

Industry Trends and Sales/Store Related Data

Industry Trends

Annual sales for the convenience store industry in 2020 (January to December) amounted to 11,642.2 billion yen, down 4.7% year on year. The decline mainly reflected a decrease in the number of customers visiting stores in office areas and tourist spots due to the effects of people working from home and sheltering at home, despite strong sales of fresh foods and deli items due to lifestyle changes stemming from the COVID-19 pandemic, and an increase in spending per customer due to bulk purchases and the effects of the GoTo Campaign. The total number of stores as of the end of December was 56,542, 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*1

(Calendar year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	(Billions of yen)										
Total retail industry annual sales*2	146,457	145,047	144,965	142,514	139,877	140,666	141,219	138,897	137,585	135,157	136,479
Convenience store sector annual sales*2	11,642	12,184	11,978	11,745	11,445	10,995	10,423	9,872	9,477	8,774	8,113
Convenience store share	7.9%	8.4%	8.3%	8.2%	8.1%	7.8%	7.3%	7.1%	6.9%	6.5%	5.9%

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*1

(Fiscal year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	(Billions of yen)										
Lawson	2,349	2,506	2,424	2,283	2,157	2,049	1,961	1,945	1,907	1,826	1,683
Seven-Eleven Japan	4,871	5,010	4,899	4,678	4,516	4,291	4,008	3,781	3,508	3,281	2,948
FamilyMart*2	2,764	2,965	2,983	3,016	3,009	2,006	1,860	1,722	1,585	1,535	1,440
Total of the top three chains	9,984	10,482	10,306	9,977	9,682	8,346	7,829	7,448	7,000	6,642	6,071
Total market share of the top three chains	85.76%	86.03%	86.04%	84.95%	84.60%	75.90%	75.11%	75.45%	73.86%	75.70%	74.83%

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

(Calendar year)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of convenience stores	56,542	56,502	56,574	56,374	55,636	54,505	52,725	50,234	47,801	43,373	42,347

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

Non-consolidated operating results

(Fiscal year)	2020	As a percentage of all stores	2019	2018	2017	2016
Net sales of all stores	2,165,818	100.0%	2,296,156	2,236,125	2,110,454	2,027,504
Gross operating revenues	354,825	16.4%	390,811	385,678	372,891	356,186
Gross operating profit	330,600	15.3%	356,385	348,491	335,792	325,716
Selling, general and administrative expenses	304,449	14.1%	311,660	302,779	284,771	268,296
Advertising and promotional expenses	9,800	0.5%	14,112	13,363	12,546	13,808
Personnel expenses	44,845	2.1%	46,261	45,903	44,722	41,527
Facility expenses	180,709	8.3%	181,194	172,574	160,243	150,182
Other SG&A expenses	69,094	3.2%	70,091	70,939	67,260	62,779
Operating income	26,150	1.2%	44,725	45,711	51,021	57,419
Ordinary income	33,700	1.6%	45,962	51,443	50,508	56,459
Net income	15,894	0.7%	15,486	31,002	19,417	19,088

Management Policies for Fiscal 2020

In fiscal 2020, COVID-19 infections began to spread worldwide. In Japan, the first emergency declaration issued for the entire country in April 2020 had a profound impact on economic and social activity and on people's lifestyles. After the state of emergency was lifted in May 2020, the economy began to recover gradually. However, case numbers began to rise again from November 2020, and a second state of emergency was declared for 11 prefectures in January 2021. This slowed the recovery of economic and social activity and impacted on people's lifestyles. The pandemic also drove increased adoption of remote work, which triggered changes in lifestyles and purchasing behavior. The Lawson Group's business was also affected by these changes. Although sales for the Lawson Group declined significantly, we took steps to respond to the changes by strengthening our product lineup, expanding our delivery services, and increasing the number of campaigns in which customers can participate with their smartphones.

Overview of Domestic Convenience Store Business

After the state of emergency was lifted in May 2020, the number of customers and sales entered a recovery trend. However, as COVID-19 case numbers began to rise again from November 2020, a second state of emergency was declared in January 2021, resulting in a decrease in the number of customers. Case numbers declined from February 2021, leading to a recovery trend in the number of customers and sales.

At our stores, we continue to put the safety of our customers and store employees first. We have adopted a range of measures to prevent the spread of COVID-19, such as installing plastic sheets at checkout counters, maintaining social distancing, encouraging workers to wash their hands and gargle, disinfecting thoroughly with alcohol, and ensuring that masks are worn. We have also been actively promoting the use of self-checkout machines, which reduce the amount of human contact during the checkout process.

In terms of operations, as well as pursuing profits for our member stores, we are continuing to implement measures to realize our three commitments: "Superior taste," "Human kindness," and "Environmental (Machi) friendliness." Our aim is for LAWSON to be recommended by all customers. We are further strengthening our merchandising by developing 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 as well as promoting environmental initiatives, such as reducing food waste, plastic usage, and CO₂ emissions.

Overview of Merchandise and Services

Sales declined significantly due to a decrease in the number of customers. However, as more people cooked at home instead of going out, we expanded our lineup of products such as fresh vegetables, frozen foods, daily foods, resulting in a significant increase in sales of these products.

In the spring of 2020, we relaunched our private brand products, replacing the existing "LAWSON SELECT" brand with two new brands, "L basic" and "L marche" with renewed logos and packaging as part of our efforts to develop products centered on deli items and so forth, which are in high demand. We will continue working to create stores that respond to the changes in customer lifestyles and needs that have been triggered by the pandemic.

In addition to the Uber Eats food delivery service, we introduced support for "foodpanda" from November 2020 to meet growing demand due to the pandemic. As a result, the total number of stores offering both food delivery services combined reached 1,472 outlets in 27 prefectures as of the end of February 2021. In addition, as a new initiative and a first for Uber Eats in Japan, three Lawson stores in Tokyo have started handling over-the-counter drugs.

We expanded SMARI, our cashier-free shipping service that uses dedicated SMARI boxes, to the Chubu region in November 2020, introducing it at 250 stores in Aichi Prefecture. This brought the total number of stores offering the service to 2,850 stores in the Tokyo, Nagoya and Osaka areas as of the end of February 2021.

Overview of Store Operations

In store operations, we continued to focus on reinforcing adherence to the Three Essential Practices, which emphasizes (1) serving customers courteously; (2) providing a quality product offering that meets community needs; and (3) keeping our stores and communities clean. We also continued our efforts to improve the profitability of franchise stores, such as increasing the efficiency of store operations and reducing waste loss and utility costs. At the same time, we focused on expanding our lineup of products that have seen increased demand during the pandemic to increase sales while meeting the needs of our customers.

Overview of Store Development

In store openings, the Group continued to prioritize profitability.

In fiscal 2020, the total number of LAWSON, NATURAL LAWSON, and LAWSON STORE 100 stores opened in Japan was 373, while the number of these stores that closed was 341. This brought our total number of stores in Japan to 14,476 as of the end of February 2021.*

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 250 as of the end of February 2021 (of which 53 stores were Pharmacy LAWSON stores equipped with dispensing pharmacies). In addition, the number of stores with a nursing care consultation counter reached 23 as of the end of February 2021. 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 daily necessities for hospital stays, medical hygiene, and nursing care-related supplies, in addition to standard convenience store products and services. The number of these stores reached 335 as of the end of February 2021. 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.

NATURAL LAWSON stores offer an assortment of products exclusive to these stores, whose concept is to support beautiful, healthy and comfortable lifestyles. These include original products with carefully selected ingredients and collaborative products with famous brands. Meanwhile, LAWSON STORE 100 is a mini-supermarket that mainly offers a basic product lineup of fresh foods, meeting customers' daily dietary needs by delivering safe, well-selected vegetables and fruits with an emphasis on freshness and quality. 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 2021, the number of NATURAL LAWSON stores was 143, and the number of LAWSON STORE 100 stores was 679.

* 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

	(Stores)				
(Fiscal year)	2020	2019	2018	2017	2016
Total number of stores	14,476	14,444	14,659	13,992	13,111
Openings	373	554	1,067	1,250	1,143
Closings	341	769	400	369	427
Net increase (decrease)	32	-215	667	881	716

Note: Including the number of stores operated by Lawson Mart, Inc., Lawson Kochi, Inc., Lawson Kumamoto, Inc., Lawson Minamikyushu, Inc., and Lawson Okinawa, Inc.

Number of convenience stores in Japan

	(Fiscal year)		Net increase (decrease) in the term	2019		2018	
	stores	share		stores	share	stores	share
Lawson, Inc.							
Company-operated stores							
LAWSON	221	1.5%	-42	263	1.8%	303	2.1%
NATURAL LAWSON	18	0.1%	-4	22	0.2%	24	0.2%
Franchise stores							
Type B	1,786	12.3%	-8	1,794	12.4%	1,839	12.5%
Type G	1,320	9.1%	-22	1,342	9.3%	1,466	10.0%
Type C	9,744	67.3%	444	9,300	64.4%	9,244	63.1%
NATURAL LAWSON	125	0.9%	2	123	0.9%	115	0.8%
LAWSON STORE 100	679	4.7%	-63	742	5.1%	806	5.5%
Subtotal	13,893	96.0%	307	13,586	94.1%	13,797	94.1%
Lawson Sanin, Inc.							
Company-operated stores	—	—	-5	5	0.0%	5	0.0%
Franchise stores	—	—	-280	280	1.9%	287	2.0%
Subtotal	—	—	-285	285	2.0%	292	2.0%
Lawson Kochi, Inc.							
Company-operated stores	4	0.0%	-1	5	0.0%	6	0.0%
Franchise stores	135	0.9%	1	134	0.9%	134	0.9%
Subtotal	139	1.0%	—	139	1.0%	140	1.0%
Lawson Minamikyushu, Inc.							
Company-operated stores	2	0.0%	-1	3	0.0%	3	0.0%
Franchise stores	197	1.4%	5	192	1.3%	194	1.3%
Subtotal	199	1.4%	4	195	1.4%	197	1.3%
Lawson Okinawa, Inc.							
Company-operated stores	3	0.0%	-2	5	0.0%	4	0.0%
Franchise stores	242	1.7%	8	234	1.6%	229	1.6%
Subtotal	245	1.7%	6	239	1.7%	233	1.6%
Total number of convenience stores in Japan	14,476	100.0%	32	14,444	100.0%	14,659	100.0%

Other New Initiatives

On September 10, 2020, we entered into a joint business agreement with POPLAR Co., Ltd. to convert and operate some of the stores operating under the POPLAR, SEIKATSU SAIKA, and THREE EIGHT brands into LAWSON POPLAR and LAWSON brands.

On November 30, 2020, we conducted a self inspection and formulated and published an improvement plan in response to the “Fact-Finding Survey Report on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees” (September 2020) and the “Fact-Finding Survey on Transactions between the Headquarters of Convenience Stores (Franchisers) and their Franchisees (Overall Questionnaire Results)” compiled by the Fair Trade Commission.

To stabilize the operations of franchise stores, we are working on short-, medium- and long-term support measures. These include providing support for the operation of multiple stores, support for store manager training, and measures for new franchisees. We are making efforts to improve sales and profits of our franchise stores through strong partnership with them. These efforts include providing financial support on an individual store basis to stores that experienced a significant decrease in sales due to the COVID-19 pandemic.

We are supporting local businesses and producers through LAWSON stores by developing products in collaboration with businesses throughout Japan that have been impacted by the pandemic.

Overview of Businesses in Figures

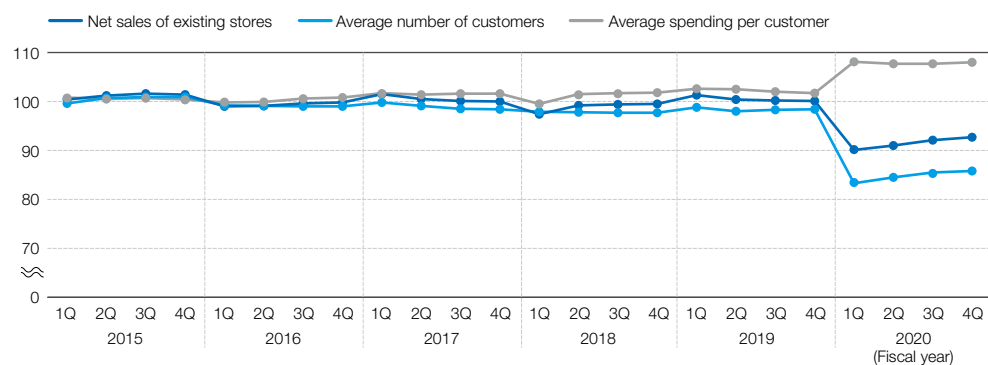
Net sales

Net sales of all LAWSON stores (consolidated) in fiscal 2020 were 2,349.7 billion yen (down 6.3% from the previous year). This was due to a decrease in store sales in the domestic convenience store business as a result of the increased adoption of remote work as well as social distancing measures that discouraged people from going out. Other factors included a decrease in sales in the entertainment-related business due to the cancellation and postponement of box-office performances and theater closures.

Sales of existing stores for fiscal 2020 (non-consolidated basis) decreased by 7.3% compared to the previous fiscal year due to the impact of the COVID-19 pandemic throughout the year. The average number of customers decreased by 14.2% year on year due to remote work and a decrease in opportunities for outings and events. However, average spending per customer increased by 8.0% year on year. This was due to growth in sales of fresh vegetables, frozen foods, and daily foods—areas in which we expanded our product lineup in response to an increase in the number of customers eating at home—as well as the continued strong sales of desserts.

In terms of consolidated results by product category, while sales of rice products and counter fast foods were sluggish, sales of frozen foods, daily foods, and fresh foods increased significantly as more people cooked at home due to the adoption of remote work and social distancing. In addition, the Machikado Chubo in-store kitchen service saw a significant increase in sales over the previous year as its boxed meals, which are carefully prepared in-store, grew in popularity due to there being fewer opportunities for people to go out. In addition, the new series of Uchi Café sweets, Uchi Café Spécialité, sold well as special treats for people to reward themselves amid the prolonged period of sheltering at home. Sales of products related to popular anime and collaboration products were also well received, with cumulative sales exceeding 10 billion yen.

YoY changes in net sales of existing stores, average number of customers and average spending per customer*



Growth rate of net sales of existing stores, average number of customers, and average spending per customer*

(Fiscal year)	2020	2019	2018	2017	2016	2015
Net sales of existing stores (YoY)	92.7%	100.1%	99.5%	99.9%	99.8%	101.4%
Average number of customers	85.8%	98.4%	97.7%	98.7%	99.0%	100.9%
Average spending per customer	108.0%	101.7%	101.8%	101.3%	100.8%	100.4%

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

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

(Fiscal year)			(Billions of yen)							
	2020		2019		2018		2017		2016	
Fast foods (share)	452.8	22.1%	523.3	24.1%	520.4	24.7%	484.9	24.5%	464.8	24.5%
Daily foods (share)	309.3	15.1%	307.3	14.2%	283.9	13.5%	268.0	13.5%	251.4	13.3%
Processed foods (share)	1,096.3	53.4%	1,143.6	52.7%	1,107.3	52.6%	1,043.0	52.7%	995.3	52.6%
(Cigarettes) (share)	559.6	27.3%	559.1	25.8%	532.9	25.3%	498.6	25.2%	471.9	24.9%
Non-food products (share)	192.1	9.4%	195.7	9.0%	194.2	9.2%	182.9	9.3%	182.1	9.6%
Net sales of all stores (share)	2,050.6	100.0%	2,170.0	100.0%	2,105.9	100.0%	1,979.0	100.0%	1,893.7	100.0%

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

Product categories

Category	Products included
Fast foods	Rice dishes, noodles, sandwiches, delicatessen items, over-the-counter 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*¹

The gross profit margin was 31.0%. This reflected an increase in the sales composition ratio of low-margin products such as cigarettes, Western-style and chuhai alcoholic beverages, and entertainment lottery tickets, as their sales did not decline even during the COVID-19 pandemic. These impacts were partially offset by improved gross profit margins in the fast foods and daily foods categories due to efforts to improve the margins of original products.

Gross profit margin by product category (Non-consolidated)*¹

(Fiscal year)	2020	2019	2018	2017	2016
Fast foods	39.2%	38.9%	38.2%	38.3%	38.4%
Daily foods	34.6%	34.3%	34.0%	33.9%	34.0%
Processed foods	23.2%	23.8%	23.9%	24.0%	24.1%
Non-food products* ²	49.7%	50.5%	50.3%	50.1%	49.1%
Gross profit margin	31.0%	31.3%	31.2%	31.3%	31.4%

Third-party bill settlement services (Non-consolidated)*³

(Fiscal year)	2020	2019	2018	2017	2016
Bill settlements (millions of yen)	2,465,058	2,498,711	2,412,349	2,263,937	2,132,450
Number of transactions (millions)	211.2	214.6	215.2	208.6	202.0

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

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

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