

# First Half Results for FY2023

(Six months ended August 31, 2023)

Lawson, Inc.  
October 16, 2023

# Financial Results for First Half for FY2023

Masayuki Itonaga  
Executive Managing Officer  
Chief Financial Officer

Lawson, Inc.

# Consolidated financial results for FY2023 1H

LAWSON

Unit: Billions of yen

	FY2022 1H	FY2023 1H		
	Results	Results	YoY	v.plan <sup>*1</sup>
Core operating profit	36.4	53.0	+16.6	+18.5
Profit	20.4	32.4	+11.9	+14.9

(Non-consolidated) excluding LAWSON STORE100 business

Existing-store sales (YoY) <sup>*2</sup>	102.4%	105.7%	+3.3%pt	- 0.3%pt
Gross profit margin <sup>*2</sup>	30.9%	31.5%	+0.6%pt	+0.1%pt
Total no. of stores in Japan <sup>*3</sup>	14,655	14,619	- 36	-

\*1 Any differences v. plan in these documents are compared to the plan issued along with the announcement of FY2022 results in April 2023.

\*2 These figures are sums of total LAWSON and NATURAL LAWSON operated by Lawson, Inc. Existing-store sales do not include the impact of tickets, etc.

\*3 The number of stores is a total number of stores operated by the Lawson group.

## **1. Core operating profit : 53.0 billion yen**

**(1)YoY:** In the Domestic convenience store (CVS) business, segment profit increased after existing-store sales rose 5.7% YoY on successful HAPPY LAWSON PROJECT marketing measures, the remodeling of our ideal store format, and the recovery in people flows. We also controlled costs. Furthermore, core operating profit increased by 16.6 billion yen. That impressive rise was due to a sharp rebound in profits at our Overseas business compared to the previous year's loss that was caused by lockdowns in China, and the strong performance and higher profits generated by our Entertainment-related business.

**(2)v.plan:** In the Domestic CVS business, non-consolidated operating income came in 9.3 billion yen above plan. While existing-store sales came in 0.3%pt below plan, the gross profit margin exceeded plan and the segmented progressed cost controls measures. The Overseas business exceeded plan on the recovery in our China operation. In addition, the Entertainment-related business had strong performances from both the ticket sales and cinema arms of the business. As a result, core operating profit came in 18.5 billion yen above plan.

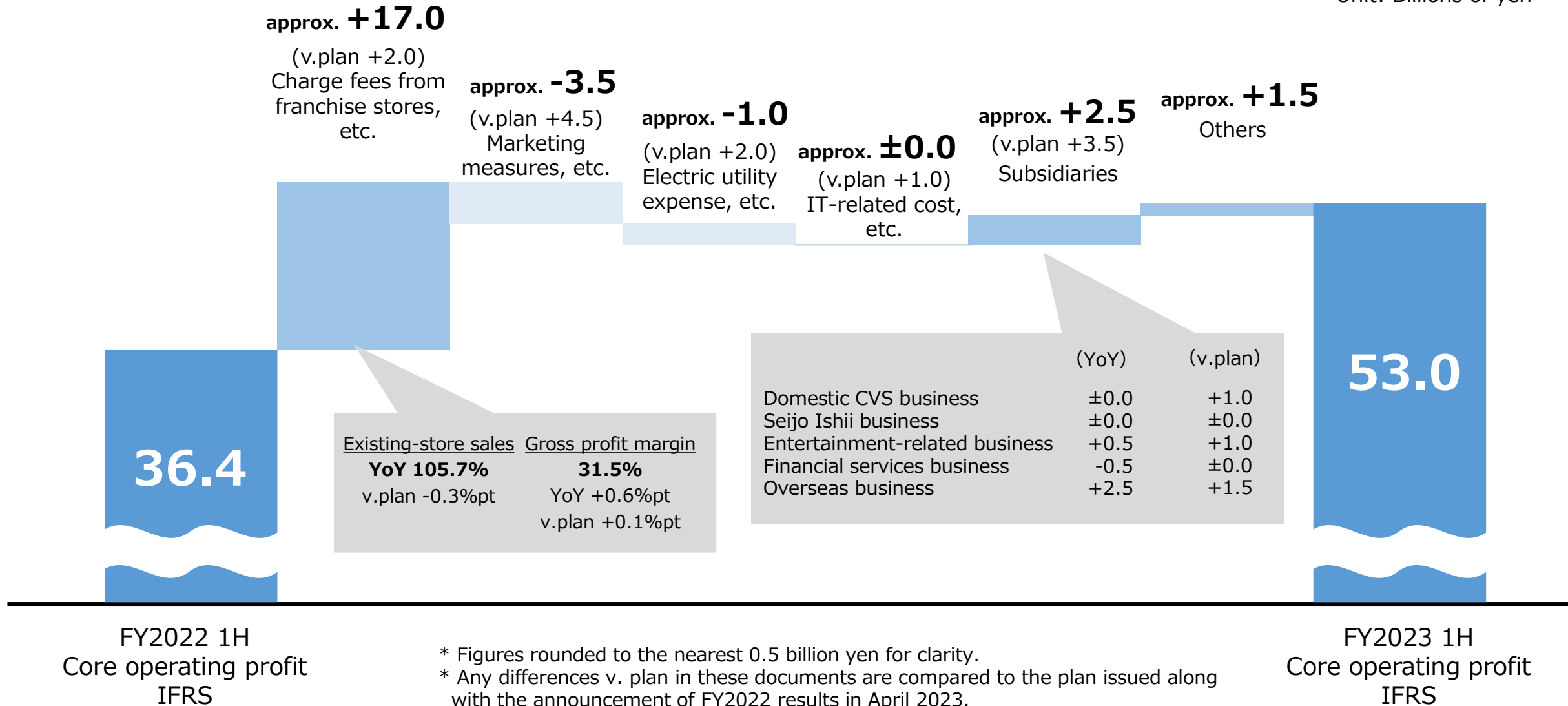
## **2. Profit : 32.4 billion yen**

**(1)YoY:** Increase due to increase in core operating profit.

**(2)v.plan:** Achieved plan on higher-than-planned core operating profit.

# Factors affecting FY2023 1H core operating profit, etc.

Unit: Billions of yen



# FY2023 1H Initiatives review

Unit: Billions of yen

	FY2023 1H				
	Plan	Results	YoY	v.plan	
<b>Core operating profit</b>	<b>34.5</b>	<b>53.0</b>	<b>+16.6</b>	<b>+18.5</b>	
Various measures, etc	Progress			YoY	v.plan
<b>Charge fees from franchise stores, etc.</b>	Exceeded plan. Positive impact of HAPPY LAWSON PROJECT and other marketing measures, store renovations, and recovery in people flows. As a result, existing-store sales increased by 5.7% YoY and other operating revenue increased further than expected.			<b>+17.0</b>	<b>+2.0</b>
<b>Marketing measures, etc.</b>	We implemented TV ads, app coupons, and other marketing measures for the HAPPY LAWSON PROJECT as planned. However, came in below plan as we managed to restrain increases in expenses by rationalizing existing measures or integrating them into HAPPY LAWSON PROJECT measures.			<b>-3.5</b>	<b>+4.5</b>
<b>Electric utility expense, etc.</b>	Came in below plan on a lower-than-expected rise in electricity unit prices and our efforts to reduce electricity consumption through power-saving measures.			<b>-1.0</b>	<b>+2.0</b>
<b>IT-related cost, etc.</b>	Came in below plan thanks to cost-cutting initiatives.			<b>±0.0</b>	<b>+1.0</b>
<b>Subsidiaries</b>	<p>Group companies exceeded YoY and v. plan thanks to higher profits at the Overseas and Entertainment-related businesses.</p> <p><u>Seijo Ishij</u>: Profit decreased compared to strong previous stay-home demand during COVID-19, but roughly in line with our plan.</p> <p><u>Entertainment-related</u>: Profit rose on more active holding of concerts and other events, so exceeded plan.</p> <p><u>Financial services</u>: Profit decreased on rising ATM maintenance costs, but in line with plan.</p> <p><u>Overseas</u>: Exceeded plan. Profit increased on rebound following the lockdowns in China.</p>			<b>+2.5</b>	<b>+3.5</b>
<b>Others</b>	Year-on-year differences caused by adjustments for different accounting periods at consolidated subsidiaries in China with different period-end dates.			<b>+1.5</b>	<b>+5.5</b>
<b>Total</b>				<b>+16.5</b>	<b>+18.5</b>

\* Figures rounded to the nearest 0.5 billion yen for clarity.

\* Any differences v. plan in these documents are compared to the plan issued along with the announcement of FY2022 results in April 2023.

# FY2023 1H Results and full-year plan

Unit: Billions of yen

	FY2023		
	Full-year initial plan	1H results	Full-year revised plan
<b>Core operating profit</b>	<b>64.0</b>	<b>53.0</b>	<b>85.0</b>
Domestic CVS business	-	39.9	58.6
LAWSON (Included above)*	35.0	30.8	47.0
Seijo Ishii business	-	5.8	12.8
Entertainment-related business	-	3.8	6.2
Financial service business	-	1.6	2.7
Overseas business	-	1.6	4.8
<b>Profit</b>	<b>29.0</b>	<b>32.4</b>	<b>47.0</b>
	Plan		Revised plan
<b>Dividends per share</b>	<b>200 yen</b>		<b>235 yen</b>

\* Operating income of Lawson, Inc.

■ LAWSON (Assumed conditions for the plan)

- Existing-store sales \*1 YoY : 104.0%
- Gross profit margin \*1 : 31.4% (+0.4%pt YoY)
- Store numbers \*2: Opening 280, closure 270, net increase 10

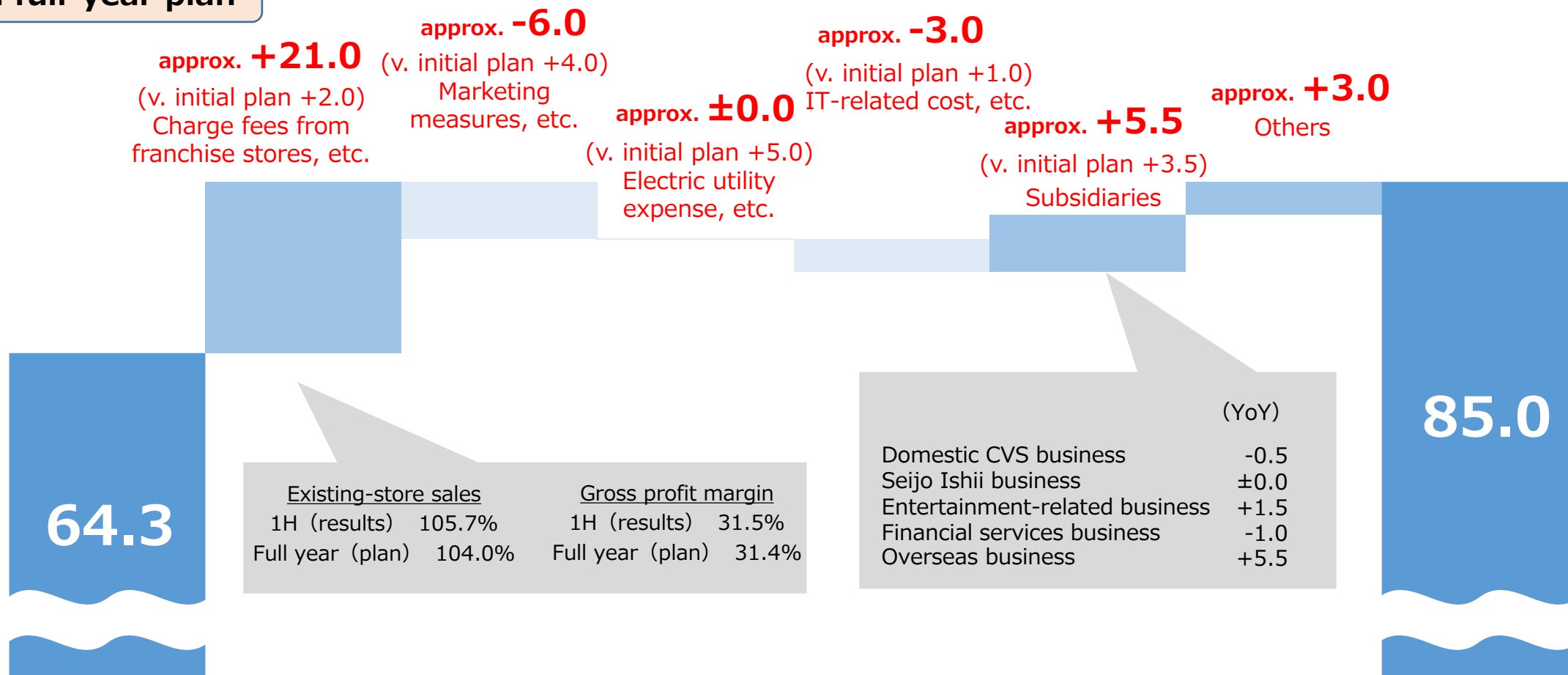
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\*2 The number of stores is a total number of stores operated by the Lawson group.

# FY2023 Revised plan and factors affecting core operating profit LAWSON

## Revised full-year plan

Unit: Billions of yen



FY2022  
Core operating profit  
IFRS

\* Figures rounded to the nearest 0.5 billion yen for clarity.

FY2023  
Core operating profit  
IFRS

# FY2023 Initiatives

Sadanobu Takemasu  
President and CEO  
Representative Director  
Chairman of the Board

Lawson, Inc.





### ■ Create and practice “New convenience,” and aim for No.1 recommended brand

		FY2023	FY2024	FY2025
Community-based × individual customer and individual store-focused		<ul style="list-style-type: none"> <li>● Expand area company system nationwide</li> <li>● Thoroughly pursue ultimate product taste along with ample product ranges and inventory</li> <li>● Explore deeper store opening potential and diversify store formats</li> </ul>		
<b>Lawson Group Sweeping Transformation Executive Committee</b>				
<b>Projects</b>	<b>Vendor distribution reform</b>	<ul style="list-style-type: none"> <li>● Optimize vendor frameworks and strengthen product appeal</li> <li>● Expand sales of frozen food and establish a frozen distribution model to spark competition among local vendors</li> <li>● Establish optimal delivery models (changes to 2 deliveries of chilled and temperature-controlled products, reduce CO<sub>2</sub> emissions)</li> </ul>		
	<b>Customer-centric supply chain reform</b>	<ul style="list-style-type: none"> <li>● Promote optimal ordering volumes for individual stores by introducing new semi-automatic ordering, maximize profit on sales, reduce food loss</li> </ul>		
	<b>Pursuit of ideal store format 2.0</b>	<ul style="list-style-type: none"> <li>● Promote environment-conscious stores, reduce electricity consumption, pursue labor-saving measures</li> </ul>		
	<b>Unified use of Group data</b>	<ul style="list-style-type: none"> <li>● Expand marketing business using data and owned media</li> </ul>		
	<b>The No.1 recommendation acquiring</b>	<ul style="list-style-type: none"> <li>● No.1 recommendation from customers, society, colleagues</li> </ul>		
	<b>50<sup>th</sup> anniversary executive</b>	<ul style="list-style-type: none"> <li>● Plan and promote suitable events and communication to mark Lawson's 50<sup>th</sup> anniversary</li> </ul>		
	<b>Franchise model reform</b>	<ul style="list-style-type: none"> <li>● Establish a sustainable new FC model</li> </ul>		
	<b>Group branding</b>	<ul style="list-style-type: none"> <li>● Improve Group brand value</li> </ul>		
	<b>Personnel system reform</b>	<ul style="list-style-type: none"> <li>● Reform HR systems to focus on market value (by job type) and performance-based remuneration, reform management training platform and job satisfaction measures</li> </ul>		
	<b>Internal structure reform</b>	<ul style="list-style-type: none"> <li>● Introduce lean head office systems</li> </ul>		
<b>Group growth investment</b>	<ul style="list-style-type: none"> <li>● Incubation business (delivery, ghost restaurants, nationwide OTC sales, kitchen cars, etc.), Group businesses (Seijo Ishii, Entertainment-related, Finance services, Overseas)</li> </ul>			

## Lifestyle

- ✓ Remote work becomes the norm
- ✓ Rising sharing economy
- ✓ Rising desire to save money
- ✓ Rising respect for diversity as values change

## Real and digital

- ✓ Recovery in post-COVID people flows (eating out, events, travel)
- ✓ Enhanced e-commerce
- ✓ Rising delivery needs

## Social circumstances

- ✓ Economic slowdown fear (recession)
- ✓ Rising prices (sharp rise in raw materials and electricity prices)
- ✓ Persistent yen weakening
- ✓ Accelerating labor shortages
- ✓ Rise in inbound demand

## Awareness of social issues

- ✓ Promoting regional revitalization
- ✓ The spread of ethical consumption
- ✓ Addressing environmental issues
- ✓ Increased health consciousness

# Domestic convenience store business

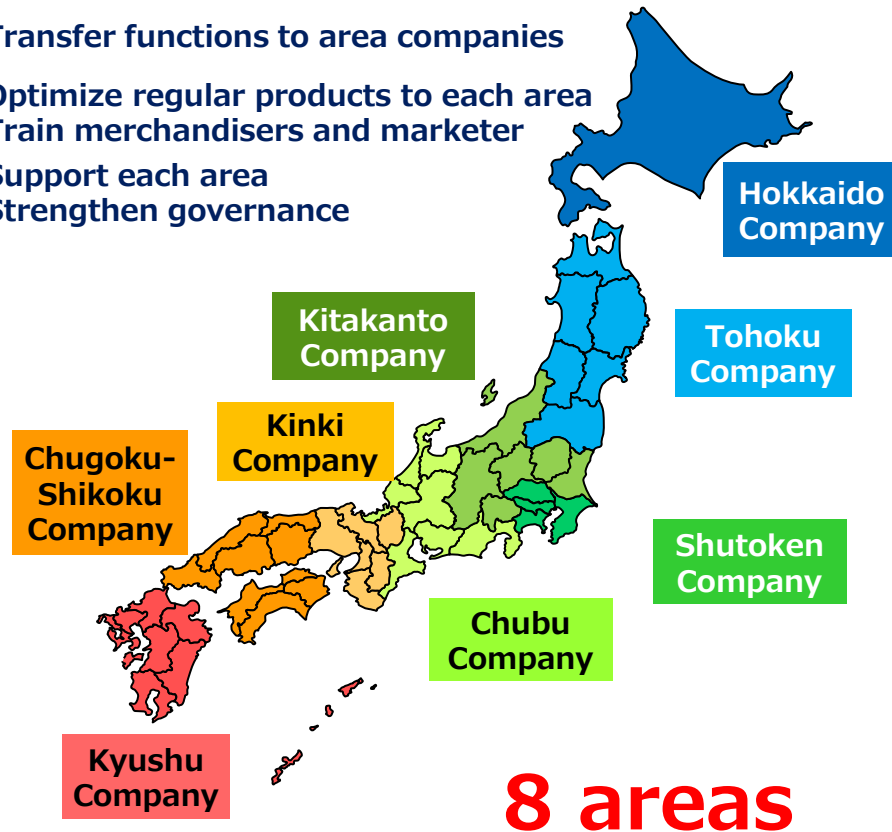
-Community-based × individual customer and individual store-focused-

- Aim for evolution of “Community-based × individual customer and individual store-focused” through area company system, product & sales strategy

## Expand area company system nationwide

Management structure  
Sales & development  
Product & marketing  
Corporate

Clarified area company president profit responsibility  
Transfer functions to area companies  
Optimize regular products to each area  
Train merchandisers and marketer  
Support each area  
Strengthen governance



8 areas

## Product & Sales strategy

Aim for ultimate chain-store management, pursue double-axis policy of strengthening product power and sales floor execution

Products  
**Delicious taste**  
Pursue

Product range, stock  
**Ample ranges, volumes**  
Improve execution

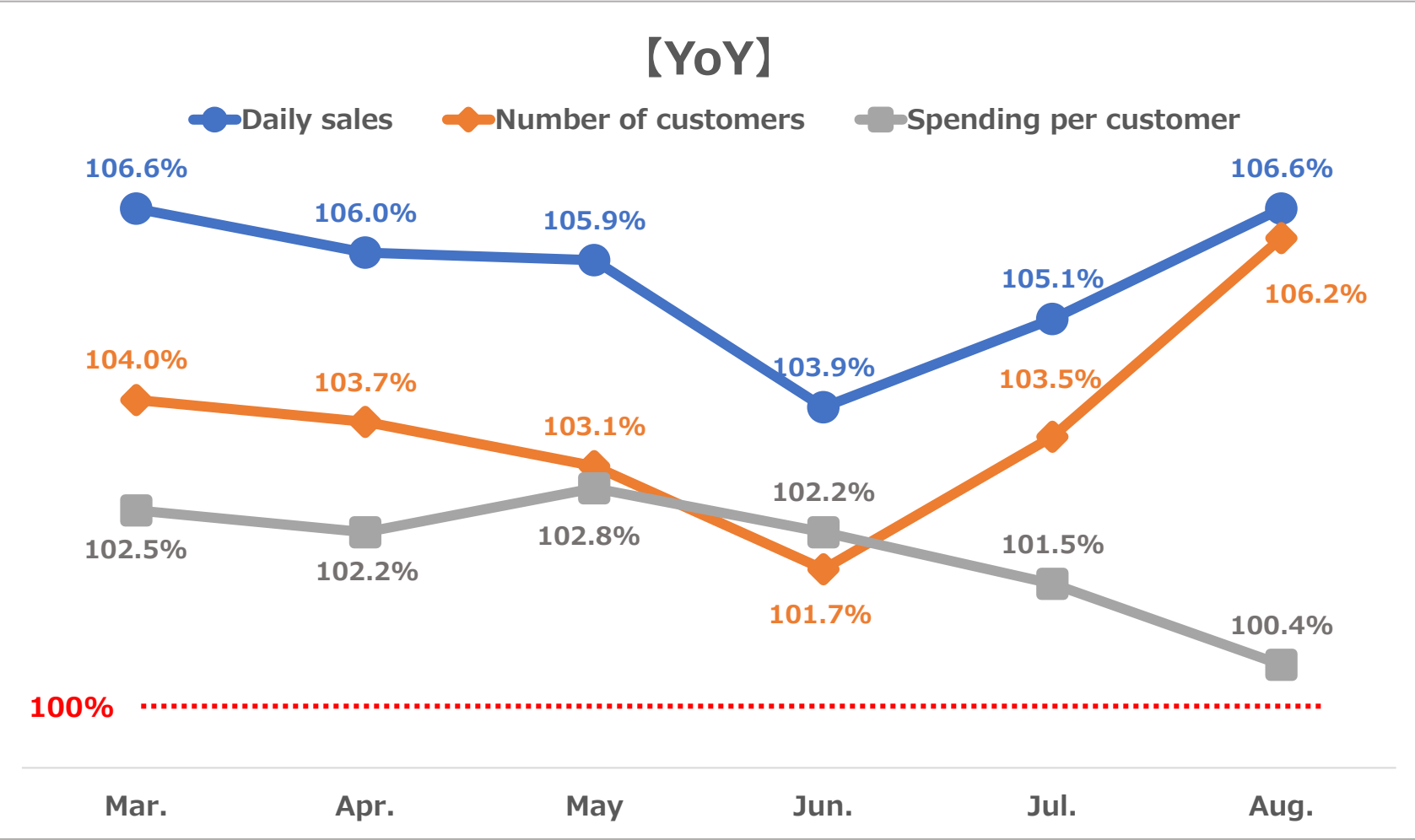
- ✓ Changed to more objective customer tasting surveys
- ✓ Improving quality of staple products
- ✓ Differentiation by adding value to challenging products

- ✓ Improved leadership capability of individual stores through area company system
- ✓ Reducing lost opportunities by focusing on breadth and volume, and capturing different demand in each area and store

# Domestic convenience store business

-Daily sales at existing stores, number of customers, spending per customer-

- Improved daily sales through HAPPY LAWSON PROJECT (HLP) and Lawson Group Sweeping Transformation Executive Committee (LGSTEC) measures



## Daily sales

# 1H 105.7%

## (1H Plan 106.0%)

Impact for daily sales

Lawson Group Sweeping Transformation Executive Committee +2.0%  
 (Pursuit of ideal store format, MUJI introduction)  
 Promotional measures, various measures, recovery in people flows +3.7%  
 (HAPPY LAWSON PROJECT, area company system, etc.)

### Number of customers

# 1H 103.7%

### Spending per customer

# 1H 101.9%

# Domestic convenience store business

## -Category sales compared with FY2019-

- Implemented successful Lawson Group Sweeping Transformation Executive Committee measures and pursued post-COVID needs

Launch of Lawson Group Sweeping Transformation Executive Committee Sep.2020

Cope with changed daily life

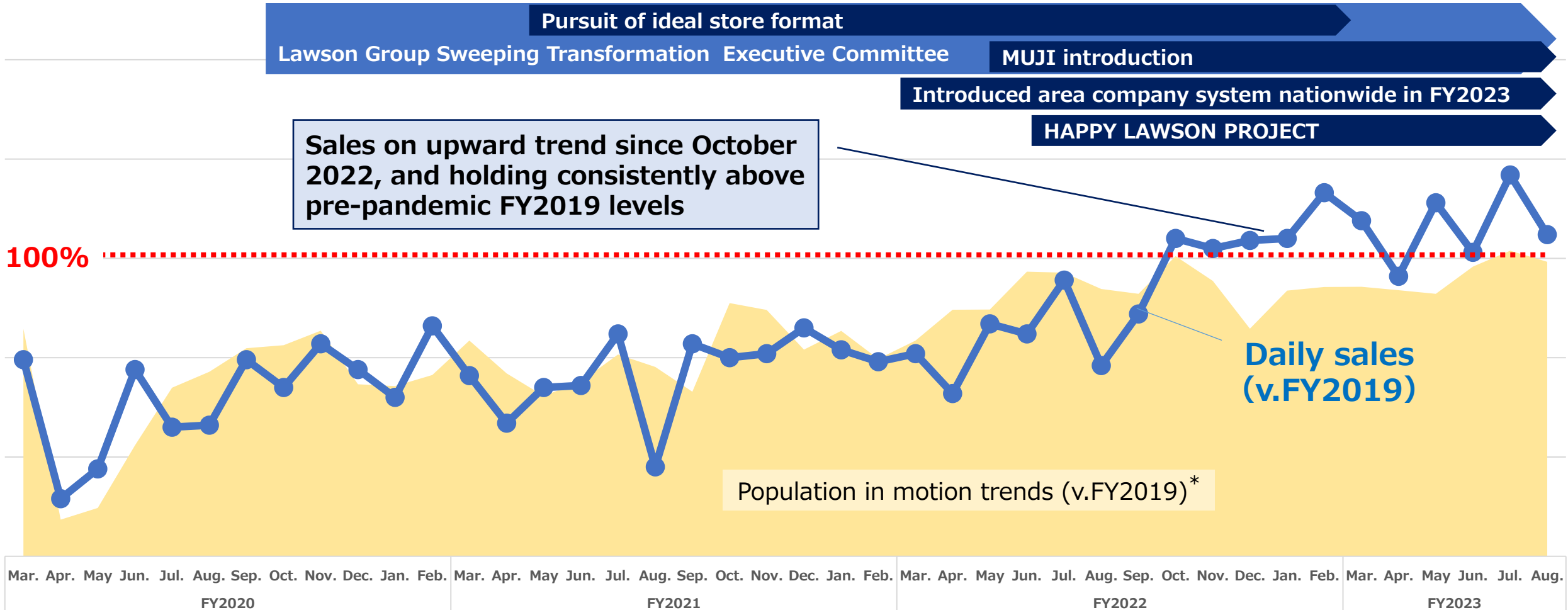
	FY2019	FY2020	FY2022	FY2023 1H	Change from FY2019
Rice/noodles	100	87	91	93	-7
Over-the-counter fast foods /Machikado Chubo in-store kitchens	100	84	104	110	+10
Desserts	100	104	105	104	+4
Delicatessen items/ Daily foods/Frozen foods	100	97	103	110	+10
Soft drinks	100	87	89	97	-3
Daily necessities	100	98	102	113	+13
Others	100	96	100	102	+2

※Each figure represents the ratio compared with FY2019

# Domestic convenience store business

## -Measures and daily sales improvements-

- Refurbished stores to help satisfy customer demand through LGSTEC projects
- Promoted the appeal of enhanced stores and products through HLP
- Improved execution of various measures at each area company. Captured demand generated by recovery in people flows



■ Area companies implement their own community-based measures

Japan's northernmost store



Hokkaido Company

Opened store made of Hokkaido timber in Japan's northernmost city of Wakkanai

Doerya! Super Fair



Chubu Company

Supporting customer lives amid rising prices by offering bigger staple product portions for the same price

Eemon Kansai!



Kinki Company

Launching popular Kansai products that focus on unique and delicious Kansai food

Megu Lawson! The taste of Kyushu

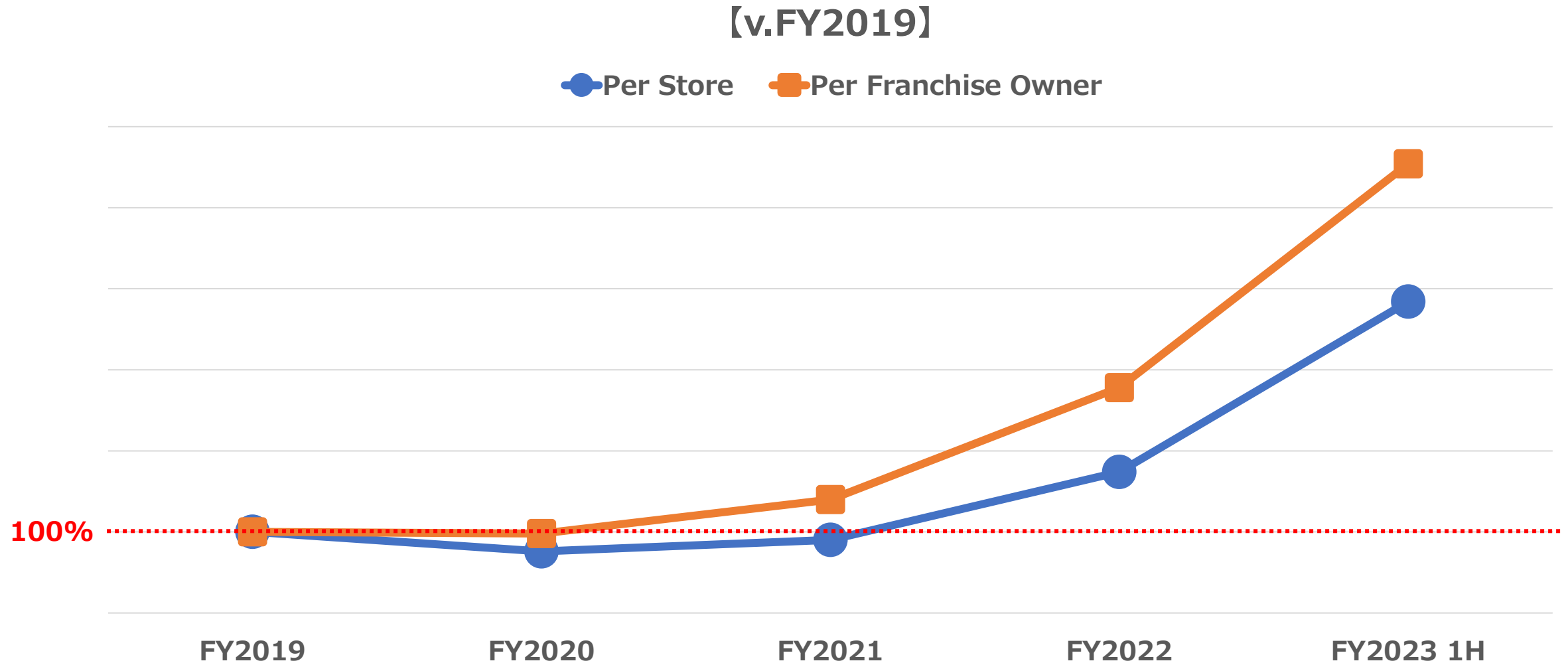


Kyushu Company

Showcasing attractive ingredients and food culture from each prefecture. Launched collaborative popular local products



- Franchise store profits increased on daily sales growth and appropriate cost controls

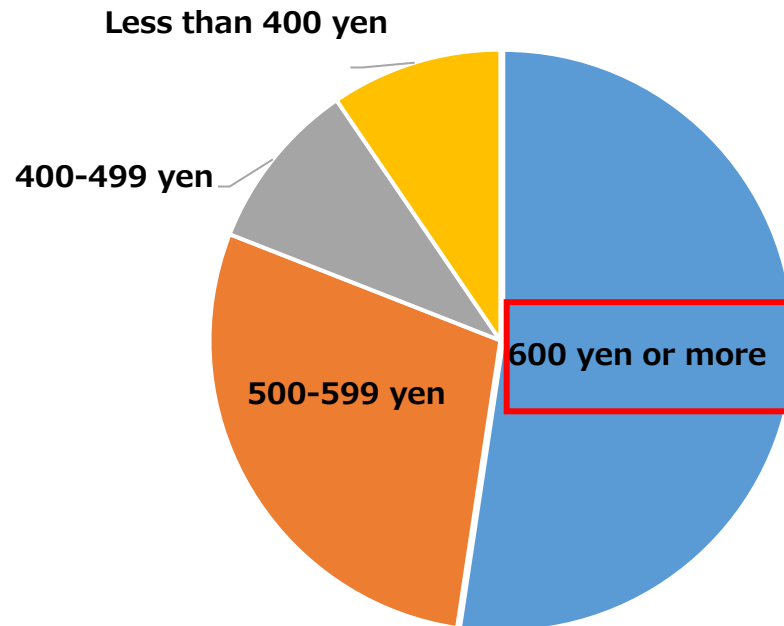


- Maintained existing pricing policy and pursued flexible response in light of polarized consumption and market conditions

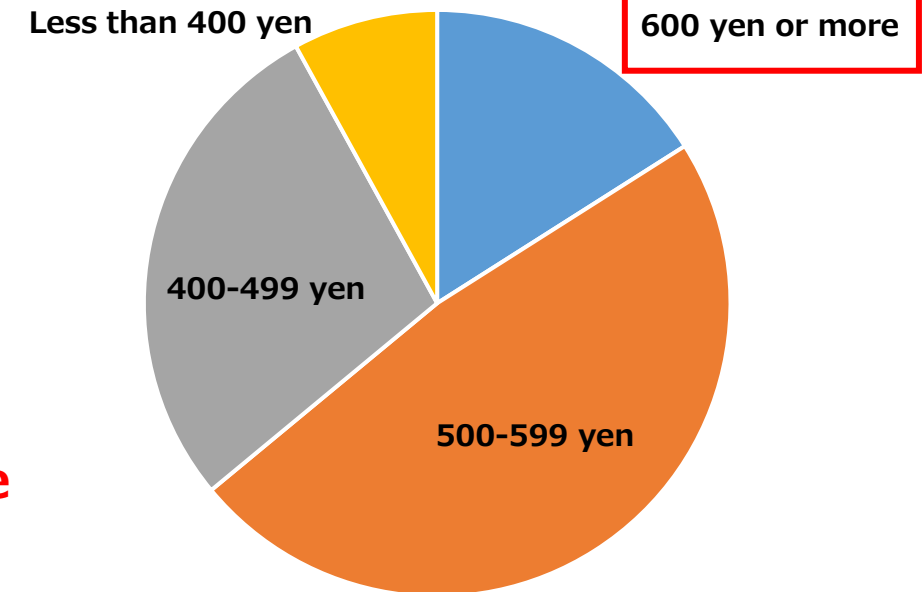
<p><b>Pricing policy</b></p>	<p><b>Timely response in light of market environment</b></p> <ul style="list-style-type: none"> <li>● Original products: Add value and price appropriately</li> <li>● Basic daily items: Control prices to maintain price competitiveness</li> </ul>
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## Changes in SKU ratio by lunchbox price range

2023 Spring/Summer



2023 Autumn



**Flexibly change price points by category**

## ■ Attracting customers through attractive promotions and stronger digital approach



### Mass communication

#### Attract customers through enhanced HLP

- Enhance announcements on Machikado Chubu in-store kitchen products
- Implement optimal promotional measures for each category

#### Expand customer base through attractive promotions

- Increase number of popular FY2022 measures
- Develop region-specific promotions



### Digital communication

#### Social media-driven generational approach

- Use social media to suit generational demographics
- Utilize suitable digital media for target products and promotional measures

#### Boost store visits using members-only app

- Enhance measures that appeal to specific demographics
- Develop new features for easy app use

- Address social and environmental issues by improving distribution efficiency. Expand delivery to create new purchasing scenarios

## Shift to 2 chilled/temperature-controlled deliveries



### Aim

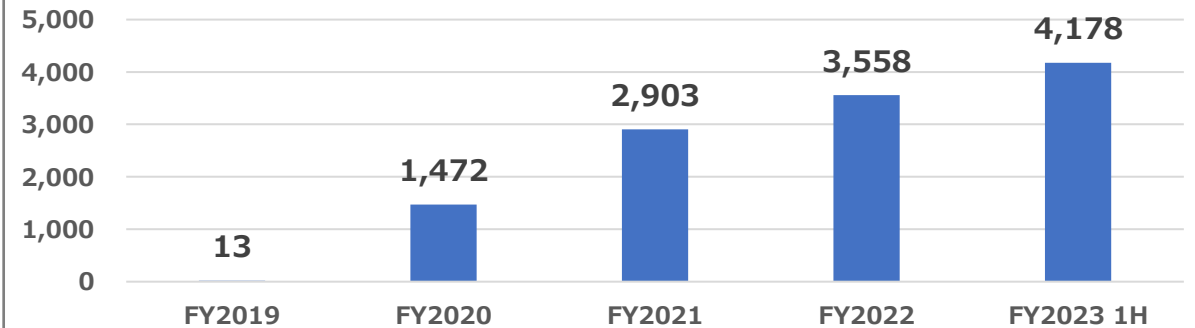
- ✓ Address Work Style Reform Act as it relates to delivery drivers
- ✓ Reduce CO<sub>2</sub> emissions and control costs

### Initiatives and impact

- ✓ Gradually change number of deliveries to stores of chilled and temperature-controlled products such as lunch boxes, noodles, deli items, and sandwiches from December 2023.
- ✓ Expect to reduce CO<sub>2</sub> emissions relating to store delivery by approximately 8%

## Expand deliveries

The number of stores offering food delivery services



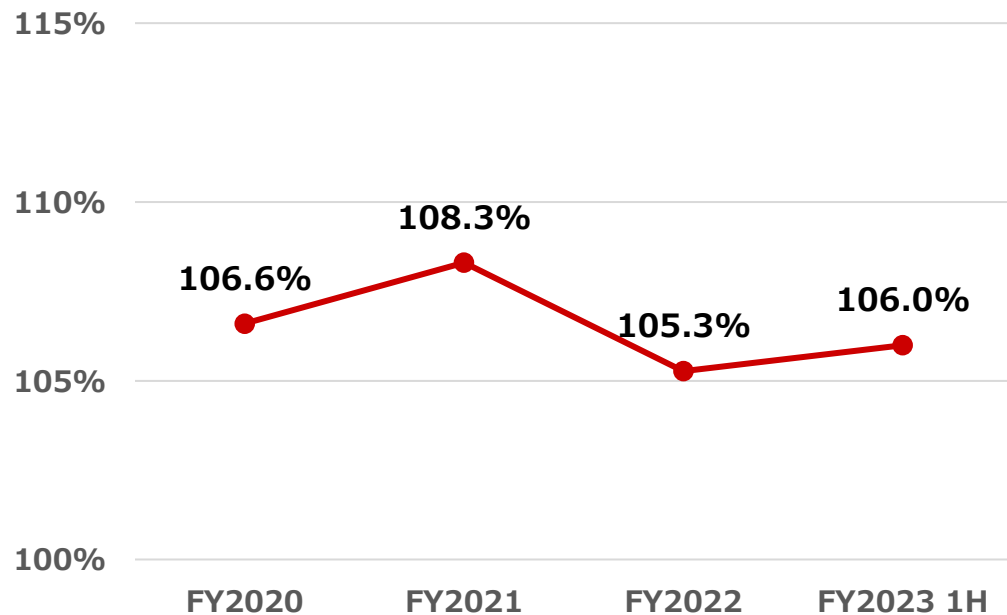
### Initiatives to promote the world's fastest quick commerce 2024 Spring

- ✓ Built a framework to better reflect the number of products in stock in real time by linking delivery platform companies with our own company systems
- ✓ Increase the number of products we handle from 700 to 3,000

## Seijo Ishii

<Segment profit>  
**5.8 billion yen** (YoY -0.3 billion yen)

Existing-stores sales (v.FY2019)



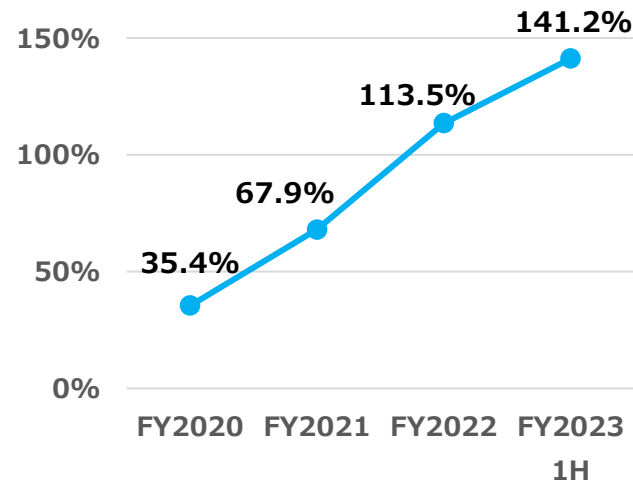
Sales at stores housed in office buildings grew and sales of daily foodstuffs and deli items made in our own Central Kitchen remained strong. Operating income held steady YoY.

## Entertainment-related

<Segment profit>  
**3.8 billion yen** (YoY +0.7 billion yen)

### Lawson Entertainment

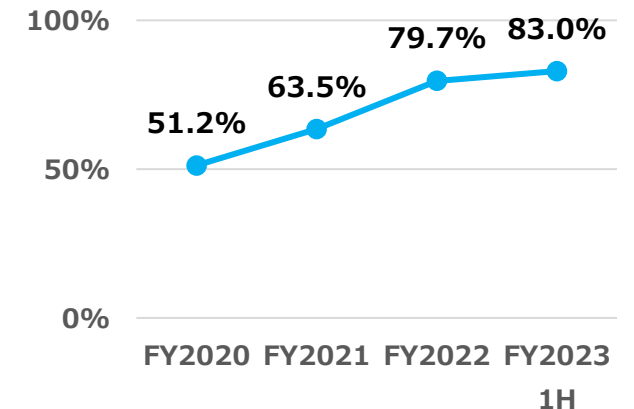
Ticket Sales (v.FY2019)



More vigorous activity on holding of more concerts and other physical events. Ticket sales exceeded FY2019 levels.

### United Cinemas

Customer Attendance (v.FY2019)



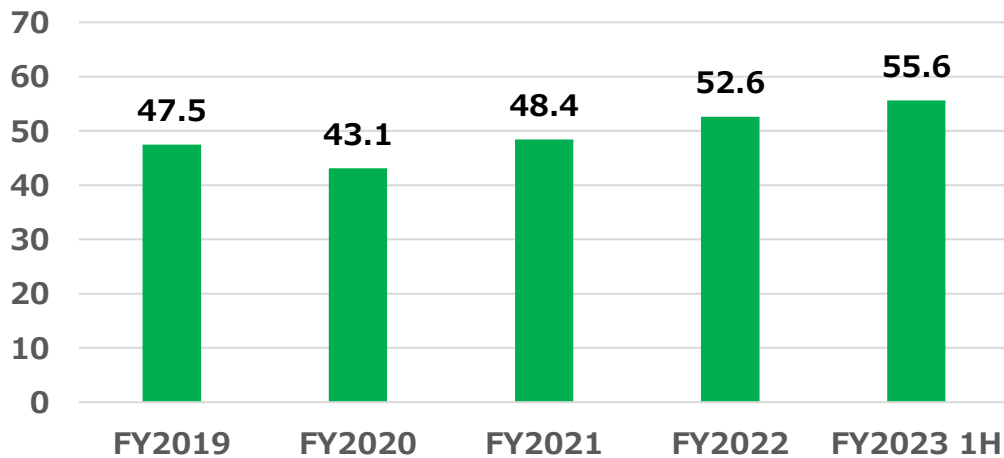
Audience numbers increased steadily YoY thanks to the release of topical films with the power to attract viewers.

## Financial services

<Segment profit>

**1.6 billion yen** (YoY -0.3 billion yen)

Average number of ATMs used  
(Per machine per day)



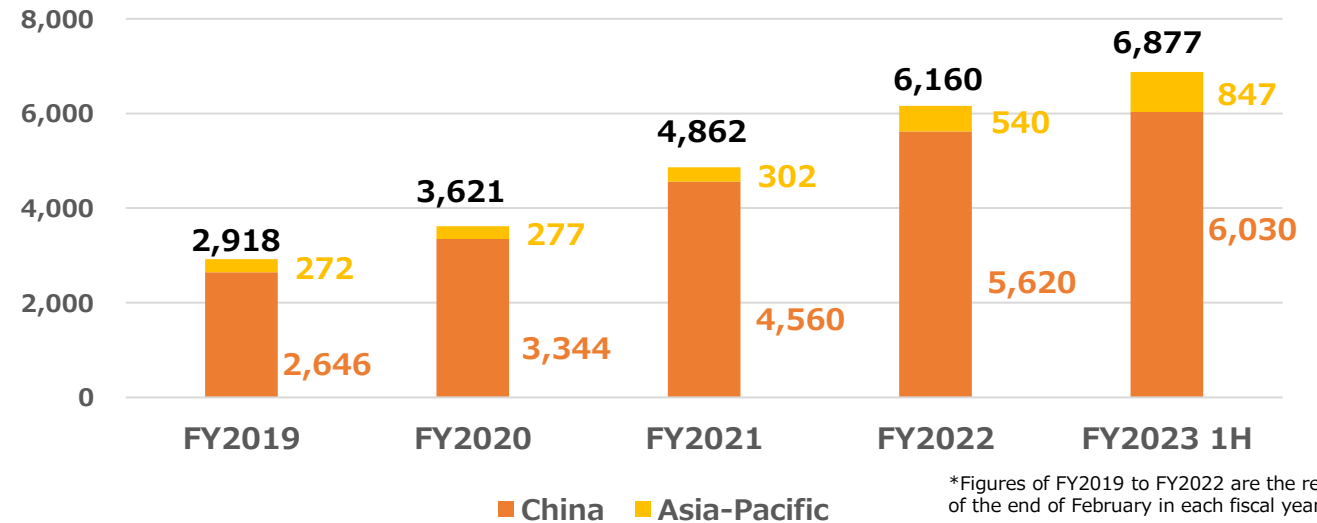
Average daily ATM usage increased due the expansion of affiliated financial partners in the ATM business (389 companies, +5 compared to the end of FY2022) and higher charges for cashless payment app. However, profit declined on higher maintenance costs.

## Overseas

<Segment profit>

**1.6 billion yen** (YoY +5.5 billion yen)

Number of stores



\*Figures of FY2019 to FY2022 are the results of the end of February in each fiscal year

Number of China stores exceeded 6,000 in August. Total overseas stores: 6,877. Despite varying pace of regional recovery, daily sales recovered and profit increased as demand rebounded following the previous year's lockdown in Shanghai and other cities and large-scale restrictions on movement, as well as our efforts to improvement store displays.

# FY2023 1H Consolidated financial results

LAWSON

Unit : Billions of yen

	FY2022		FY2023	
	1 H (Results)	Full year (Results)	1 H (Results)	Full year (Plan)
Core operating profit	<b>36.4</b>	<b>64.3</b>	<b>53.0</b> (YoY 145.8%)	<b>85.0</b> (YoY 132.2%)
Profit	<b>20.4</b>	<b>29.7</b>	<b>32.4</b> (YoY 158.3%)	<b>47.0</b> (YoY 158.2%)

	FY2022		FY2023	
	Results		Initial Plan	Revised Plan
Dividends per share		<b>150 yen</b>	<b>200 yen</b>	<b>235 yen</b>

- **FY2023 1H (Non-consolidated) excluding LAWSON STORE100 business**  
**Existing-stores sales YoY 105.7%\*1**  
**Opening 130/Closure 142/Total number of stores 14,619\*2**

\*1 These figures are sums of total LAWSON and NATURAL LAWSON operated by Lawson, Inc. Existing-store sales do not include the impact of tickets, etc.

\*2 The number of stores is a total number of stores operated by the Lawson group.

# Initiatives for ESG



# Lawson Blue Challenge 2050 !



50<sup>th</sup> anniversary      SDGs targets      Environmental vision      **Lawson Blue Challenge 2050 !**  
 —Save our blue planet!—

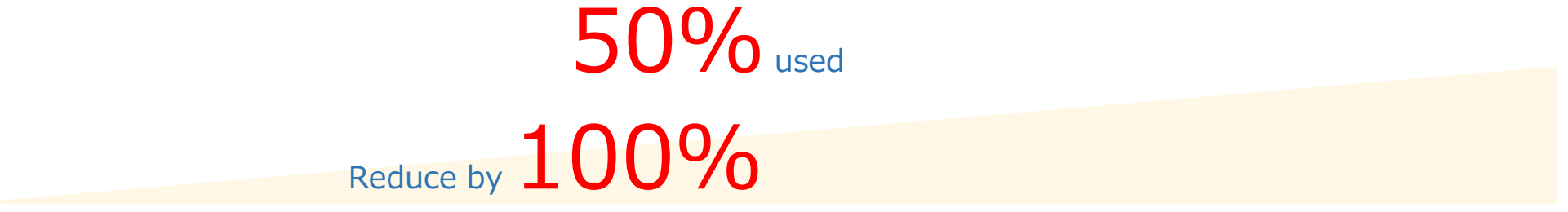
**Reducing CO2 emissions**  
 CO2 emissions per store



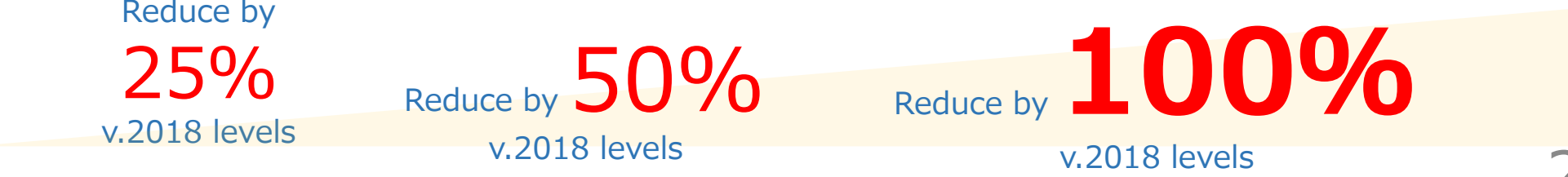
**Reducing plastic use**  
 ※Reducing plastic containers and packaging use



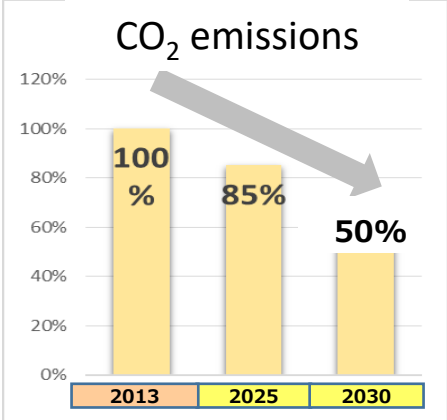
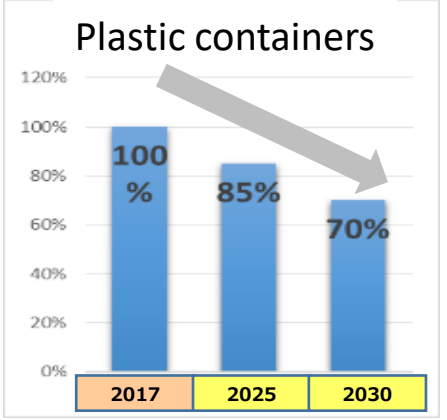
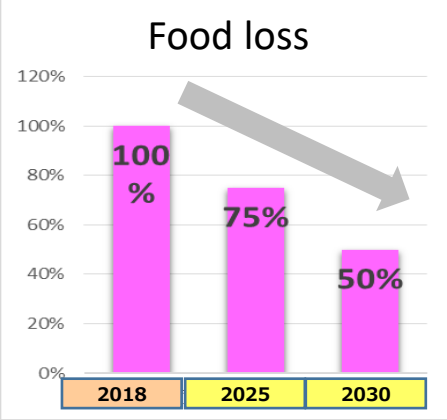
**Reducing plastic use**  
 Reducing plastic shopping bags use



**Reducing food loss**  
 food loss per store



# Progress toward 2030 targets for environmental initiatives

2030 target	CO <sub>2</sub> emissions per store v.2013 Reduction of <b>50%</b>	Plastic use v.2017 Reduction of <b>30%</b>	Food Loss v.2018 Reduction of <b>50%</b>																								
2022 results	Reduction of <b>30.6%</b>	Reduction of <b>25.1%</b>	Reduction of <b>23.1%</b>																								
KPI	 <p>CO<sub>2</sub> emissions</p> <table border="1"> <tr><th>Year</th><th>Target</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	Target	2013	100%	2025	85%	2030	50%	 <p>Plastic containers</p> <table border="1"> <tr><th>Year</th><th>Target</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	Target	2017	100%	2025	85%	2030	70%	 <p>Food loss</p> <table border="1"> <tr><th>Year</th><th>Target</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	Target	2018	100%	2025	75%	2030	50%
Year	Target																										
2013	100%																										
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2030	70%																										
Year	Target																										
2018	100%																										
2025	75%																										
2030	50%																										
Initiatives	<p><u>New Initiatives</u></p> <ul style="list-style-type: none"> <li>• Trial of energy-saving model</li> <li>• Sequential introduction of open display cases with doors</li> <li>• Pursue 10 energy-saving commitments</li> <li>• Introduce energy-saving equipment in stores that use large amounts of energy</li> </ul> <p><u>Ongoing Initiatives</u></p> <ul style="list-style-type: none"> <li>• Introduce energy-saving equipment through the life-cycle renovations</li> </ul>	<p><u>New Initiatives</u></p> <ul style="list-style-type: none"> <li>• Trial charging for cutlery (in collaboration with Ministry of Economy, Trade and Industry)</li> <li>• Trial introduction of reusable cups</li> <li>• Trial fast food sale using customer's own containers</li> </ul> <p><u>Ongoing Initiatives</u></p> <ul style="list-style-type: none"> <li>• Changing/simplifying shape of containers and packaging</li> <li>• Switch to environment-conscious materials (biomass compounds, paper lunchbox containers, etc.)</li> </ul>	<p><u>New Initiatives</u></p> <ul style="list-style-type: none"> <li>• Trial uses of expired products (Donating fast food using quick freezing technology)</li> <li>• Donating seasonal products at the end of the season.</li> </ul> <p><u>Ongoing Initiatives</u></p> <ul style="list-style-type: none"> <li>• Using AI to improve order accuracy</li> <li>• Thorough pursuit of sell-out operations</li> </ul>																								

## Reducing food loss

### Trial sales of 6 “frozen rice balls”

- Verify reduction in food waste
- Verify distribution efficiency improvements through frozen food distribution

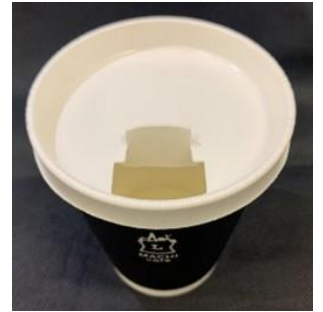


Sold in freezer display case

## Reducing plastic use

### Trial of using paper lid to new MACHI café coffee lid at Green Lawson

- First hot coffee trial
- Reduce amount of plastic used in each cup from 2.1g to 0.3g



Hot coffee (s)

## Reducing CO<sub>2</sub> emissions

### Introduce hydrogen fuel cell light trucks for the first time

- Introducing in Fukushima and Tokyo distribution centers
- Plan to sequentially expand product delivery area



Fuel cell light truck

### Trial environment-conscious stores

- Refurbish by installing refrigerated showcases with doors
- Installation of solar panels



Refrigerator display case with doors

# Appendix

- Changed dividend policy in FY2019 to strengthen franchise owner support
- Strengthened FC support from FY2020 to promote FC profit-focused management
- Head office and FC profitability improved through measures designed by our LGSTEC, etc.
- Strengthen shareholder returns by aiming for EPS of 500 yen and ROE of 15%

## <Dividends for the next 3 years>

	Dividends per share	Payout ratio (consolidated)
<b>FY2023</b>	Minimum 200 yen	Target 50%
<b>FY2024</b>	Minimum 225 yen	
<b>FY2025</b>	Minimum 250 yen	

Set a cumulative total payout ratio target for FY2023 to FY2025 of 70%, and consider agile and flexible additional returns

## **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.