FY2021 Consumer Industry Group Business Segment IR Meeting: Q&A

【Date】	Wednesday, December 8, 2021
	15:30〜17:00
【Attendees】	Group CEO, Division COO, Retail Div.　　Kiyotaka Kikuchi
	General Manager, Group CEO Office　　Shigeo Matsunaga
	General Manager, Group　　Yoshio Takahashi
	Administration Dept.
	Division COO, Apparel & S.P.A. Div.　　Taku Ozawa
	Division COO, Healthcare Div.　　Katsutoshi Kitaura
	Division COO, Logistics & Food　　Wataru Kato
	Distribution Div.
	General Manager, Head of Investor　　Tatsuhiko Terada
	Relations

＜Q&A＞

Q. What synergy effects have you seen since making Lawson a subsidiary? As parent company, how will you support the strengthening of Lawson's business in China?

A.

● Since making Lawson a subsidiary, we have achieved a synergy effect of several billions of yen, thanks to the stronger relationship with Group companies such as Mitsubishi Shokuhin, and the entire value chain being optimized, with the consolidation of procurement as well as operational improvements.

● We are supporting Lawson's China business in its personnel, as well as mainly in the supply chain, such as the procurement of merchandise and materials, and in building the IT infrastructure. Going forward, we will also consider collaborating in the area of digitalization.

Q. In the China business, are you not expecting any synergies with your existing businesses, such as the MC Group providing products and merchandise it handles to Lawson?

A.

- There are certain businesses, such as perishable foods and the production and sale of delicatessen, where we can contribute to Lawson's business. However, it will be Lawson itself that proactively develops and sells products suitable for each region.

Q. How much earnings contribution are you expecting from each of your DX initiatives? What is the expected timeline?

A.

- The overall contribution to our earnings from the DX initiatives outlined today is expected to be 7-10 billion yen in consolidated net profit (after tax). The timeline depends on the progress of each project, but we are assuming it to be in 3-4 years from now.

Q. What will drive the growth in profit from your FY2021 forecast of 19 billion yen to the mid-term target?

A.

- The main drivers of profit growth will be the strengthening of the Lawson business, the overseas retail business, and the positive effect from DX.

Q. How will you grow the Lawson business from here? Since making it a subsidiary, Lawson's performance has been subdued. Please explain the roadmap to, as well as the probability of, achieving the target towards FY2025 (ROE of 15%/EPS of 500 yen or above) on page 8 of the presentation.

A.

- In the past, even when the performance was on a downward trend, the daily sales of each Lawson store have trended solidly, without significant declines, except for FY2020 when there was the impact from Covid-19.

- The weak performance is due to the booking of extraordinary losses in relation to stores for which the profitability worsened, as well as higher rents etc. due to excessive competition for new store openings.

- In terms of the future outlook, we expect daily sales to recover to pre-Covid levels, a decline in extraordinary losses from impairments of unprofitable stores etc. (due to improvements in daily sales and a review of the new store opening strategy), and with the strengthening of the China business as well as the effect of DX initiatives, we are expecting to achieve the FY2025 targets.

Q. How much profit is being generated by Lawson's China business, and what is the outlook towards FY2025?

A.

- Lawson's China business finally turned profitable in FY2020, after around 20 years, when the number of stores surpassed 3,000.

- Going forward, we expect further growth in earnings, as the number of stores increases towards the 10,000 target in FY2025.

Q. In FY2025, should we assume the business in each of the regions of China (Shanghai, Chongqing and Liaoning) to be profitable?

A.

- Yes. Although the level of daily sales and the cost structure differ by region, most of regions that are already profitable.