

# Message from the CFO



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

## Aspirations as the new CFO

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

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

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

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

## Immediate business environment and fiscal 2021 results

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

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

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

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

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

### Consolidated results for fiscal 2021 (to February 2022)

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

### Segment profit

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

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

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

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

## Medium-term management vision and Sweeping Transformation Committee initiatives

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

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

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

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

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

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

## Sustainability initiatives

Lawson Group has announced ESG-focused management, and is taking strategic decisions from the three perspectives of environment, society and corporate governance with regard to the implementation of investment in sustainable growth. We are also promoting initiatives in response to environmental issues including reducing CO<sub>2</sub> emissions, reducing food loss, and reducing plastic container packaging and shopping bags toward the achievement of the targets for 2030 and 2050 that are stated in our environmental vision, Lawson Blue Challenge 2050! The reduction of food loss, in particular, is of social significance, and the optimization of order numbers and the limitation of waste disposal due to clearance sale measures will lead to increased profits.

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

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