Q&As at the Financial Results Briefing for FY2021 of Lawson, Inc.	
Date	April 12, 2022, Tuesday, 10:00–11:30
Attendees	Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board Satoshi Nakaniwa, Member of the Board, Executive Managing Officer, Chief Financial Officer Tomoki Takanishi, Senior Vice President, Division Director of Financial Administration Division Kino Arai, General Manager, Investor Relations Dept.

Q : Please tell us about outcome of the store renovation in the pursuit of the ideal store format PJ. Additionally, how does the company deal with stores not subject to the renovation?

A : For 1,000 stores subject to the preceding store renovation, there was the effect of pushing up daily sales two to three months after the renovation and exceeding the estimation of +5%. There is a variation in the effect according to characteristics of the location. The renovation was concentratedly conducted in about 2,000 stores in January and February, but its effect has not yet fully emerged. The company understands the causes and issues, and it will deal with the issues for each store. For stores realizing their own potential without renovation, the renovation will not be conducted. To attract customers, the company will strengthen marketing promotions, in addition to the ideal renovation and the product renewal that have been implemented.

Q : What outcome did the introduction of the Kinki Company and the Hokkaido Company create? Will the company system be expanded to other areas?

A : Recently, Kinki Company and Hokkaido Company have achieved better performance over other areas. In the system, the company president is engaged in management near the frontline, which makes franchisees pull up their socks via supervisors. The company expects that it can further create outcomes by circulating PDCA, including the way to offer community-based products and generate sales through marketing measures. The company system will be introduced nationwide in the next fiscal year.

Q : I would like to confirm whether the business portfolio strategy shifted to the growth driven by consolidation management of LAWSON and Seijo Ishii, the overseas business and entertainment-related business. Additionally, please tell us about the view of the capital alliance and IPO of the overseas business (China) and Seijo Ishii.

A : The company has made the Chinese business profitable and aims to increase the number of stores in the business to 10,000 by 2025. The business has entered into the phase where the capital policy should be examined, taking into account a variety of options that include a partner strategy and IPO to achieve sustainable growth and accelerate growth in China. The company examines a variety of options for the further growth of Seijo Ishii that includes fundraising by IPO for industry consolidation, expansion overseas, and new deployment of the EC business. It also examines whether it should develop the entertainment-related business as a wholly owning shareholder or increase earnings opportunities through industry consolidation. Additionally, it examines the growth strategy from a variety of options that include the return to shareholders of the parent company Lawson and reinvestment in financing, data, and domestic CVS of funds generated from the above businesses. No capital policy is reflected in the plan for the fiscal year because no capital policy was determined for the fiscal year.

Q : Please tell us about the assumptions for the existing store sales growth of +3% YoY in the unconsolidated plan.

A : For the first half of the fiscal year, the effect of the store renovation will be insufficiently reflected because the renovation was concentratedly conducted in January and February. After May when the product lineup will be completed, the company will aggressively implement marketing measures.

Q : Please tell us about the effect of introduction and prospect of products of MUJI.

A : In stores subject to test marketing, there is the effect of about a 2% to 5% increase. Among these stores, those with no MUJI store in the neighborhood enjoy a larger effect. The future deployment is under consideration.

Q : How do you expect the introduction of the company system to create an outcome?

A : The company would like to enable the frontline to make decisions optimal to the frontline. It will also advance localization and increase the percentage of area-based products. Trimming down the headquarters is designed to build a system that contributes to the frontline, including the acceleration of decision-making.

Q : Gross margin ratio is set at +0.4 pt in the plan. Will the company increase the ratio with the product mix? Please tell us about the number of stores introducing the sellout operation and its effect and prospects.

A : The company will increase the gross margin ratio by improving the product mix, including Chubo products and counter service fast foods, and the pricing with customers satisfied with the value. The sellout operation was trialed at 65 stores in Tohoku. The company verifies the timing of the sellout and width of the discount for maximizing gross profit using AI. The company strives to introduce the operation during fiscal 2023.

Q : Please tell us about the advantage of convenience stores and views on the future business scale of food delivery services.

A : Convenience stores can respond to changes more quickly that other industries because of their area of about 30 tsubo, or 100 ㎡. Early introduction of the Uber Eats service and simultaneous deployment of frozen foods are also due to the ability to respond to changes and the quickness of the response. The company operates ghost restaurants, or delivery-only restaurants, which utilize the strength of the company’s instore kitchen, setting the goal of the number of stores at about 1,000 and the benchmark of 20,000 yen per brand. The delivery services that include Uber Eats are offered by about 3,000 stores. If it were offered by 5,000 stores, there would be service-offering stores in every area.

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