

# First Half Results for FY2021

(Six months ended August 31, 2021)

Lawson, Inc.  
October 8, 2021

# Financial Results for First Half for FY2021

Satoshi Nakaniwa  
Executive Managing Officer  
Chief Financial Officer

Lawson, Inc.

# Consolidated Financial Results for FY2021 1H

LAWSON

Unit: Billions of yen

	FY2020 1H	FY2021 1H		
	Actual	Actual	YoY	v.plan
Operating income	16.6	26.7	+10.0	+0.2
Ordinary income	14.8	27.8	+12.9	+3.3
Net income	3.3	17.4	+14.0	+4.4

(Non-consolidated\*)

\*excluding LAWSON STORE100 business

Existing store sales (YoY)	91.0%	101.6%	+10.6%pt	- 3.4%pt
Gross profit margin	31.2%	30.7%	- 0.5%pt	- 0.5%pt
Total no. of stores in Japan	14,500	14,651	+ 151	+ 25

\*Lawson group total

## **1.Consolidated operating income 26.7 billion yen**

**(1)YoY:** Lawson reported higher non-consolidated profit in the with-Covid business environment as our more advanced response to changing consumer lifestyles and needs helped generate a recovery in existing-store daily sales. Consolidated operating profit also increased thanks to broadly improved performances from our Group companies.

**(2)v. plan:** Consolidated operating income roughly in line with plan. Despite efforts to reduce costs, non-consolidated operating income fell short of plan after the profit for the Lawson parent failed to achieve the top line plan. This was largely offset however by higher-than-planned performances from Group companies.

## **2.Consolidated net income 17.4 billion yen**

**(1)YoY:** Rose on the back of the rise in operating income as well as dividends on investments, profits from the sale of shares held for policy purposes, lower other losses compared to the previous year's Covid-related factors, and lower store-related consolidation losses.

**(2)v. plan:** Exceeded plan on investment dividends that were not included in the plan and gains on the sale of shares held for policy purposes.

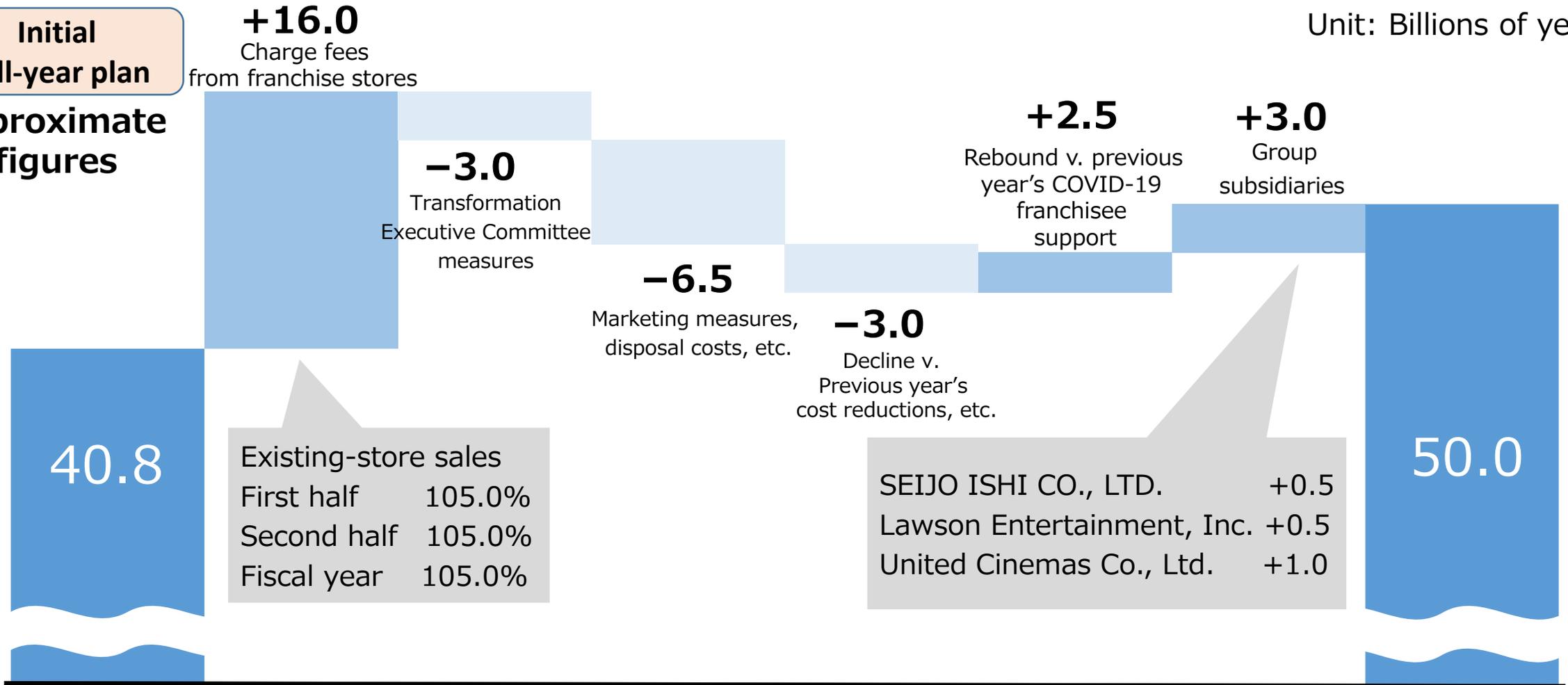
Any differences v. plan in these documents are compared to the initial plan issued along with the announcement of FY2020 results in April 2021.

# Factors Affecting FY2021 Consolidated Operating Income

Unit: Billions of yen

**Initial Full-year plan**

**Approximate figures**



Existing-store sales	
First half	105.0%
Second half	105.0%
Fiscal year	105.0%

SEIJO ISHI CO., LTD.	+0.5
Lawson Entertainment, Inc.	+0.5
United Cinemas Co., Ltd.	+1.0

FY2020 Consolidated operating income

\*Financial image rounded to the nearest 0.5 billion yen for clearer viewing

FY2021 Consolidated operating income (Plan)

# FY2021 1H Initiatives Review

	FY2021 1H				Unit: Billions of yen	
	Initial plan	actual	v.plan	YoY		
<b>Consolidated operating income</b>	<b>26.5</b>	<b>26.7</b>	<b>+0.2</b>	<b>+10.0</b>		
Various measures	Initiatives taken and progress made				v. plan	YoY
<b>Charge fees from franchise stores</b>	Strong sales from Machikado Chubo in-store kitchen food, frozen foods, and daily foods, which must incorporate daily demand. However, existing-store daily sales fell short of plan owing to continued announcements of states of emergency and priority measures for prevention of the spread of Covid19.				-5.5	+2.5
<b>Transformation Executive Committee Measures</b>	Refurbished approx. 800 existing stores as part of the Pursuing the Ideal Store Format Project. We had to review part of the costs planned by the Committee for the second half, but progress is running roughly to plan.				+0.5	-0.5
<b>Marketing measures, disposal costs, etc.</b>	Implemented more measures that planned to attract customers including advertising via apps and TV ads and strengthening franchise store product ranges.				-1.0	-2.0
<b>Decline v. Previous year's cost reductions, etc.</b>	Trending more smoothly than expected despite predicted rebound following previous year's cost cuts. That thanks to successful cost reductions in areas where are making constant efforts, such as IT and store maintenance costs.				+3.0	+2.5
<b>Rebound v. previous year's COVID-19 franchisee support</b>	Proceeding to plan.				±0	+1.5
<b>Group subsidiaries</b>	Seijo Ishii: Better than plan thanks to strong sales from stores housed in station buildings and commercial facilities. Entertainment business: Better than plan thanks to reopening of events and increase in online life events. Overseas business: Better than plan on strong existing-store sales and rising store numbers in China.				+3.0	+6.0
<b>Total</b>					<b>±0</b>	<b>+10.0</b>

Any differences v. plan in these documents are compared to the initial plan issued along with the announcement of FY2020 results in April 2021.

\*Figures rounded up to the nearest 0.5 billion for clarity

# FY2021 1H Results & Full-Year Plan

Unit: Billions of yen

	FY2021		
	Full-year initial plan	1H Results	Full-year revised plan
<b>Consolidated operating income</b>	50.0	26.7	50.0
<b>Main company operations</b>			
<b>Lawson</b>	32.0	16.4	29.0
<b>SEIJO ISHII</b>	11.3	5.7	13.2
<b>Lawson Entertainment</b>	1.3	0.5	1.9
<b>United Cinemas</b>	0.6	0.5	0.4
<b>Consolidated net income</b>	13.5	17.4	15.5
<b>Dividends per share</b>	150yen		150yen

(Assumed conditions for the plan)

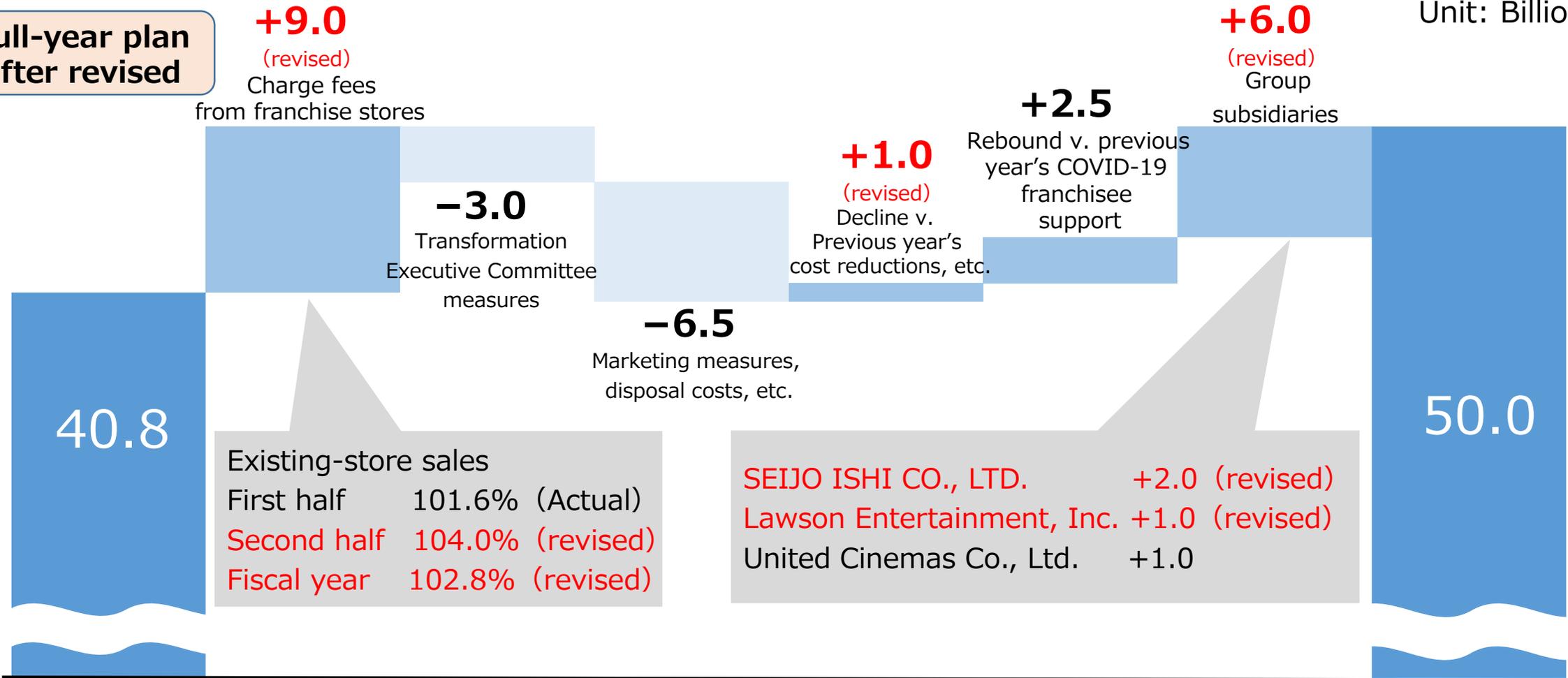
- YoY increase in existing-store sales (revised): 102.8%
- Gross profit margin (revised) : 30.8% (-0.2%P YoY)
- Store numbers: Open 500 stores, close 350 stores, net increase 150 stores

While performance exceeded plan in the first half of FY2021, we are proceeding with the above-detailed plan for FY2021 net income for several reasons, including the fact that we expect store-related consolidation losses that were predicted to emerge in the first half of the business year to emerge in the second half instead.

# Factors Affecting FY2021 Consolidated Operating Income (revised)

Unit: Billions of yen

Full-year plan after revised



FY2020

Consolidated operating income

\*Financial image rounded to the nearest 0.5 billion yen for clearer viewing

FY2021

Consolidated operating income (Plan)

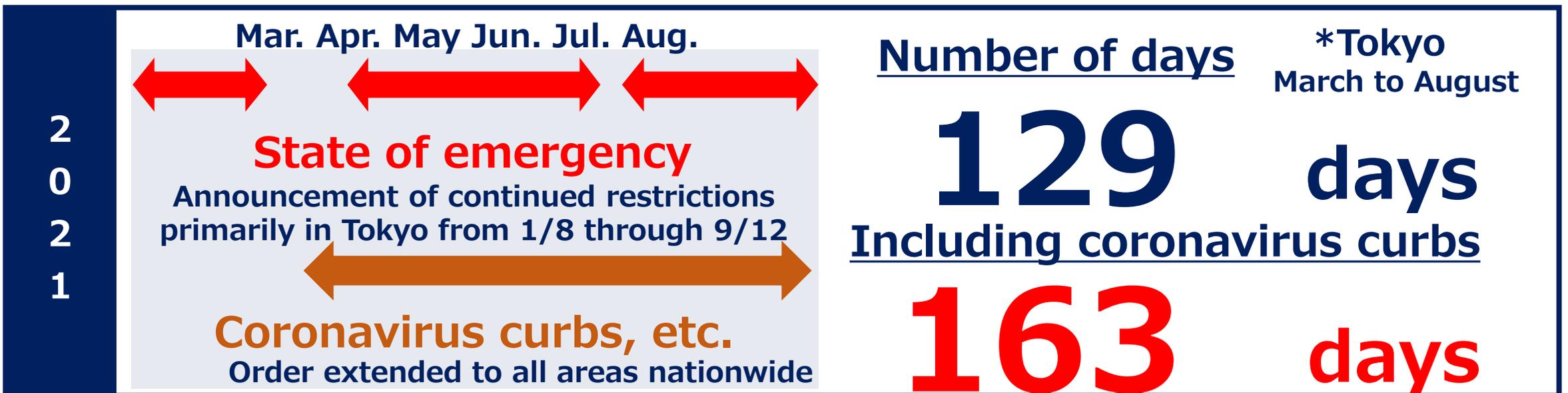
# FY2021 Initiatives

Sadanobu Takemasu  
President and CEO  
Representative Director  
Chairman of the Board

Lawson, Inc.

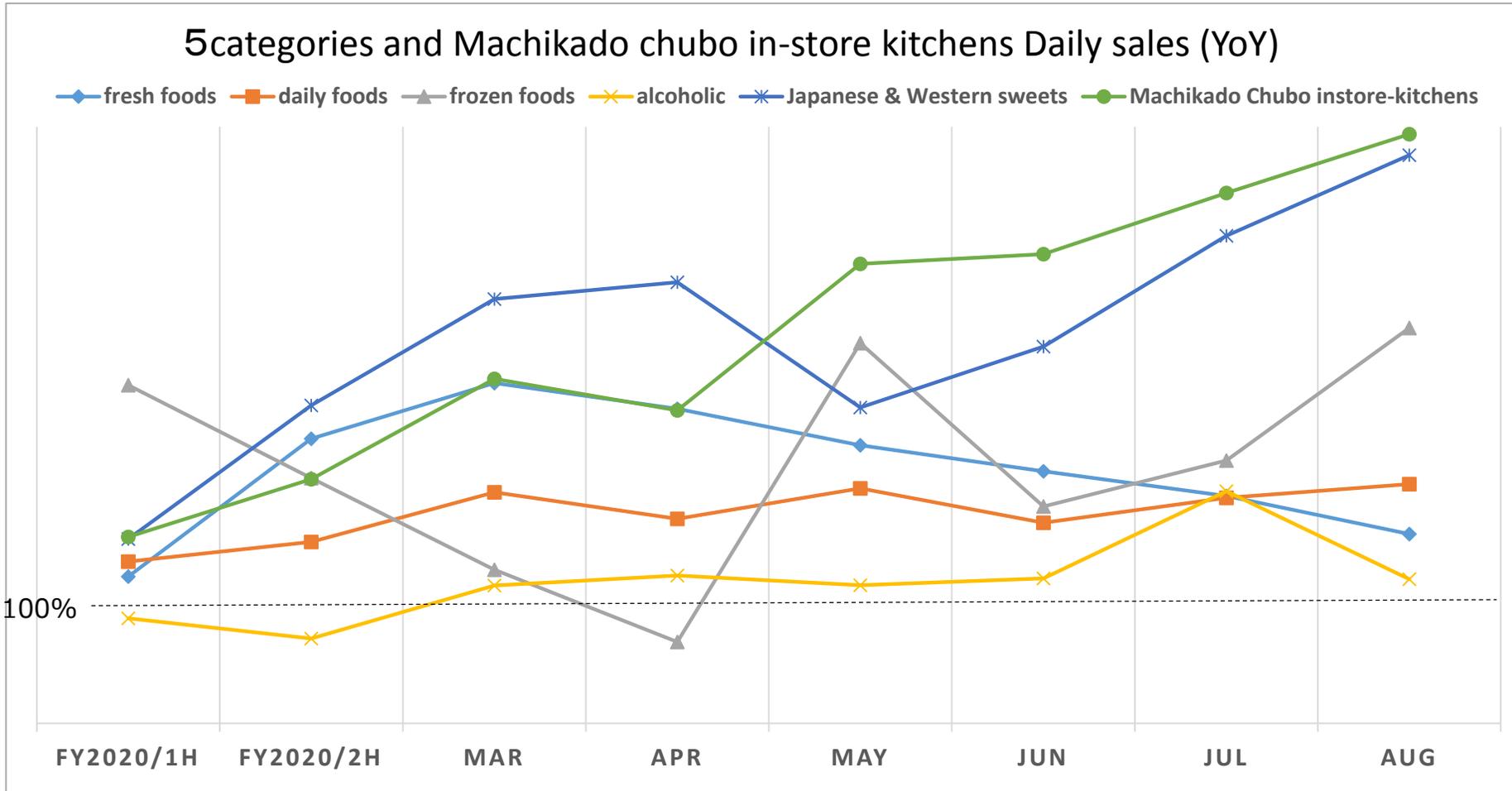


## Wider COVID-19 impact on business environment than expected



- Achieved certain success with measures to capture everyday demand started last year during Covid

5 categories and Machikado chubo in-store kitchens Daily sales (YoY)



**Daily sales**  
**1 H 101.6%**



fresh foods



frozen foods



daily foods



Japanese & Western sweets

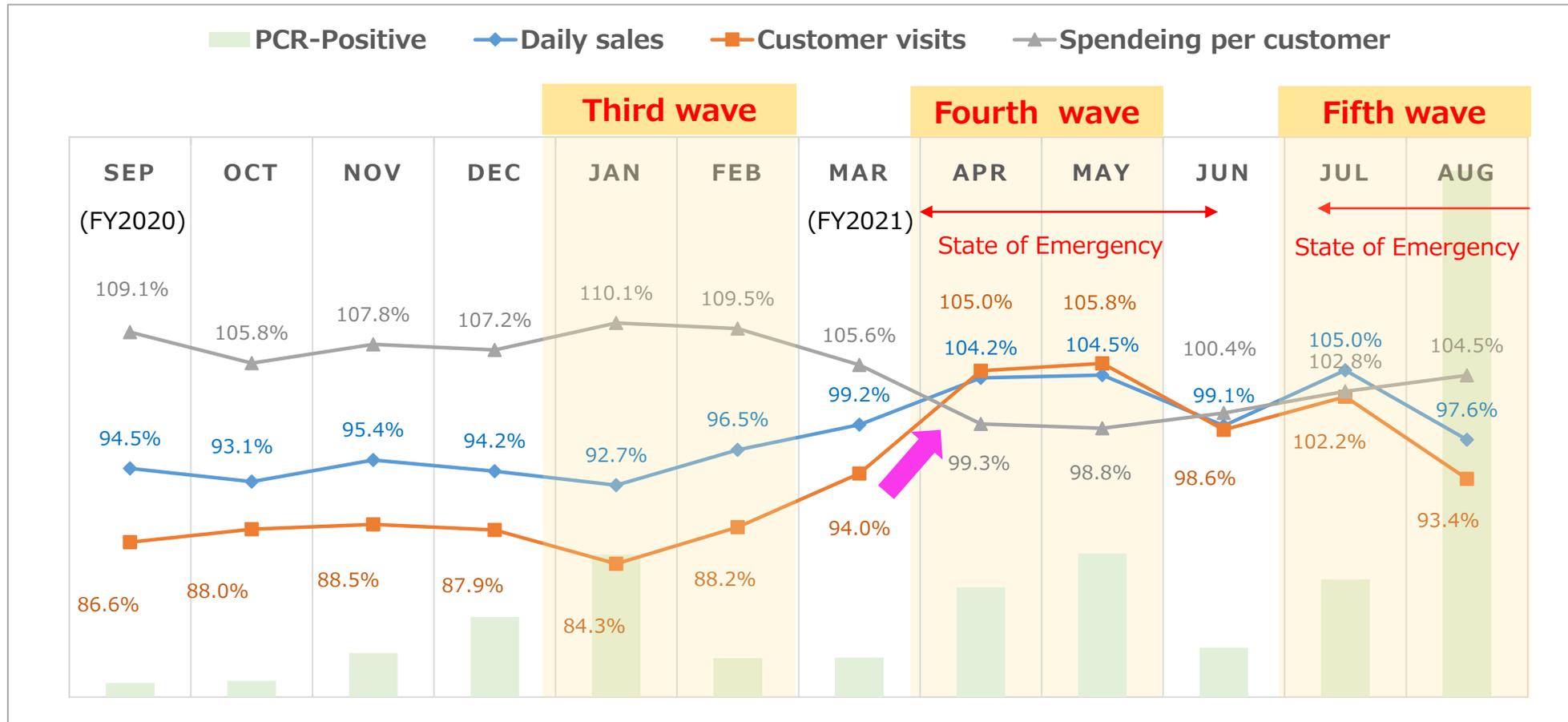


alcoholic



Machikado Chubo instore-kitchens

- Rapid spread of COVID-19 and unseasonable weather in August dampened customer visits
- Store refurbishment proceeding to plan as head into 2H with expected widespread vaccinations and recovery in people movement



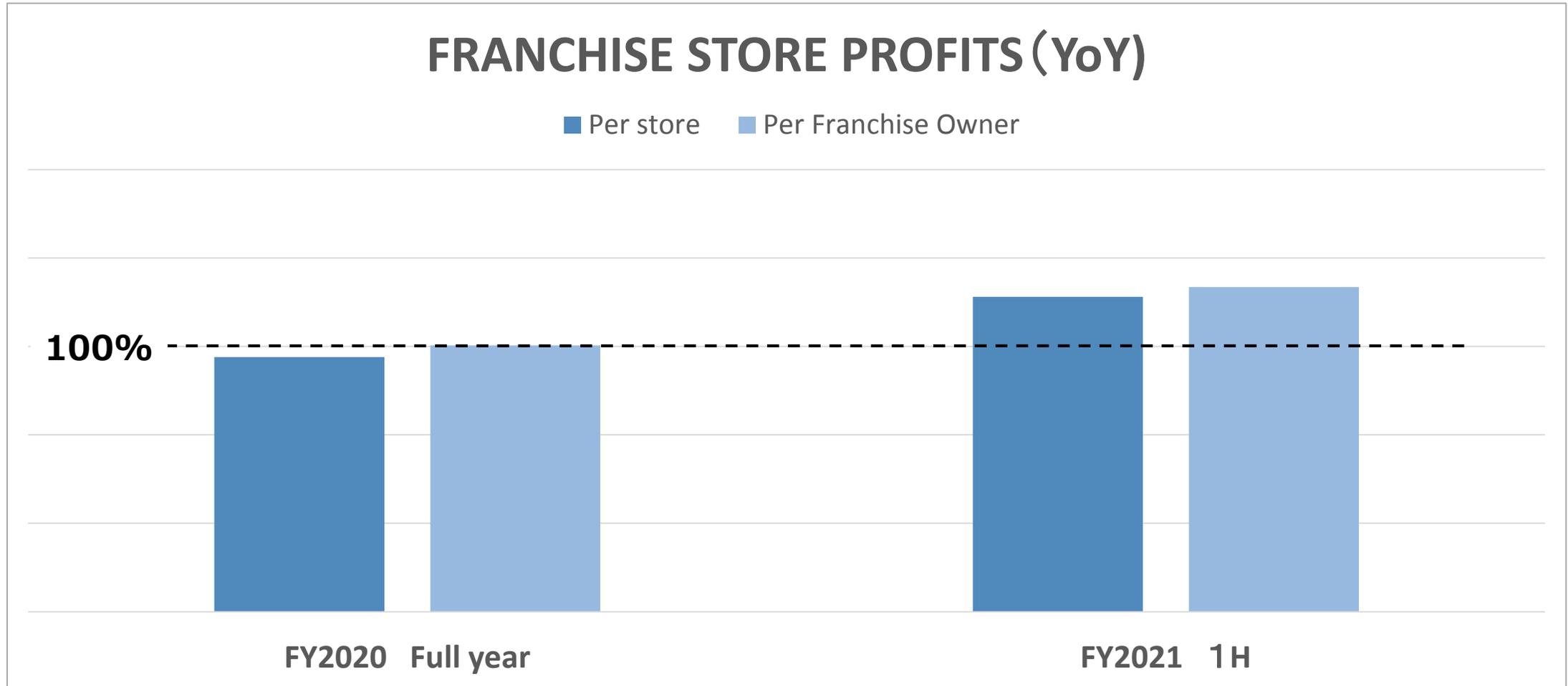
**Daily sales**  
1 H 101.6%

**Customer visits**  
1 H 99.5%

**Spending per customer**  
1 H 102.0%

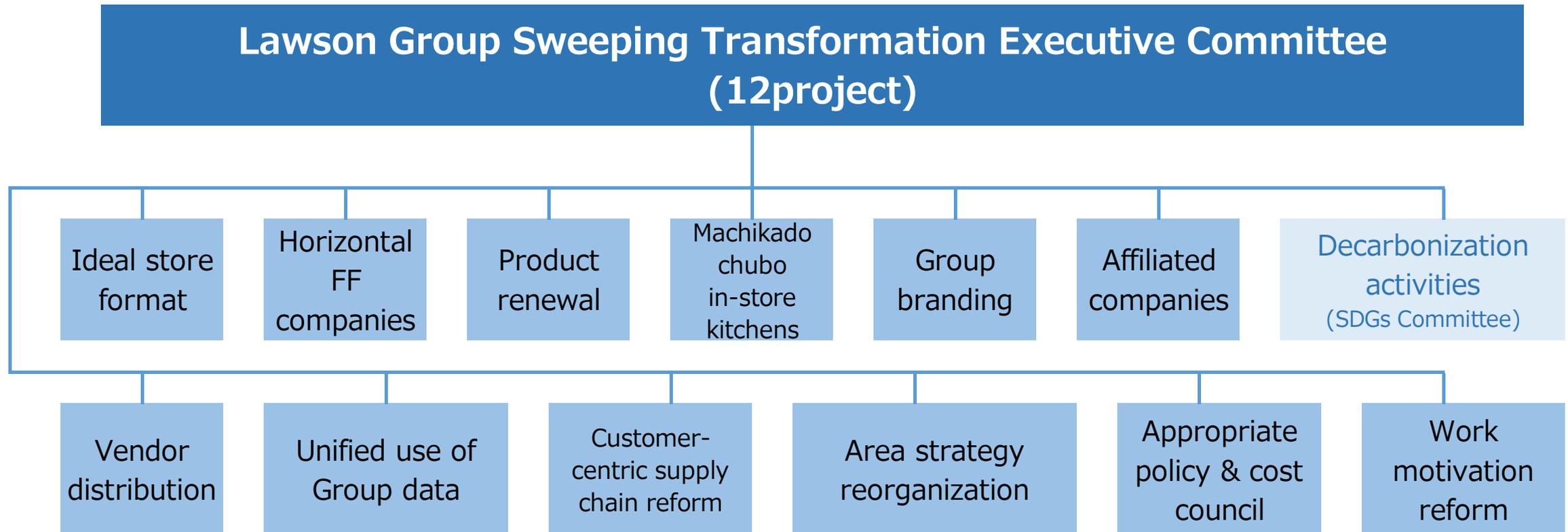
(Source: PCR-positive, Ministry of Health, Labour and Welfare website)

■ Daily sales improved on fuller product ranges, 1H franchise store profits hold steady YoY



- Implemented various projects based on carbon-neutral activities

## Committee chair: President Sadanobu Takemasu



- Approx. 800 stores refurbished in 1H, 5,000 store target for FY2021



Reach-in freezer units  
(more frozen foods)



Horizontal freezer units  
(More frozen foods and ice creams)



Round cases  
(desserts, deli, daily items)



Self-serve cases  
(Fast food pack sales)



Open cases for daily goods  
(more daily foods)

**Early refurbishment  
500 stores**  
Selected using initial standards for validation data analysis

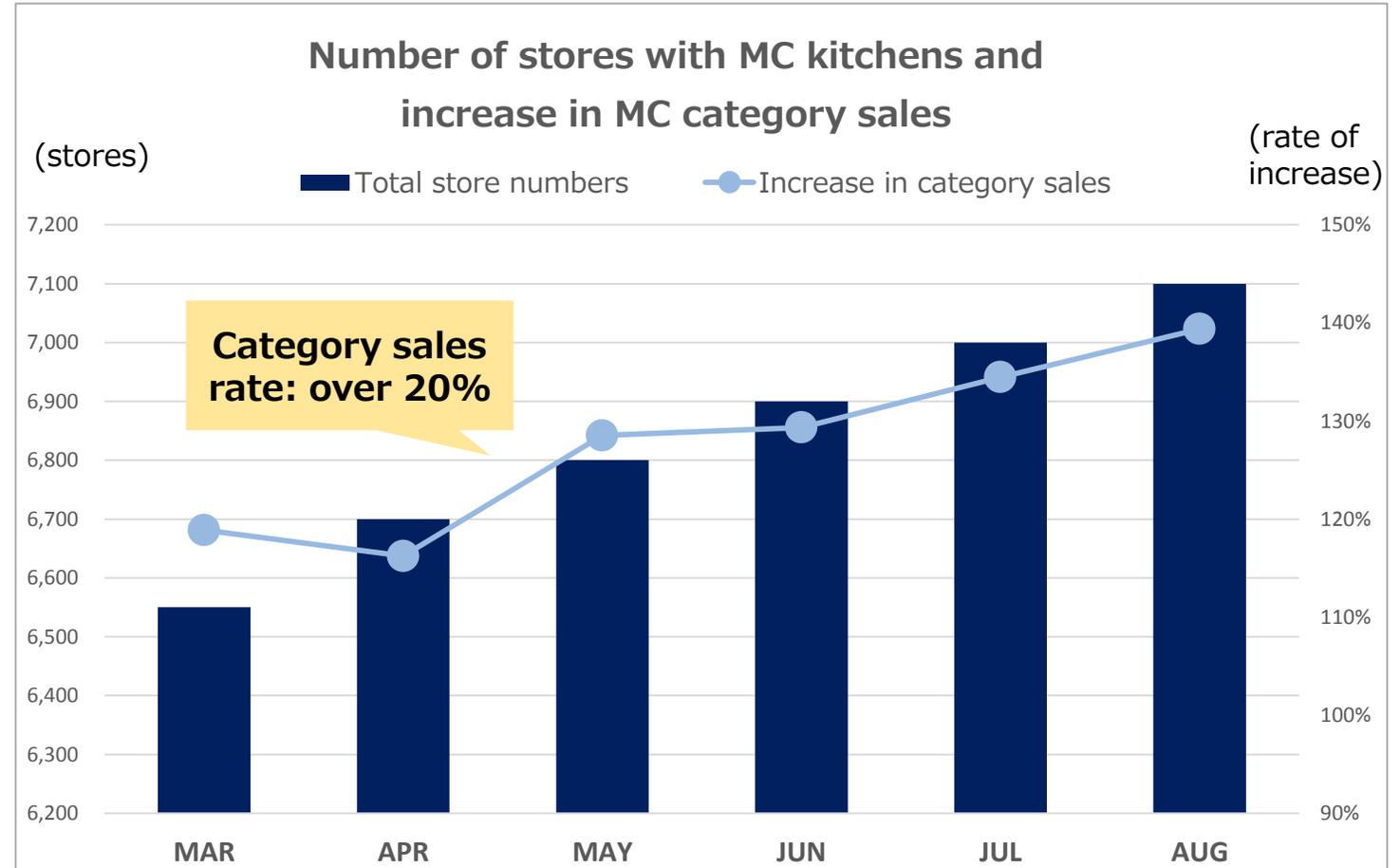
Use validation data

**Additional refurbishment**  
Select additional stores for refurbishment based on index for achieving even greater benefit



## -Machikado Chubo in-store kitchens-

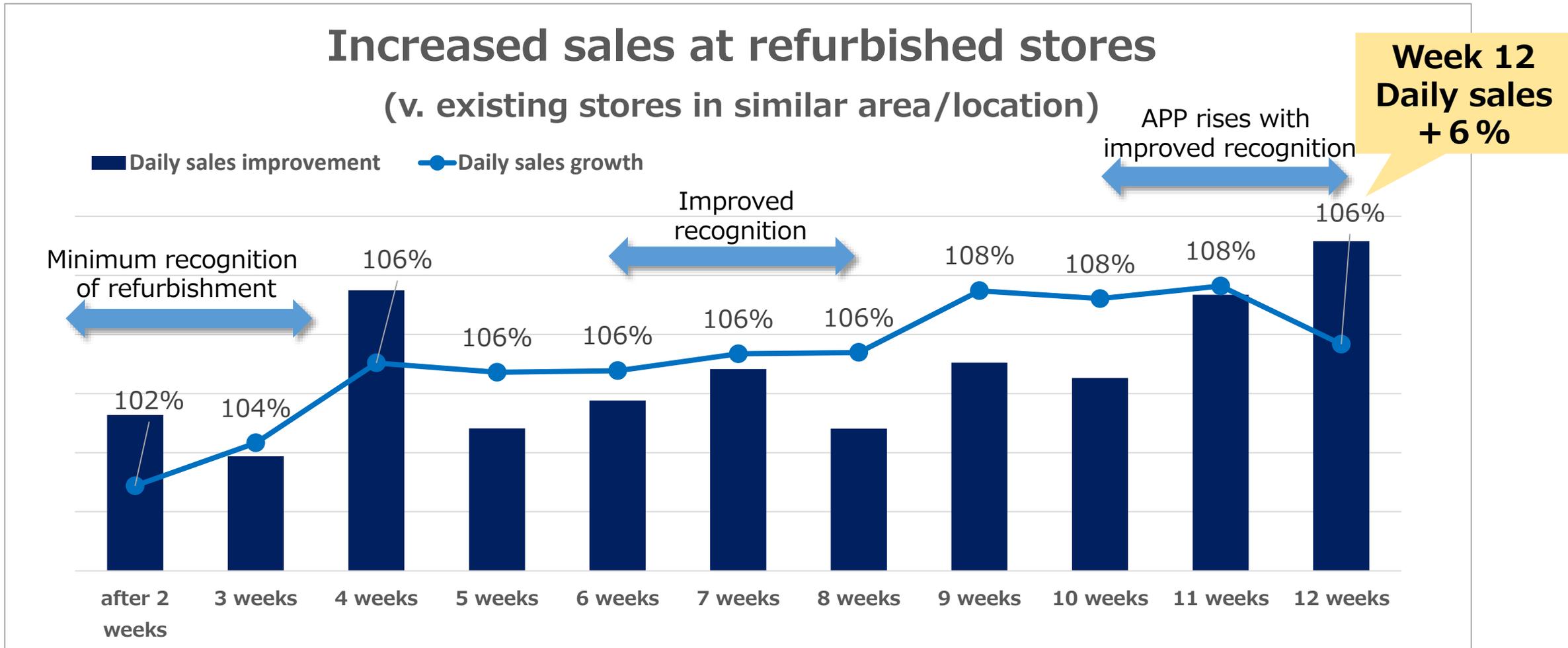
- 7,100 stores with Machikado Chubo in-store kitchens by end August. Plan to expand that number to 8,400 stores by end FY2021
- Sales of Machikado Chubo kitchen food categories up over 20%



Changed some Machikado Chubo kitchen products to paper containers (reduce plastic containers)



- Store refurbishment effect: Average purchase price starts to rise in line with improved visibility from week six onward
- Rise in daily sales reflects tailored product ranges for individual stores



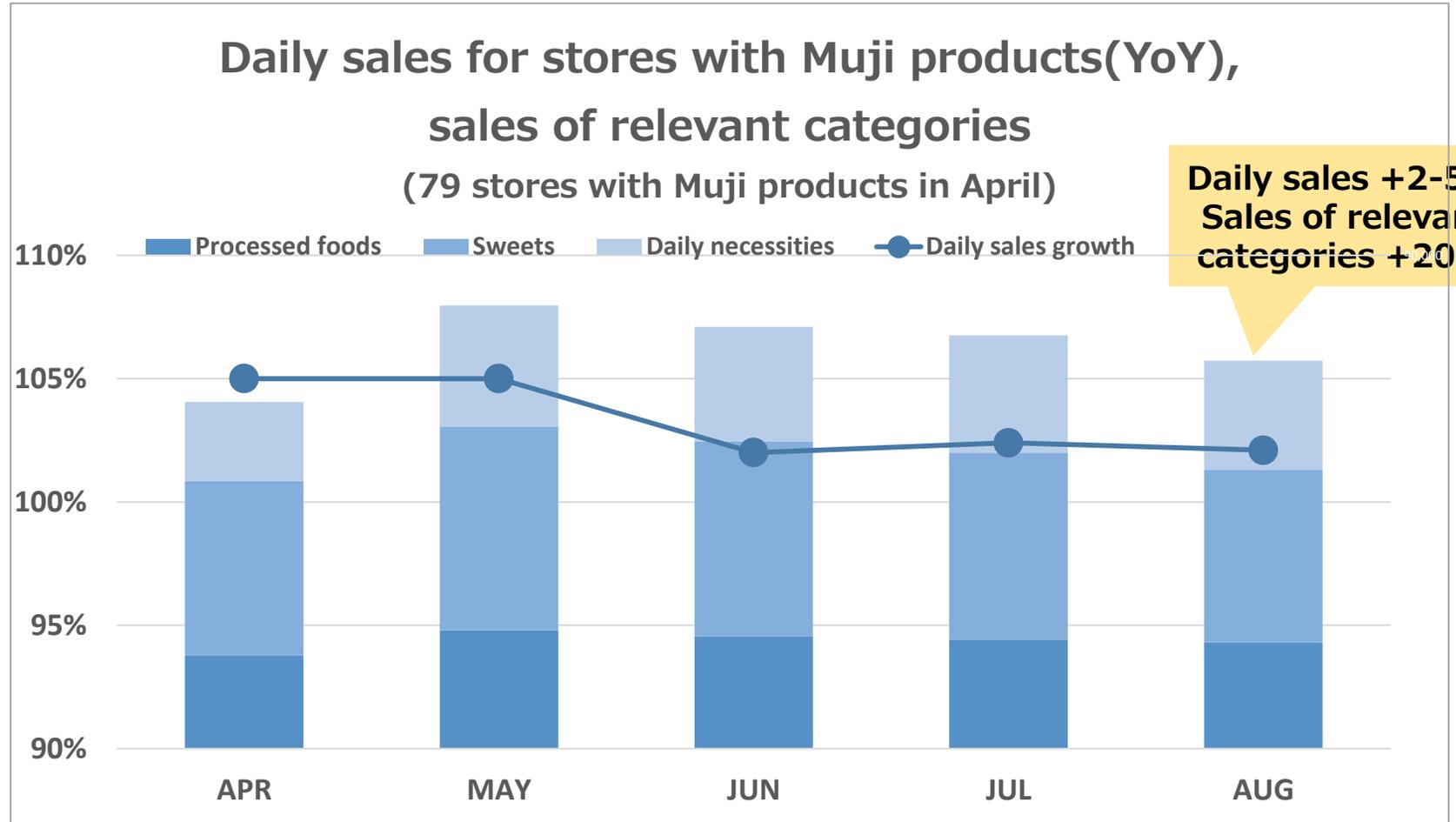
# Lawson Group Sweeping Transformation Executive Committee

## -Product renewal (Muji) -

- Daily sales rise by 2-5% v. existing stores in same area
- Sales of similar food categories up approx. 20% post introduction



Selling unbranded, quality products at 110 stores in Tokyo and Saitama and Chiba prefectures



Daily sales +2-5%  
Sales of relevant categories +20%

\*Increase in daily sales v. existing stores in similar areas/locations

- Trialing AI-driven discounting recommendations in 65 stores in Tohoku area, plan to introduce nationwide around 2023

## Optimize entire supply chain

**Sell off with no waste  
(reduce food waste)**

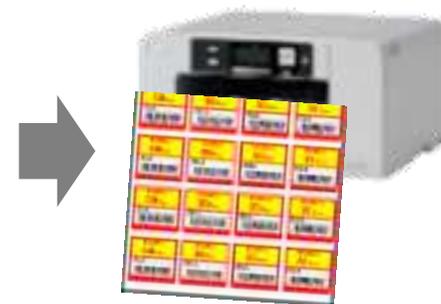
**Promote positive cycle  
of generating profit for  
reinvestment**

### Using AI

- Product demand forecasting and order recommendations
- Recommend discount price and timing for items nearing sell-by date



AI recommends products to discount and timing depending on inventory levels



Affix sticker with suggested discount price and time for sale

- 5th largest convenience store network in China, biggest Japanese chain
- Network topped 4,000 stores in September 2021. Expanding store network through area license contracts with local partners

※Blue shading indicates Japanese-affiliated companies; 1 and 3 indicate oil companies; others indicate food distribution companies.

Rank	Store	Store numbers
		end of 2020
1	易捷 (easy joy) ※石油会社系	27,600
2	美宜佳 (meiyijia)	22,394
3	崑崙好客 (uSmile) ※石油会社系	20,212
4	天福(Tianfu)	5,808
<b>5</b>	<b>羅森(LAWSON)</b>	<b>3,256</b>
6	全家(Family Mart)	2,967
7	7-ELEVEN	2,387
8	浙江人本超市(十足·之上)	2,358
9	見福(FOOK)	2,021
10	便利蜂(Bianlifeng)	2,000



- Earning strong reputation with customers by creating deep-rooted local stores together with local partners (franchise stores, mega FC, area licenses, vendor factories)

Business management support for local license partners

Provide production technology to local vendor factories

Lawson + local partners



Successful cooperation with local partners influenced 1H consumer survey results

ranked

**Most want to use CVS** in 12 out of 13 areas

**Absolute No.1 support rating**

in new store areas

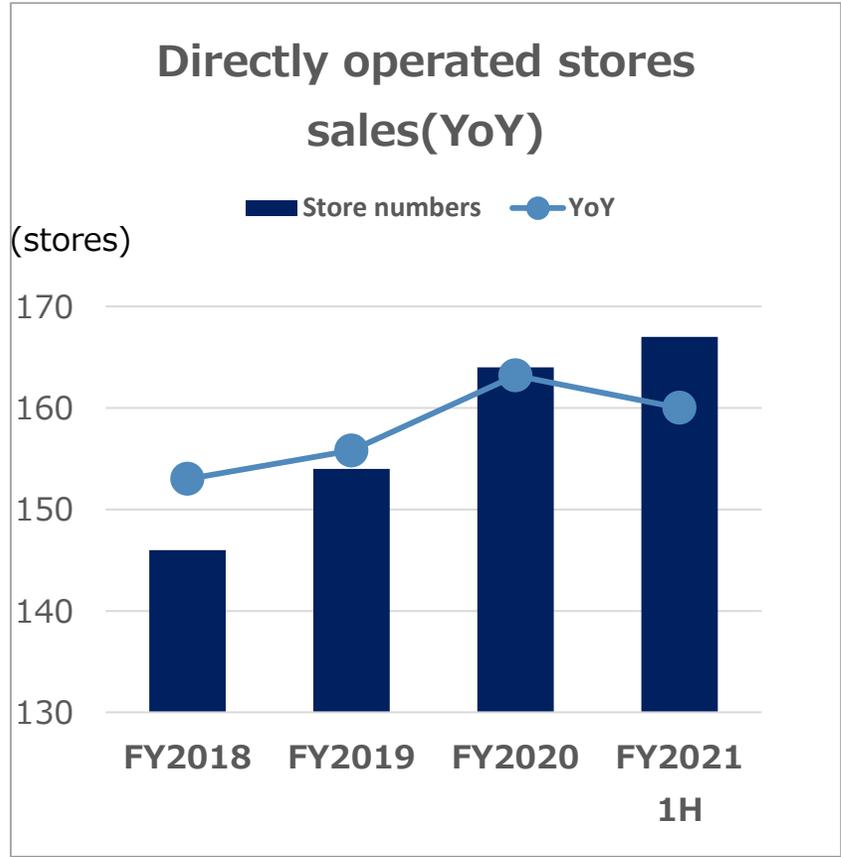


Big hit "demon rice balls"



Offer entertainment along with convenience

- Consistent strong sales after securing stay-at-home demand and attracting more customers to stores
- Expanding store network and preparing to develop new products in anticipation of launch of new Central Kitchen factory



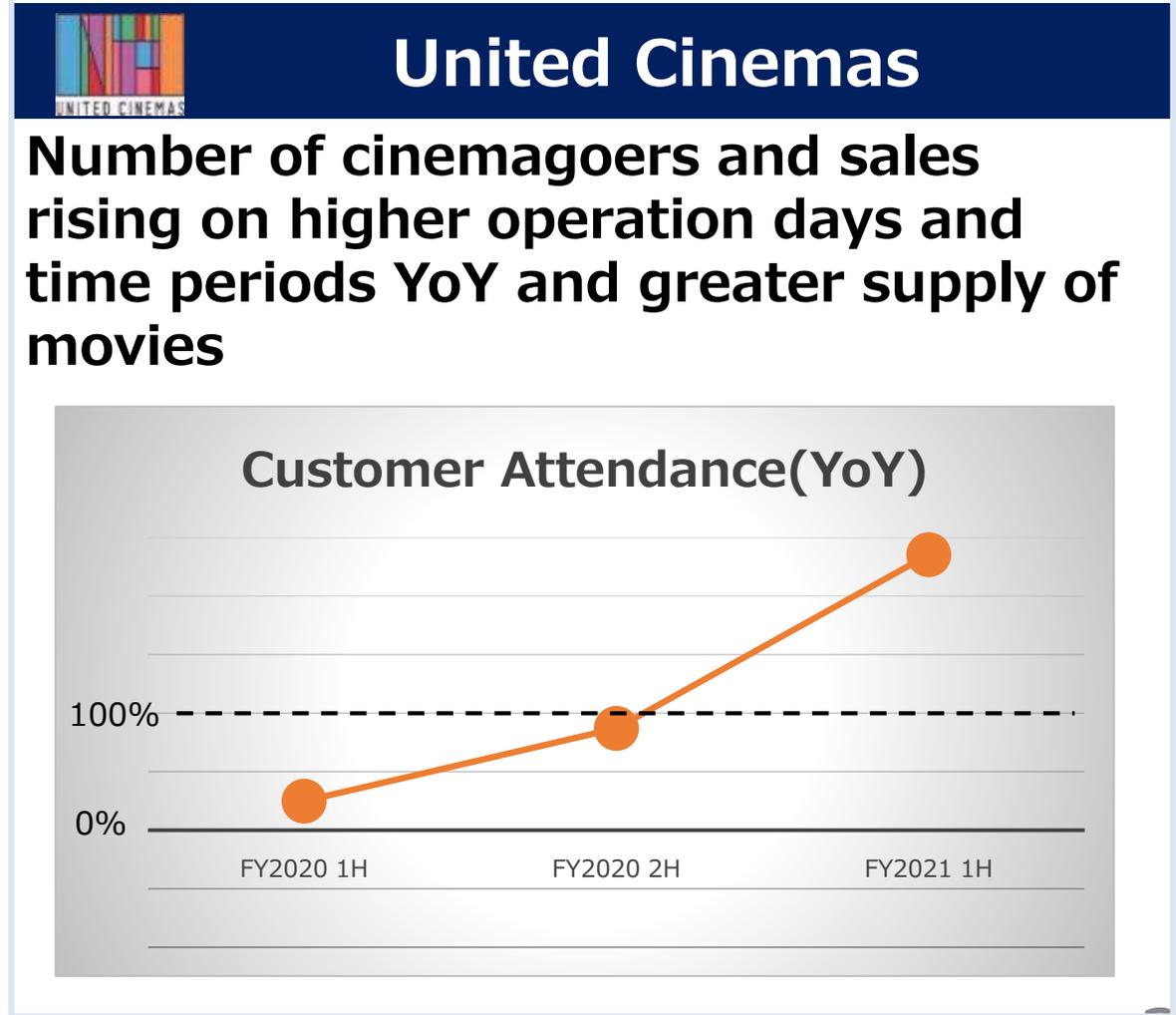
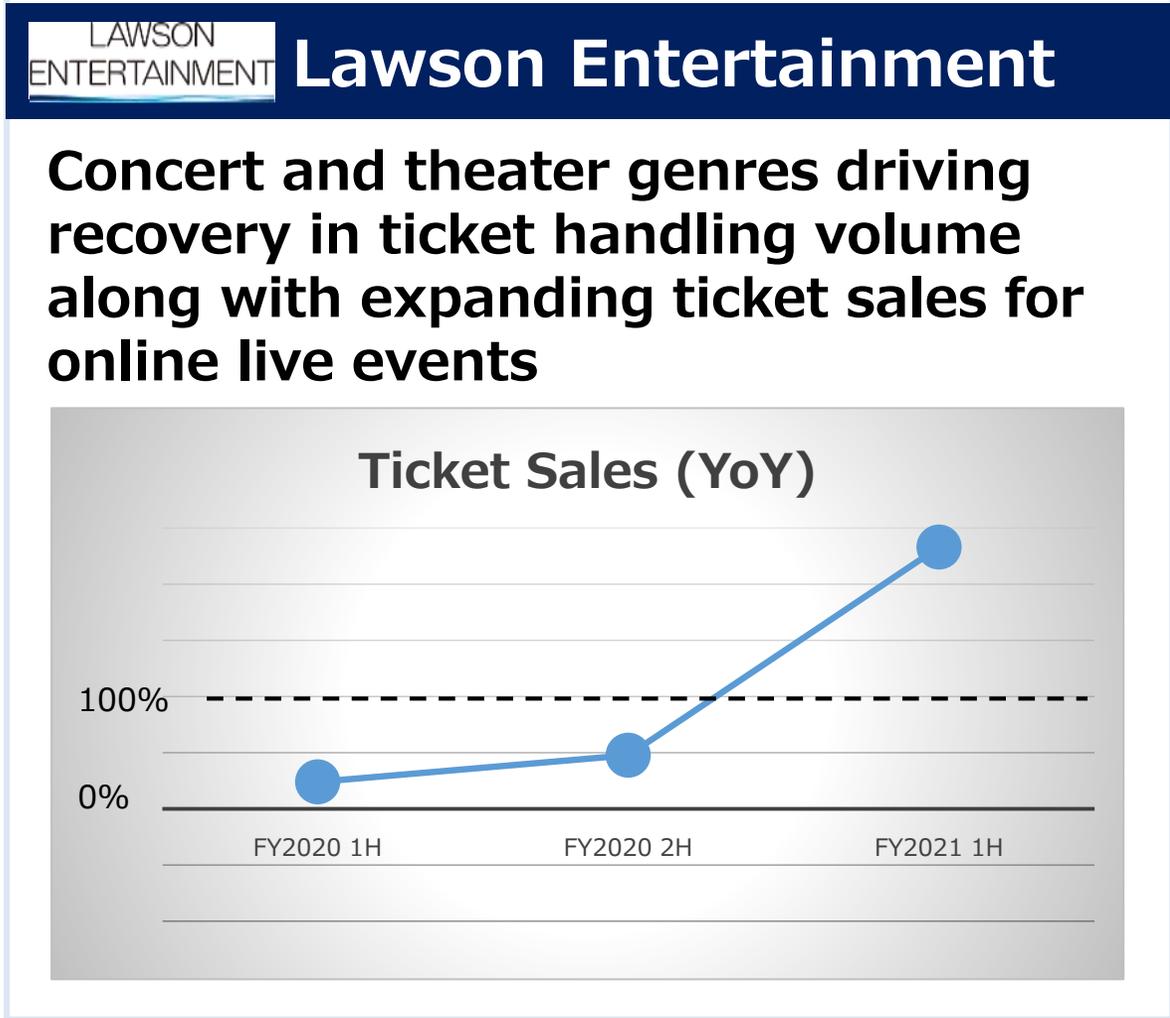
## New Central Kitchen factory (set to launch in Spring 2022)



- Expand store network by systematically opening new stores
- Develop fresh flagship products



- Both entertainment-related companies recover beyond plan





## Lawson Store 100

- Support freshness and quality conscious daily living by strengthening product ranges with a focus on fresh produce

**Fruit & veg**

**Fresh meat**

**Fresh fish**



## Financial services

- New ATM service for shinkin banks, 377 affiliated financial nationwide (251 YoY)
- Increased ATM usage by developing services that utilize our ATM network



- Promoting environment-conscious initiatives to help achieve one of our three promises, to be kind to our planet (machi)

## Reduce plastic containers



Switch pasta container from plastic to paper (from Nov.)

Trial switch from paper-based to wood-based chopsticks and spoons, new selling of food by weight at Natural Lawson



(Illustration)

## Reduce CO2 emissions

Aim to reduce annual CO2 emissions by 17% using optimal AI-driven store delivery diagrams

\*Simulation from Gunma Delivery Center



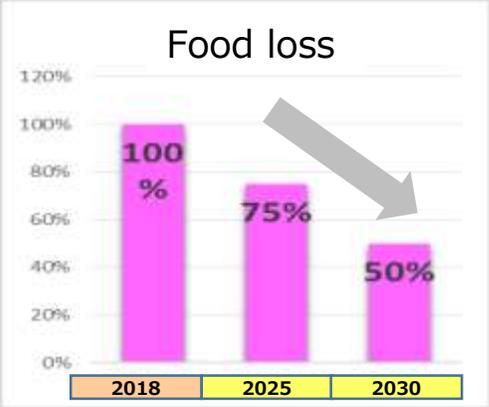
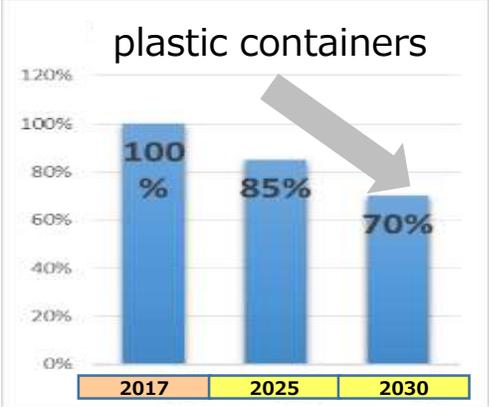
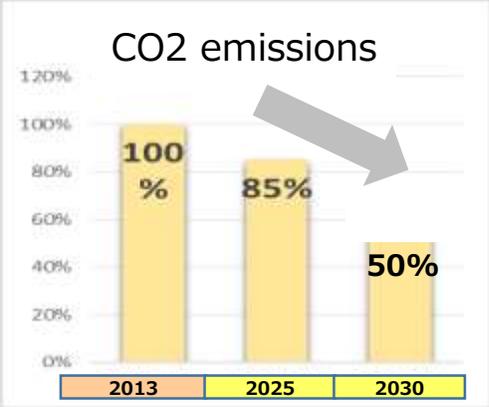
## Reduce food waste

Use AI to improve precision ordering and implement full product sell-down operation



# Environmental Initiatives

- Pursued environment-conscious measures to realize one of our three promises: Environmental (Machi) friendliness.

2030 target	V. 2018 levels ▲ 50%cut	V. 2017 levels ▲ 30%cut	CO2 emissions per store V. 2013 levels ▲ 50%cut																								
2021 1H results (preliminary)	▲ 15.5%cut	▲ 21.2%cut	▲ 28.2%cut																								
KPI	 <p>Food loss</p> <table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2018</td><td>100%</td></tr> <tr><td>2025</td><td>75%</td></tr> <tr><td>2030</td><td>50%</td></tr> </table>	Year	Percentage	2018	100%	2025	75%	2030	50%	 <p>plastic containers</p> <table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2017</td><td>100%</td></tr> <tr><td>2025</td><td>85%</td></tr> <tr><td>2030</td><td>70%</td></tr> </table>	Year	Percentage	2017	100%	2025	85%	2030	70%	 <p>CO2 emissions</p> <table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2013</td><td>100%</td></tr> <tr><td>2025</td><td>85%</td></tr> <tr><td>2030</td><td>50%</td></tr> </table>	Year	Percentage	2013	100%	2025	85%	2030	50%
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Initiatives	<ul style="list-style-type: none"> <li>• More accurate ordering</li> <li>• Genuine full sell-down operation</li> <li>• Extend best by times for lunchboxes (longer fresh time)</li> </ul> <p>*Scrutinize store disposal breakdowns, switch to management of disposed products only not discounted products</p>	<ul style="list-style-type: none"> <li>• Reduce by changing or simplifying containers and packaging</li> <li>• Reduce by changing to environment-conscious materials (paper lunch boxes containers, etc.)</li> <li>• Expand number of products sold by weight at Natural Lawson stores and expand number of stores</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce energy-saving equipment, switch to solar-powered devices and partners with appropriate power supply.</li> <li>• Promote our 10 energy-saving actions</li> </ul> <p>*Targets revised up in June</p>																								

Unit : Billions of yen

	FY2020 (Results)		FY2021	
	1 H	Full year	1 H (Results)	Full year (Initiatives)
Operating Income	<b>16.6</b>	<b>40.8</b>	<b>26.7</b>	<b>50.0</b>
Ordinary Income	<b>14.8</b>	<b>37.6</b>	<b>27.8</b>	<b>47.0</b>
Profit	<b>3.3</b>	<b>8.6</b>	<b>17.4</b>	<b>15.5</b>

■ FY2021 1 H Domestic convenience store business

Existing-stores sales 101.6%

Opening 292 / Closure 117 / Total number of store 14,651

# Reference Materials

# Earnings Summary: FY2021 1H Results

LAWSON

Unit: Billions of yen

Consolidated	FY2020-1H	FY2021-1H		FY2021
	Actual	Actual	Y/Y	Plan (revised)*5
Net sales of convenience store*1	1,173.2	1,227.0	+53.8	<i>2,480.0</i>
Operating income	16.6	26.7	+10.0	<i>50.0</i>
Operating income ratio	1.4%	2.2%	+0.8%pt	<i>2.0%</i>
Ordinary income	14.8	27.8	+12.9	<i>47.0</i>
Net income	3.3	17.4	+14.0	<i>15.5</i>
EPS (Yen)	33.05	173.93	+140.88	<i>154.88</i>
Total no. of stores in Japan*2	14,500	14,651	+151	<i>14,626</i>
Opening	236	292	+56	<i>500</i>
Closure	180	117	-63	<i>350</i>
Net Increase	56	175	-	<i>150</i>
Non-consolidated*3				
Existing store sales (Y/Y)*4	91.0%	101.6%	+10.6%pt	<i>102.8%</i>
Gross profit at existing stores (Y/Y)	88.4%	100.7%	+12.3%pt	<i>102.4%</i>
Gross profit margin	31.2%	30.7%	-0.5%pt	<i>30.8%</i>
difference excl. cigarette sales (Y/Y)	+0.3%pt	-0.2%pt	-	<i>-</i>

\*1 Total chain store sales (Net sales of all stores) include sales from the convenience store operation in Japan, international operations and sales from Seijo Ishii (consolidated items only).  
Regarding Seijo Ishii, only the store sales of directly operation are included.

\*2 The number of stores is the total number of convenience stores in Japan operated by the Lawson Group.

\*3 Excluding LAWSON STORE100 business

\*4 Net sales at existing stores (Y/Y) do not include the impact of tickets, etc.

\*5 Figures in italic indicate the revised figures from the initial plan.

# Key Components of SG&A Expenses

Unit: Billions of yen

		FY2020-1H	FY2021-1H	
		Actual	Actual	YoY
Non-consolidated	Selling, general & administrative expenses	154.0	152.7	-1.3
	<Major Expenses>			
	Personnel expenses	22.7	22.3	-0.3
	IT-related expenses (Hardware leasing, software amortization, maintenance, etc.)	6.4	5.3	-1.1
	Advertising and promotional expenses	5.2	5.1	-0.0
	Sales commission	8.5	9.3	+0.7
	Facilities expenses	86.7	87.2	+0.5
Consolidated SG&A expenses		217.5	222.8	+5.2

## YoY

**Non-consolidated**

Sales commission : Increased disposal loss burden on head office from expansion of product ranges at franchise stores.

IT-related expenses : Lower maintenance-related costs and software depreciation costs.

**Consolidated**

Rose on the back of higher rental and personnel expenses at stores and cinemas compared to the previous year when these venues were closed due to COVID-19.

# Segment profit

LAWSON

Unit: Billions of yen

	FY2020 1H		
	Actual	YoY	
Domestic convenience store business	18.5	+4.7	Profit up on lower costs and the recovery in existing-store sales as we learned to respond better to new lifestyles and changing needs.
Seijo Ishii business	5.3	+0.5	Profit up on the back of strong performances from stores housed in station buildings and commercial facilities and strong sales of fresh produce such as fresh fish and our popular side dishes produced in our own central kitchens that satisfied stay-at-home demand.
Entertainment-related business	0.8	+1.9	Profit up on higher revenue from commissions generated by increased ticket volumes for concerts, theatre plays, and online live events and higher revenue generated by the recovery in the number of cinemagoers.
Financial services business	1.4	+0.6	Profit up on the recovery in ATM usage thanks to an increased number of partner financial institutions offering ATM services and the launch of ATM charges, which charge cashless payment service apps a fee in cash from ATMs .
Overseas business	0.6	+2.0	Profit up on strong sales at existing stores in China and higher store numbers.
Other business	-0.1	+0.0	-
Total	26.7	+10.0	

## ● Consolidated Capital Expenditures

Unit: Billions of yen

	FY2020	FY2021
	1H	1H
	Actual	Actual
New stores	6.2	9.4
Existing stores	4.4	5.6
IT-related	4.7	3.7
Other	0.2	1.4
Subtotal for capital expenditure	15.5	20.3
Leases	12.7	14.6
Depreciation and amortization	40.5	39.3

## ● Consolidated Cash Flows

Unit: Billions of yen

	FY2020	FY2021
	1H	1H
	Actual	Actual
Cash flows from operating activities	118.3	47.5
Cash flows from investing activities	-17.7	-13.8
Free cash flows	100.5	33.6
Cash flows from financing activities	-117.1	-67.4
(Cash dividends paid)	-7.5	-7.5
Cash and cash deposits	326.8	368.4

# Consolidated Balance Sheet at the end of FY2021 1H

LAWSON

Unit: Billions of yen

	As of Feb. 28, 2021	As of Aug. 31, 2021	YoY
Total current assets	690.8	655.7	-35.0
Cash and deposits*1	402.5	370.8	-31.6
Accounts receivable	161.0	159.7	-1.2
Total noncurrent assets	674.6	665.1	-9.4
Property, plant and equipment	367.6	370.7	+3.0
Intangible assets	86.4	81.9	-4.4
Software	39.0	36.8	-2.2
Goodwill	38.2	36.3	-1.8
Investments and other assets	220.5	212.4	-8.0
Long-terms loans receivable	40.6	39.5	-1.0
Guatantee deposits	103.0	103.3	+0.3
Total Assets	1,365.4	1,320.8	-44.5

	As of Feb. 28, 2021	As of Aug. 31, 2021	YoY
Total current liabilities	767.7	714.2	-53.4
Accounts payable-trade	127.4	141.6	+14.1
Short-term loans payable*2	42.3	6.7	-35.5
Current portion of long-term loans payable*2	100.0	100.0	-
Deposits payable	246.1	142.7	-103.3
Total noncurrent liabilities	324.7	322.2	-2.4
Long-term loans payable*2	130.0	130.0	-
Total liabilities	1,092.4	1,036.5	-55.9
Net Assets	272.9	284.3	+11.3
Common stock	58.5	58.5	-
Retained earnings	158.4	168.4	+9.9
Liabilities and net assets	1,365.4	1,320.8	-44.5

\*1 The amount of cash and deposits for financial services business as of August 31, 2021 is 339.6 billions of yen, most of which is used for refilling ATMs.

\*2 The amount of loans payable for financial services business as of August 31, 2021 is 182.7 billions of yen.

## **Cautionary Statement**

This presentation contains forward-looking statements and forecasts regarding the future plans, strategies and performances of Lawson and its subsidiaries and affiliates. These statements and forecasts are not historical facts. They are expectations based on assumptions and beliefs derived from information currently available to the Company and are subject to risks and uncertainties including, but not limited to, economic trends, heightened competition in the domestic convenience store sector, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from estimates. Figures in this presentation have been rounded down.