

Summary of Results for FY2020

Lawson, Inc.
April 9, 2021

Financial Results for FY2020

Satoshi Nakaniwa
Executive Managing Officer
Chief Financial Officer

Lawson, Inc.

Consolidated Financial Results for FY2020

LAWSON

Unit: Billions of yen

	FY2019	FY2020		
	Actual	Actual	YoY	v.plan
Operating income	62.9	40.8	-22.0	+5.8
Main company operations				
<i>Lawson</i>	44.7	26.1	-18.5	+1.1
<i>SEIJO ISHI</i>	9.1	11.1	+1.9	+0.7
<i>Lawson Entertainment</i>	2.3	0.6	-1.6	+0.7
<i>United Cinemas</i>	3.4	-0.4	-3.9	+1.9
Ordinary income	56.3	37.6	-18.7	+7.6
Net income	20.1	8.6	-11.4	+3.6

(Non-consolidated*) *excluding LAWSON STORE100 business

Existing store sales (YoY)	100.1%	92.7%	- 7.4%pt	- 1.8%pt
Gross profit margin	31.3%	31.0%	- 0.3%pt	- 0.3%pt
Total no. of stores in Japan <small>*Lawson group total</small>	14,444	14,476	32	-18

Note: The differences v. plan in this document are comparisons with the latest plan issued along with the announcement of our first-half financial results in October 2020.

FY2020 Initiatives Review

Unit: Billions of yen

	FY2019	FY2020		
	actual	plan	actual	v. plan
Consolidated operating income	62.9	35.0	40.8	+5.8

Various measures	Initiatives taken and progress made	plan	Actual	v. plan
Charge fees from Franchise stores	While we captured fresh demand by strengthening our range of fresh vegetables, frozen foods, and daily foods during this period of change in customer lifestyles and purchasing habits, income from charge fees fell short of plan due to the heavy impact of restrictions on people's movement amid requests to refrain from going out of the house for any non-essential or non-urgent reasons.	-20.0	-24.0	-4.0
Franchise store support	Conducted the planned support for stores that have suffered the heaviest impact from COVID-19 and helped ensure ample product lineups.	-3.5	-3.5	±0.0
Group subsidiaries	Seijo Ishii: Exceeded plan (+5 v. plan) as we fulfilled increased supermarket demand. Entertainment-related business: Exceeded plan (+30 v. plan) as more events were held and restrictions on visitor numbers eased in the second half in addition to the release of hit movies. International operation: China exceeded plan (+10 v. plan) as sales recovered in an operational environment that had brought COVID-19 under control early on.	-8.0	-3.5	+4.5
New measures, etc.	In addition to introducing labor-saving measures in our stores, we also strengthened product power at no additional cost.	-1.0	-0.5	+0.5
Cost reduction, etc.	Implemented costs reductions such as reducing food waste, reducing advertising costs by using digital marketing, reducing travel costs and rents.	+4.5	+9.5	+5.0
Total		-28.0	-22.0	+6.0

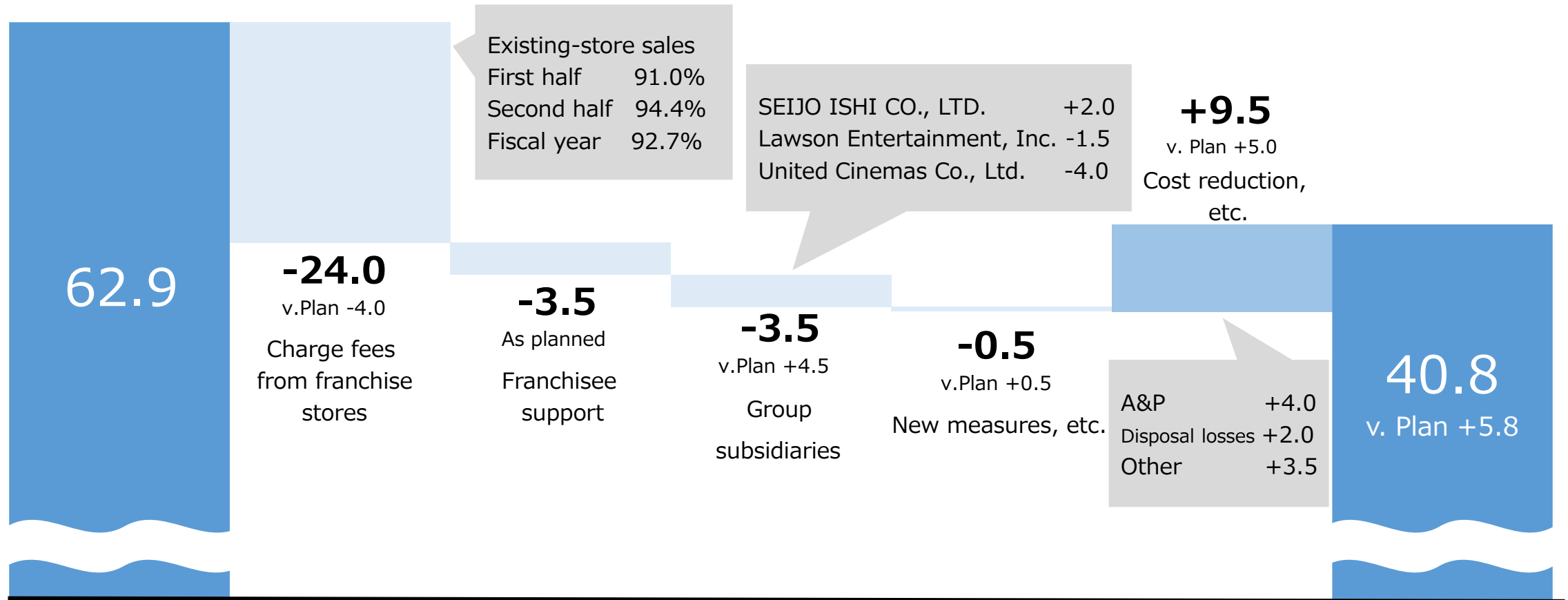
*Estimated financial magnitude rounded up to the nearest 0.5 billion yen for simplicity.

*The differences v. plan in this document are comparisons with the latest plan issued along with the announcement of our first-half financial results in October 2020.

FY2020 Consolidated Operating Income

Approximate figures

Unit: Billions of yen



FY2019
Consolidated
operating income

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

FY2020
Consolidated
operating income

Unit: Billions of yen

	FY2021	
	plan	YoY
Consolidated operating income	50.0	+9.1
Main company operations		
Lawson	32.0	+5.8
SEIJO ISHI	11.3	+0.2
Lawson Entertainment	1.3	+0.6
United Cinemas	0.6	-1.1
Consolidated net income	13.5	+4.8
Dividends per share	150 yen	±0

(Note)•Existing stores sales*1: 105.0% (YoY +12.3%)

• Gross profit Margin*1 : 31.0%(YoY ±0%P)

• Store number*2 :Store opening 500 Store closure 350 Net store numbers 150

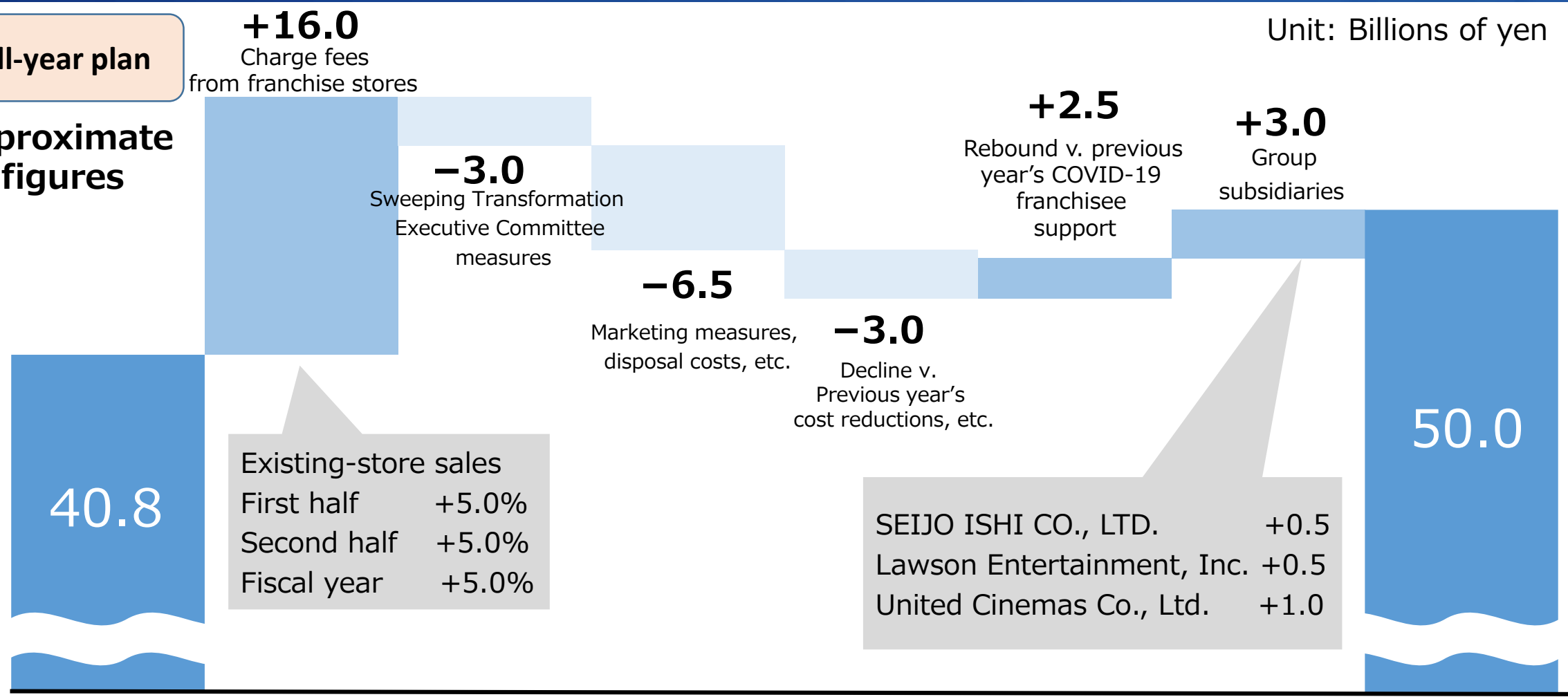
*1 Excluding LAWSON STORE100 business *2 *Lawson group total

Factors Affecting FY2021 Consolidated Operating Income

Unit: Billions of yen

Full-year plan

Approximate figures



Existing-store sales

First half	+5.0%
Second half	+5.0%
Fiscal year	+5.0%

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)

FY2020 Review

Sadanobu Takemasu
President and CEO
Representative Director
Chairman of the Board

Lawson, Inc.

**The No.1
recommendation
from all customers**

**Improving franchise
store profits**

Promise 1
Superior taste

- Providing Safety/Security-Oriented Overwhelmingly High Value-Added Products and Services Friendly to Society and the Environment

Promise 2
Human kindness

- Supporting Health Promotion for All People Through Products and Stores
- Providing Comfortable Work Environment Leading to Job Satisfaction
- Supporting Women, Senior People as well as Children's Growth

Promise 3
Environmental
(machi) friendliness

- Coexisting Synergistically with Communities by Serving as Part of Social Infrastructure
- Sustainable Environment Preservation Activities Toward Carbon-Free Society

**Inspire franchise
store work and employees**

■ FY2020: The whole Group united in a bold challenge against COVID-19.

Support

Pupils, medical workers, etc.



Protect

Continued operating with thorough infection protection

- Committed social distancing
- Preventing droplet infection



Footprints on floor Instruction posters Vinyl partitions self checkouts

Challenge

Products for New Normal

Satisfy stay-at-home demand, bulk-buying needs

- Strengthen 5 categories
- 100 Zero Challenge (zero shortages)
- Next challenge (improve sales)



Expand home delivery

Collaborate with restaurants

Use entertainment

- Strengthen products for our renowned desserts and Machikado Kitchen
- Expand products in five high-demand categories

Announcement
of state of
emergency

Authorities request
people to refrain from
all unnecessary,
non-urgent excursions

Fear of prolonged
infection risk

For New Normal (Satisfy stay-at-home demand, bulk-buying needs)

Strengthen our strengths

Desserts



Machikado Kitchen



名物串カツ 田中 大阪伝統の味

Strengthen 5 categories

Fresh food/frozen food/ Daily food/Alcoholic
beverages/Japanese & Western sweets

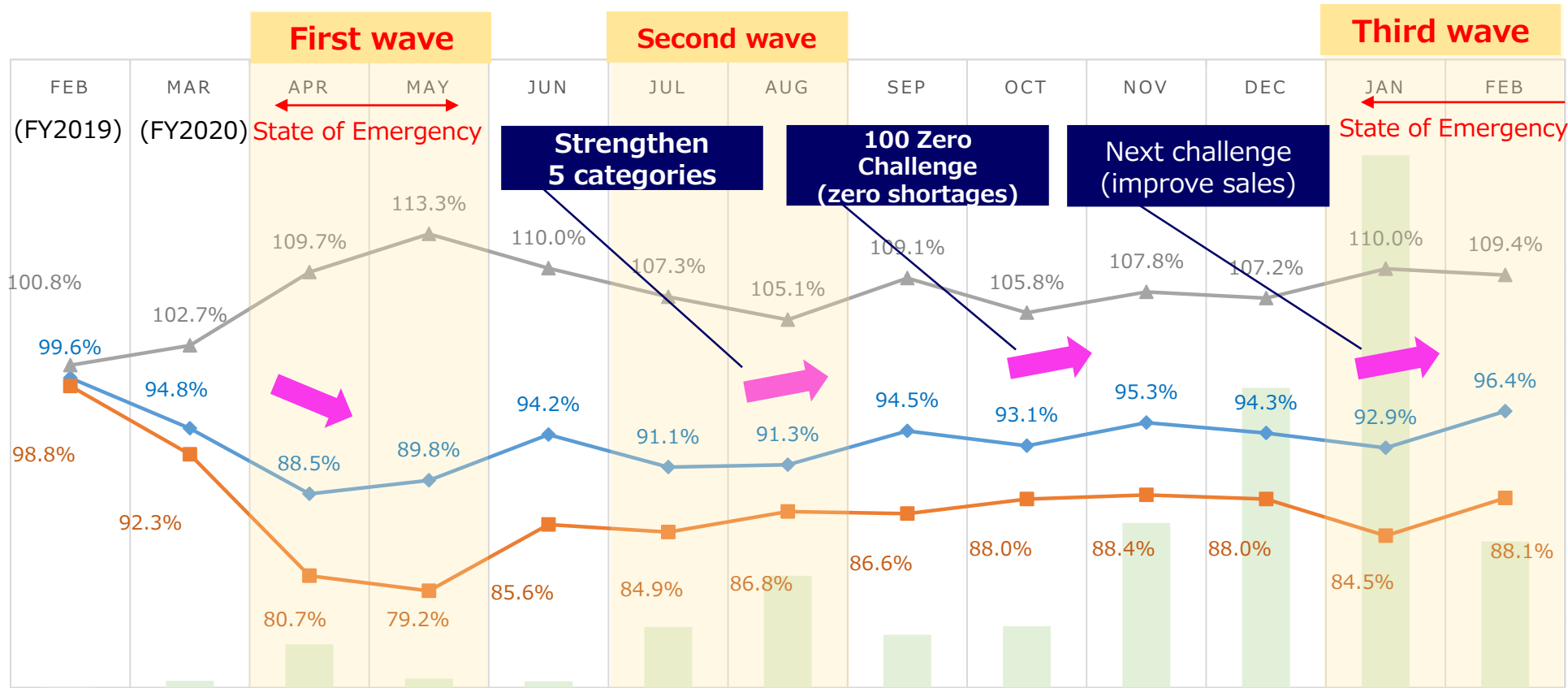


FY2020 -Daily Sales, Visits, APP (YoY)-

- Sales rose gradually from June thanks to continued thorough measures to prevent infection and efforts to satisfy changing new normal demand.
- Acquired resilience to maintain and improve daily sales/customer numbers even during the second state of emergency in January.

EXISTING-STORE SALES

PCR-Positive Daily sales Customer visits Spending per customer



Daily sales
93.0%

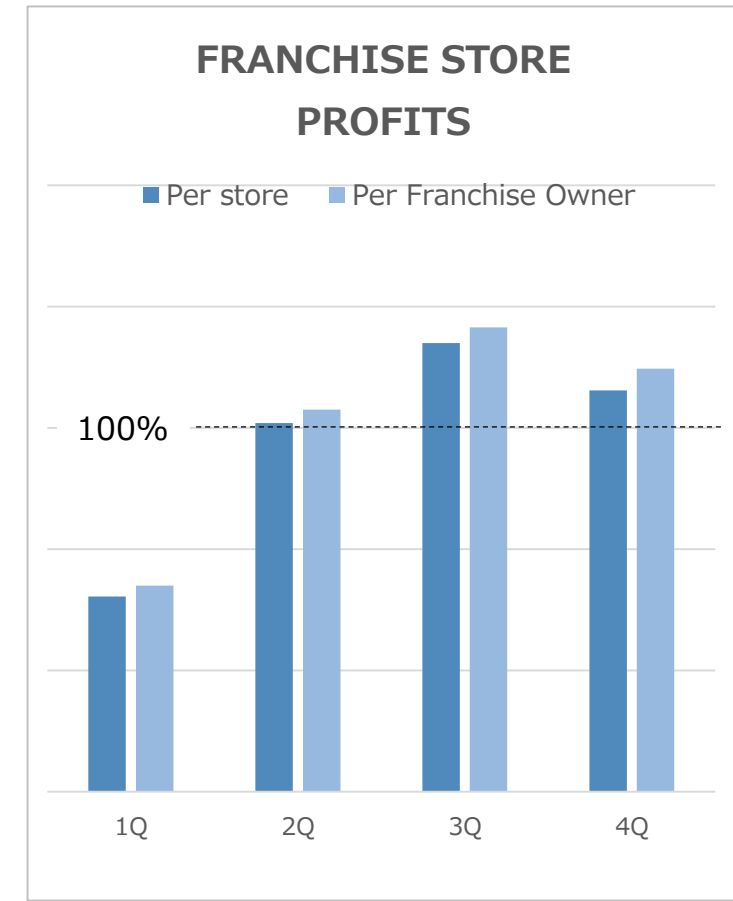
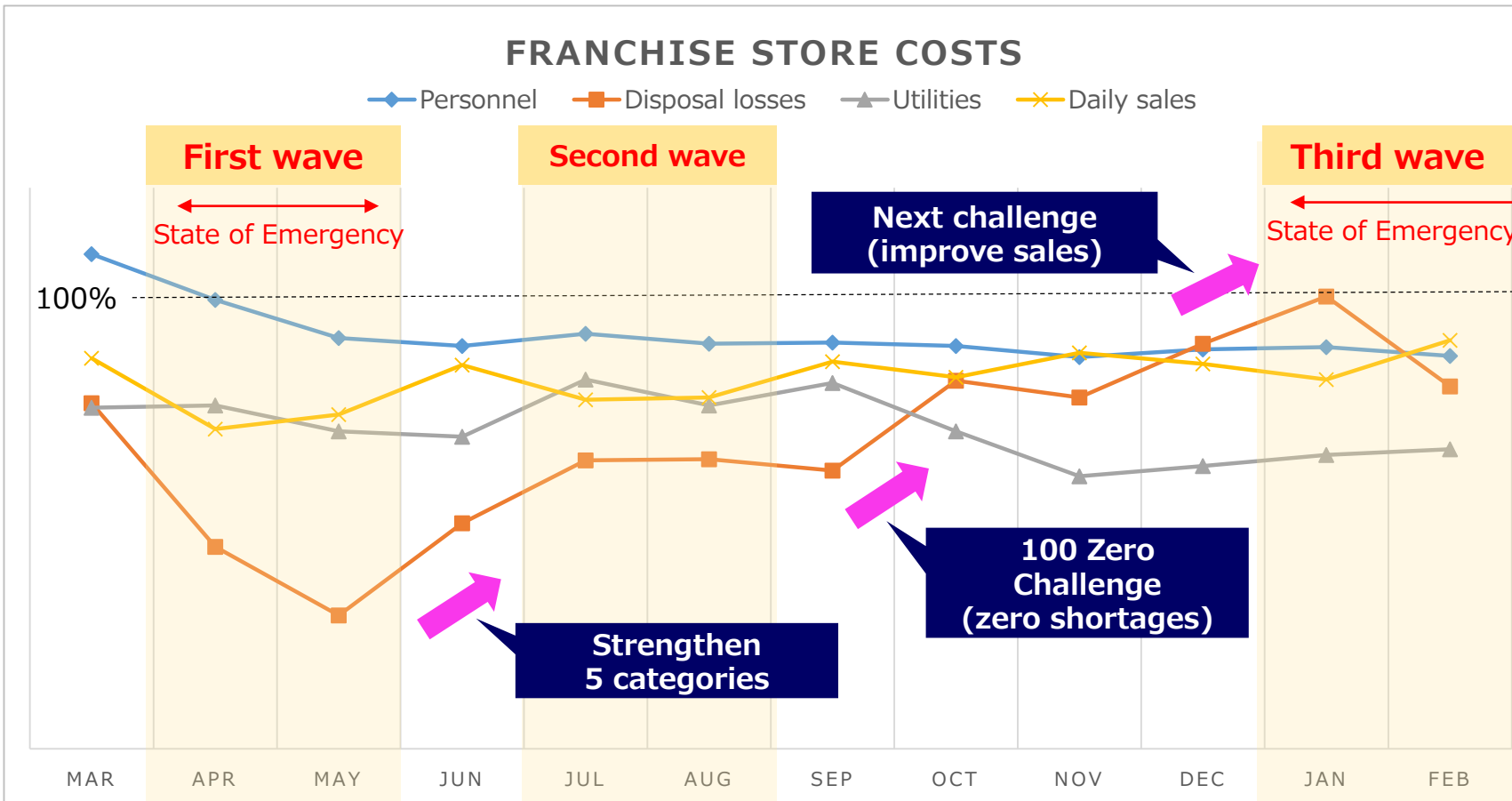
Customer visits
86.1%

Spending per customer
108.0%

*Includes LAWSON STORE 100

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

- Kept franchise store profits steady YoY with appropriate disposal losses, proactive purchasing, expanding products to suit new normal demand and improve daily sales.

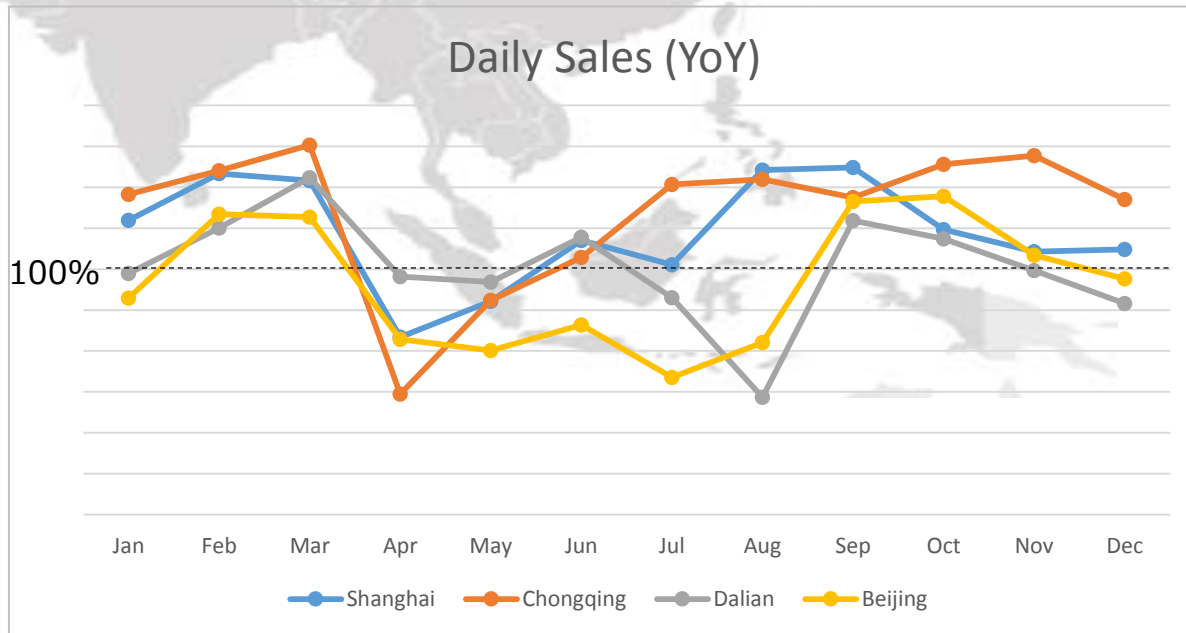


- Pursued environment-conscious measures to realize one of our three promises: Environmental (Machi) friendliness.

2030 target	V. 2018 levels ▲50%cut	V. 2017 levels ▲30%cut	100%cut	CO2 emissions per store V. 2013 levels ▲30%cut																																
2020 results (preliminary)	▲16%cut	▲12.4%cut	▲74.9%	▲27.6%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>Single-use plastic bags</p> <table border="1"> <tr><th>Year</th><th>Percentage</th></tr> <tr><td>2020</td><td>100%</td></tr> <tr><td>2025</td><td>50%</td></tr> <tr><td>2030</td><td>0%</td></tr> </table>	Year	Percentage	2020	100%	2025	50%	2030	0%	<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>70%</td></tr> </table>	Year	Percentage	2013	100%	2025	85%	2030	70%
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Initiatives	<ul style="list-style-type: none"> •Improve order accuracy •Promote product clearance •Encourage reservation food business •Encourage food recycling 	<ul style="list-style-type: none"> •Change package shape •Substitute environment-conscious materials (paper lunchbox containers) •Experimental sales at Natural Lawson 	<ul style="list-style-type: none"> •30% plant-derived materials •Start charging •Encourage people to use eco bags at the counter and provide manuals. 	<ul style="list-style-type: none"> •Introduce energy-saving equipment, switch to solar-powered devices and partners with appropriate power supply. •Promote our 10 energy-saving actions 																																

- Existing-store sales recovered after early control of COVID-19.
- Achieved first operating profit for China operation overall.

- Largest number among Japanese convenience stores at end December 2020 (3,344 stores at end February 2021).
- In addition to existing areas (Shanghai, Jiangsu, Zhejiang, Chongqing, Liaoning, Beijing, Tianjin, Hebei, Hubei, Anhui, Hunan, Hainan), we also expanded coverage by developing new area franchises and mega franchises.
- Pursuing similar initiatives as in Japan such as unmanned night-time convenience stores, delivery services, mobile app, self-checkouts, etc.

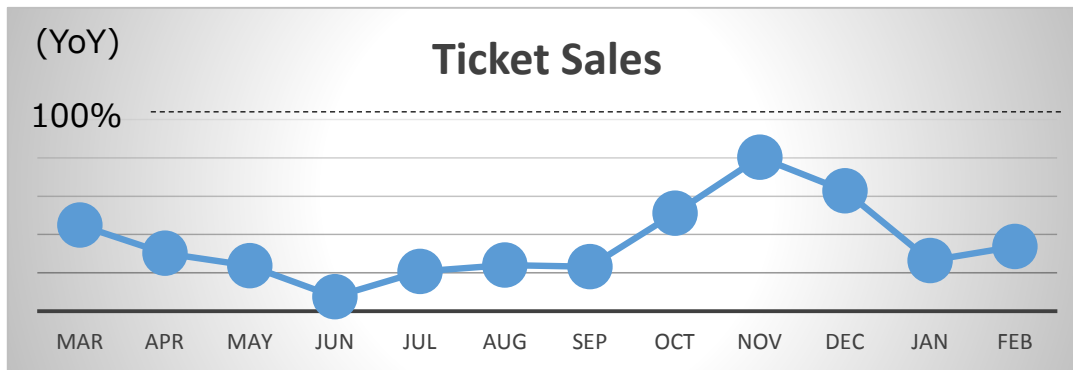


Both entertainment-related companies recovered more than planned.



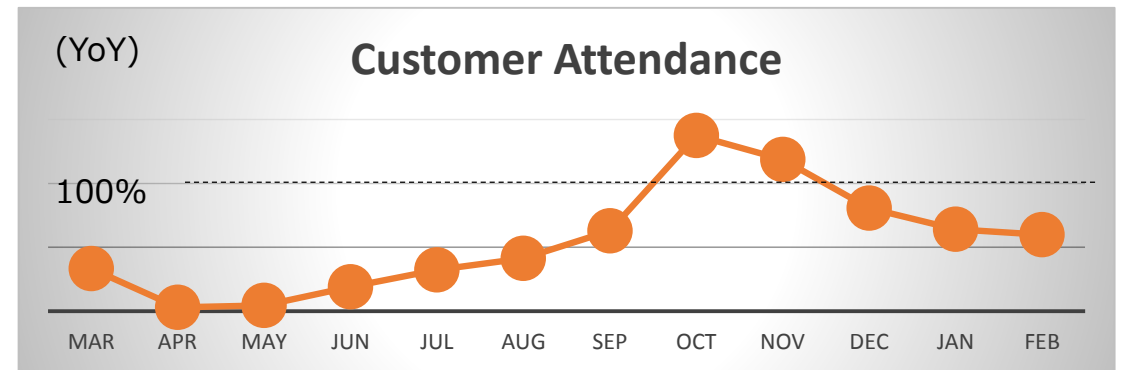
Lawson Entertainment

- Despite large decline in ticket handling, managed to maintain sales by expanding sales of tickets for live online events and through our Go to Eat campaign.
- EC sales continued strong thanks to our strengthening of product ranges to satisfy stay-at-home demand and the selling of goods linked to cancelled live events.
- Achieved full-year operating profit.



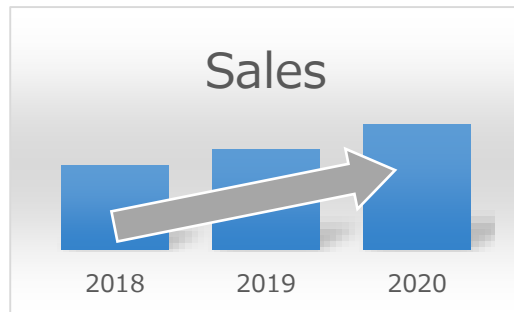
United Cinemas

- Sales plummeted on the back of temporary cinema closures in April, May. Entry restrictions relating to food and drink continued in June onwards, but we improved sales by taking an ad hoc approach to each venue.
- Cinemagoers increased substantially in second half thanks to the release of hit movies, helping to shrink our overall profit decline.



Seijo Ishii

Sales grew considerably on rising supermarket demand and strong original deli items



New Central Kitchen Facility
(Planned FY2022 completion)



LAWSON STORE 100

Captured supermarket demand with stronger products for cooking at home, achieved positive operating profit



Fruits and vegetables



Meat



fresh fish



Financial Service

Strengthened base from which to expand business partners and fulfil cashless payment needs



Unit : Billions of yen

	FY2020 (Results)	FY2021 (Initiatives)
Operating Income	40.8	50.0
Ordinary Income	37.6	45.0
Profit	8.6	13.5

■ **FY2020 Domestic convenience store business**

Existing-stores sales * 93.0%

Opening 373 / Closure 341 / Total number of store 14,476

* including LAWSON STORE 100



**LAWSON
GROUP**

Challenge 2025

**A new kind of convenience
New hubs of refreshment in every community**

Aim to achieve sustainable growth built upon former investment and growth

Challenge 2025

2021-2025

New convenience
New hubs of refreshment in every community

Lawson Group Sweeping Transformation Executive Committee
Anticipate new needs
Respond to changing new normal changes

+

Utilize IT-invested next-generation systems

2020-

Franchisee profit-focused management

HQ takes responsibility for helping maintain franchise store profits

Radical change in customer/society post-Covid values

Lawson Group Sweeping Transformation Executive Committee
Launch urgent response to change

2017-2019

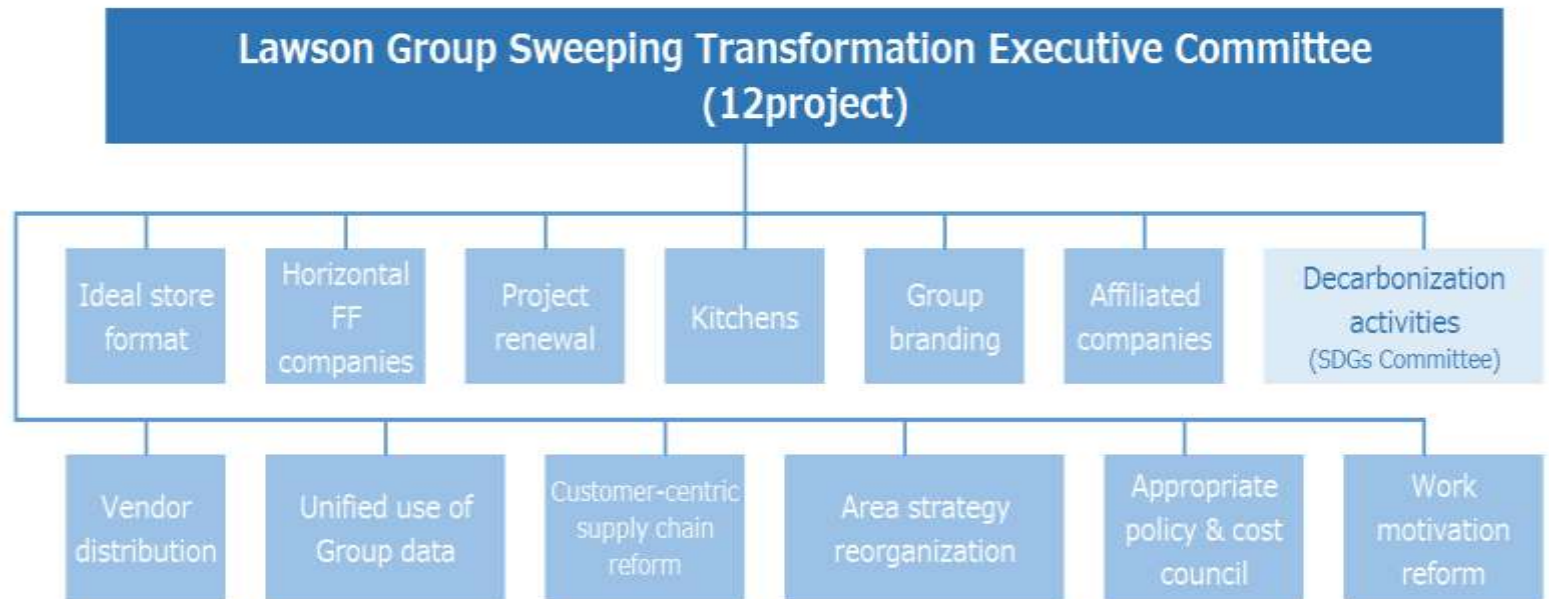
Aggressive IT investment

- Next-generation systems ■
- Automatic cash-dispensing POS registers
- New store computers
- Tablets in all stores



Currently implementing strategies to become the 2025 Recommended No.1 brand through the Sweeping Transformation Executive Committee made up of **12 projects and companywide decarbonization activities.**

■ Organizational Structure

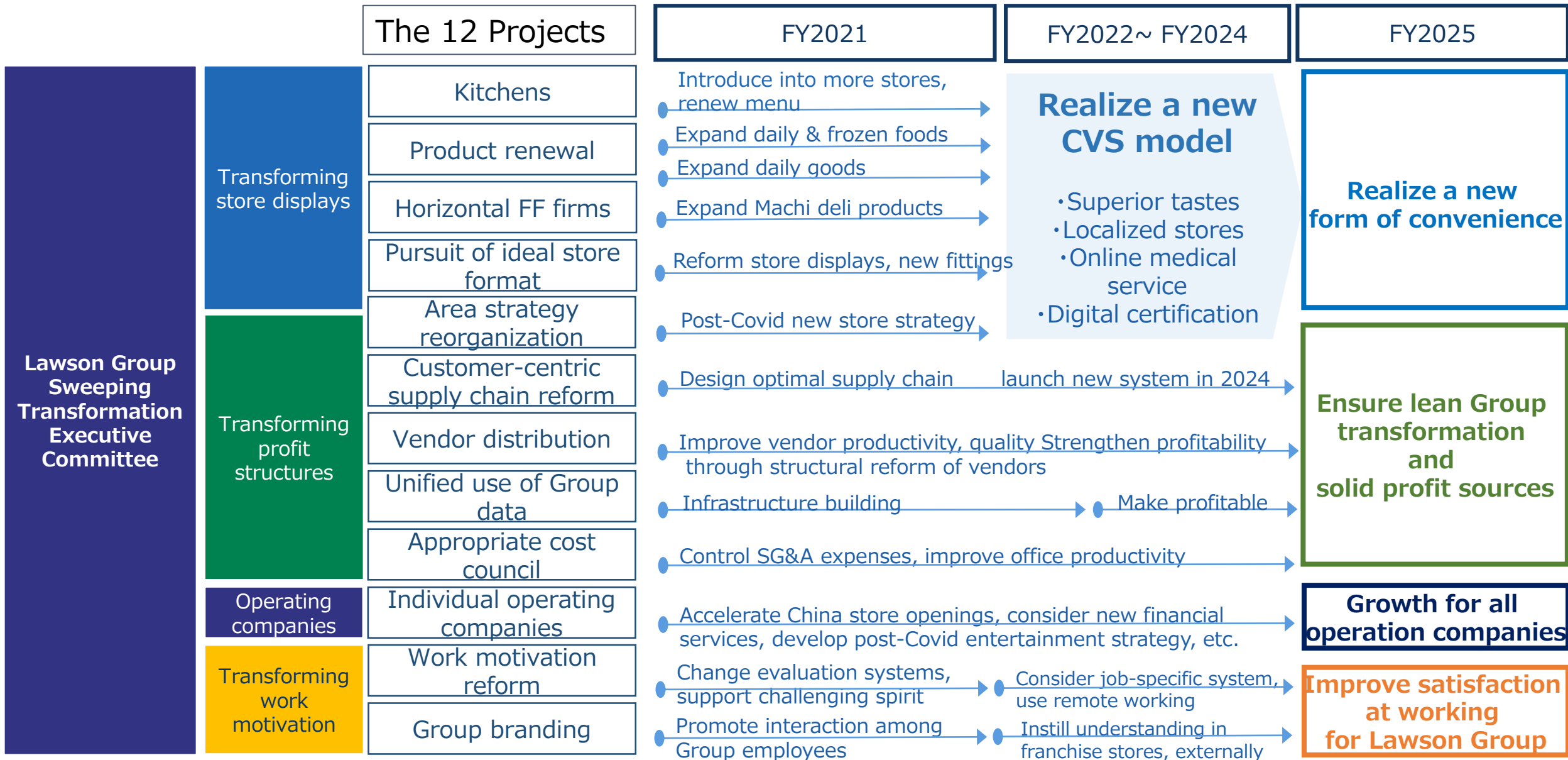


Committee chair: President Sadanobu Takemasu

■ Main items

- 1** Create stores where people come to purposely shop for essential daily goods that satisfy new lifestyles and values.
- 2** Seek to provide new value that horizontally combines the Group's overall strengths.
- 3** Improve profitability of franchise stores, HQ, and operating companies by reviewing costs and striving to increase revenue.
- 4** Continually reform work motivating factors for all franchise store, HQ and Group company employees.

Milestones for Each Project



Form environmental vision, set long-term goals, take on challenges to achieve a low-carbon society in 2050.



Reducing food waste

Reduce by **25%** v.2018 levels Reduce by **50%** Reduce by **100%**

Reducing plastic

plastic containers Reduce by **15%** v.2017 levels Reduce by **30%** **100%** used
Lawson's original products Eco-friendly materials

Reducing CO2 emissions

CO2 emissions per store Reduce by **15%** v.2013 levels Reduce by **30%** Reduce by **100%**

In addition to sales, profit indicators, strategically select investment opportunities from tripartite perspective of the environment, society and corporate governance in order to achieve sustainable growth.

Challenge 2025 Performance indicators

ROE : 15% or higher
EPS : 500 yen or higher

【Results】

FY2018	ROE	9.3%	EPS	255yen
FY2019	ROE	7.3%	EPS	200yen
FY2020	ROE	3.2%	EPS	86yen

ESG-focused management

Environment

- Reduce CO2 emissions
- Reduce food waste
- Eliminate plastics

Social

- Diversity
- Contribute to local communities
- Supply chain management

Governance

- Ensure transparent, equitable management
- At least 1/3 outside Board directors
- Set up a Nomination and Remuneration Committee comprising only independent officers

Reference Materials

Earnings Summary: FY2020 Results

Consolidated	Unit: Billions of yen				
	FY2019	FY2020			FY2021
	Actual	Actual	YoY	v. Plan	Plan
Net sales of convenience store*1	2,506.9	2,349.7	-157.2	-50.2	2,510.0
Operating income	62.9	40.8	-22.0	+5.8	50.0
Operating income ratio	2.5%	1.7%	- 0.8%pt	-	2.0%
Ordinary income	56.3	37.6	-18.7	+7.6	45.0
Net income	20.1	8.6	-11.4	+3.6	13.5
EPS (Yen)	200.95	86.84	- 114.11	+36.88	134.90
Total no. of stores in Japan*2	14,444	14,476	+32	-18	14,626
Opening	554	373	-181	-27	500
Closure	769	341	-428	-9	350
Net Increase	-215	32	-	-18	150
Non-consolidated*3					
Existing store sales (YoY)	100.1%	92.7%	-7.4%pt	-1.8%pt	105.0%
Gross profit at existing stores (YoY)	100.8%	89.4%	-11.4%pt	-3.3%pt	105.0%
Gross profit margin	31.3%	31.0%	-0.3%pt	-0.3%pt	31.0%
difference excl. cigarette sales (YoY)	+0.3%pt	+0.1%pt	-	-	-

*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 (YoY) do not include the impact of tickets, etc.

Key Components of SG&A Expenses

Unit: Billions of yen

		FY2019	FY2020	
		Actual	Actual	YoY
Non-consolidated	Selling, general & administrative expenses	311.6	304.4	-7.2
	<Major Expenses>			
	Personnel expenses	46.2	44.8	-1.4
	IT-related expenses (Hardware leasing, software amortization, maintenance, etc.)	12.7	12.0	-0.7
	Advertising and promotional expenses	14.1	9.8	-4.3
	Sales commission	19.5	17.8	-1.7
	Facilities expenses	174.0	174.4	+0.3
Consolidated SG&A expenses		461.5	436.6	-24.8

YoY

Non-consolidated

A&P: Reduced costs by reviewing promotions and campaigns depending on COVID-19 impact and by boosting efficiency through the use of quick draws and other digital marketing.

Sales commission: Reduced head office burden by cutting food waste at franchise stores.

Other: Controlled rents, personnel, and travel costs.

Consolidated

Sales commissions, A & P, etc. declined in line with decline in revenue or handling totals caused by the temporary closure of venues or the cancellation of events due to COVID-19.

Turned some of the labor costs, rents, etc. to extraordinary losses as COVID-19 related losses.

Unit: Billions of yen

	FY2020		
	Actual	YoY	
Domestic convenience store business	28.7	-18.3	Charge fees declined in line with falling revenue. Provided support to low-profit franchise stores. Reduced food waste, A&P, and other expenses.
Seijo Ishii business	10.3	+1.9	Profit rose on the 6.6% YoY rise in existing-store sales thanks to strong sales of fresh food items primarily in roadside stores in the wake of rising supermarket demand and strong contribution to overall sales by original deli items.
Entertainment-related business	-0.2	-5.6	Profit down on lower ticket sales commission in the wake of event cancellations or restricted entry to large-scale events, and lower revenue due to temporary cinema closures and restricted visitor numbers during state of emergency periods
Financial services business	1.7	-1.3	ATM usage down on the back of declining customer visits to Lawson stores. Worked on building credit card, ATM charge, and other new businesses.
Overseas business	0.8	+1.8	Profit improved at our China operation thanks to an early recovery in sales after COVID-19 was brought under control and an increase in total store numbers.
Other business	-0.4	-0.5	
Total	40.8	-22.0	

Consolidated Capital Expenditures & Cash Flows

● Consolidated Capital Expenditures

Unit: Billions of yen

	FY2019	FY2020
	Actual	Actual
New stores	24.0	11.3
Existing stores	10.1	9.8
IT-related	10.9	8.4
Other	0.7	0.8
Subtotal for capital expenditure	45.9	30.5
Leases	42.5	25.6
Depreciation and amortization	79.1	80.7

● Consolidated Cash Flows

Unit: Billions of yen

	FY2019	FY2020
	Actual	Actual
Cash flows from operating activities	202.7	227.9
Cash flows from investing activities	-49.0	-29.9
Free cash flows	153.6	197.9
Cash flows from financing activities	-163.9	-140.6
(Cash dividends paid)	-20.2	-15.0
Cash and cash deposits*	343.5	401.1

- * The difference between cash and deposits on the consolidated balance sheet is due to the amount of time deposits for which the deposit period exceeds three months.

Consolidated Balance Sheet at the end of FY2020

Unit: Billions of yen

	As of Feb. 29, 2019	As of Feb. 28, 2021	YoY
Total current assets	636.6	690.8	+54.1
Cash and deposits*1	343.5	402.5	+58.9
Accounts receivable	159.1	161.0	+1.9
Total noncurrent assets	721.0	674.6	-46.4
Property, plant and equipment	392.9	367.6	-25.2
Intangible assets	97.0	86.4	-10.6
Software	45.1	39.0	-6.0
Goodwill	42.3	38.2	-4.1
Investments and other assets	231.0	220.5	-10.4
Long-terms loans receivable	42.4	40.6	-1.8
Guatantee deposits	107.1	103.0	-4.1
Total Assets	1,357.7	1,365.4	+7.6

	As of Feb. 29, 2019	As of Feb. 28, 2021	YoY
Total current liabilities	561.9	767.7	+205.7
Accounts payable-trade	129.3	127.4	-1.9
Short-term loans payable*2	39.8	42.3	+2.4
Current portion of long-term loans payable*2	-	100.0	+100.0
Deposits payable	193.0	246.1	+53.0
Total noncurrent liabilities	520.4	324.7	-195.6
Long-term loans payable	310.0	130.0	-180.0
Total liabilities	1,082.3	1,092.4	+10.1
Net Assets	275.3	272.9	-2.4
Common stock	58.5	58.5	±0.0
Retained earnings	165.0	158.4	-6.5
Liabilities and net assets	1,357.7	1,365.4	+7.6

*1 The amount of cash and deposits for financial services business as of February 28, 2021 is 372.2 billions of yen, most of which is used for refilling ATMs.

*2 The amount of loans payable for financial services business as of February 28, 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.