

## Industry Trends and Sales/Store Related Data

### Industry Trends

In 2021 (January-December), the convenience store industry saw strong sales of fresh foods, desserts, frozen foods, and alcoholic beverages as a result of a reinforcement of product assortments responding to changes in purchasing behavior due to demand factors associated with the COVID-19 pandemic, such as one-stop shopping, daily use, and stay-at-home demand. As a result, total annual industry sales increased 1.0% year on year to 11,760.0 billion yen, and net sales at existing stores increased 0.6% year on year. The total number of stores as of the end of December was 56,352, which was roughly the same level as the previous year.\*

\* For annual sales and the total number of stores, we referred to the "Current Survey of Commerce" issued by the Ministry of Economy, Trade and Industry. For the increase/decrease ratio in existing store sales, we referred to the "Convenience Store Statistics Investigation Annual Report" issued by the Japan Franchise Association.

#### Retail industry market size and convenience store share<sup>\*1</sup>

(Billions of yen)											
(Calendar year)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total retail industry annual sales <sup>*2</sup>	150,462	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897	137,585	135,157
Convenience store sector annual sales <sup>*2</sup>	11,760	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872	9,477	8,774
Convenience store share	7.8%	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%	6.9%	6.5%

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

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

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

#### The net sales of all stores among the top three chains in the convenience store industry<sup>\*1</sup>

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

Source: Data published by each company

\*1. The figures for the top three chains are on a fiscal-year basis, while the total market share of the top three chains is the proportion in convenience store sector annual sales on a calendar-year basis.

\*2. In September 2016, Circle K Sunkus and FamilyMart merged and in November 2018, brand integration of approximately 5,000 stores was completed.

#### Number of convenience stores

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

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

#### Non-consolidated operating results

(Millions of yen)											
(Fiscal year)	2021	As a percentage of all convenience stores	2020	2019	2018	2017					
Net sales of all convenience stores	2,211,981	100.0%	2,165,818	100.0%	2,296,156	100.0%					
Gross operating revenue	355,102	16.1%	354,825	16.4%	390,811	17.0%					
Gross operating profit	333,784	15.1%	330,600	15.3%	356,385	15.5%					
Selling, general and administrative expenses	307,913	13.9%	304,449	14.1%	311,660	13.6%					
Advertising and promotional expenses	10,929	0.5%	9,800	0.5%	14,112	0.6%					
Personnel expenses	44,184	2.0%	44,845	2.1%	46,261	2.0%					
Rents	181,260	8.2%	180,709	8.3%	181,194	7.9%					
Other SG&A expenses	71,539	3.2%	69,094	3.2%	70,091	3.1%					
Operating income	25,870	1.2%	26,150	1.2%	44,725	1.9%					
Ordinary income	34,278	1.5%	33,700	1.6%	45,962	2.0%					
Profit	13,470	0.6%	15,894	0.7%	15,486	0.7%					

## Management Policies for Fiscal 2021

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

## Overview of Domestic Convenience Store Business

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

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

On the sales front, we are implementing measures to realize our three commitments: “Superior taste,” “Human kindness,” and “Environmental (Machi) friendliness.” Our aim is for Lawson to be supported by all customers. We are further strengthening our merchandising of tasty and health-conscious products that only Lawson can offer. In addition to this, we are also working to ensure that we provide courteous customer service while promoting environmental initiatives, such as reducing food waste, plastic usage, and CO<sub>2</sub> emissions. In our efforts to reduce food waste, we conducted an AI-based discount sale recommendation service. To reduce CO<sub>2</sub> emissions, we conducted an AI-based demonstration experiment to optimize the store delivery scheme. And to reduce plastic use, we conducted sales of food products by weight at NATURAL LAWSON stores.

## Overview of Merchandise and Services

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

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

## Overview of Store Operations

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

## Overview of Store Development

The Group continued to prioritize profitability in store openings.

In fiscal 2021, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE 100 stores opened in Japan was 483, while the number of these stores that closed was 303. This brought our total number of stores in Japan to 14,656 as of the end of February 2022.\* Based on the joint business agreement signed with POPLAR Co., Ltd. in September 2020, we converted 122 stores from its brand to the LAWSON-POPLAR and LAWSON brands in fiscal 2021. In addition, based on the comprehensive business alliance agreement signed in May 2021 with H<sub>2</sub>O Retailing Corp., we converted 97 of the station kiosks and convenience stores operated by its group company, Asnas Co., Ltd. to LAWSON stores.

In our effort to build a convenience store model that caters to an aging population and rising health consciousness, we are continuing to expand healthcare-focused stores that offer over-the-counter drugs and prescription drugs in partnership with dispensing pharmacies and drugstore chains, as well as a larger product lineup of cosmetics and daily necessities than regular LAWSON stores. Including these healthcare-focused stores, the number of stores handling over-the-counter drugs totaled 280 as of the end of February 2022 (of which 49 stores were Pharmacy LAWSON stores equipped with dispensing pharmacies). In addition, the number of Care-focused LAWSON stores with nursing care counters reached 22 as of the end of February 2022. Furthermore, we have also been expanding our chain of Hospital LAWSON stores, which are in-hospital convenience stores that offer an enhanced lineup of products such as medical hygiene products and nursing care-related supplies, in addition to standard convenience store products and services. The number of these stores reached 337 as of the end of February 2022. Using the expertise we have developed by operating in-hospital LAWSON stores, we will continue to support the lives of all people interacting with hospitals.

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

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

## Number of stores in the convenience store business in Japan

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

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

## Number of convenience stores in Japan

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

## Overview of Businesses in Figures

### Overview of sales

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

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

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

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

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

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

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

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

### Product categories

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

### Gross profit margin by product category

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

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

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

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

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

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

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

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