



Creating new forms of conveniences on-site

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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.

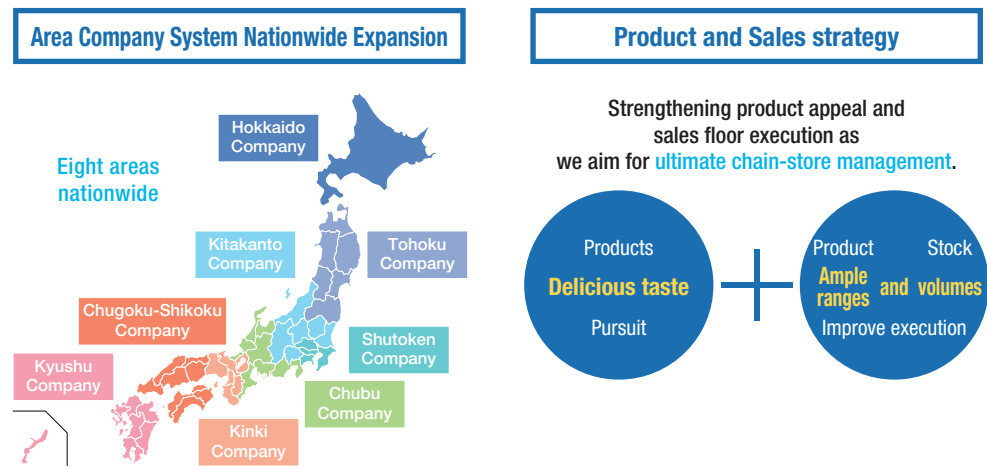
Evolving our concept of “community-based × individual customer and individual store-focused”

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

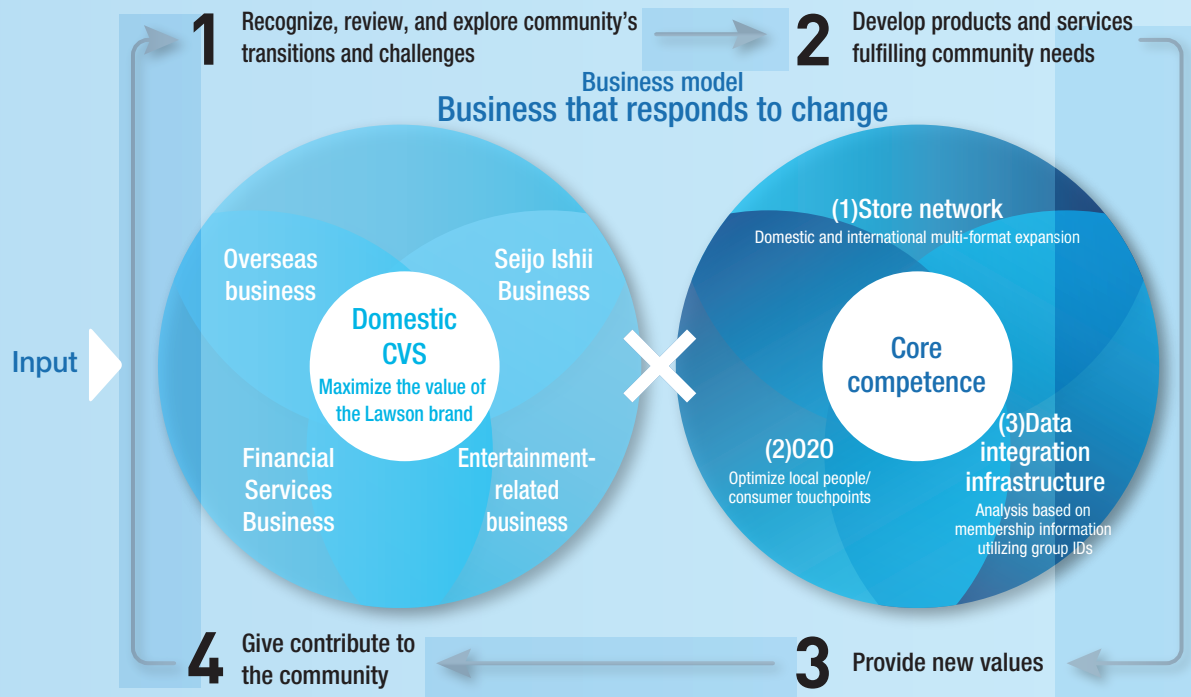
Established	16 LAWSON Farms
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Strategies for Growth

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.

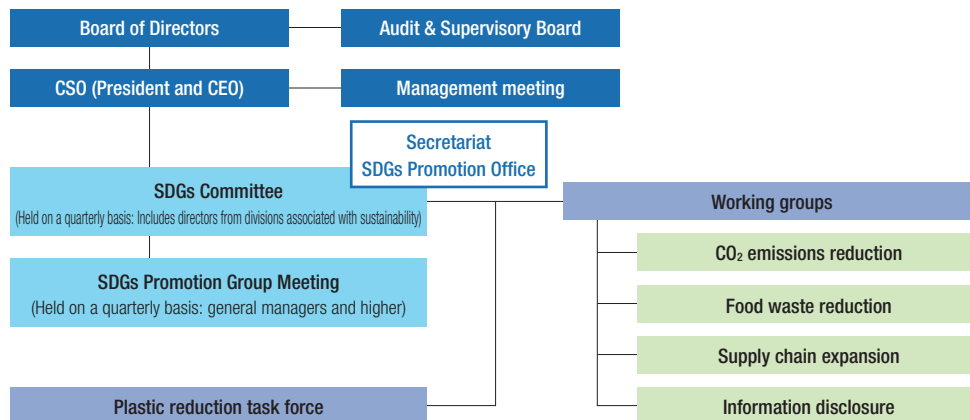
Establishing systems for contributing to the SDGs and implementing PDCA cycles

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.

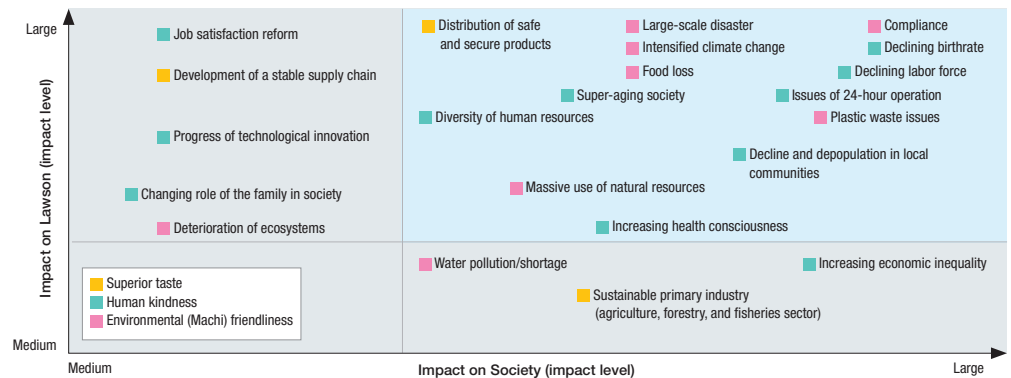
SDGs Committee Organization (as of March 1, 2023)



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/

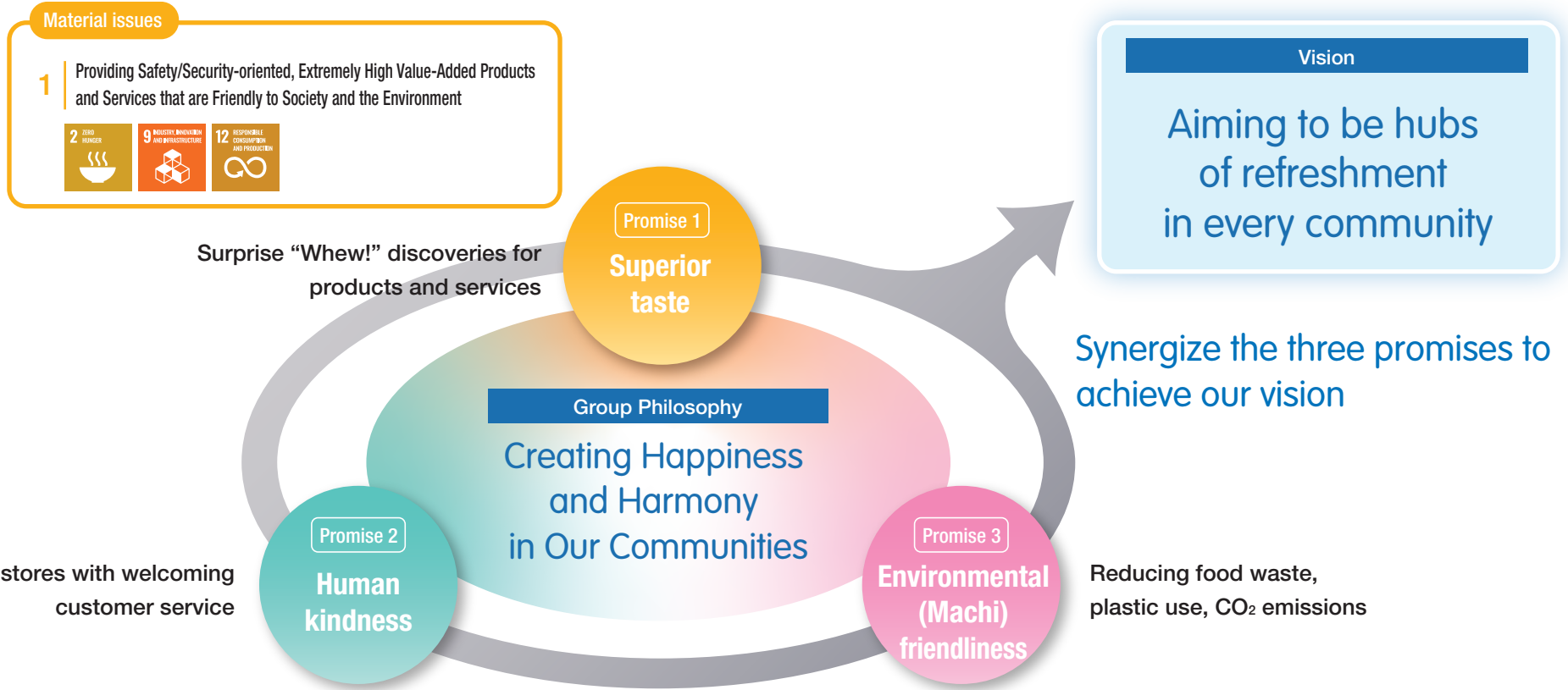


Signing the UN Global Compact

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

1 Providing Safety/Security-oriented, Extremely High Value-Added Products and Services that are Friendly to Society and the Environment

2 ZERO HUNGER

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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