

A “Hot Station (Best Relief Hub) in Our Communities” where smiles



CHALLENGE 1

Challenging better health through delicious products

Communicating human kindness through products and services

Lawson's product development focuses on products that contribute to its customers' health.

Our good-tasting, healthful prepared meals focus on factors described by three keywords: “low-salt,” “low-carb” and “reduced additives.” They include hearty pork cutlet rice bowls, lightly seasoned with dashi broth, and our Motto! Yasai (“more vegetables”) series of meals replete with vegetables. Our bran bread series, which has won widespread popularity extending far beyond customers concerned about carbohydrate intake, was renewed for the eighth time in November 2018 with a more luxuriant texture. The sugar content of LAWSON's recommended products is specified in the nutritional indications on the package.

Seijo Ishii's “desica” brand frozen Chinese meals are free from chemical seasonings, moreover, with a full flavor provided only by their ingredients.

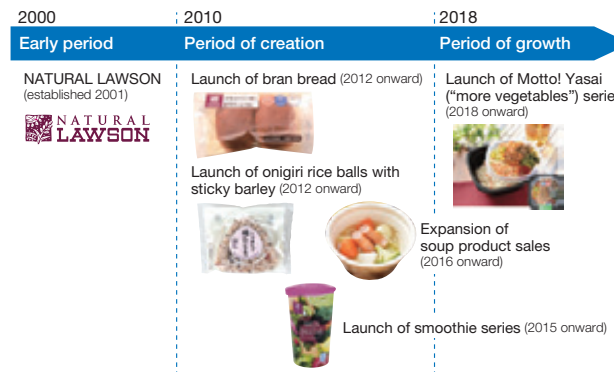
CHALLENGE 2

To participate closely in the life of every customer

Supporting healthy community living

Seeking to become a leading regional health store, LAWSON continues its efforts to support the lives of people in its communities based on two central themes: “meal solutions” that improve their physical health through daily eating habits and “self-medication solutions” that help those with health concerns maintain their health by providing consultation services. Among other “self-medication solutions,” 214 stores, have in-store pharmacies, sell OTC drugs, and 48 out of which also serves as dispensing pharmacies. These are especially appreciated by customers who want to buy medicines on their way home from work or during nighttime hours. A network of 21 care-focused LAWSON stores operate nursing care consultation windows and sell daily necessities and food products for senior nursing care patients. In addition to these, 313 LAWSON hospital stores located inside hospitals (as of May 2019) offer a reinforced lineup of medical hygiene, nursing-care and rehabilitation supplies in addition to standard convenience store products and services.

● Evolution with health needs



● Lawson's Three Essentials for Health

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

Lawson's Three Essentials for Health

Low salt	Low-carbs	Low additives
30% (max.) reduced salt content centered on main normal diet staples	Use of bran (grain husks) to control carbohydrate intake	Chemical flavoring-free frozen foods (selected products)



Message

We value warm people-to-people interactions above all else. That's why we deploy advanced technologies.

The increasing severity of the labor shortage has made deployment of digital technologies to improve work efficiency and productivity critical issues for convenience store chains. Lawson has responded by introducing such technologies as semi-automatic ordering systems and POS cash registers with automatic change dispensers. We established the LAWSON Open Innovation Center in May 2017 to help us keep pace with the accelerating pace of change.

The Center is equipped with a laboratory that simulates an actual store as a venue for conducting experiments in collaboration with various companies and government agencies in Japan and overseas. Repeating a cyclical process of pre-introduction analysis, laboratory verification and in-store trials enables us to introduce new technologies into our stores quickly and smoothly. In October 2018 we exhibited some of our technologies at CEATEC JAPAN, one of Asia's largest IT technology and electronics shows, where we displayed a walkthrough payment system using electronic tags and a real-time inventory management system.

Our aim is to install systems that "put people first." Convenience stores have evolved beyond shopping venues into facilities offering a variety of services. Their role in people's lives can be expected to become even more significant going forward. Our proactive introduction of advanced technologies into our stores is equipping us to determine our customers' needs more accurately, and freeing up time to welcome them even more cordially. The labor savings and work efficiency realized through advanced technologies promise to make tomorrow's convenience stores even more enjoyable and exciting places that offer warmer human interactions than ever. This is the convenience store of the future we envision.



Kunitsugu Makino
General Manager, Open Innovation Center

Advanced labor-saving measures deploying digital technologies

Lawson is advancing its labor savings further by upgrading its store fixtures and cooking facilities as well as by introducing digital technologies to enable smoother everyday store operation and to free store crew members to concentrate on the warmhearted services that only human beings can provide.

We had installed new computers in all the stores by the end of June 2019. We are currently using Owner Portal to provide powerful support for multiple-store owners by enabling them to check all their stores' management information from any location and Multiple-store Remote Login to facilitate remote order acceptance and placement. A self-checkout system compatible with such electronic payment methods as credit card and electronic money payments and the use of points, currently in the testing phase, is scheduled for introduction into all the stores by this autumn. We are also developing stores equipped for use with LAWSON smartphone cash register one after another. New stores to open in the future will adopt a new self-service fixture that enables customers to take out OTC fast foods by themselves. This service is expected to realize a reduction in daily working hours of approximately one hour/crew member.

Other projects leveraging digital technologies include experimental fully automated store operation during 5 late night hours. Customers gain access to the stores by unlocking them with a downloaded smartphone app and make payments at fully customer-operated cash registers or using LAWSON smartphone cash register. We are also actively leveraging results obtained through a number of development projects still in the testing phase. These include a door-unlocking system using biometric identification (including facial recognition), customer service robots to support store crew, an automated shelf-stocking system, electronic product management using radio frequency identification (RFID) tags, a fresh-cooked Kara-age Kun robot automated on-site cookers and next-generation fryers.

Digital signage

Yet another advanced system currently in the works will provide a new purchasing experience by making store shelves compatible with IoT and using digital signage to recommend products selected for the individual customer. We are expanding our use of initiatives of this kind, moreover, to verify the efficacy of using brick-and-mortar stores as media to generate new profits.

A fully automated store



A self-service fixture



A customer-operated cash register



An electronic RFID tag



RFID (radio frequency identification) is a wireless technology that identifies products by reading information recorded on electronic tags. The price and other product information are inscribed on the tags in the form of data to be read by electromagnetic wave radiation. This system is expected to reduce store crews' workload significantly, not only by simplifying checkout procedures but also by lightening their inspection and stocktaking duties. In an initiative led by the Ministry of Economy, Trade and Industry (METI), Lawson and other major convenience store chains have formulated the Declaration of a Plan to Introduce 100 Billion Electronic Tags for Products in Convenience Stores, which commits the stores to attaching electronic RFID tags to all the products on their shelves (an estimated 100 billion electronic tags/year) by 2025.

CHALLENGE 4

To employ digital innovations to address the labor shortage issue

Achieving dramatically improved efficiency in daily operations through measures to increase productivity

Today's rapidly declining birthrate and aging population, labor shortage and rising personnel costs are presenting major challenges for the convenience store industry. Lawson is actively supporting franchise stores by implementing measures to achieve labor savings in daily operations and create comfortable work environments for seniors and foreign staff. These include reducing both the workload on store crew conducting time-consuming checkout work and customer wait times at the checkout counter by introducing automated checkout systems such as POS cash registers with automatic change dispensers and smartphone cash registers. Other innovations enable product ordering and on-site cooking to be performed more efficiently with less effort.

2015

Semi-automatic ordering & planned ordering systems

Lawson introduced an AI-based semi-automatic ordering system in 2015. The system analyzes data on such various factors as the weather and sales situations at other stores to predict consumer demand for boxed meals, sandwiches and other items and recommend appropriate product offering and order quantities based on the observed purchasing behavior of its over 91.29 million Ponta Card members (as of end June 2019). This system, combined with our planned ordering system for beverages and processed foods, **saves about 2.0 working hours/day per crew member.**



2017

Optimizing the operation of Machikado Chubu in-store kitchens



In 2017, we reorganized the operations of our Machikado Chubu in-store kitchens, which prepare fresh-cooked boxed meals and bakery items at LAWSON stores, to optimize the operational efficiency of their work procedures. We are developing a lineup that can be prepared easily by unifying the product packaging and product quantities. This has led to **a reduction of about 1.5 working hours/day per crew member.** We are also moving quickly to facilitate the work of food preparation further by introducing automatic dishwashers into stores with Machikado Chubu in-store kitchens installed.



2017

Introduction of digital tablets

Tablets introduced into all the LAWSON stores in 2017 have facilitated smooth work procedures by displaying work schedules in terms of "when, what and how," and by accompanying some tasks with photos to assist less experienced crew members. The devices have **improved productivity further** by recommending OTC fast-food product selections and quantities based on sales data for individual stores.



2018

Introduction of LAWSON smartphone cash register

LAWSON smartphone cash register, a mobile payment system using customers' smartphones, was introduced at a number of stores in 2018. Customers pay for purchases simply by downloading the app and scanning barcodes printed on product packages with their smartphones. The process is completed in **approximately a quarter of the time required for payment by the conventional method.**

Combined use of manned cash registers and the LAWSON smartphone cash register system during peak shopping periods in the morning and at lunchtime can significantly reduce waiting time at the checkout counter. The system is in operation in 116 stores in Japan (as of August 2019), with sequential expansion of its deployment under way.



2018

Introduction of POS cash registers with automatic change dispensers

POS cash registers with automatic change dispensers have been installed in all LAWSON stores since 2018. Easy for both foreigners and seniors to use, the registers are reducing the burden on crew members at checkout counters by eliminating the need to count cash received and paid out manually. The working hours required for checkout and cash register inspection have been **reduced by 1.5 hours/crew member.** Since cash cannot be paid into or removed from the registers, moreover, losses due to robbery are also decreasing.



CHALLENGE 5

To realize a Lawson where anyone can work for an extended period cheerfully, energetically and joyfully



Promotion of diversity and realization of a work/life balance

Creating work environments in which diversified personnel work enthusiastically

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

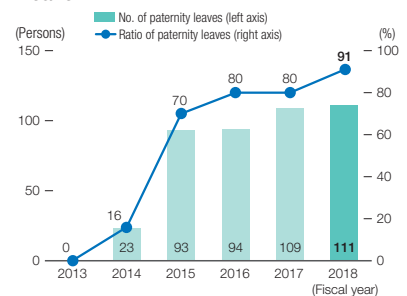
We continue to pursue active efforts to recruit women and foreign nationals as regular employees, while broadening the scope of our international employment activities to include such initiatives as local hiring in South Korea and elsewhere.

In our desire to retain our female employees over the long term, we have introduced such programs as career development training, childcare leave training, and elective leadership training to support young women in their career and life planning. We are continuing to pursue these initiatives with the aim of increasing the proportion of female employees among those in management positions to 30% by fiscal 2020.

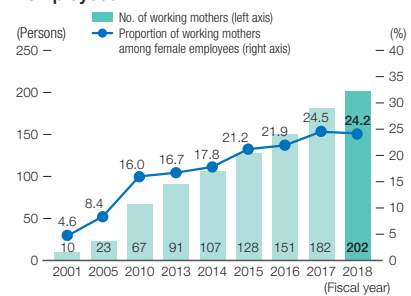
We encourage male employees to take paternity leaves in the hope that active participation by men in child-rearing and housework will result in work-style reforms leading to efficient, highly productive work styles regardless of gender. The ratio of new fathers taking paternity leave exceeded 90% in fiscal 2018, demonstrating that taking paternity leaves is becoming an established practice in our corporate culture.

In 2018, we reinforced our efforts to become a company whose employees can continue to experience job satisfaction over extended periods of employment by introducing a flexible full-time employee system (workplace limitation system) to help them balance their work lives with such private concerns as child-rearing, nursing care or cancer treatment.

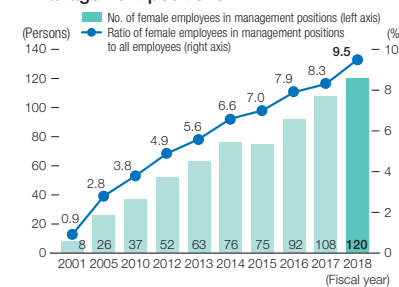
● Ratio of male employees taking paternity leave



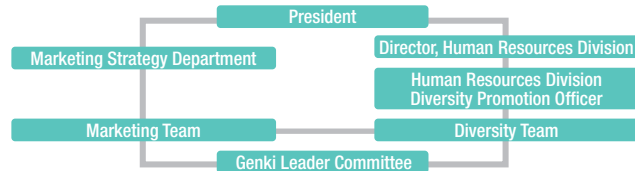
● Proportion of working mothers among female employees



● Proportion of female employees in management positions



● Diversity Promotion System



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



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



A Seminar on Women and Health organized in support of both active work styles and mental and physical health

Implementing a nurturing personnel management system

■ Cultivating human resources who think and act on their own initiative

Guided by our Corporate Philosophy, we encourage every employee to think and act independently by employing two evaluation systems: the Employee Behavior and Skill Level Evaluation, which evaluates the employee behavior (processes) that produces positive results; and the Performance Evaluation, which assesses results concerning actual employee behavior.

We also encourage every employee to declare a career plan based on a career development sheet, and follow up by conducting career development interviews to support their growth as individuals.

In fiscal 2018, we discontinued the internal award system we had implemented to honor employees who addressed challenges voluntarily and achieved results in terms of operational or business performance improvement. We replaced it with the new L-Challenge (Lawson Challenge) Award initiative that inspires employees to suggest or implement ideas unique to Lawson. We are developing a structure for encouraging employees to take up challenges to improve work procedures and conditions from a Companywide perspective, beyond the scope of their own responsibilities, thus sharing their knowledge with others throughout the Company as a means of enhancing employee

motivation and improving the business performance of the LAWSON store chain as a whole.

Industrial safety and hygiene promotion

■ Efforts to assure safe, worker-friendly workplaces

We ensure that the 5S Methodology encompassing “sorting, systematizing, sanitizing, sustaining and supervising” is fully implemented by our franchise stores in accordance with procedures clearly specified in our operation manuals. We also hold safety management meetings Companywide to raise awareness concerning driving safety among store supervisors and others whose jobs involve driving. When a serious work-related accident occurs, we investigate and analyze the cause and share our findings internally with the aim of preventing recurrence.

Health initiatives for employees and franchise owners

■ Conducting health management that begins with employees' concern for their own health

A company that supports customers' efforts to lead healthy lives, Lawson also prioritizes the health of its employees, franchise owners and store crew members. Led by the President in his role as Chief Health Officer (CHO) and the Chairperson of the Health Station Promotion Committee, we reinforce and promote health management and pursue health-related initiatives for our employees and customers. We established the Lawson Group Health and Wellness Promotion Center in September 2018 to strengthen various measures to these ends in cooperation with our labor union and the Lawson Health Insurance Association.

Promoting the health of its franchise owners is another important concern for Lawson. The various health preservation programs provided through the Lawson Owner Welfare Association (see page 27) include a subsidy plan for medical examinations and operation of a health support desk.

● Health management systems



Message

We contribute to enhancing health promotion throughout the Lawson Group by improving employees' health promotion and health literacy.

Established in September 2018, the Lawson Group Health and Wellness Promotion Center is an organization reporting directly to the President on issues concerning further enhancement of Lawson Group employee health.

The Center maintains a particularly strong focus on developing a framework for continuing health maintenance through “health collaboration” with the Lawson Health Insurance Association. As part of these efforts, we sought to reduce the risks posed by lifestyle-related diseases in fiscal 2018 by recommending reexamination of employees whose medical exam results were below standard as well as by strengthening support for programs providing specific health guidance.

The Health Challenge!, a six-month program initiated in 2016 for the purpose of stimulating health awareness among employees (who use a downloaded app to monitor the number of steps they take each day and the content of their meals), is expanding annually in terms of both availability and the number of (voluntary) participants. The program gives employees an opportunity to pay greater attention to their health, both as individuals and members of an organization, and generates positive workplace communication.

We seek to contribute to promoting health promotion throughout the Lawson Group, not only to accommodate our legal responsibilities as a company, but also to enhance the physical and mental health of everyone concerned with Lawson.

This begins with efforts to improve employee health promotion and health literacy, and then disseminating information on successful approaches to high-risk populations among the Group companies and franchise stores.



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



Miho Yomoda
Deputy General Manager
Lawson Group Health and Wellness
Promotion Center