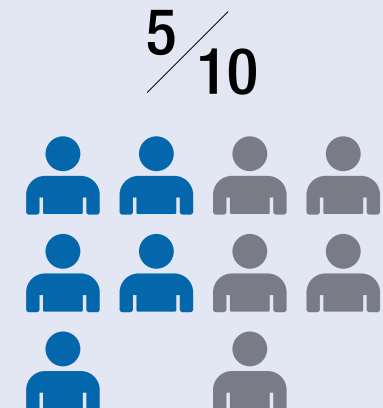
Number of working mothers/ Proportion of working mothers among female employees



Outside (independent) officers



Female officers






Towards achieving Lawson Blue Challenge 2050 !

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

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

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

	2025 50th anniversary	2030 SDGs targets	2050 Environmental vision Lawson Blue Challenge 2050 ! —Save our blue planet ! —
 Reducing CO₂ emissions	Per store 2013 levels Reduce by 15%	Reduce by 50%	Reduce by 100%
 Food waste reduction	Per store 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%	Containers and packaging for Lawson's original products Eco-friendly materials 100% used
		Containers and packaging for Lawson's original products Eco-friendly materials 50% used	
		Plastic shopping bags Reduce by 100%	

Tackling issues like climate change to facilitate sustainable development

Environmental Policy

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

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

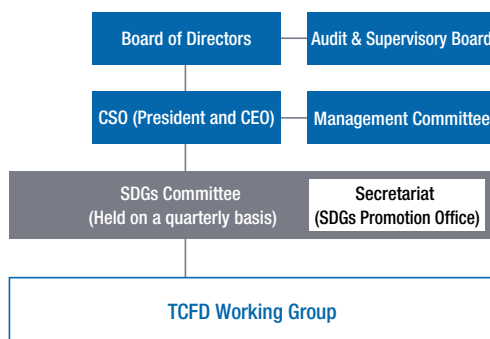
TCFD proposal initiatives

Climate change is a serious environmental challenge with the potential to have a significant impact on the continuity of the Lawson Group's operations. Lawson, the Group's core company, endorsed the Task Force on Climate-related Financial Disclosures (TCFD) in April 2020, and we continue to analyze the financial impacts of climate change on the Group's businesses in line with the framework recommended by the TCFD.

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

Governance

The Lawson Group created the position of Chief Sustainability Officer (CSO) to address intensifying environmental problems such as climate change and appointed the president, CEO, and representative director to fill it. We also formed the SDGs Committee, whose membership consists of managers of departments related to sustainability and which meets on a quarterly basis, as part of a program of "sustainable environment preservation activities toward a carbon-free society." In addition, we've set ambitious targets for reducing CO₂ emissions, food waste reduction, and reducing plastic, and the Board of Directors receives regular reports on the status of these initiatives.



A working group has been established under the SDGs Committee to promote the disclosure of information related to climate change. Members including staff from departments responsible for business strategy, accounting, and investor relations are working to disclose information in line with the TCFD framework.

Strategy

Under the leadership of the Chief Compliance and Risk Management Officer (CRO), Lawson has formed a Compliance & Risk Management Committee that cuts across multiple departments to identify risks and create risk scenarios each year. We evaluate each scenario on the basis of impact and likelihood and identify serious risks that threaten to have a significant impact on our financial position, performance, cashflow, or strategy.

With regard to climate change, we've evaluated the likely timing at which risks and opportunities related to the transition to a decarbonized economy—for example through regulations on greenhouse gas (GHG) emissions—and to the need to adapt to physical changes such as intensification of extreme weather would impact our operations as well as the magnitude of the impact on our financial position based on our analyses of the underlying scenarios.

Scenario analysis overview

Target businesses	Domestic convenience store business (Lawson, NATURAL LAWSON)
Scope of analysis	Lawson and franchise stores
Reporting period	2030, 2050
Analysis targets	(1) Increase in store operating costs due to the introduction of carbon pricing (2) Impact on stores due to increased intensity of weather disasters (3) Increase in sales of environmentally friendly products

Risk management

Lawson has formed a department to oversee the Group's risk management to analyze and evaluate the likelihood and potential impact of risks and to visualize the results as a companywide risk map based on those impacts (for example, the scale of potential losses) and likelihoods.

We recognize climate-related risks as an extremely serious category of risk, and we analyze and evaluate associated impacts on our businesses. We discuss how to respond based on the seriousness of each risk and formulate measures including risk avoidance, reduction, and transference through use of insurance.

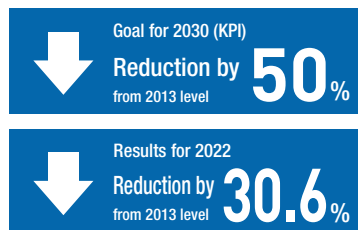
Metrics and targets

Furthermore, in an effort to contribute to the formation of a decarbonized society and the vision of the SDGs, Lawson has taken on the challenge of even more ambitious targets (reducing CO₂ emissions, food waste reduction, and reducing plastic) in its Environmental Vision, Lawson Blue Challenge 2050 ! "Save our blue planet ! "

Please see page 35 for more information about the Environmental Vision.

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; for example, by introducing energy-saving refrigeration systems and solar power generation equipment and promoting the “Ten Energy-saving Rules” in stores.



Ten Energy-saving Rules

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 refrigeration and air-conditioning equipment 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 in open cases so that they do not disturb the air curtain.
10. Minimize the number of times storage freezers and refrigerators are opened.

CO₂ emissions generated by our supply chain during 2022

Total CO₂ emissions **Approx. 5,567,100 tons**

*Method of calculating greenhouse gas emissions in the supply chain
 Calculated from the Database of Emissions per Base Unit Ver. 3.3 for calculating greenhouse gas emissions of organizations through the supply chain and Ver. 2.5 of the Guidelines for Calculating Greenhouse Gas Emissions.

Scope/category	Emissions covered	Emissions (kt-CO ₂)
Scope 1 (Direct emissions)	Gasoline consumption of company vehicles	4.3
Scope 2 (Indirect emissions)	Electricity consumption of the Headquarters, regional offices, branches, and stores	896.8
Scope 3 (Other indirect emissions)	Category 1 Raw materials purchased (private and national brand products, plastic shopping bags, etc.)	4,193.6
	Category 2 Buildings, furniture and fixtures, and information system hardware	70.3
	Category 3 Electricity consumption associated with procurement of electric power	145.0
	Category 4 Energy consumption of distribution centers	136.0
	Category 5 In-store waste and industrial waste due to store closures and remodeling	21.9
	Category 6 Business trips by Lawson Headquarters' employees	0.8
	Category 7 Commuting by Lawson Headquarters employees	1.4
	Category 11 Use of products sold	56.5
	Category 12 Disposal of containers, chopsticks, and plastic shopping bags	40.6
	Total	

*Does not cover all of Lawson's supply chain. Total values cited may diverge slightly from totals calculated by adding individual values due to rounding. Scope 2 includes electricity used by stores belonging to Category 14 of Scope 3. Fiscal 2022 results have been subject to third-party verification by the Japan Management Association. (The third-party verification process excluded electricity use by Scope 2 LAWSON STORE 100.)

Targets

SBT certification

To accelerate its efforts to combat climate change, Lawson submitted a commitment letter in June 2022 to the SBT Initiative*², seeking certification*¹ from that body to the effect that the Group's greenhouse gas reduction targets are consistent with the Paris Agreement.

Including group companies, we are working to identify GHG emission targets associated with our business activities, collect data, promote reduction activities, and set reduction targets as we strive to earn certification within two years as part of a larger effort to achieve the 1.5°C target set forth in the Paris Agreement.

*1 SBT: Science Based Targets. These are greenhouse gas emission reduction targets set by companies that are consistent with the levels required by the Paris Agreement. Targets must be set five to 10 years ahead with the aim of reducing emissions by 4.2% or more per year.

*2 An international initiative jointly established by the World Wide Fund for Nature (WWF); the CDP, an international NGO working on environmental issues; the World Resources Institute (WRI); and the United Nations Global Compact (UNGC). The initiative works to establish reduction targets that are consistent with scientific knowledge in order to prevent the average global rise in temperature caused by climate change from exceeding pre-Industrial Revolution levels by more than 2°C or 1.5°C.

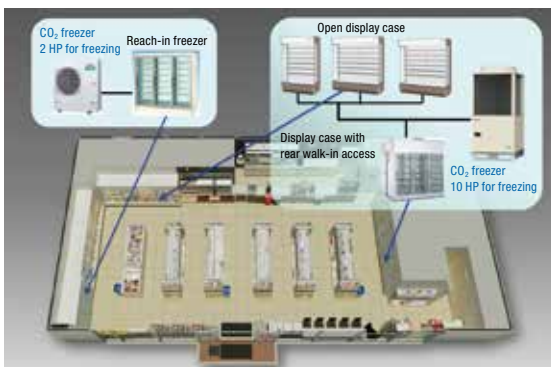
Conducting a pilot project with a new store to reduce electricity use

In November 2022, we opened a new store in the city of Kawasaki, Kanagawa Prefecture, featuring solar panels as well as glass and acrylic doors on about 80% of its refrigerated and frozen display cases as part of a pilot project whose goal is to reduce electricity use at the store by 40%, and CO₂ emissions by 55%, compared to 2013 levels. We're planning to standardize this approach for new stores after March 2024 after verifying its effectiveness through February 2024. We're also planning to bring the approach to existing stores when they're due for renovations in fiscal 2024 and beyond.



Introduction of CO₂ refrigeration systems

Lawson started installing highly energy-efficient non-CFC (CO₂ refrigerant) freezing and refrigerating systems in fiscal 2010. Approximately 5,300 stores have installed the systems (as of the end of February 2023). These



systems use CO₂ refrigerants whose impact on global warming is considered to be lower than that of CFCs, allowing them to materially reduce greenhouse gas emissions. They also use considerably less energy.

Introduction of compact, fuel cell-powered trucks

We began introducing compact, hydrogen-powered fuel cell trucks that were jointly developed by Toyota Motor Corporation and Isuzu Motors Ltd. to help limit global warming and realize a sustainable society that can harness a more diverse range of energy types. Lawson distribution centers in the city of Motomiya, Fukushima Prefecture,



and Ota Ward, Tokyo, each began operating one of the trucks in May 2023. Going forward, we will work to reduce CO₂ emissions from distribution by progressively expanding the area within which products are delivered to stores by such trucks.

Lawson's headquarters switches to green power

In April 2023, Lawson's headquarters began filling its electricity needs with green power (effectively renewable energy with environmental value such as post-FIT solar power). The change is expected to lower the facility's annual CO₂ emissions by about 280 tons. The office is also working to lower electricity use in July and August. In addition to emphasizing the need to turn off lights in unused areas, the headquarters is pursuing a range of initiatives with both environmental and health components; for example, encouraging workers to use air conditioning appropriately and to adopt business-casual attire.



Reducing plastic use

The material plastic brings convenience to our lives but also poses environmental problems due to plastic waste. Lawson is working to address those problems by reducing use of shopping bags, plastic beverage bottles, and other plastic containers.



Lawson launches pilot project to use paper lids for coffee products at MACHI café

In June 2023, Lawson launched a pilot project to switch from plastic to paper lids for MACHI café hot coffee products (S size) at some stores. The change reduces the amount of plastic per cup from 2.1 grams to 0.3 grams. Once the pilot project is complete, we plan to roll out the change to all stores with MACHI café offerings nationwide (as of July 31, 2023, about 13,700 stores).

Replacing the lids of salad containers with plastic seals

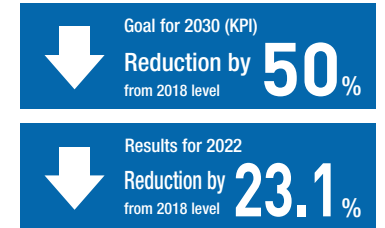
In May 2023, we began using plastic seals instead of lids for some salad containers at Lawson stores nationwide (excluding Okinawa prefecture). The change is expected to lower annual plastic use by about 100 tons and annual CO₂ emissions by about 160 tons.

In the past, we had used latching plastic lids for salad containers, along with additional strips of tape to keep the lids from coming off. Switching to plastic seals helps reduce plastic use in the lid and tape as well as CO₂ emissions. Moreover, we're using technology for printing directly on the packaging material to save resources by eliminating the need to affix paper product and ingredient labels as in the past.



Food waste reduction

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



Promotes buying the frontmost item on the shelf

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

Flash-freezing and donating KARAAGE-KUN Fried Chicken and other products whose sell-by date* has passed

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

The project, which is part of a joint initiative with Shinagawa Ward and the Shinagawa Ward Council on Social Welfare conceived to help feed needy children, involves freezing fried foods that have passed their sell-by date with a flash-freezer that can preserve the items while retaining freshness and donating them to cafeterias for children and other organizations in Shinagawa Ward via the Shinagawa Children's Cafeteria Network. Donated food is recooked by the cafeterias and used as part of their lunch and dinner menus. We're studying regional needs and operational processes through the pilot project and examining whether we can bring the program to other stores and expand the range of products it includes.



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

Basic policy of human resources strategy

At Lawson, we have a well-systematized Group philosophy, as well as accompanying action guidelines in the form of the Lawson's Way (Action Guideline), and we invest effort into cultivating core human resources who will be responsible for putting it into practice.

Our personnel hiring is conducted in line with the Lawson Group Human Rights Policy and focuses on each individual's aptitude, motivation and ability regardless of gender, gender identity or expression, sexual orientation, nationality, age, educational background, origin, or other such factor.

For Lawson, the ideal human resources are those who can express value through cooperation and teamwork, who are capable of continual change in order to generate value, and who persevere in order to achieve goals. The behavior of such personnel is characterized by being capable of thinking and acting on their own initiative.

To put our Group philosophy into practice toward achieving the fiscal year mission, we have a growth-centered HR system that encourages employees to think and act autonomously in performing their jobs. We foster a culture of self-initiative by operating a personnel system which clarifies the scope of responsibility and roles to be fulfilled for each job, as well as by introducing a system for evaluating the behavior of each employee. We evaluate employee behaviors (processes) that produce positive results and employee performance (the results of the behaviors), relying on these two evaluations to determine how employees should be treated and to further human resources development.

We employ a career development sheet to ensure employees' ability to determine their own career paths, and individual employees are also asked to specify their goals for the future in light of their personal histories and current positions. Interviews are conducted to support their growth as individuals.

Lawson's Way (Action Guideline)

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

Message from the Division Director of Human Resources

Cultivating new human resources using a developmental personnel system



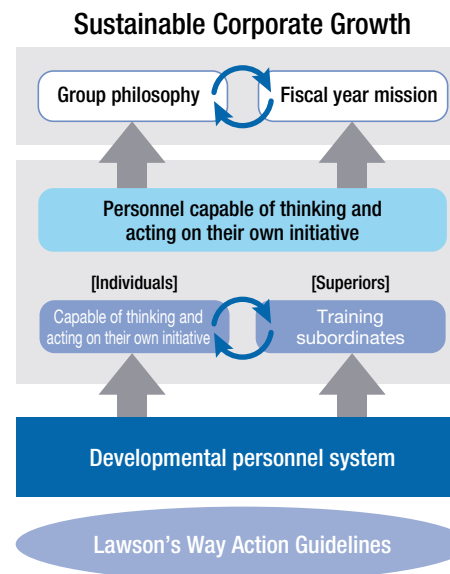
Division Director of Human Resources

Takeji Hino

At Lawson, we operate a personnel system which determines role grade and salary according to scope of responsibility and role to be fulfilled, and which is based on each individual's capabilities, without regard to his or her attributes and values. Together with this, we also conduct regular training, as well as job-specific training, rank-specific training, selective training and more, in order to support individuals in achieving their career aspirations. Moreover, starting in January 2023, we introduced a "lawson management school" which included 153 branch managers and sales department managers nationwide and which was taught by the president. Our aim is to promote awareness and leadership among managers on an individual level, such as with regard to the qualifications as a leader, the importance of earning power, organizational skills and the pursuit of ideals, to, thereby, contribute to the further growth of the Lawson Group. In the future, we plan to expand this program to product, marketing and development managers as well. Since fiscal 2016, to help general managers become the

next generation of senior management leaders, we have pursued committee-driven creation of individual development planning, personnel development through interviews and other means, and progress monitoring. And in order to also foster the development of female leaders, we have decided that one out of every three candidates must be a woman.

Also, in order to improve employee engagement, we conduct an employee awareness survey once a year and share the results with not only management but all employees company-wide. Also, we promote diversity, equity and inclusion (DE&I) as a part of our management strategy. Within this, our greatest effort goes towards promotion of female advancement in the workplace. Furthermore, we seek to cultivate a better working environment and provide support for healthy lifestyles in order to help our employees maintain and improve their health.

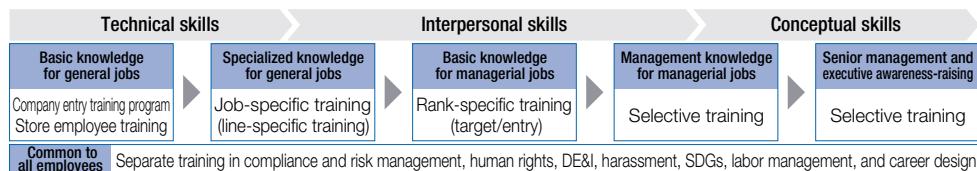


A training program which supports career development

At Lawson, with the aim of putting our Group philosophy into practice, we operate a training program which is based on Lawson's corporate and business strategies and which delivers high-level knowledge and skills needed for various job types and positions. In order to facilitate autonomous growth among our employees and empower them to be "capable of thinking and acting on their own initiative," a training system is independently provided by the Company, as well as an environment for employees to pursue independent learning. And with a view also to reskilling, all personnel are provided with systematic and ongoing support, such as a more robust e-learning system, regularly held self-directed training, and an expanded LOCP (a personal development support system), to help them pursue learning at any time they want.

Aim of the education and training system

From new hires to management, we categorize and provide the knowledge and job requirements necessary for each role. Learning content is separated into different categories, including technical skills required for general jobs (e.g., basic and job type-specific specialized knowledge and skills), interpersonal skills necessary for management and leadership, conceptual skills used to develop the managerial perspective of executive candidates, and employee awareness-raising educational matters which apply company-wide, such as compliance and human rights, DE&I and labor management. We also provide this education and training in the format which is best suited to the participant, such as face-to-face training, online training and e-learning.



Learning venue (training frequency) expansion

Due in part to recent changes in the social environment (e.g., changes implemented to prevent infectious spread), we utilize not only face-to-face training but all means to provide a learning venue to participants. In particular, our early changeover to, and active introduction of, online training has had an extremely pronounced impact, and we have been able to increase the types and frequency of training to match employee needs.

Item	Fiscal 2020	Fiscal 2022	Extension rate
Training sessions*	60	119	198.3%
Training participants*	1,887	3,082	163.3%
E-learning courses*	44	160	363.6%

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

List of main training content

Training	Target	Frequency	Participants
Company entry training program			
Employee training for new routine hires	New routine hires	Once per year	89
Employee training for new non-routine hires	New non-routine hires	10 times/year	64
Store employee training			
Employee training for routine hires (university graduates)	New routine hires (university graduates)	4 times/year	85
Employee training for routine hires (high school graduates)	New routine hires (high school graduates)	4 times/year	10
Training for non-routine hires	New non-routine hires	2 times/year	5
Job-specific training			
Store manager training	Store managers	4 times/year	178
Store manager follow-up training	Store managers	2 times/year	24
ASV promotion training	Assistant supervisors	2 times/year	145
SV pre-promotion training	Assistant supervisors	6 times/year	156
SV training	Supervisors	8 times/year	279
MC promotion training	Managerial consultants	2 times/year	16
AMD training	Assistant merchandisers	2 times/year	51
ARFC training	Assistant recruit field counselors	4 times/year	18
Rank-specific training			
New junior manager training	Assistant managers	2 times/year	84
New manager training	Managers	2 times/year	39
New senior manager training	General managers	2 times/year	13
M1 upskilling training	Assistant managers	2 times/year	172
M2 upskilling training	Managers	2 times/year	162
Selective training			
Lawson management school	Branch managers, sales department managers	1 time/year	153
Lawson management course	General managers, managers	1 time/year	18
Executive management course	General managers	1 time/year	11
Transformational leader development program	General managers	1 time/year	1
Common to all employees			
Human rights and diversity training	All employees	1 time/year	All employees
SDGs training	All employees	1 time/year	All employees
Compliance and risk management training	All employees	1 time/year	All employees
Labor management training	All employees	1 time/year	All employees
Manager-focused labor management training	Managers	1 time/year	All managers
Remote work training	Required for remote work applicants	1 time/year	All targets
Career design training	Employees who will turn 53	6 time/year	131

*Fiscal 2022 figures for Lawson Inc.

Engagement score ascertainment

An employee awareness survey is given to all employees once a year in order to bring company-wide issues into focus and contribute to improved organizational management. Questions are divided among the categories of company, job, workplace, superiors, systems and career autonomy, with responses being compared year-to-year to analyze changes from the previous survey and their causes, correlations between questions, and other factors. Satisfaction levels on the fiscal 2022 employee awareness survey were higher in almost all categories compared with the previous year.

Question: I am satisfied working for this company.

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Positive response rate	70.4%	70.8%	74.7%	74.0%	74.5%

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

Engagement enhancement efforts

Employee awareness survey improvement activities

The results of the employee awareness survey are reported at the management meeting and are used in considering different measures and systems for addressing company-wide issues. In addition, the results are used to create organization-specific charts, and, for feedback, each employee is provided with a summary of the survey results for all employees as well as the chart for the organization to which he or she belongs. Within each organization, the head of the organization talks with members about improvement activities to address the organization's issues and collectively improve the workplace environment.

In fiscal 2022, in addition to the annual employee awareness survey, a simple pulse survey was trialed in some areas. This survey is conducted once every two months in order to get real-time results that are used in an organizational improvement activity cycle, such as faster situational assessment and action. This simple pulse survey will be introduced to all branches nationwide in fiscal 2023 with the aim of more quickly ascertaining employee engagement on-site and then pursuing improvement measures.

Work motivation reform project

In order to improve employee job satisfaction and engagement by fostering personal development and a sense of achievement through the voluntary pursuit of challenges undertaken within a context of mutual trust and solidarity among the diverse human resources working together in the Group, we have launched the "Work motivation reform" project under the guidance of the Sweeping Transformation Executive Committee.

For this project, we recruit volunteer members from among employees nationwide to discuss specific proposals on a range of topics, such as stimulating more active communication and streamlining business operations. In fiscal 2022, thirty members were divided into three teams to discuss "business operations improvement," "interpersonal connection" and "feedback" and come up with measures to propose to the president and other executives that will contribute to increased job satisfaction.

Expansion of challenge opportunities: the 100 Million Yen Challenge and the Lawson Challenge Award

The 100 Million Yen Challenge was developed to solicit ideas for new challenges that would be undertaken within a budget of 100 million yen. It has been in operation since fiscal 2021 as part of the Work motivation reform project. During that first fiscal year we received 170 entries, and the number grew to 200 in fiscal 2022. After all of the presentations were made to the president and executive officers, it was a plan for a coffee subscription service which was ultimately chosen and which is now being trialed in Aichi Prefecture.

In fiscal 2018, the "Lawson Challenge Award (L-Challenge)" was begun to solicit and publicly recognize job innovations and business operation improvements and new ideas implemented over the course of the year. In fiscal 2022, there were 149 entries, of which the top ten made presentations to the president and executive officers, with the final award going to the Chubu Product Department for its development of a Yokkaichi Tonteki-don rice and meat bowl (sale ended), which is a popular local dish.

Through these sorts of measures, employees are encouraged to voluntarily seek out challenges.



Coffee subscription service selected for the fiscal 2022 100 Million Yen Challenge



The Chubu Product Department's local specialty product selected for the L-Challenge (Lawson Challenge) Award in fiscal 2022.

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

Within Lawson, we have made diversity, equity and inclusion (DE&I) a key part of our management strategy.

Lawson aims to be a company which promotes employee diversity, treats all employee fairly, is accepting of differences, and empowers every employee to voice his or her ideas and to tackle challenges.

D (Diversity)

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

E (Equity)

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

I (Inclusion)

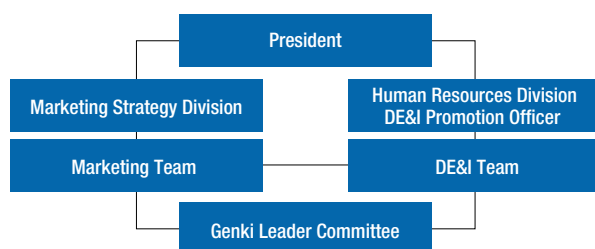
We work to create an environment of unity, where everyone has respect for one another as colleagues and individuals and where there is acceptance of one another's value system.

Diversity, equity and inclusion (DE&I) promotion system

With the president at the top and working in conjunction with the Human Resources Division, a DE&I promotion officer is appointed who oversees necessary system planning, operation, assignment, etc. Also, the Marketing Strategy Division carries out marketing based on ideas provided by women in order to create new business value.

In addition, leaders are chosen for each area of the country, with regular sessions of the "Genki Leader Committee" being held to with the aim of promoting DE&I, stimulating in-house communication, and promoting employee health.

DE&I Promotion System



Monthly average overtime hours/Annual leave utilization rate*

Item	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Monthly average overtime hours	11.2	10.7	9.4	10.5	10.9
Annual leave utilization rate	40.9%	53.4%	54.2%	57.2%	60.4%

Employment of non-Japanese employees (as of the end of fiscal 2022)*

Country/territory of origin	Males	Females	Total
China	47	54	101
Korea	13	21	34
Vietnam	1	2	3
Nepal	2	—	2
Mongolia	2	—	2
Indonesia	1	—	1
Thailand	—	1	1
Bangladesh	1	—	1
Total	67	78	145

*Figures for Lawson Inc.

Diversity, equity and inclusion (DE&I) promotion efforts

In order to promote DE&I, since 2005 we have conducted our routine hiring with the aim of achieving a 50-50 balance between men and women. Since 2008, we have been actively hiring non-Japanese recent college graduates, with around 10-15% of new hires each year being non-Japanese. After hiring, follow-up training is provided, and employees are assigned not only overseas but to a variety of different departments. Currently, the majority are working in management positions.

In order to promote employment of people with disabilities, we established the Lawson Will special subsidiary in 2013 and consign a portion of Group company business operations to it. Furthermore, employees with disabilities are now included within the scope of our system which allows employees to select the number of days and hours they work, and we are also now promoting their hiring as regular employees. We are endeavoring through various initiatives to create an environment of greater understanding for the disabled, such as by trialing the wearing of bibs which display an employee's job duties, thereby helping to relieve the anxiety of store employees with disabilities who feel it difficult to perform customer service tasks, as well as giving those interested the opportunity to participate in wheelchair basketball experience events.

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

Starting in fiscal 2023, we are working to promote greater LGBTQ understanding among employees by (1) conducting seminars and e-learning, (2) establishing a consultation desk, (3) changing our company housing system (to allow same-sex partners), and (4) changing internally used common names (to allow changing to a name which conforms to one's gender identity).

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

We disregard gender, gender identity and expression, sexual orientation, nationality, age, schooling, and birthplace, focusing instead on individual suitability, motivation, and ability.

Our declaration!

Lawson will promote female advancement in the workplace as part of DE&I promotion.

Diversity of human resources is indispensable to innovation.

At Lawson, we believe that the active recruitment of diverse employees, including women and non-Japanese, combined with an empowering environment which helps them to develop, contributes to increased corporate value; thus, we will continue to actively pursue the promotion of female advancement in the workplace.

President and CEO, Representative Director, Chairman of the Board
Sadanobu Takemasu

Data relating to women*

Gender wage gap	Fiscal 2022
All workers	62.5%
Subset of regular employees	80.8%
Subset of non-regular employees	88.1%

*Explanation about data calculation

- Target period: Fiscal 2022 (March 1, 2022 February 28, 2023)
 - Regular employees: Regular employees other than executive officers.
 - Non-regular employees: Temporary employees, part-time employees.
- For part-time employees, the average annual wage is calculated based on the cumulative number of employees for legal working hours (eight hours/day).

*Supplementary explanation about gap

- With regard to regular employees, because the number of continuous years worked is fewer for women than men (difference of 6.9 years) and the percentage of female managers is low (13%), this has a major impact on the wage gap. Thus, we have made promotion of female advancement in the workplace a key management priority, aiming to raise both the percentage of female employees and managers to at least 30% by 2030, and, towards this end, we are engaged in a variety of human resources development, such as employee-focused career training.
- With regard to non-regular employees, the wage gap between men and women is due to the fact that many men are rehired as temporary employees after their retirement, thus receiving higher wages, while many part-time employees are women.
- The wage gap between men and women for employees overall is due to the fact that men make up a higher percentage (80%) of regular employees, who receive relatively higher pay, while women make up a higher percentage (62%) of non-regular employees, who receive relatively lower pay.

Male childcare leave rate*

	Fiscal 2014	Fiscal 2015	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of male employees taking childcare leave	23	93	117	89	104
Male childcare leave rate	16.1%	70.4%	93.6%	95.7%	92.0%

Proportion of working mothers among female employees*

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of working mothers	202	219	211	240	273
Percentage of working mothers among female employees	24.2%	24.4%	22.2%	25.9%	28.6%

*Figures for Lawson Inc.

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

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



Because men’s participation in childcare is important for achieving female advancement in the workplace, we introduced our own, distinctive short-term childcare leave system in 2014. Since fiscal 2018, the utilization rate has remained at or above 90%. Also, with the introduction of childbirth childcare leave (post-birth leave for fathers), we provide e-learning about it to all employees and encourage them to make use of it. As a result, the combined utilization rate for long- and short-term childcare leave amongst men in fiscal 2022 was 92%, with 22.3 days being the average amount of leave.

In addition, a Lawson Work Style Handbook has been created and shared with all employees which contains a message to them from top management about DE&I promotion, as well as an introduction to the career path and work-life balance support systems, profiles of employees who can serve as roles models, and much more.

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

Proportion of female managers among all managers*

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
No. of female managers	120	127	131	148	165
Proportion of female managers among all managers	9.5%	10.1%	10.7%	11.7%	13.0%

Proportion of female new graduate hires*

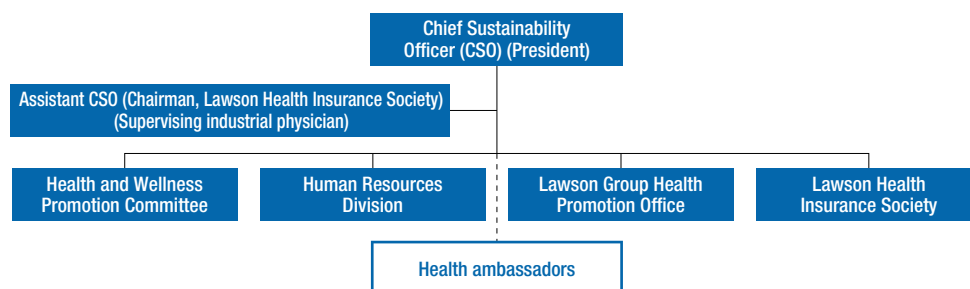
	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of female new graduate hires*	78	100	99	58	46
Proportion of female new graduate hires	41.7%	44.4%	44.8%	49.2%	51.7%

Working environment

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

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

System to promote health and productivity



Lawson Group Health Promotion Office members



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

Health and productivity management

As a company that contributes to customers' overall health, Lawson values 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 the Health and Wellness Promotion Committee, we have established a system to actively promote health and productivity management and strengthen health initiatives and health management for the Company and its customers.

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, the Lawson Health Insurance Society and the health ambassadors established in each department. Another important concern is promoting the health of franchise store owners, and we are working through the Lawson Owner Welfare Association to provide a menu of health-related options, including a health check-up subsidy system and the establishment of a health support desk. As a result of our various initiatives, such as efforts tailored to local health concerns, as of fiscal 2022, we have been selected as a Health and Productivity Management Brand (for the fourth time) and a Health and Productivity Management Outstanding Organization (large-scale corporate sector; seventh year in a row), in recognition of our status as a company which practices particularly outstanding health and productivity management.

Setting target value

In terms of KPI for three years from fiscal 2022, we have set values equivalent to pre-pandemic levels for the percentage of persons in the acceptable value range for the five inspection items and for non-smokers. We conduct follow-ups with employees individually to help them recognize the importance of taking personal responsibility for their own health maintenance and improvement and to make changes in their lifestyle accordingly.

		Fiscal 2021 actual	Fiscal 2022 actual	Change from the previous year	Fiscal 2025 target
Overweight	Males	46.8%	47.0%	+0.2%	52.0%
	Females	75.4%	75.9%	+0.5%	79.0%
Blood pressure		72.9%	73.1%	+0.2%	76.0%
Liver function		65.8%	67.7%	+1.9%	72.0%
Lipids		79.5%	80.4%	+0.9%	82.0%
Blood sugar		62.2%	60.8%	-1.4%	66.0%
Non-smoking		70.9%	71.8%	+0.9%	75.0%

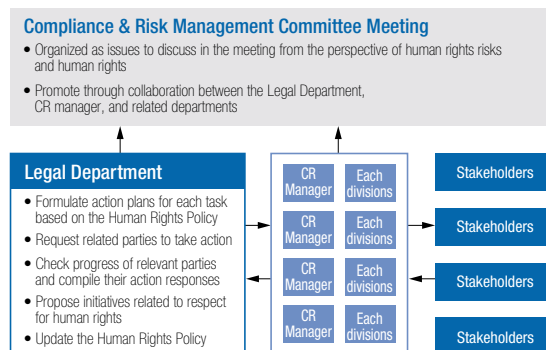
Percentages of persons in the acceptable range are aggregated totals for persons of all ages who are members of the Lawson Health Insurance Society.

- Weight: BMI of less than 25, and a waist circumference of less than 85 cm for males and 90 cm for females.
- Lipids: Neutral fats of less than 150 mg / dl and HDL cholesterol of at least 40 mg / dl.
- Blood Pressure: Systolic of less than 130 mm Hg and diastolic of less than 85 mm Hg.
- Blood Sugar: Fasting blood sugar less than 100 mg / dl or HbA1c less than 5.6%.
- Liver Function: AST less than 31, ALT less than 31 and γ -GT less than 51.

Lawson Group Human Rights Policy & Promotion System

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

To advance the policy, each department, under the supervision of the CRO, takes the initiative to promote respect for human rights in its respective activities. The progress of initiatives undertaken by each department is regularly reviewed by the Compliance & Risk Management Committee, which is chaired by the CRO.



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

Human rights due diligence


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

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

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

Human rights education and awareness-raising

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

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

Consultation service for human rights issues

A consultation service contact point for Lawson employees has been established to accommodate requests for consultation and internal reports regarding compliance and risk management issues, including human rights violations.

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

Consultation services for all stakeholders

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

Stakeholder engagement

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

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

Affixing “pointing sheets” to cash registers at stores nationwide so hearing-impaired customers can make purchases more easily

In August 2022, we began affixing paper-based communication aids to cash registers at LAWSON stores nationwide to help customers request a shopping bag or plastic cutlery or indicate that they wish food to be heated. The initiative, which is based on feedback from hearing-impaired employees, was launched to make shopping more convenient.

In response to positive feedback from numerous customers who praised it for letting them shop with peace of mind, we created a “communication board” that builds on the aids used at cash registers and made it available on our official website and in our official app starting March 1, 2023. We will continue to strive to realize a society in which everyone can go about daily life with peace of mind by drawing on assistance to help them communicate while shopping.



Promoting fair transactions


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


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

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

Revising purchasing and procurement policy and raising awareness

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

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

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

Number of vendors to which we've provided information about the Group's policies

(Fiscal year)	2021	2022
Group companies	Number of copies mailed	
Lawson Entertainment	98	98
LAWSON STORE 100	176	175
SCI	263	187
Lawson	718	764
Total	1,255	1,224

Initiatives with suppliers

Business partner questionnaire

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

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

Number of questionnaire recipients* and number of responses

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of recipients	1,259	1,265	1,228
Number of responses	972	955	922
Response rate	77.2%	75.5%	75.1%

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

Supplier sustainability questionnaire

In fiscal 2022, we began administering a Supplier Sustainability Questionnaire to review the status of business partners' sustainability initiatives. The questionnaire is designed to solicit information about initiatives undertaken by some 900 suppliers to address issues such as human rights problems and climate change, and to forge collaborative structures to help us work with business partners to resolve social and environmental issues.

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

Results of the fiscal 2022 supplier sustainability questionnaire

Targeted suppliers	Number of companies responding	Response rate
857	500	58.3%

Members of the Board As of May 24, 2023



Sadanobu Takemasu

Years as a Member of the Board: 9
President and CEO, Representative Director, Chairman of the Board, and CSO

Born in 1969; 53 years old. Appointed Senior Executive Vice President, Representative Director in 2014. Appointed President and CEO, and Representative Director in 2016. Mr. Takemasu has led the entire Group with a focus on the domestic convenience store business, as well as contributed to the improvement of corporate value and the achievement of sustainable corporate management as President and CEO, Representative Director, Chairman of the Board, and CSO* of Lawson, Inc.

*CSO: Chief Sustainability Officer



Masayuki Itonaga

Years as a Member of the Board: 1
Member of the Board, Executive Managing Officer, CFO

Born in 1967; 56 years old. Through his duties at Mitsubishi Corporation and secondment at overseas companies, among others, Mr. Itonaga has gained extensive knowledge across all areas of management with a focus on financial affairs and accounting. He has also gained a deep knowledge of all areas of corporate management from serving as the Representative Director and President of Mitsubishi Corporation Financial and Management Services (Japan) Ltd., a subsidiary of Mitsubishi Corporation.



Miki Iwamura

Independent officer

Years as a Member of the Board: 5
Member of the Board (outside)
Lead Independent Outside Director

Born in 1965; 57 years old. Ms. Iwamura has been proactively making suggestions and disseminating information on workstyle reforms and the promotion of women's advancement in the workplace. She also has deep insight into management, marketing, and brand reinforcement using digital big data through her work in marketing in the Asia Pacific and Japan region for a global IT company.



Satoko Suzuki

Independent officer

Years as a Member of the Board: 3
Member of the Board (outside)

Born in 1977; 45 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.



Kiyotaka Kikuchi

Years as a Member of the Board: 2
Member of the Board

Born in 1966; 56 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 As of May 24, 2023



Shuichi Imagawa

Years as Corporate Auditor: 3
Standing Corporate Auditor

Born in 1958; 64 years old. Mr. Imagawa has expertise in compliance and risk management, as well as convenience store operations and the franchise business, based on experience acquired as manager in charge of the Store Operation Division, Product and Logistics Division, branch manager, vice president of CVS Operations Company in Japan, head of the Sales Division and CR and Human Resources Executive Officer.



Jun Miyazaki

Years as Corporate Auditor: 2
Standing Corporate Auditor

Born in 1955; 67 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.



Yuko Gomi

Independent officer

Years as Corporate Auditor: 4
Corporate Auditor (outside)

Born in 1972; 51 years old. Ms. Gomi has extensive business experience and broad insight based on her wealth of experience in corporate legal affairs and risk management as an attorney, as well as serving as a legal advisor (part time) for the Minister's Secretariat of the Cabinet Office.



Keiko Yoshida

Independent officer

Years as Corporate Auditor: 3
Corporate Auditor (outside)

Born in 1954; 69 years old. As a certified public accountant, Ms. Yoshida is a representative of an accounting firm and has a deep knowledge of tax affairs, accounting and management.



Yuko Miyata

Independent officer

Year as Corporate Auditor: 0
Corporate Auditor (outside)

Born in 1964; 58 years old. She has extensive experience in human resources and labor affairs at global companies, including serving as member of the Board and head of HR and General Affairs at Unilever Japan K.K., as well as executive officer and general manager of the Human Resources Division of Bayer Holding Ltd.

Members of the Board and Corporate Auditors As of May 24, 2023

Name	Position	Independent Outside Officer	Nomination and Compensation Advisory Committee	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			9	CSO	✓			✓	✓	✓	✓
Masayuki Itonaga	Member of the Board, Executive Managing Officer			1	CFO	✓	✓				✓	
Miki Iwamura	Member of the Board	✓	✓	5	Google Japan LLC Vice President, Asia-Pacific, Japan (Marketing)	✓			✓	✓	✓	
Satoko Suzuki	Member of the Board	✓	✓	3	Associate Professor, Hitotsubashi University Business School, School of International Corporate Strategy				✓		✓	✓
Kiyotaka Kikuchi	Member of the Board		✓	2	Executive Vice President and Group CEO, Consumer Industry Group, Mitsubishi Corporation	✓		✓			✓	✓
Corporate Auditor												
Shuichi Imagawa	Standing Corporate Auditor			3	—			✓	✓			✓
Jun Miyazaki	Standing Corporate Auditor			2	—			✓	✓			✓
Yuko Gomi	Corporate Auditor	✓	✓	4	Lawyer (Partner), T. Kunihiro & Co. Attorneys-at-Law			✓				
Keiko Yoshida	Corporate Auditor	✓	✓	3	Representative, C.P.A., Shiba Accounting Service Office		✓					
Yuko Miyata	Corporate Auditor	✓	✓	0	HR consultant (sole proprietorship)	✓		✓	✓		✓	

Continue to question the strategy and will towards growth

Two of Lawson's five directors are female outside directors, each with expertise in their respective field. The two, one an executive at a global IT company and the other an associate professor at a university, discussed the current state of Lawson's board of directors and the challenges faced.



Miki Iwamura
Years as a board member: 5



Satoko Suzuki
Years as a board member: 3

Focus on free discussion, a broad point of view, and quality discussion

Ms. Iwamura One of the characteristics of Lawson's board of directors is extremely free and diverse discussions. At Google Japan, where I work, we emphasize psychological safety. At Lawson as well, inside and outside directors and corporate auditors with diverse backgrounds openly express their opinions and questions beyond their own areas of expertise, and discussions are held in an environment of psychological safety.

Ms. Suzuki I agree. Members of the board of directors of Lawson rotate when necessary, so fresh perspectives are always introduced. The evaluation of the effectiveness of the board of directors also functions well, and I feel that each director reflects their own role in their awareness of the quality of discussions and the need to see things

from a broad perspective.

Ms. Iwamura For example, recently President Takemasu, CFO Itonaga, and other directors and executive leaders have demonstrated clear leadership in their respective positions, and the results have been reflected in the business performance and stock price. President Takemasu has taken the lead in promoting growth strategies and leading company-wide discussions with a high level of enthusiasm and dialogue equality. CFO Itonaga has also been proactive in proposing shareholder return policies and other measures while keeping an eye on market conditions, thereby enhancing Lawson's reputation in the market. As for overseas business, the board of directors has been coming up with new proposals, which is very encouraging.

Ms. Suzuki Let me add that President Takemasu has strong ideas about the new image of convenience stores and their role as social infrastructure. I am encouraged by the various reforms he is undertaking to realize this vision. It is also encouraging to see the introduction of the area company system, which aims for community-based store management and the nurturing of the next generation of leaders in each region.

Ms. Iwamura The directors are also discussing the need for a clear succession plan at Lawson.

Ms. Suzuki President Takemasu is always conscious of nurturing the next generation; for example, by having manager and leader classes at the in-house Lawson University. I feel that strategic thinking is being developed throughout the entire organization.

Importance of mechanisms that reflect diversity and expertise

Ms. Suzuki In fiscal 2022, an assessment of the board of directors' effectiveness was conducted by an external consultant. We believe that it is important to use the results of this evaluation to further improve the effectiveness of the board by strengthening its governance and continuing to have frank and open discussions. It is also important to be aware of diversity and to have the board represent a varied cross-section of people.

Ms. Iwamura In terms of diversity, there are not enough women on the executive board. More foreign nationals are also needed in order to promote overseas expansion. IT human capital will also be needed due to their growing importance in the retail industry. How can we create a system that reflects such diversity and expertise in governance? At meetings of independent outside directors, which I now chair, we exchange opinions on a wide range of issues that are not usually brought up at board meetings, such as the long-term future of the company. These meetings are important for Lawson, which is listed as a subsidiary, to ensure that the opinions of minority shareholders are appropriately reflected in management.

From pandemic response to medium- and long-term strategies

Ms. Suzuki During the pandemic of the past few years, there were many short-term discussions about Lawson, but since the latter half of fiscal 2022 we have been able to discuss the company's medium- and long-term growth strategy. I believe that there are limits to growth in Japan, where the birthrate is declining and the population is aging, and that it is necessary to take measures aimed at overseas markets. President Takemasu, however, has stated emphatically that there is still room for growth in Japan and that a variety of initiatives are possible. Using convenience stores as a starting point, he is looking at various possibilities, such as financial services and

entertainment. He is also looking at ways to provide new value in the convenience store itself.

Ms. Iwamura I also think that the most significant recent achievement was the discussion we had on what our medium- and long-term growth strategies should be. In considering our growth strategies and business portfolio, we were able to meaningfully discuss where to find growth drivers, how much to accelerate investment, and how to delegate authority in the area company system.

I have been at Google Japan for a long time, so I know firsthand what it means to grow a business. Based on my knowledge of marketing, I always ask the Lawson management team how they plan to grow, whether they always have the seeds for growth, and whether they are communicating their vision in an easy-to-understand manner.

Dynamic discussions realize innovation

Ms. Iwamura I believe that IT investment is an important part of creating a new convenience store model in the future. Besides the renewal of legacy systems, our response to new technologies such as generative AI is important. We need to promote discussions at board meetings in areas such as the establishment of internal and external structures so that we can accumulate knowledge within the organization and take the lead in development while flexibly incorporating new technologies.

Ms. Suzuki I see that the retail industry often thinks about things from a short-to-medium-term perspective, but I think it is also necessary to have backcasting discussions in which we reconfigure things with a slightly long-term strategic mindset.

Ms. Iwamura I too want to focus on growth, so I think it is important to have thorough discussions on how to build a long-term growth model. In order to achieve innovation, instead of growing just a few percent we should be looking for ways to grow 10-fold. Furthermore, we must be dynamic enough to step on the gas and accelerate growth while simultaneously discussing what the trade-offs are. While the role of the board of directors is to supervise management, I believe it is important for outside directors to continue to question the will for growth in this era of rapid change.

Characteristics of Corporate Governance

We believe that continuous improvement in the value we offer stakeholders contributes to the enhancement of Lawson's corporate value. Accordingly, we strive not only to comply with laws, regulations and social norms but, also, to reinforce our corporate governance by improving the soundness and transparency of management through honest and considerate behavior grounded in high ethical standards which are based on the Group Philosophy, the Lawson Group 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 separated management and supervision from business execution to enable quick decision-making and business execution. It should be noted, with respect to the corporate auditors, that we elect candidates for the position of corporate auditor based on their possession of the extensive financial, accounting, risk management and/or legal expertise and experience required to fulfill auditors' duties. 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 and is 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.

Special circumstances with the potential to seriously impact corporate governance

Mitsubishi Corporation, our parent company, currently holds 50.2% of Lawson's voting rights (50,150,000 shares). Lawson has a business alliance with Mitsubishi Corporation,

but Lawson's internal organizations make independent decisions regarding management and business activities in general, ensuring Lawson's independence as a listed company conducting business operations.

In addition, in the business alliance agreements concluded with Mitsubishi Corporation, it has agreed to conduct a business alliance that respects Lawson's independence and autonomy. We recognize that our independence is 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 transactions with Mitsubishi Corporation, Lawson's parent company, and its group companies, just like in transactions in general, in order to not disadvantage minority shareholders.

Also, a Special Committee may be established voluntary to deliberate and review material transactions or actions that involve a conflict of interest between Mitsubishi Corporation and minority shareholders. The Committee, comprised of 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, provides a structure for reviewing the necessity, rationality, validity and fairness of the material transactions or actions based on a high level of independence, and for reporting to the Board of Directors.



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

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			
Subset who are 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	February 2017						
																		33.4%	50.1%							

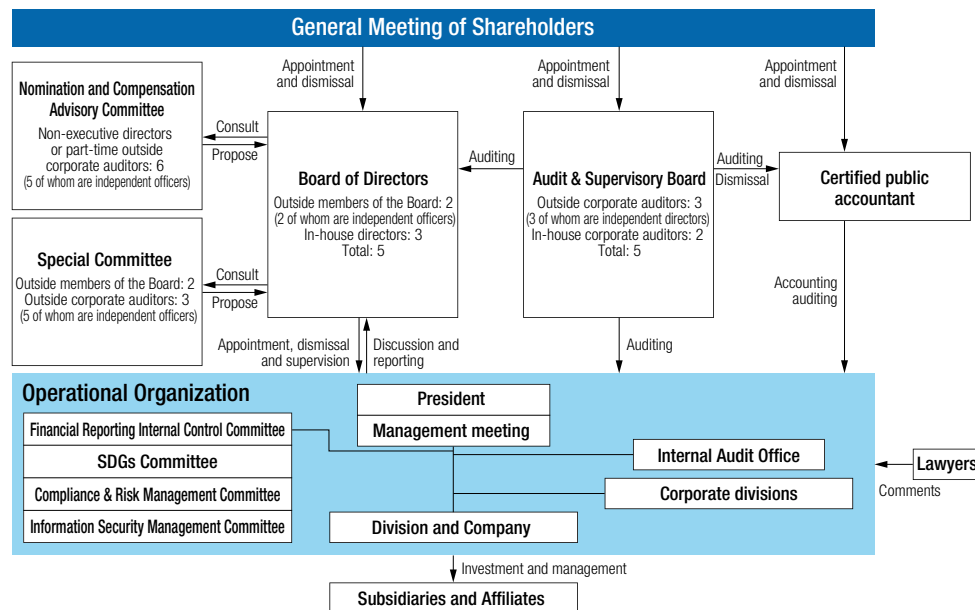
*1 The number of members of the Board is as of the close of the General Meeting of Shareholders each year. An exception to this was 2014, when there were nine members of the Board up to July 31 and eight members after August 1.

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

Corporate Governance System (as of May 25, 2023)



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 the members of the Board. The Board met 12 times in fiscal 2022. 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 meetings are comprised of personnel who are generally of executive managing officer level or above and members designated by the president and CEO (and met 14 times in fiscal 2022).

Main agenda items for the Board of Directors (fiscal 2022)

- Management strategy for next fiscal year
- Organizational structure for next fiscal year
- Officer appointment
- Officer compensation
- Revision of Lawson Group Corporate Conduct Charter
- Action Plan for Lawson Group's Challenge 2025
- Company-wide digital transformation policy
- Report for major KPI company-wide
- Continuity of subsidiary business
- Internal control system development basic policy
- Results of evaluation of Board of Directors' effectiveness
- Financial reporting internal control-related matters
- Revision of important rules
- Policy on strategically-held shares
- Revision of corporate governance reporting
- Accounting-related matters
- General meeting of shareholders-related matters
- Business execution status reporting
- Conflict of interest transaction approval/reporting

Status of committees

The following is the activity status of the Nomination and Compensation Advisory Committee, comprised of part-time officers, and the Special Committee.

Committee Activity Status

Name	Matters for deliberation	Composition	Fiscal 2022 attendance rate						
			Outside members of the Board	Outside members of the Board	Outside members of the Board	Members of the Board	Outside corporate auditors	Outside corporate auditors	Outside corporate auditors
			Keiko Hayashi Retired in May 2022	Miki Iwamura	Satoko Suzuki	Kiyotaka Kikuchi	Eiko Tsujiyama Retired in May 2023	Yuko Gomi	Keiko Yoshida
Nomination and Compensation Advisory Committee	Director compensation (system, evaluation, etc.) and director candidate and representative director candidate consultation, successor planning deliberation, recommendations to the Board of Directors	Part-time officers only	100% (Attend 2/2 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)
Special Committee	Advance deliberation of matters for the Board of Directors related to important transactions with Mitsubishi Corporation and its subsidiaries	Independent officers only	—	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	—	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)	100% (Attend 3/3 meetings)

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 and, moreover, 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.



For more information about appointment criteria for officers and judgment criteria regarding independence <https://www.lawson.jp/en/csr/governance/>

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 part-time officers, 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 Group. Furthermore, to enable them to deepen their understanding of the Group's business, they are given the opportunity to participate in key events 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.

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 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.

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 SDGs 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 2022)

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

Board of Directors and Audit & Supervisory Board member compensation amount (Millions of yen)

Category	Total compensation	Total by type of compensation			Number of eligible officers
		Fixed compensation	Variable compensation	Stock options	
Members of the Board (subset who are outside members of the Board)	202 (25)	104 (22)	59 (—)	38 (3)	8 (3)
Corporate auditors (subset who are outside corporate auditors)	84 (36)	84 (36)	— (—)	— (—)	5 (3)
Total	286	188	59	38	13

Note: There were five members of the Board and five corporate auditors as of the end of February 2023.

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" every year, mainly consisting of a document survey to be completed by all members of the Board and corporate auditors. For this survey, responses from all members of the Board of Directors and Audit & Supervisory Board members are compiled and analyzed. Every three years, an external assessment is conducted, and such an assessment was performed in fiscal 2022.

[Summary of external evaluation results]

- 1.External consultants conducted surveys and individual interviews with all officers
- 2.External consultants reviewed and analyzed materials for the Board of Directors' meetings and analyzed and evaluated the results of surveys and interviews
- 3.Independent officers held meetings to exchange opinions on evaluation results
- 4.Reported the analysis and evaluation results to the Board of Directors and conducted discussions

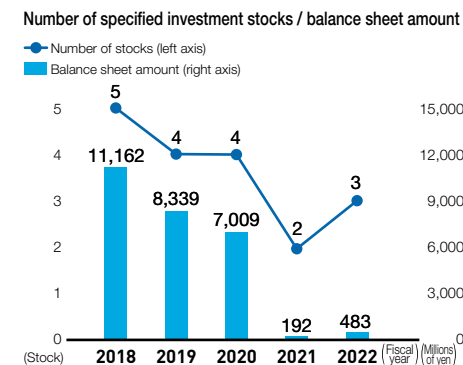
Results of analysis and assessment by an external organization

- Directors and corporate auditors actively exchange opinions at the Board of Directors' meetings, and business execution is monitored based on candid reporting from the execution side, indicating that each officer is actively engaged in fulfilling his/her supervisory function.
- In order to make the Board of Directors more effective, it is desirable to conduct discussions and share information by prioritizing the following points.
 - 1.Sharing important agendas to be determined by the Board of Directors (medium-term strategy, business portfolio, etc.)
 - 2.Reviewing monitoring targets and monitoring methods by the Board of Directors (including verification of the validity of current rules and standards)
 - 3.Composition of the Board of Directors, etc.
- Since Lawson is listed as a subsidiary, it is also very important to ensure that matters can be explained to minority shareholders and other stakeholders.
- In advancing the above discussion and information sharing, it is extremely important for the execution side to share information. It is recommended that the content and level of detail of information required for discussion, and the selection and priority of initiatives, be sufficiently coordinated with the execution side.

Going forward, in addition to the results of the aforementioned evaluation results of the effectiveness of the Board of Directors, we will refer to discussions at the opinion exchange meeting by independent officers and the Board of Directors' meetings to enhance discussions on medium- and long-term management issues and the role of the Board of Directors, and will further improve the operation of the Board of Directors to enhance the effectiveness of the Board of Directors.

Strategically-held shares

Lawson sometimes holds listed shares strategically for the purpose of raising its value over the medium- and long-term through cooperation each other, 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 2023, we held three different listed stocks.



Internal Control

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 an 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 periodic reviews of the policy itself, and endeavoring to maintain and enhance an effective, practical internal control system.



For more information about the internal control system
<https://www.lawson.jp/en/csr/governance/>

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. We implement an ongoing PDCA cycle while maintaining an organic link between our behavioral standards, education and training, communication functions and monitoring activities for the purpose of ensuring we are a good corporate citizen acting with high ethical standards, integrity and compassion.



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



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

Assuring continuity of business operations

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

Business continuity management (BCM) basic policy

- **Maintaining the Lawson brand**

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

- **Continuation of the franchise business**

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

- **Securing appropriate earnings**

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

- **Preparing for disasters and helping communities to recover**

The Lawson Group seeks to not only to be prepared in the event of a disaster but also to serve as a community lifeline afterwards by acting swiftly to ensure the continuity of store operations. Also, to support those affected by disaster, we work with local governments to deliver food, daily necessities and other emergency relief supplies, as well as to raise disaster relief funds and provide other assistance.



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

Business Risks

Company-wide risk matrix (Excerpt of major risks only)

Impact	High	⑦	⑨	⑤	⑩
		⑬	①	④	②
Medium	Medium	⑥	⑪	⑫	
		⑭			
Low	Low			⑧	
		Low	Medium	High	
		Frequency			

[Impact]

High: Disruption of business which lasts a month or more, damages of 10 billion yen or more...etc.

Medium: Disruption of business which lasts between a week to just under a month, damages of between 2 billion and just under 10 billion yen...etc.

Low: Disruption of business which lasts a week, damages below 2 billion yen...etc.

[Frequency]

High: Trending upward

Medium: Largely unchanging

Low: Trending downward

Category	No.	Main risks	Risk response measures
Management strategy risks	①	Risks related to M&A and business alliances	<ul style="list-style-type: none"> When entering into agreements, such as acquiring shares or forming a business alliance: conduct prior study (such as third-party surveys, etc.); facilitate decision-making by formulating detailed business plans and clear criteria for withdrawing from an agreement; and periodically monitor the agreement afterwards.
	②	Risks related to the franchise store business	<ul style="list-style-type: none"> Provide sufficient information and appropriate support through daily communication with franchise stores to prevent misconduct incidents, etc. Build partnerships with franchise stores by conducting various initiatives for continued stable store operations.
	③	Risks related to the banking business	<ul style="list-style-type: none"> Compliance with laws and regulations through compliance training, etc., at Lawson Bank, Inc. Respond to environmental changes by sharing information through regular communication between Lawson Bank, Inc. and the Company, and examination of synergy creation.
	④	Risks related to raw materials procurement	<ul style="list-style-type: none"> Secure substitute materials, identical raw materials from different production areas, and multiple procurement channels.
	⑤	Risks related to climate change	<ul style="list-style-type: none"> Formulate countermeasures, such as risk avoidance, mitigation and insured transfer, of risks based on an evaluation of their degree of impact on business.
Financial risk	⑥	Risks related to asset impairment	<ul style="list-style-type: none"> Perform a detailed investment profitability analysis when acquiring tangible fixed assets. Perform credit checks as necessary on new suppliers and other business associates, and perform thorough management of existing receivables and other such assets.
	⑦	Risks related to funding procurement	<ul style="list-style-type: none"> Diversify fund procurement sources and means. Pay close attention to market trends, such as for interest rates; diversify funding procurement sources and lending periods; and procure funding at fixed interest rates.
	⑧	Risks related to exchange rate fluctuation	<ul style="list-style-type: none"> Diversify the contract volume and timing for products, raw materials, etc., procured overseas.
Operational risks	⑨	Risks related to food product safety	<ul style="list-style-type: none"> Work with suppliers and stores to ensure quality management, hygiene management and expiry date management from the production process through to delivery and sales. Develop a system for pre-checks and information storage in order to ensure proper labeling.
	⑩	Risks related to IT systems	<ul style="list-style-type: none"> Implement multifaceted countermeasures for cyber security, including technical, process/personnel, and physical aspects, as well as training in preparation
	⑪	Risks related to handling of personal information	<ul style="list-style-type: none"> Thoroughly promote information security measures and Lawson Group Privacy Policy inside the Group.
	⑫	Risks related to reputation	<ul style="list-style-type: none"> Implement compliance/risk management training. When a problem arises, provide prompt information disclosure to minimize the impact on customers and other relevant parties.
Compliance risks	⑬	Risks related to laws, regulations, etc.	<ul style="list-style-type: none"> Continually gather and analyze information about legal and regulatory revisions, etc., and respond proactively.
	⑭	Risks related to human rights	<ul style="list-style-type: none"> Formulate a Lawson Group Human Rights Policy and ensure it is pursued by promoting human rights due diligence. Conduct supplier surveys and individual dialog, CSR audit and in-house training related to "business and human rights." Establish a consultation service for employees and suppliers, and provide corrective/remedial action.
Hazard risks	⑮	Risks related to disasters	<ul style="list-style-type: none"> Conduct training three times per year which prioritizes human life and safety, and ensure the effectiveness of the Disaster Relief Manual and other resources. Develop a business continuity management (BCM) structure, and formulate business continuity plans (BCP) for responding to anticipated scenarios, such as an earthquake with its epicenter in Tokyo.
	⑯	Risks related to COVID-19	<ul style="list-style-type: none"> Develop a business continuity management-related structure, rules, etc., that will ensure a given, essential level of operations required of a franchise headquarters. Under the leadership of the Lawson Group Sweeping Transformation Executive Committee, tackle the challenge of anticipating new needs and adapting to the new normal.

Eleven-Year Financial Summary

(Unit: Millions of yen)

(Fiscal year)	2022	2021	2020	2019	2018
For the year:					
Gross operating revenue					
Income from franchised stores	¥ 251,564	¥ 291,802	¥ 288,480	¥ 314,260	¥ 302,136
Net sales	604,812	292,237	275,945	302,843	288,579
Other operating revenue	132,244	114,331	101,576	113,132	109,931
Total gross operating revenue	988,621	698,371	666,001	730,236	700,647
Operating income	55,056	47,096	40,876	62,943	60,781
Profit attributable to owners of the parent	24,689	17,900	8,689	20,108	25,585
Net cash provided by operating activities	176,045	146,644	227,954	202,703	128,594
Net cash used in investing activities	(45,626)	(51,781)	(29,983)	(49,074)	(81,017)
Net cash used in (provided by) financing activities	(124,028)	(109,516)	(140,642)	(163,910)	277,937
Capital expenditures	88,026	86,351	48,837	90,726	140,071
Depreciation and amortization*2	84,848	79,942	80,778	79,183	66,844
At year-end:					
Total assets	¥ 1,366,166	¥ 1,337,245	¥ 1,365,430	¥ 1,357,732	¥ 1,342,329
Net assets	287,099	278,473	272,931	275,347	281,982
Shareholders' equity ratio	20.6%	20.4%	19.6%	20.0%	20.6%
Cash and cash equivalents	396,958	388,444	401,136	343,583	354,236
Total number of stores in Japan	14,631	14,656	14,476	14,444	14,659
Number of employees (full-time)	10,648	10,362	10,385	10,572	10,395
Per share data:					
Profit (yen/U.S. dollars*1)	¥ 246	¥ 178	¥ 86	¥ 200	¥ 255
Annual dividends (yen/U.S. dollars*1)	150	150	150	150	255
Payout ratio	60.8%	83.9%	172.7%	74.6%	99.7%
Financial data:					
Return on equity (ROE)	8.9%	6.6%	3.2%	7.3%	9.3%
Return on assets (ROA)	1.8%	1.3%	0.6%	1.5%	2.3%
Net sales of all stores (Domestic convenience store business):					
Net sales by store format*3*4					
Franchise stores	¥ 2,272,571	¥ 2,182,725	¥ 2,132,618	¥ 2,296,838	¥ 2,233,739
Directly managed stores	26,947	29,256	33,200	48,162	51,569
Net sales by product category*3*4					
Processed foods	1,229,474	1,190,886	1,156,760	1,237,391	1,202,619
Fast foods	517,272	480,260	462,497	546,542	544,530
Daily foods	352,081	343,668	343,772	351,442	329,545
Non-food products	200,690	197,166	202,788	209,624	208,612
Net sales of all stores	¥ 2,299,518	¥ 2,211,981	¥ 2,165,818	¥ 2,345,000	¥ 2,285,308
Ratio of operating income to net sales of all stores	1.5%	1.2%	1.2%	1.9%	2.0%

*1. The U.S. dollar amounts represent the Japanese yen exchange rate against the US dollar as of February 28, 2023 (\$1 = 136.33 yen).

*2. These figures include amortization of intangible assets.

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

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

(Unit: Millions of yen)										(Unit: Thousands of U.S. dollars*)			
2017	2016		2015		2014		2013		2012		2022		
¥	289,232	¥	275,312	¥	261,681	¥	247,681	¥	242,078	¥	230,002	\$	1,845,258
	264,734		254,169		227,606		174,044		168,159		192,942		4,436,382
	103,357		101,806		94,165		76,188		75,009		64,500		970,029
	657,324		631,288		583,452		497,913		485,247		487,445		7,251,676
	65,820		73,772		72,541		70,482		68,126		66,246		403,844
	26,828		36,400		31,381		32,686		37,965		33,182		181,097
	113,938		99,864		112,205		110,567		81,503		85,188		1,291,315
	(91,209)		(76,227)		(68,657)		(100,434)		(47,924)		(54,196)		(334,673)
	(61,238)		(25,638)		(50,201)		(3,289)		(39,650)		(31,979)		(909,763)
	140,495		119,784		106,747		141,251		84,032		77,361		645,683
	58,601		56,199		49,293		41,826		47,888		43,886		622,372
¥	900,256	¥	866,577	¥	803,212	¥	764,614	¥	620,992	¥	579,809	\$	10,021,023
	281,446		285,995		272,997		263,797		250,497		230,181		2,105,912
	30.6%		31.7%		32.9%		33.5%		39.5%		39.1%		
	30,120		67,692		69,793		76,754		68,759		72,766		2,911,744
	13,992		13,111		12,395		12,276		11,606		11,130		
	10,028		9,403		8,377		7,606		6,336		6,404		
¥	268	¥	363	¥	314	¥	327	¥	380	¥	332	\$	1.80
	255		250		245		240		220		200		1.10
	95.1%		68.7%		78.1%		73.4%		57.9%		60.2%		
	9.7%		13.5%		12.0%		13.0%		16.1%		15.2%		
	3.0%		4.4%		4.0%		4.7%		6.3%		6.0%		
¥	2,069,609	¥	1,958,550	¥	1,880,395	¥	1,827,779	¥	1,810,418	¥	1,747,915	\$	16,669,633
	91,075		84,736		79,872		105,019		126,873		156,339		197,660
	1,138,966		1,073,044		1,033,448		1,034,355		1,060,455		1,063,120		9,018,367
	509,415		481,267		463,431		429,212		408,672		372,706		3,794,264
	314,481		294,141		276,885		277,210		275,437		271,920		2,582,564
	197,821		194,833		186,498		192,020		192,726		196,506		1,472,090
¥	2,160,684	¥	2,043,287	¥	1,960,266	¥	1,932,798	¥	1,937,292	¥	1,904,254	\$	16,867,293
	2.4%		2.8%		2.9%		3.2%		3.5%		3.5%		

Industry Trends and Sales, Store-Related Data

Industry Trends

In 2022 (January–December), the convenience store industry saw strong sales of onigiri rice balls, bento (boxed meals), fried foods, frozen foods, soft drinks, and other items due to product development and assortment selection carried out in response to such factors as regular one-stop shopping, the complete lifting of priority measures used to prevent the spread of COVID-19, and recovery in the flow of people, which accompanied the implementation of the national travel support program. As a result, total annual industry sales increased 3.7% year-on-year to 12,199.6 billion yen, with net sales at existing stores increasing 3.3% year-on-year. As of the end of December, the total number of stores was 56,232.*

*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)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total retail industry annual sales*2	154,402	150,462	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897	137,585
Convenience store sector annual sales*2	12,199	11,760	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872	9,477
Convenience store share in the retail industry	7.9%	7.8%	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%	6.9%

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

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

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

The net sales of all stores among the top three chains in the convenience store industry*3

(Billions of yen)

(Fiscal year)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Lawson	2,545	2,442	2,349	2,506	2,424	2,283	2,157	2,049	1,961	1,945	1,907
Seven-Eleven Japan	5,149	4,953	4,871	5,010	4,899	4,678	4,516	4,291	4,008	3,781	3,508
FamilyMart*4	2,958	2,842	2,764	2,965	2,983	3,016	3,009	2,006	1,860	1,722	1,585
Total of the top three chains	10,652	10,237	9,984	10,482	10,306	9,977	9,682	8,346	7,829	7,448	7,000
Total market share of the top three chains	87.3%	87.0%	85.8%	86.0%	86.0%	84.9%	84.6%	75.9%	75.1%	75.4%	73.9%

Source: Data published by each company

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

*4 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)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of convenience stores	56,232	56,352	56,542	56,502	56,574	56,374	55,636	54,505	52,725	50,234	47,801

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

Non-consolidated operating results

(Millions of yen)

(Fiscal year)	2022	As a percentage of all convenience stores	2021	2020	2019	2018
Net sales of all convenience stores	2,299,518	100.0%	2,211,981	2,165,818	2,296,156	2,236,125
Gross operating revenue	357,571	15.5%	355,102	354,825	390,811	385,678
Gross operating profit	338,354	14.7%	333,784	330,600	356,385	348,491
Selling, general and administrative expenses	303,165	13.2%	307,913	304,449	311,660	302,779
Advertising and promotional expenses	10,997	0.5%	10,929	9,800	14,112	13,363
Personnel expenses	43,723	1.9%	44,184	44,845	46,261	45,903
Rents	182,919	8.0%	181,260	180,709	181,194	172,574
Other SG&A expenses	65,524	2.8%	71,539	69,094	70,091	70,939
Operating income	35,188	1.5%	25,870	26,150	44,725	45,711
Ordinary income	40,618	1.8%	34,278	33,700	45,962	51,443
Profit	22,595	1.0%	13,470	15,894	15,486	31,002

Management policies for fiscal 2022

During the fiscal year under review, or the fiscal year ended February 28, 2023, we continued to take rigorous prevention measures against the spread of COVID-19 and responded to “new normal” demand by exerting concerted Group-wide efforts. Specifically, under the leadership of our Lawson Group Sweeping Transformation Executive Committee, which was launched in September 2020 to realize “Challenge 2025” formulated for 2025, the 50th anniversary of our foundation, we renovated our stores and revamped our product lineups in our domestic convenience store business in response to changes in the business environment. The whole Lawson Group endeavored to resolve medium- to long-term issues for sustainable growth, acquire new revenue opportunities, and foster job satisfaction. Upholding a strategic concept of focusing on community-based x individual customer and individual store-focused operations, we introduced an area company system in the Hokkaido and Kinki regions ahead of other regions. Under the new system, the roles and scope of discretion assigned to the headquarters and areas were reviewed, and greater authority and discretion were delegated to the respective areas so as to expedite decision-making and speed up the hypothesis/verification cycle.

Domestic convenience store business

The state of quasi-emergency declaration was lifted in March 2022. There have been repeated waves of new COVID-19 cases during the fiscal year under review, but an overall rising trend was seen in the movement of people.

Amid such drastic shifts in the business landscape, Lawson has been proceeding with store renovations considering the characteristics/situation of each store, helping them expand their merchandise assortment of frozen foods and other daily necessities to adapt to changes in customers’ lifestyles and better address customer needs. By the end of fiscal 2022, we had completed the renovation of some 2,985 stores, and the total number of stores renovated since fiscal 2021 reached 7,290. Installation of the Machikado Chubo in-store kitchen service at stores also progressed, with 9,191 stores equipped with the service as of the end of fiscal 2022. In addition, we implemented a full-scale introduction of MUJI products at Lawson stores in May 2022, with a total of 9,621 stores including those in the previous fiscal year offering the merchandise as of the end of fiscal 2022.

In store operations, as we work our way toward 2025, our 50th anniversary year, we launched the Happy Lawson Project! in June 2022 with the aim of creating new hubs of refreshment in every community, and promoted measures to fulfill the three promises of our business policy—“Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness”—in an effort to operate Lawson stores endorsed by all our customers.

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

Merchandising and service strategies

Sales continued to surge in frozen foods, fast-food counter items, and products offered by the Machikado Chubo in-store kitchen service, whose assortments we have been endeavoring to expand with the aim of supporting the daily lives of customers with store renovations. In the frozen food range, sales were strong for ingredients and deli items that fulfill customers’ pantry needs as well as for groundbreaking items such as frozen desserts. In the fast-food counter range, KARAAGE-KUN Fried Chicken in new flavors, their sauce-topped series, and Protein Chicken for protein lovers enjoyed robust sales. With regard to products offered by the Machikado Chubo in-store kitchens, we saw strong performance for regular items such as the mixed-seafood tempura rice bowl as well as deli items and box lunch items in which rice is packed separately, launched after October 2022.

Furthermore, we strengthened our merchandise assortment of regular products and rolled out sales promotional measures, which resulted in the strong performance of onigiri rice balls and the Korega Bento box lunch series in the rice range and deli items in the daily food range. In addition, new dessert products such as Nama Custard Cream Puffs and Rich Canelé also contributed to sales. MUJI cosmetics and baked sweets, which we are currently in the process of expanding introduction, recorded strong sales.

The combined number of stores listed on four food delivery services such as Uber Eats, reached 3,558 in 46 prefectures as of the end of February 2023. In addition, Uber Eats delivers over-the-counter (OTC) drugs sold at 91 Lawson stores in 17 prefectures.

Store operations

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

Store development

In opening new stores, the Group continued to focus on developing profitable stores.

During the fiscal year under review, the total number of Lawson, NATURAL LAWSON, and LAWSON STORE100 stores opened in Japan stood at 228 stores. Meanwhile, we closed a total of 253. As of the end of February 2023, the total number of domestic stores was 14,631*.

In an effort to establish convenience store models catered to an aging population and a growing trend toward health consciousness, we are building partnerships with dispensing pharmacy and drug store chains to operate healthcare-oriented Lawson stores that offer OTC pharmaceuticals and prescription drugs, as well as a wider assortment of cosmetics and daily necessities than conventional Lawson stores. The number of stores offering non-prescription drugs has reached 298 stores (includes 51 pharmacy Lawson stores equipped with drug-dispensing pharmacies) as of the end of February 2023. Moreover, the number of stores with nursing care consultation desks for seniors has reached 20 as of the end of February 2023. Furthermore, we have also been expanding our chain of in-hospital Lawson stores, which feature strengthened focus on medical, sanitary, and nursing supplies in addition to merchandise and services offered at standard convenience stores. The number of such stores has reached 345 as of the end of February 2023. Building on our expertise developed through operation of in-hospital Lawson stores, we will continue to support the lives of all people interacting with hospitals.

Our NATURAL LAWSON stores, which are popular among customers for supporting their beauty, health, and comfortable lifestyles, offer an exclusive selection of finely picked items of value, including food made with healthy ingredients and environmentally friendly detergents and cosmetics. Meanwhile, our LAWSON STORE100 stores offer daily necessities and safe, reliable, and high-quality fruits and vegetables with a focus on freshness, supporting customers' daily dietary lives by helping them plan their meals. The stores are visited by customers of all ages including children and the elderly, and particularly single people and homemakers. As of the end of February 2023, we operate 131 NATURAL LAWSON stores and 661 LAWSON STORE100 stores.

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

Number of stores in the convenience store business in Japan

(Stores)

(Fiscal year)	2022	2021	2020	2019	2018
Total number of stores	14,631	14,656	14,476	14,444	14,659
Openings	228	483	373	554	1,067
Closings	253	303	341	769	400
Net increase (decrease)	-25	180	32	-215	667

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

Number of convenience stores in Japan

(Fiscal year)	2022		Net increase (decrease) in the term	2021		2020	
	Stores	Share		Stores	Share	Stores	Share
Lawson, Inc.							
Directly managed stores							
Lawson	203	1.4%	2	201	1.4%	221	1.5%
NATURAL LAWSON	8	0.1%	-2	10	0.1%	18	0.1%
Franchise stores							
Type B	1,933	13.2%	-23	1,956	13.3%	1,786	12.3%
Type G	1,249	8.5%	-28	1,277	8.7%	1,320	9.1%
Type C	9,857	67.4%	40	9,817	67.0%	9,744	67.3%
NATURAL LAWSON	123	0.8%	-3	126	0.9%	125	0.9%
LAWSON STORE 100	661	4.5%	-8	669	4.6%	679	4.7%
Subtotal	14,034	95.9%	-22	14,056	95.9%	13,893	96.0%
Lawson Kochi, Inc.							
Directly managed stores							
	5	0.0%	-1	6	0.0%	4	0.0%
Franchise stores							
	133	0.9%	1	132	0.9%	135	0.9%
Subtotal	138	0.9%	—	138	0.9%	139	1.0%
Lawson Minamikyushu, Inc.							
Directly managed stores							
	2	0.0%	—	2	0.0%	2	0.0%
Franchise stores							
	198	1.4%	-2	200	1.4%	197	1.4%
Subtotal	200	1.4%	-2	202	1.4%	199	1.4%
Lawson Okinawa, Inc.							
Directly managed stores							
	2	0.0%	-1	3	0.0%	3	0.0%
Franchise stores							
	257	1.8%	—	257	1.8%	242	1.7%
Subtotal	259	1.8%	-1	260	1.8%	245	1.7%
Total number of convenience stores in Japan	14,631	100.0%	-25	14,656	100.0%	14,476	100.0%

Overview of sales

Net sales for all Lawson chain stores (consolidated) in fiscal 2022 were 2,545.4 billion yen (up 4.2% year-on-year). This was due to the increased sales of the domestic convenience store business resulting from the various measures undertaken by the Lawson Group Sweeping Transformation Executive Committee, as well as marketing measures like the Happy Lawson Project ! , the inclusion of two new companies within the scope of consolidation in overseas business, and other measures. Domestic sales at existing stores (non-consolidated) in fiscal 2022 saw strong growth in frozen foods, daily food items, and other products as a result of sales floor expansion undertaken as part of the ideal store format project of the Lawson Group Sweeping Transformation Executive Committee, as well as new menu development and other product innovations. Bento (boxed meals) and counter fast foods also performed well, with particularly favorable results for bento and other products from the Machikado Chubo in-store food preparation service, which grew in popularity, contributing to sales. As a result, existing-store sales in domestic Lawson business increased 3.6% year-on-year. The number of customers increased 0.9% year-on-year, while average spending per customer increased by 2.7% year-on-year.

Existing store sales, customer count, and average spending per customer year-on-year*1

(Fiscal year)	2022	2021	2020	2019	2018	2017
Net sales at existing stores (year-on-year)	103.6%	101.1%	92.7%	100.1%	99.5%	99.9%
Average number of customers	100.9%	98.7%	85.8%	98.4%	97.7%	98.7%
Average spending per customer	102.7%	102.5%	108.0%	101.7%	101.8%	101.3%

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

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

(Billions of yen)

(Fiscal year)	2022		2021		2020		2019		2018	
Fast foods (share)	506.6	23.1%	470.4	22.3%	452.8	22.1%	523.3	24.1%	520.4	24.7%
Daily foods (share)	321.3	14.6%	312.9	14.9%	309.3	15.1%	307.3	14.2%	283.9	13.5%
Processed foods (share)	1,174.6	53.6%	1,135.3	53.9%	1,096.3	53.4%	1,143.6	52.7%	1,107.3	52.6%
Portion for cigarettes (share)	627.9	28.6%	601.1	28.6%	559.6	27.3%	559.1	25.8%	532.9	25.3%
Non-food products (share)	190.4	8.7%	186.7	8.9%	192.1	9.4%	195.7	9.0%	194.2	9.2%
Total	2,193.1	100.0%	2,105.4	100.0%	2,050.6	100.0%	2,170.0	100.0%	2,105.9	100.0%

*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.

All chain stores: Gross profit margin by product category (Non-consolidated)*3

(Fiscal year)	2022	2021	2020	2019	2018
Fast foods	40.7%	39.6%	39.2%	38.9%	38.2%
Daily foods	34.9%	34.6%	34.6%	34.3%	34.0%
Processed foods	22.6%	22.7%	23.2%	23.8%	23.9%
Non-food products*4	50.5%	49.9%	49.7%	50.5%	50.3%
Gross profit margin	31.0%	30.7%	31.0%	31.3%	31.2%

Third-party bill settlement service*5

(Fiscal year)	2022	2021	2020	2019	2018
Bill settlements (billions of yen)	2,579	2,442	2,465	2,498	2,412
Number of transactions (million)	205.0	204.6	211.2	214.6	215.2

*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.

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

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

Corporate Data As of February 28, 2023

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, Ohsaki 1-chome, Shinagawa-ku, Tokyo 141-8643, Japan	Net sales for all stores*1	2,545.4 billion yen (consolidated)
President and CEO, Representative Director, Chairman of the Board	Sadanobu Takemasu	Number of stores*2	20,966 stores
Established	April 15, 1975	Operating areas	All 47 prefectures in Japan, China (Shanghai and surrounding area, Chongqing and surrounding area, Shenyang, Dalian, Beijing and surrounding area, Shenzhen, Xiamen, Wuhan, Hefei, Changsha, Haikou, etc.), Thailand, Indonesia, Philippines, Hawaii
Capital stock	58,506.644 million yen		
Number of employees	10,648 (consolidated)		

*1 Net sales for all stores (consolidated) is the sum of total sales in domestic convenience store business, overseas business, and Seijo Ishii stores (consolidated subsidiaries only). For 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, 2023

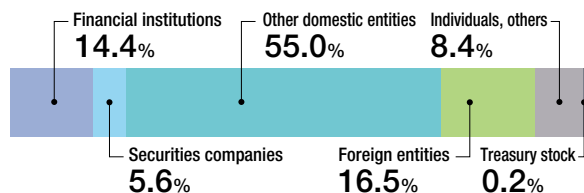
Authorized shares	409,300,000
Shares issued	100,300,000
Shareholders	30,409
Stock exchange listings	Tokyo Stock Exchange (Prime Market)
Stock transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

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)	8,074	8.1
3	Custody Bank of Japan, Ltd. (Trust account)	2,596	2.6
4	KDDI Corporation	2,110	2.1
5	NTT DOCOMO, INC.	2,092	2.1
6	SMBC Nikko Securities Inc.	1,958	2.0
7	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,636	1.6
8	Japan Securities Finance Co., Ltd.	1,180	1.2
9	JP MORGAN CHASE BANK 385771	1,084	1.1
10	Employee stockholding association	929	0.9

*The above percentages of total shares held were calculated after excluding 222,962 treasury stocks.

Distribution of shareholders by type



Main Lawson Group Companies As of February 28, 2023

Category	Name of company	Consolidation status
Domestic convenience store business	Lawson, Inc.	
	Lawson Store 100, Inc.	Consolidated subsidiary
	SCI, Inc.	Consolidated subsidiary
	Lawson Urban Works, Inc.	Consolidated subsidiary
	Lawson Okinawa, Inc.	Equity-method affiliate
	Lawson Minamikyushu, Inc.	Equity-method affiliate
	Lawson Kochi, Inc.	Equity-method affiliate
Seijo Ishii business	SEIJO ISHII CO., LTD.	Consolidated subsidiary
Entertainment-related business	Lawson Entertainment, Inc. United Cinemas Co., Ltd.	Consolidated subsidiary (Consolidated subsidiary of Lawson Entertainment, Inc.)
Financial Services Business	Lawson Bank, 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.)
	Chengdu Lawson, Inc.	(Consolidated subsidiary of Lawson (China) Holdings, Inc.)
	Saha Lawson Co., Ltd.	Consolidated subsidiary
	Lawson Philippines, Inc.	Consolidated subsidiary
Consulting business	Best Practice, Inc.	Consolidated subsidiary

Total shareholder return (TSR)

	February 2019	February 2020	February 2021	February 2022	February 2023
Lawson	100.2	87.8	79.1	78.8	88.9
TOPIX total return	92.9	89.5	113.2	117.0	127.0

Publication of the Integrated Report 2023

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.”

The Lawson Group Sweeping Transformation Executive Committee is promoting various measures for each project to achieve the goals of the Lawson Group Challenge 2025, marking Lawson’s 50th anniversary in 2025. The whole Group remains committed to solving medium- to long-term social issues to help generate sustainable growth, secure new earnings opportunities, and enhance job satisfaction.

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, to pursue long-term value creation with reference to the International Integrated Report Council’s (IIRC) International Integrated 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, Member of the Board, Executive Managing Officer, Chief Financial Officer

Range of the report

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

Reporting period

The primary focus is on targets for fiscal 2022 (March 1, 2022 – February 28, 2023), but earlier and later activities are also discussed.

 **See the Lawson website for details:**
<http://lawson.jp/en/>

Future forecasts, projections and plans

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

External recognition As of May 31, 2023



^{*1} Visit the URL below to find out more about the FTSE4Good Index Series.
<https://www.ftserussell.com/products/indices/ftse4good>

^{*2} Visit the URL below to find out more about the FTSE Blossom Japan Index Series.
<https://www.ftserussell.com/products/indices/blossom-japan>

^{*3} THE USE BY LAWSON OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES (“MSCI”) DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF LAWSON BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED ‘AS-IS’ AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

^{*4} Lawson Inc. is a DX-Certified Operator under the Digital Transformation (DX) Certification system provided by the Ministry of Economy, Trade and Industry on August 1, 2021, and this certification was renewed on August 1, 2023.

 **For more information about external recognition**
https://www.lawson.jp/en/ir/library/external_recognition.html