Q&As at the Financial Results Briefing for FY2023 1H of Lawson, Inc.	
Date	October 16, 2023, Monday, 10:00–11:30
Attendees	Sadanobu Takemasu, President and CEO, Representative Director, Chairman of the Board Masayuki Itonaga, 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: It seems that you are reaping the benefits of various measures in the current business year. What will be the key drivers of growth in FY2024?

A: In FY2024, we will focus first on deliveries and the introduction of our new semi-automatic ordering system. On deliveries, we will be able to check in-store inventory in real time following system improvements next spring so we can eradicate product shortages and increase customer convenience. We will seek to boost sales by increasing marketing spend around that time. Next, we will focus on our semi-automatic next-generation ordering system that will be introduced in earnest from May 2024. The system has already proved effective in preliminary trials in Tohoku region and the Tokyo area and we are currently pressing ahead with in-store training. We will continue to implement marketing measures such as our HAPPY LAWSON PROJECT. We will also pursue further cost controls. In addition to changing the deliveries of chilled and temperature-controlled items to twice a day in December, we are aiming to reduce electricity costs by conducting trials at our model environment-conscious stores that have refrigerated display cases with doors. We will also try to reduce SG&A expenses while continuing to support wage increases under personnel costs.

Q: What is your view on future store openings?

A: The COVID-19 pandemic has changed customer lifestyles and social values. The way people use convenience stores is also changing, so I think this will create opportunities to open new stores in residential and suburban locations. Furthermore, each area company is beginning to grasp local needs in a much more accurate and detailed fashion, so we want to steadily increase store numbers while also relocating stores where necessary.

Q: The difference between the actual first-half core operating profit result and the expected figure at the beginning of the period is 18.5 billion yen, 5.5 billion yen of which is reported under “Others” items. Can you explain the “Others”? Also, in your newly revised plan, you are predicting an increase in profit of 18.0 billion yen compared to a 21.0 billion yen increase for core operating profit. Why is the net profit figure so good?

A: The Others column includes adjustments for different accounting periods at consolidated subsidiaries in China that have different accounting dates, the recording of property taxes in the first quarter, and a reduction in depreciation costs associated with the application of deemed costs. The impact of those taxes on fixed assets will be offset across the full business year. Regarding the profit figure under the revised plan, we expect non-consolidated extraordinary income to improve compared to our initial plan thanks primarily to strong daily sales.

Q: Your results seem to be improving and the area company system and other measures seem to be generating a positive growth cycle. If that is the case, surely you can expect to efficiently improve top line performance without spending so much money on initiatives such as supporting product lineups and the HAPPY LAWSON PROJECT.

A: We are focusing on daily sales for the month of October as an indicator of our current success. Daily sales were progressing favorably as of the middle of the month. Going forward, instead of making large investments in store renovations, etc., we will focus on the breadth of our product lineup by thoroughly pursuing the three QSC strengths, on inventory volumes, strengthening product appeal, and implementing marketing measures. We are prepared to invest in providing good products to strengthen product appeal in particular. It is also important to manufacture good products uniformly across the country and to provide them for an appropriate cost, so we want to cooperate with vendors on this point.

Q: What differences have you noticed between the Hokkaido and Kinki areas, where you have already introduced your new area company system, and other areas?

A: The Hokkaido area, Kinki area, and Shutoken area are performing particularly strongly, and other areas have been picking up since the summer. Business execution has improved since we started assigning the president of each company closer to the field and getting each company president to exploit their areas of expertise in their quest to become the most recommended brand.

Q: How much of a difference is there in the management capabilities of different franchise owners?

A: There are still some discrepancies in skill levels, so we are taking measures to address that through our franchise model reform project. According to our analysis, one of the reasons for this discrepancy is that, after having opened large numbers of stores in the past, some owners are managing stores that do not match their values or management capabilities. We want to raise the overall level of Lawson stores through discussions with owners that will help identify the appropriate number of stores to suit their management capabilities, and by changing our store management structure to ensure owners are satisfied.

Q: Can you tell us your latest thinking on potential synergies between your domestic convenience store business and other businesses? Also, can you tell us about any points of concern or response to your overseas business?

A: As our core Domestic Convenience Store business grows stronger, we will be able to provide higher added value to content holders when collaborating in the entertainment field. We believe any increase in customer visits to our stores will create synergy benefits for our Financial Services business because it will help boost ATM usage. As for our Seijo Ishii business, we are working together on group purchasing, and there are other areas where we could cooperate as the same retailer to help address logistical issues, labor shortages, and other problems. In our Overseas business, we aim to have opened 10,000 stores in China by 2025. We will consider developing stores ourselves and increasing store numbers through M&A. While we are seeing some regional differences, daily sales in Shanghai and Beijing have recovered quickly and convenience stores are again proving fairly resistant to any economic downturn. From a business portfolio perspective, we aim to utilize our amassed expertise and expand store numbers in the Asia Pacific region and enhance its presence in our business.

End of document