

Q&As at the Financial Results Briefing for FY2022 1H of Lawson, Inc.	
Date	October 7, 2022, Friday, 10:00–11:30
Attendees	Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board Masayuki Itonaga, Member of the Board, Executive Vice President, Chief Financial Officer Tomoki Takanishi, Senior Vice President, Division Director of Financial Administration Division Kino Arai, General Manager, Investor Relations Dept.

Q : Let us know whether improved daily sales are driven by specific stores or stores as a whole.

A : The company set up the Lawson Group Sweeping Transformation Executive Committee two years ago, when the COVID-19 related confusion occurred, and built and executed the medium-term vision, including step-by-step steady efforts for the refurbishment of stores, renewal of items, and promotional measures. This is being reflected in the results. Management owners drive the improvements in daily sales while there is the potential for increasing daily sales at stores other than those operated by these management owners. Given this, increasing the stores following the stores operated by these management owners makes it possible to increase daily sales as a whole. Therefore, the company focuses on education for branch managers and SVs (supervisors) for improving the daily sales of stores.

Q : You said that finance, data, and overseas fields had potential. Is it correct to understand that finance and data fields are to grow the core domestic CVS field? In addition, let us know about the measures that the company will implement to increase EPS.

A : In the company's opinion, initially, it is required to grow the core domestic CVS field. The company will increase product sales by using the items of MUJI as daily necessities for nomination buying and through the Machikado Chubo in-store kitchens. We will increase the attractiveness of stores by introducing new services in the finance field. Additionally, we will execute marketing for individual customers and sell data as the advertising business in the data field. The data and finance fields, where concrete measures have only just started, have potential for M&A/alliances. In expanding the overseas business, it is necessary to determine the level of the equity appropriate for the company. We will examine both business growth and the capital policy. As for entertainment, the high market share as a ticket agency and the coverage of a wide variety of content lead to visits by customers to stores. For achieving further growth, it is also necessary to examine M&A/alliances. The future capital policy may result in a decrease in equity, but we will achieve EPS of JPY 500 by growing investees.

(CFO) The fruits of the capital policy will be allocated with the balance between reinvestment and shareholders' return being optimized.

Q : Is it correct to understand that the company will keep investments in hardware/product development at the core domestic CVS field and additionally expand financial and other services for achieving the FY 2025 goals?

A : The company will complete improving the hardware in the domestic CVS field this fiscal year. We continuously implement product development and now focus on increasing the quality of basic items. In addition, we will make growth investments in the finance and data fields promptly.

Q : Do you have potential options about the partnership strategy in China?

A : The company examines a wide variety of options, including conclusion of a partnership with partners as Lawson (China) Holdings, Inc., and partnership with partners having strength in other areas.

Q : In the domestic CVS field, an improvement in daily sales was greater in Q2 than in Q1. Which do you think made a larger contribution to the improvement, improved external environment or internal environment including refurbishment of stores and sales promotions?

A : In the company's opinion, external factors, including a recovery in the population flow largely contributed to the improvement. In Q2, we were successful in effectively using the opportunity of a recovery in the population flow through past store renovation and promotion measures.

Q : Are there any issues in expanding the area company system nationwide?

A : There was the case where the same item was developed by the headquarters and an area, respectively. It is necessary to separate the marketing done by the headquarters from those done by areas. Another issue is to develop human capital who would become the president. The existing presidents of the Kinki company and the Hokkaido company are experienced, holding positions that include the general manager of the sales division. It is necessary to develop human capital who can possibly serve as president as a successor to the existing presidents. There are no particular issues with regard to suppliers and logistics.

Q : Let us know about the discussions up to and the background to determination of the listing of SEIJO ISHII CO., LTD.

A : The company declines to answer because it may apply to a solicitation to inform you of details of the company's discussions during the application for listing.

Q : The company said that owners improved revenues from before the COVID-19 pandemic. What costs were reduced in the environment of no recovery in sales? How much was the final disposal reduced?

A : The final disposal amount was reduced. Additionally, personnel expenses were also reduced because of self-checkout registers, etc.

Q : Was the EPS goal set at JPY 500 on the assumption of the listing of SEIJO ISHII CO., LTD.? What business covers the gap if that is true?

A : The company examined all possibilities in setting the goal, but we decline to answer about SEIJO ISHII CO., LTD. We seek to achieve EPS of JPY 500, centering on the domestic CVS field and totally cooperating, including peripheral businesses.

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