Summary of Results for FY2012

Lawson, Inc.

April 11, 2013

Financial Results for FY2012

Katsuyuki Imada
Chief Financial Officer

FY2012 Earnings Summary

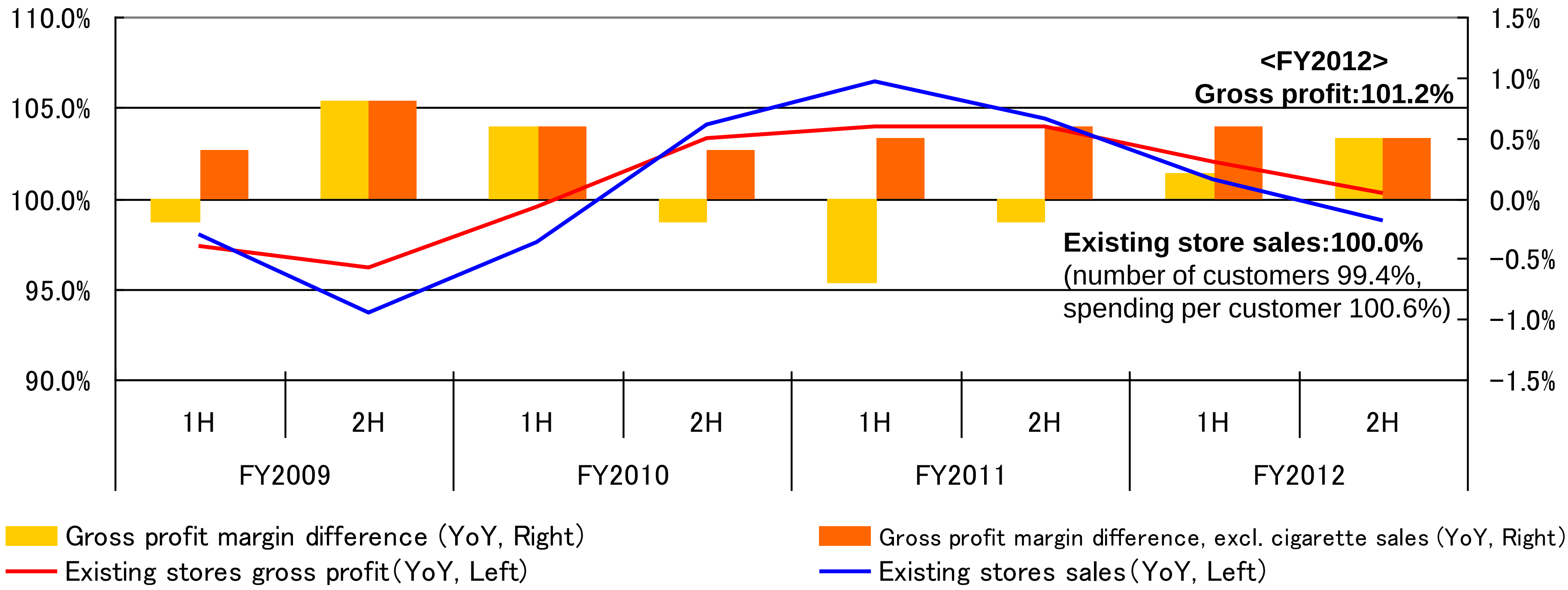
LAWSON

(Consolidated：Billions of yen)	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2012 YoY	FY2012 vs. Plan
Net sales of all stores	1,682.8	1,825.8	**1,906.5**	104.4%	97.8%
Operating profit	55.5	61.7	**66.2**	107.2%	100.4%
Operating profit ratio	3.3%	3.4%	**3.5%**	+0.1%P	+0.1%P
Recurring profit	54.5	61.7	**65.9**	106.8%	101.3%
Net profit	25.3	24.8	**33.1**	133.3%	99.3%
EPS (Yen)	254.61	249.17	**332.20**	133.3%	99.3%
Dividend per share (Yen)	170	180	**200**	+20	-
ROE	12.8%	12.0%	**15.2%**	+3.2%P	▲0.1%P
Total no. of stores in Japan	9,994	10,457	**11,130**	+673	+83

Note: Change vs. the plan indicates comparison with the plan announced at the second quarter of FY2012.

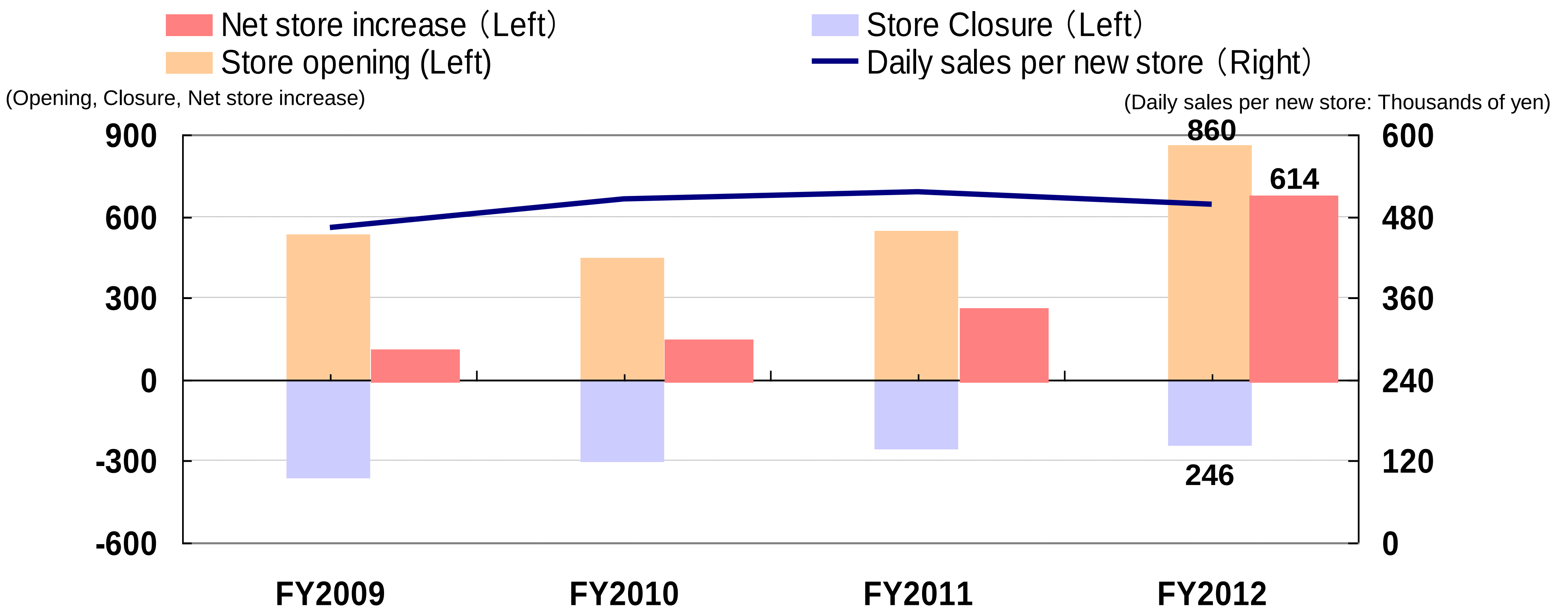
- **Consolidated operating profit exceeded the plan by 0.2 billion yen, and increased by 7.2% yoy.**
  Expanded sales of over-the-counter fast foods and better markup for beverage and processed foods raised gross profit margin.
- **Consolidated net profit was less than the target by approx. 0.2 billion yen but greatly exceeded yoy by 33.3%.**
  In addition to increasing operating profit, extraordinary loss decreased in the absence of asset retirement obligations which was accompanied by accounting system change and loss due to the disaster in FY2011.

Existing Stores (Non-Consolidated)



- Existing store sales stayed 100% yoy despite a drop in cigarette sales (decrease approx. 1.0 percentage points), thanks to strong sales of over-the-counter fast foods with higher gross profit margin as well as delicatessen items and perishable foods enhanced to expand the customer base for women and seniors.
- Overall gross profit margin increased by 0.4pp yoy thanks to favorable sales in over-the-counter fast foods, processed foods and soft drinks. Excluding cigarettes, it reached 0.5pp increase yoy.
- As a result, existing store gross profit amounted to 101.2% yoy, exceeding the previous year.

Store Opening (Non-Consolidated)



- Store opening proceeded basically as planed. (Net increase in stores and store opening in FY2012 includes approximately 120 stores in CVS Bay Area with renovated signs.)
- 64 less stores closed than planned thanks to leveraging the improvement of franchise owners' profitability as well as expansion of MO (Management Owner) system.
- Daily sales per new store decreased slightly yoy.
- Plan for FY2013 (Non-consolidated): 800 new openings, 400 closures to bring 400 net increase in stores.

Key Components of SG&A Expenses

LAWSON

(Billions of yen)		FY2011 Actual	FY2012 Actual	FY2012 Change	FY2013 Forecast
Non-consolidated	Selling, general & administrative expens	188.1	198.7	+10.5	Increase 5-10%
	＜Major Strategic Expenses＞				
	Personnel expenses	35.8	34.9	▲ 0.9	Increase 0-5%
	IT-related expenses	15.7	15.1	▲ 0.6	Increase 10-15%
	(Hardware leasing, software amortization, maintenance, etc.)				
	Advertising and promotional expenses	11.1	10.6	▲ 0.4	Increase 10-15%
Consolidated SG&A expenses		260.9	276.3	+15.3	Increase 5-10%

Compared to Fiscal 2011

Non-consolidated

- Advertising and promotional expenses were raised by accepting co-sponsorship with SCI, our SCM-specialized subsidiary. (excl. this co-sponsorship, it increased substantially +16% yoy)
- Net increase in stores as well as store remodeling expense, etc. also raised the expenses.

Consolidated

- Enhancement of ticket sales of Lawson HMV Entertainment raised the expenses for advertisement and promotions.
- Shanghai Hualian Lawson which was turned into a consolidated subsidiary in 4Q in FY2011 contributed for the significant increase from the previous year.

Compared to Plan

Non-consolidated

2.5 billion yen less than planned

- Advertising and promotional expenses were raised due to co-sponsorship with SCI, as mentioned on the left.

Consolidated

2.6 billion yen less than planned

- Less openings overseas and decrease in personnel expenses
- Cost reduction and less new store openings of Ninety-nine Plus contributed to the decrease.

Earnings of Major Subsidiaries

LAWSON

(Billions of yen)

＜Operating Profit of Major Subsidiaries＞

			FY2012		FY2013
	FY-end	Ownership	Actual	YoY change	Forecast
Ninety-nine Plus, Inc.	Feb.	100.0%	2.08	+0.20	2.90
Lawson HMV Entertainment, Inc.	Feb.	100.0%	2.44	+0.79	2.80
Chongqing Lawson, Inc.	Dec.	100.0%	▲ 0.67	▲ 0.42	▲ 0.80
Shanghai Hualian Lawson, Inc.	Dec.	85.0%	▲ 0.57	▲ 0.29	▲ 1.10
Lawson ATM Networks, Inc.	Feb.	76.5%	4.75	+1.11	5.40
Smart Kitchen, Inc.	Feb.	51.0%	▲ 0.27	▲ 0.27	▲ 1.10

Ninety-nine Plus, Inc.	Operating profit grew thanks to growth of gross profit margin and reduction of cost. Steady progress in conversion to franchise stores are in progress.
Lawson HMV Entertainment, Inc.	Achieved profit increase with favorable ticket sales including big events thanks to enhancement in the entertainment business.
Subsidiaries in China	Profit decrease was due to China's unfavorable economic climate as well as upfront investments for building consumer recognition.
Lawson ATM Networks, Inc.	Profit increased due to increased number of transactions and ATM installation in line with net growth in number of stores. Cost control also contributed.

Cash Flows and Capital Expenditures (Consolidated)

● Consolidated Capital Expenditures

(Billions of yen)

	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Plan
New stores	13.6	21.5	33.1	33.5
Existing stores	8.9	10.2	8.7	15.0
IT-related	7.4	7.7	5.9	7.5
Other	1.0	0.6	3.2	5.0
Subtotal for capital expenditures	31.0	40.2	51.0	61.0
Depreciation and amortization	33.0	37.8	43.8	49.8

● Consolidated Cash flows

	FY2010 Actual	FY2011 Actual	FY2012 Actual	FY2013 Forecast
Cash flows from operating activities	72.2	86.3	85.1	Approx. 85.0
Cash flows from investing activities	▲ 30.5	▲ 52.9	▲ 54.1	Approx. ▲65.0
Free cash flows	41.6	33.4	30.9	Approx. 20.0
Cash flows from financing activities	▲ 28.7	▲ 27.5	▲ 31.9	Approx. ▲35.0
(Cash dividends paid)	▲ 16.4	▲ 17.1	▲ 19.2	▲ 20.5
Cash and cash equivalents at end of period	67.7	73.6	72.7	–

Cash flows from investing activities increased in FY2013 because of enhancement of existing stores.

FY2013 Company Forecast (Consolidated)

LAWSON

(Billions of yen)	Actual	Actual	Plan	YoY
Net sales of all stores	1,825.8	1,906.5	2,022.0	106.1%
Operating profit	61.7	66.2	70.0	105.7%
Operating profit ratio	3.4%	3.5%	**3.5%**	0.0%P
Recurring profit	61.7	65.9	68.4	103.8%
Net profit	24.8	33.1	35.9	108.2%
EPS（Yen）	249.17	332.20	359.38	108.2%
Dividend per share (Yen)	180	200	210	+10
ROE	12.0%	15.2%	15.3%	+0.1%P
Total no. of stores in Japan	10,457	11,130	11,550	+420

(Non-consolidated)

Gross profit at existing stores (YoY)	104.0%	101.2%	101.5%	+0.3%P
Net sales at existing stores (YoY)	105.4%	100.0%	100.0%	0.0%P
Gross profit margin ratio	30.1%	30.5%	31.0%	+0.5%P
Gross profit margin difference excl. cigarette sales (YoY)	+0.5%P	+0.5%P	+0.5%P	0.0%P

- For 11 consecutive years we have continuously grown operating profit and in FY2013, we plan to continue growth in overall convenience store business in Japan despite upfront investments in overseas operation and home convenience business.
- ROE target in FY2013 is 15.3%.

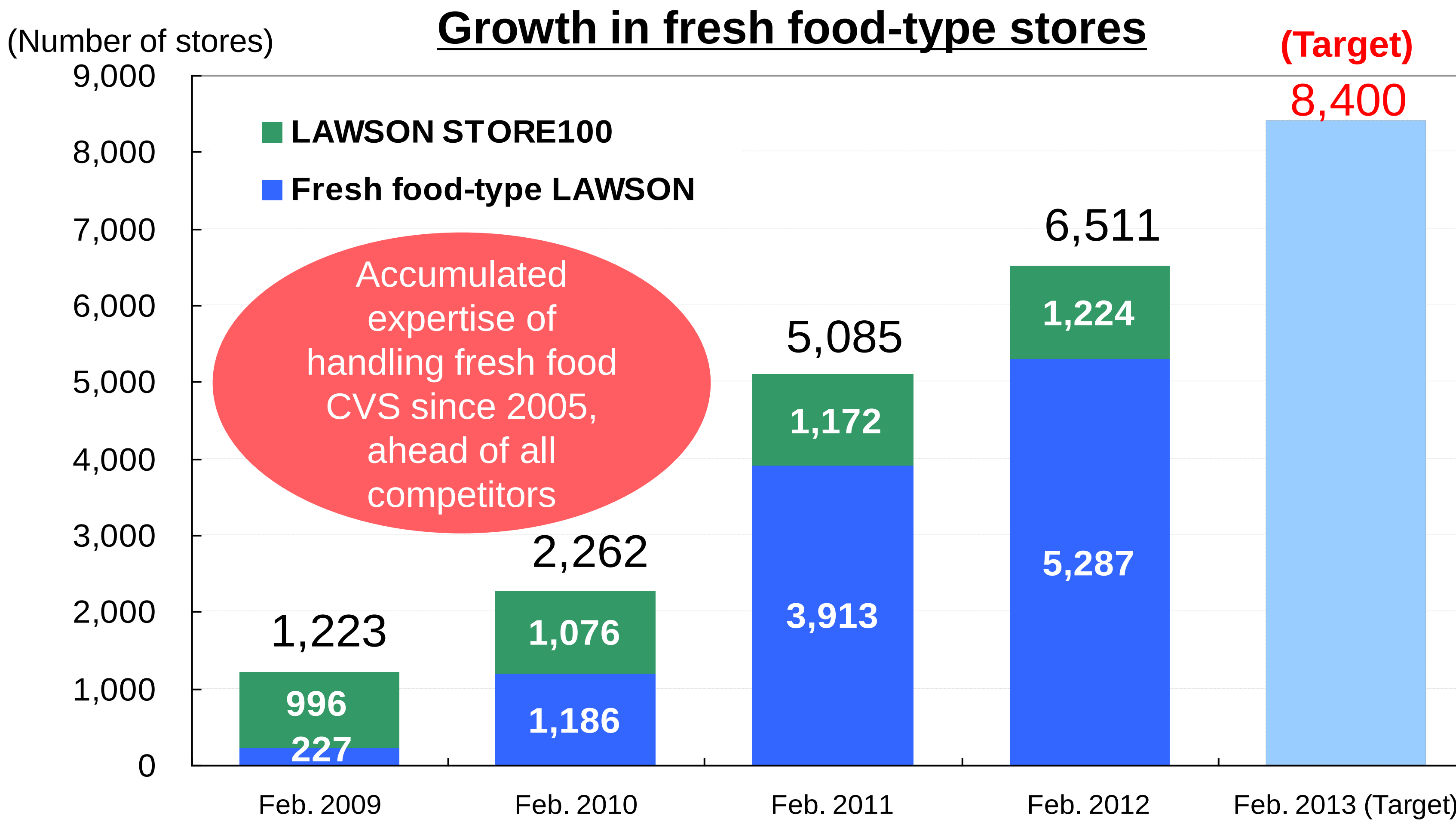
Operating Strategy of Lawson

Genichi Tamatsuka
Chief Operating Officer

Topics

- Expanding customer base - action and progress
  - Fresh food-type convenience store
  - MACHI café
- Enhance Customer Relationship Management (CRM) and Supply Chain Management (SCM)
  - Loyalty program, Ponta card data utilization
  - SCM reform
- Progress for improvement of gross profit margin
- Investments in overseas operation

Enhance Image of LAWSON as Fresh food-type CVS

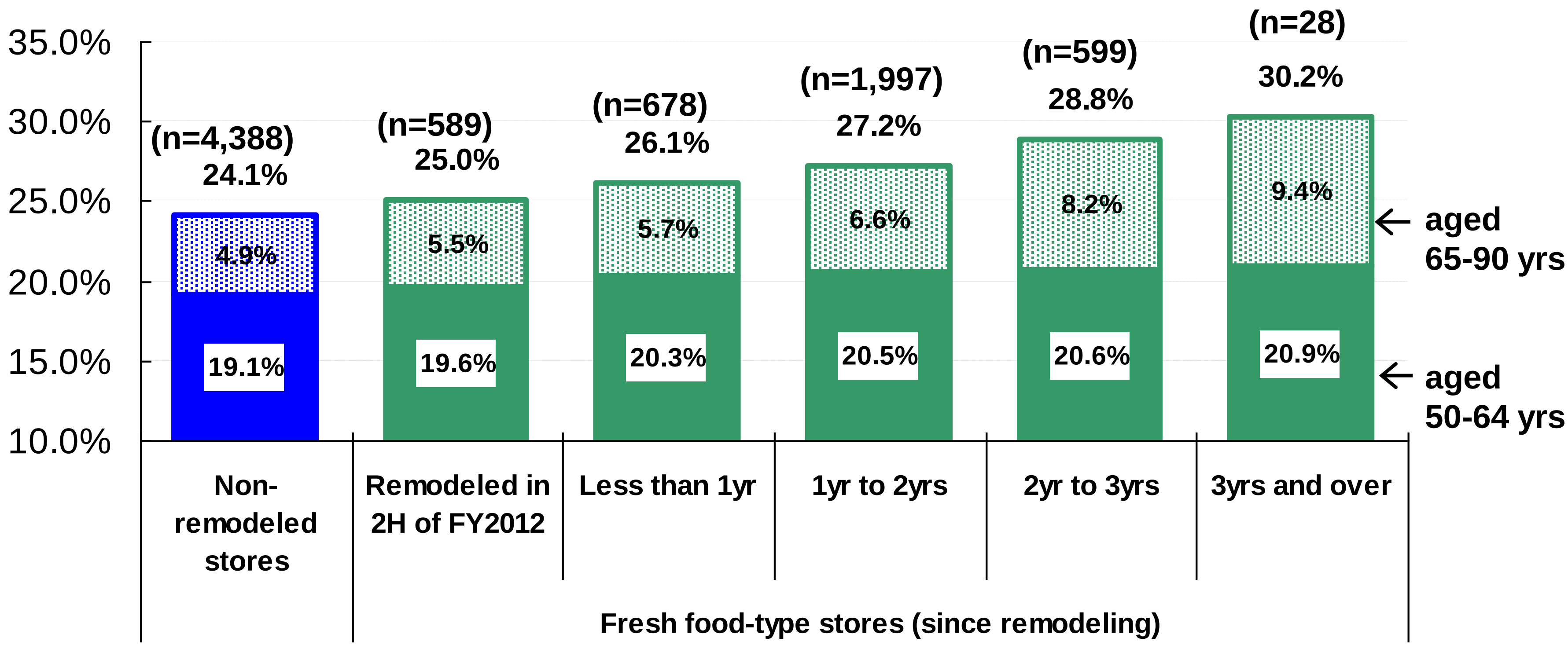


Note: The number of LAWSON STORE100 stores includes the former SHOP99 stores. The number of fresh food-type LAWSON stores at the end of fiscal 2011 includes those with three rows of shelves in addition to the former hybrid type (with one line of gondola shelving.)

A year-on-year increase for fresh food-type CVS exceeded 1,400 in FY2012

Attract More Customers

Ratio of senior customers in FY2012
(based on average purchase amount by store)



Note: Based on the percentage of seniors in Ponta card customers' purchase amount, the total amount of purchase at 8,775 stores which existed as of Feb. 2012.)

Steadily expanding customer base
after remodeling to fresh-foods type convenience stores

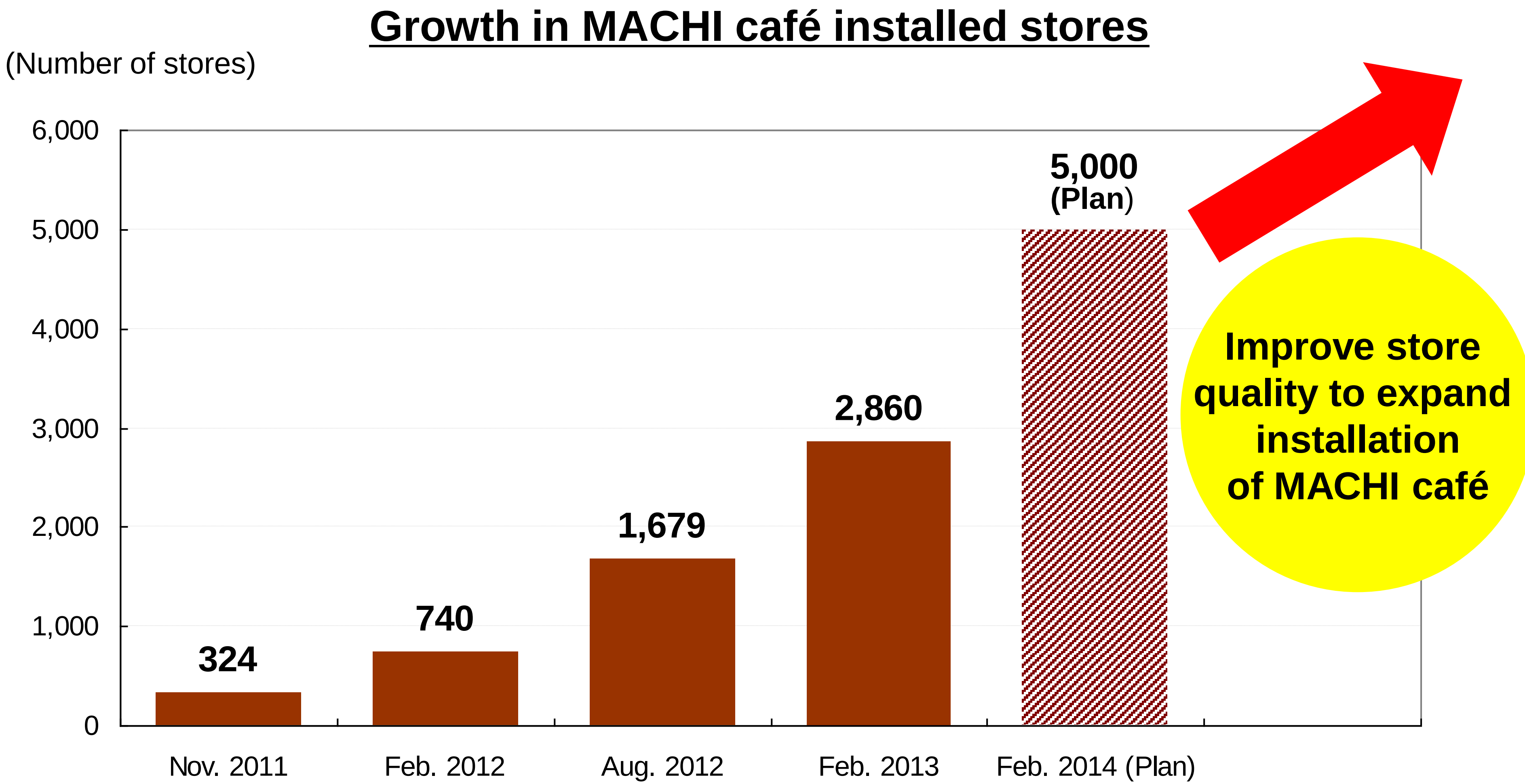
Respond to Customers' Potential Needs

Customers buying perishable foods vs. Not buying perishable foods

Period: Feb 1- Feb. 28, 2013 / Area: North Kanto / Sampled: 117 stores

Customers buying perishable foods turned out to be loyal customers – they spend 2.5 times more.

MACHI café as Hospitality Tool for Customers



Only stores meeting our quality standards have been installed

Case of Nagano Branch

LAWSON

Over-the-counter fast foods (except MACHI café) sales yoy and MACHI café installation rate

MACHI café precedent installation started in Nagano Branch

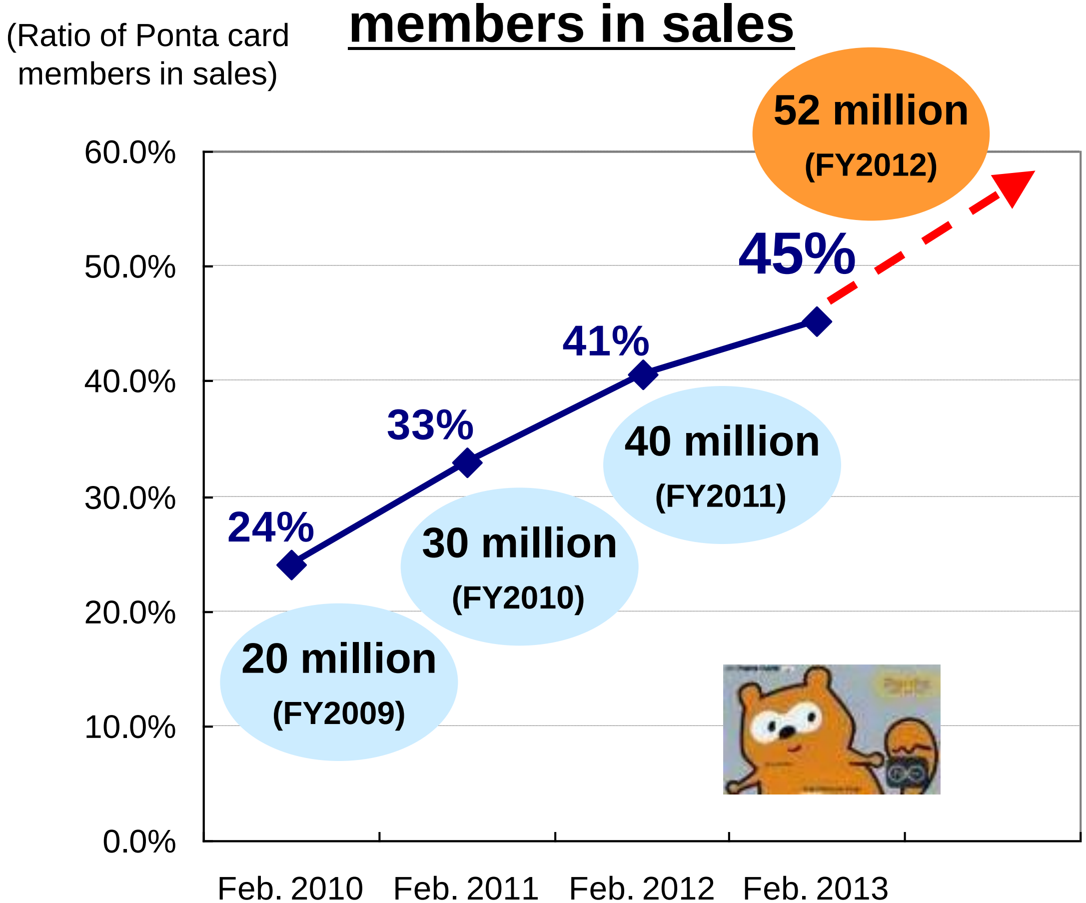
	June 2011	August 2011	February 2012	August 2012	February 2013
Nagano Branch	102.1%	115.0%	101.3%	116.8%	116.4%
Ratio of MACHI café installation		52%	57%	59%	65%
National Average	112.1%	119.7%	104.3%	102.6%	103.8%
Ratio of MACHI café installation		1%	8%	17%	27%

Note: Daily sales yoy of over -the-counter fast food items (excl. MACHI café)

Recognition and familiarity of MACHI café in the commercial area ushered in expansion of other OTC fast foods sales.

Ponta Card Data Utilization - From Segment to Individual

Ratio of Ponta card members in sales

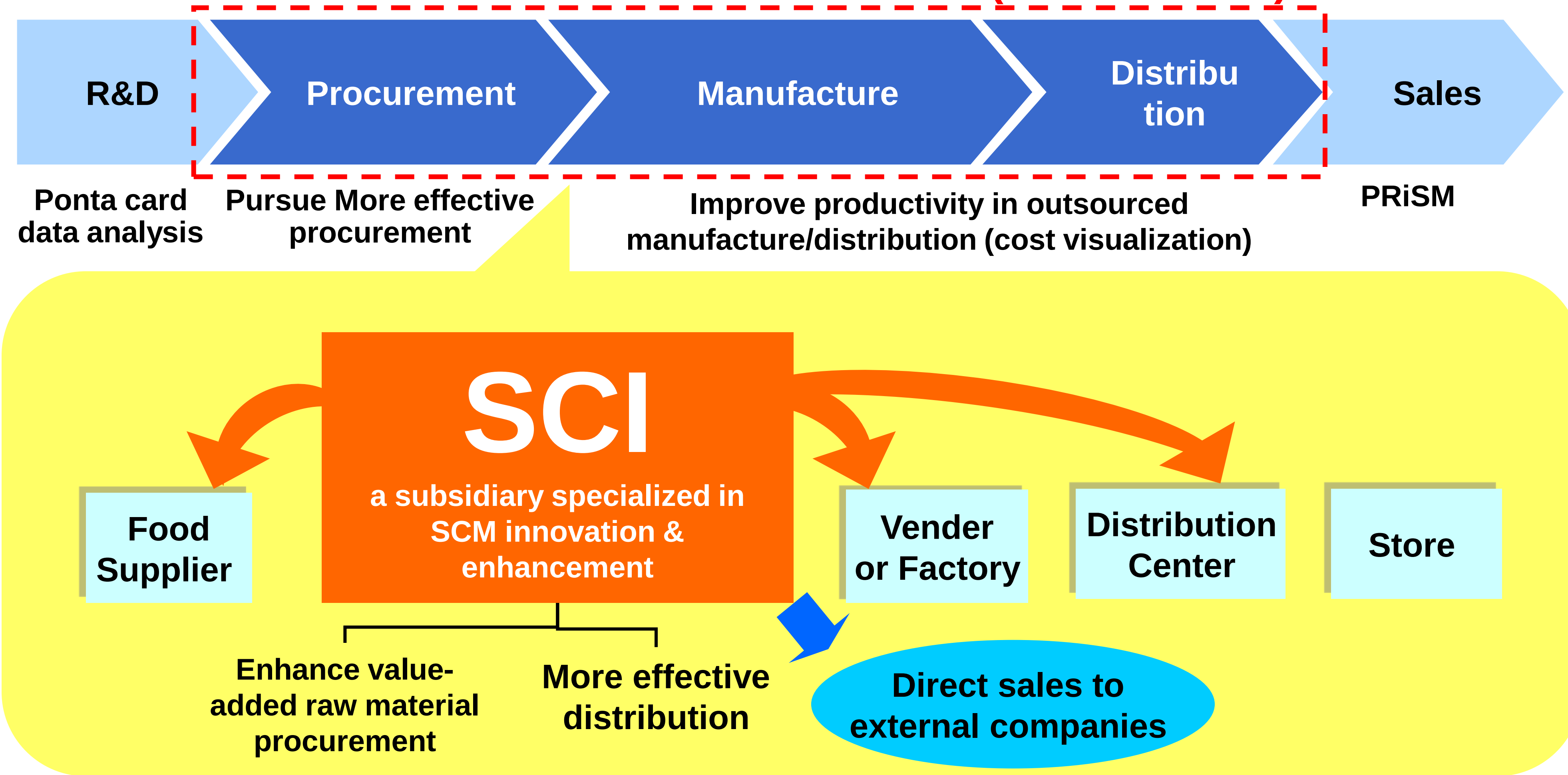


Individual store report on its Ponta card members

Store operation from seat-of-the-pants approach to data-driven analytical approach

Role of SCI, Subsidiary of Supply Chain Management

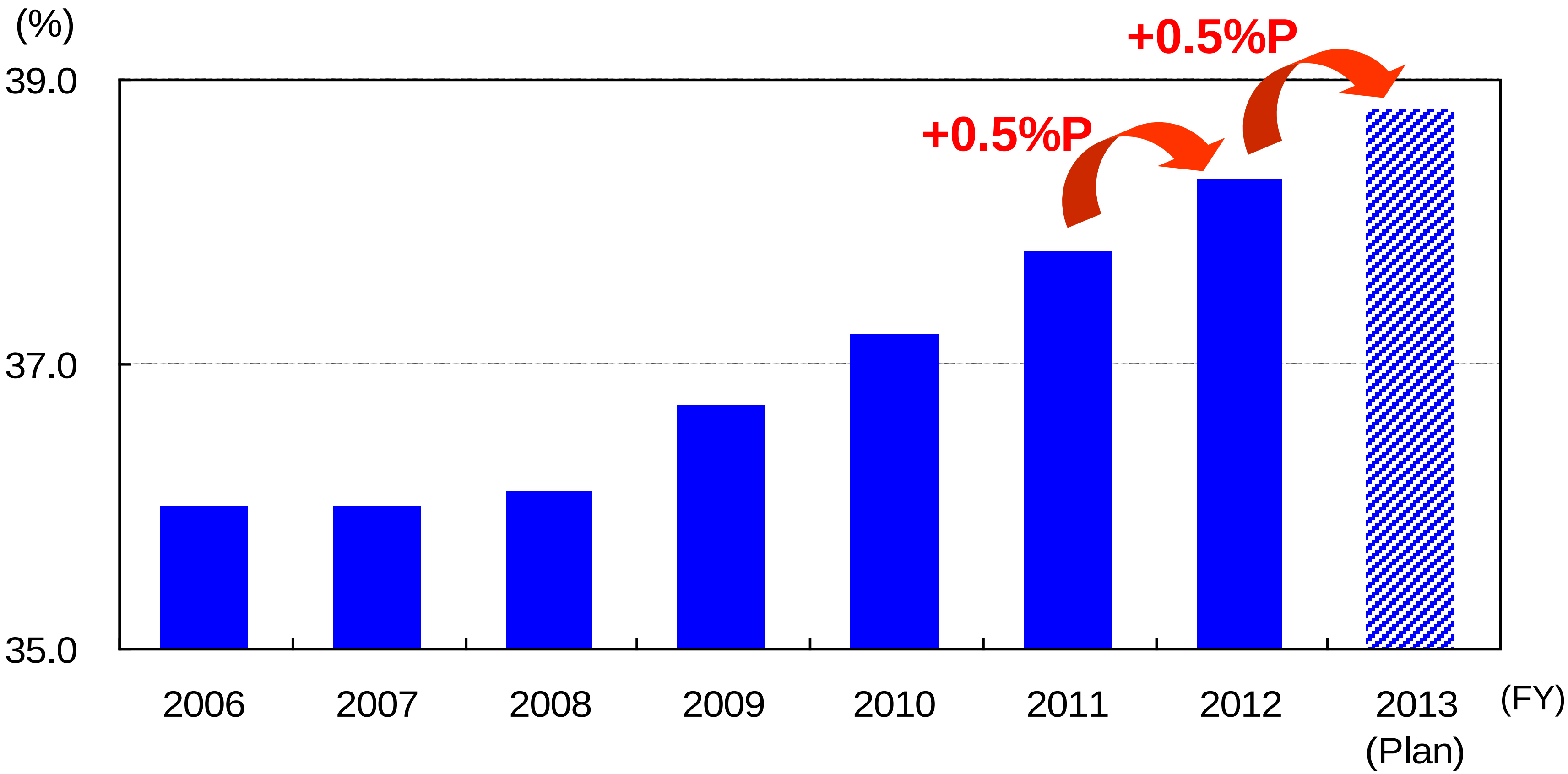
Innovation with Advanced SCM (since FY2012)



Optimize value chain to become a manufacturing retailer

Targeting 4 pp Growth in Gross Profit Margin

Gross Profit Margin Excluding Cigarettes



Continuous improvement in gross profit margin

Upfront Investments in Overseas Operation

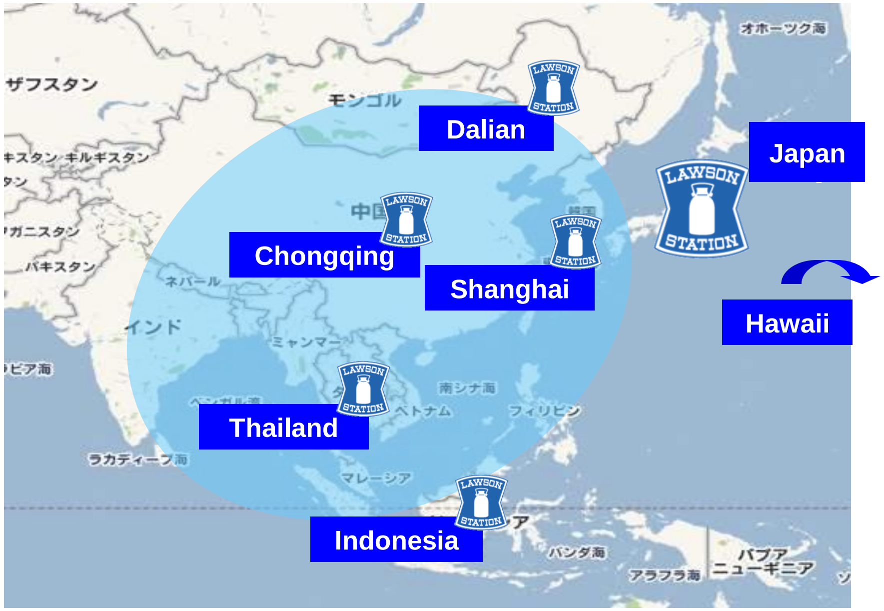
Business in China

- Shanghai: Enhance existing stores than expand considering worsening economic climate
- Chongqing & Dalian: Build recognition of LAWSON for future market growth

Business in other Asian countries

- Unfold in collaboration with major local retailers, Alpha Group in Indonesia and SAHA Group in Thailand

Make a difference responding to specific local needs by utilizing convenience store formats



Process of
Corporate Value Creation

Takeshi Niinami
President & CEO

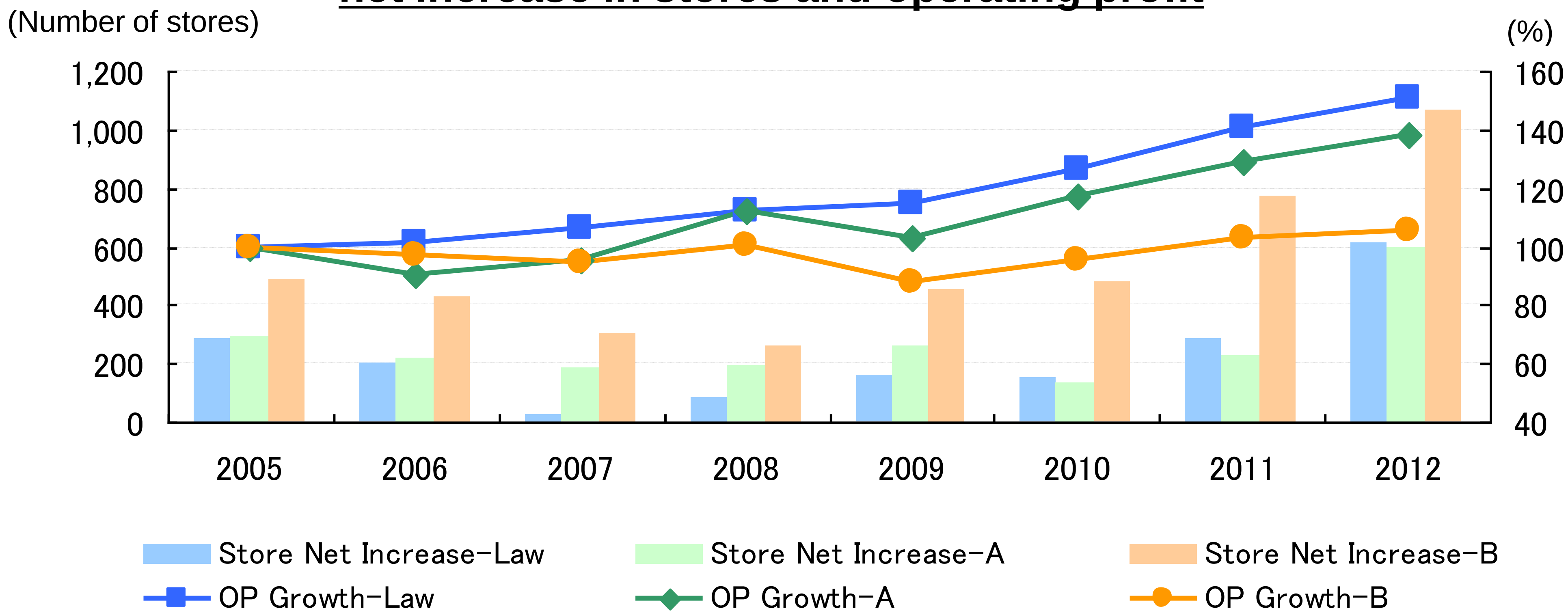
Topics

LAWSON

- Investment for sustainable growth
  - Enhance individual store's competitiveness
  - Upfront investments for sustainable growth
    - Future vision of home convenience business
- Return to shareholders
  - Emphasis on TSR (Total Shareholder Return)
  - Continuous dividend growth
  - Optimal allocation of cash flow for ROE growth cycle
- Roadmap for medium-term sustainable growth and 20% ROE target

Enhance Individual Store's Competitiveness

Three major CVS companies net increase in stores and operating profit



Note: The values are calculated based on the summary of financial results of each company.
Operating profit growth indicates the change from operating profit of FY2005.

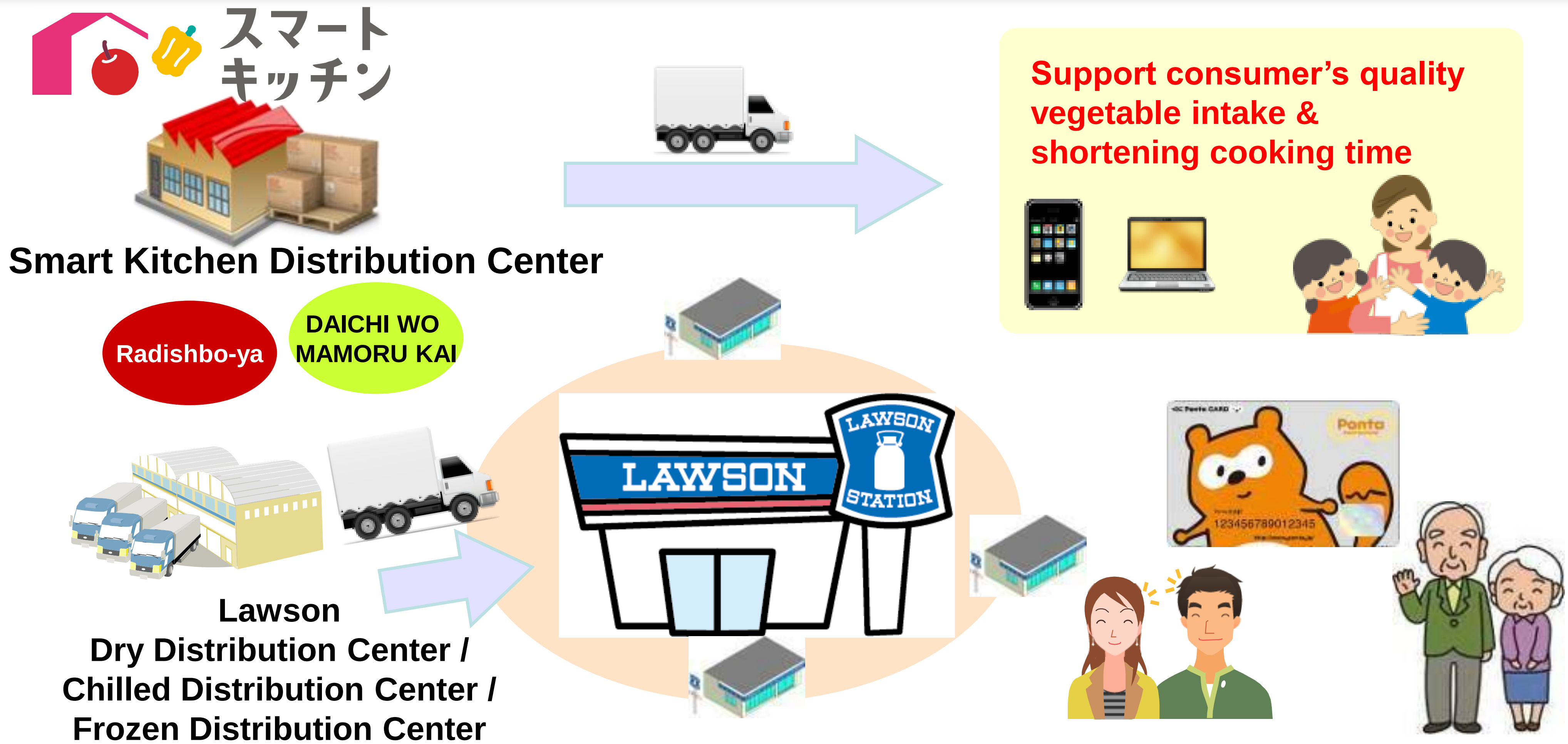
Operating profit growth has derived from existing store performance rather than the increased number of new openings

Upfront Investments for Sustainable Growth

1. Enhance individual store's competitiveness against competitors' aggressive store opening
   - Enrich the lineup with over-the-counter fast foods for expanding customer base
     - MACHI café
     - On-site cooking
   - Solar power on the store's roof

2. Upfront investment for mid-/long-term growth
   - Overseas operation
   - Home convenience business

Home Convenience Business

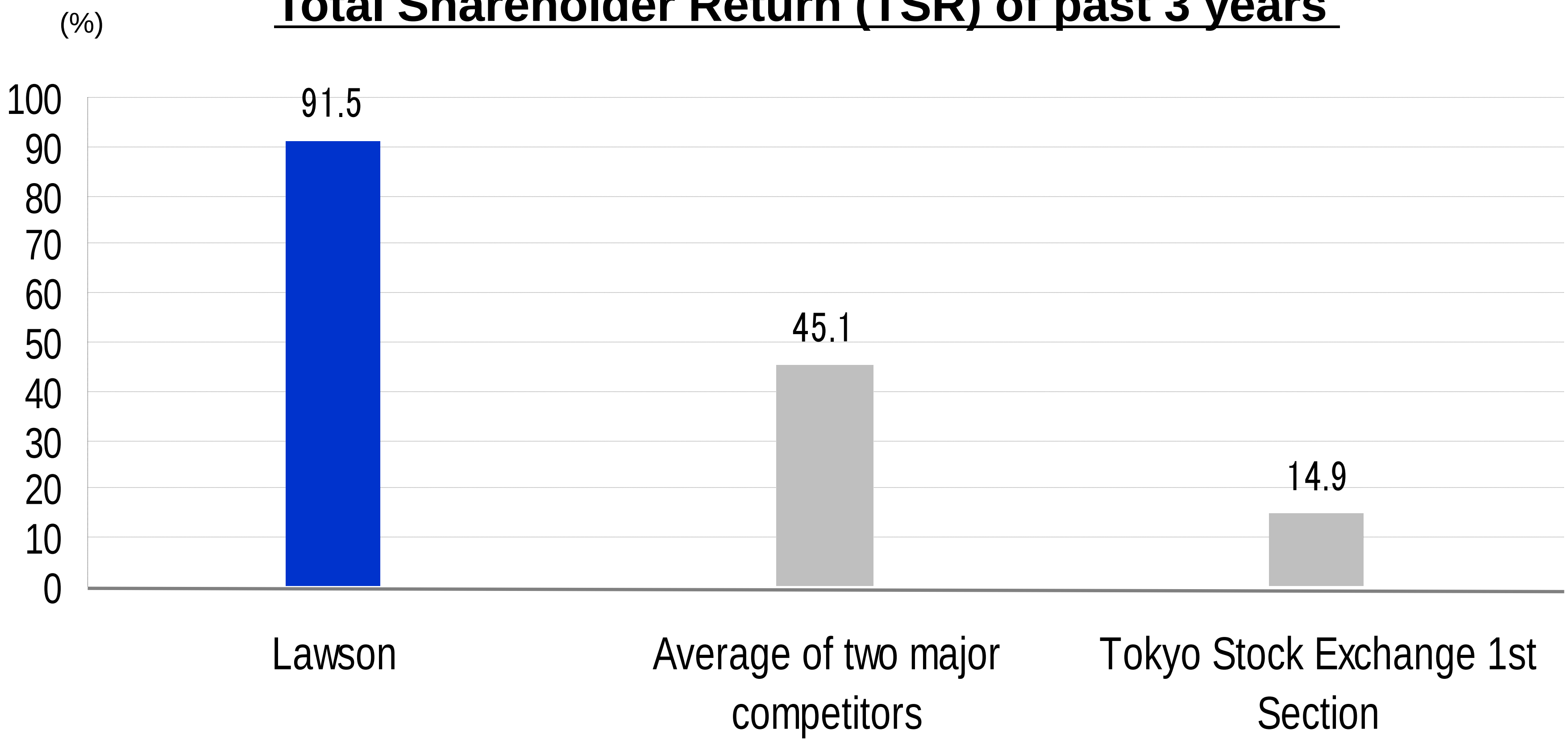


Note: Home convenience business provides convenience of shopping for everything at home utilizing PCs, smartphones and tablet PC.

We aim to realize a higher level of interplay of convenience between brick-and-mortar stores and home delivery service by utilizing Ponta cards.

Focus on Total Shareholder Return (TSR)

Total Shareholder Return (TSR) of past 3 years*

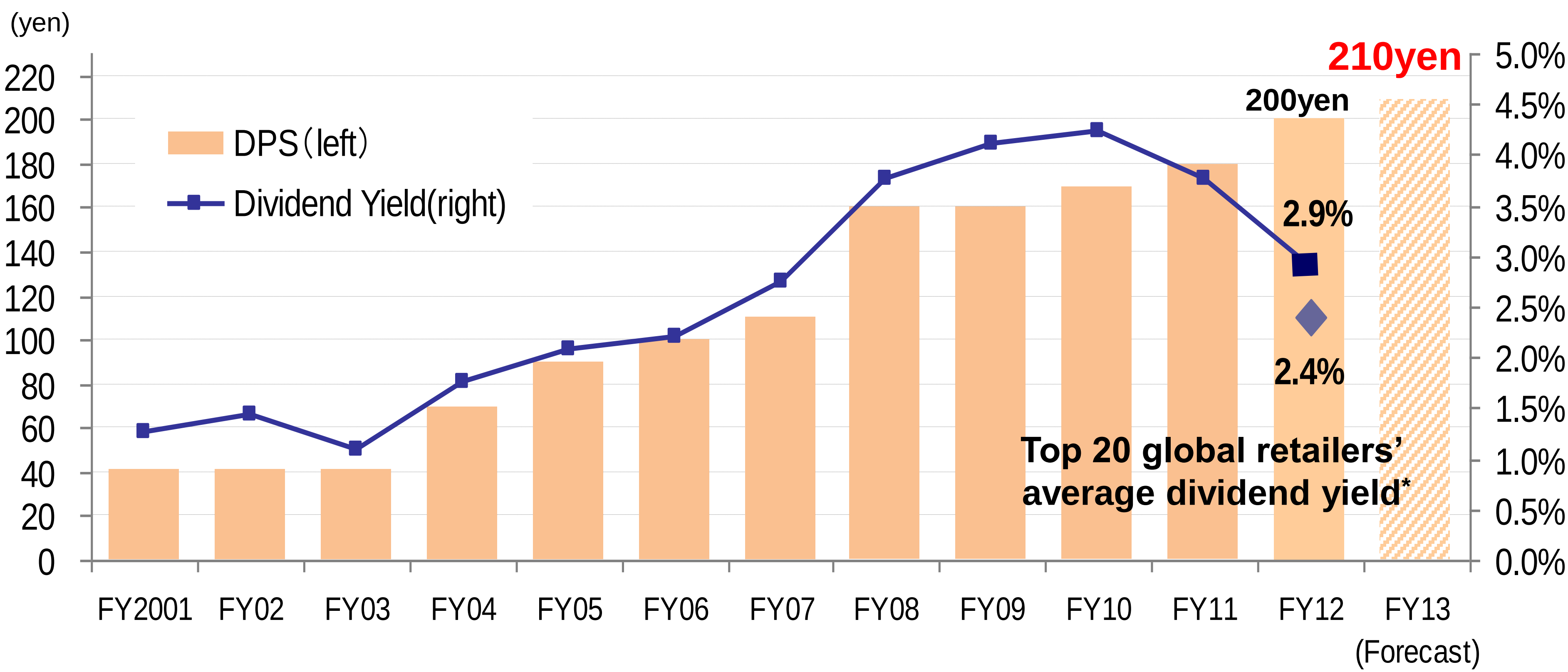


Notes: Three-year TSR is a provisional calculation of total return of a stock (capital gain plus dividends) over three years from February 2010 to February 2013.
Average of two major competitors is a simple average of Seven & i Holdings and FamilyMart (Company estimates)

Realize high TSR is a sustaining operating profit growth and aggressive dividend increase

Continuous Dividend Growth

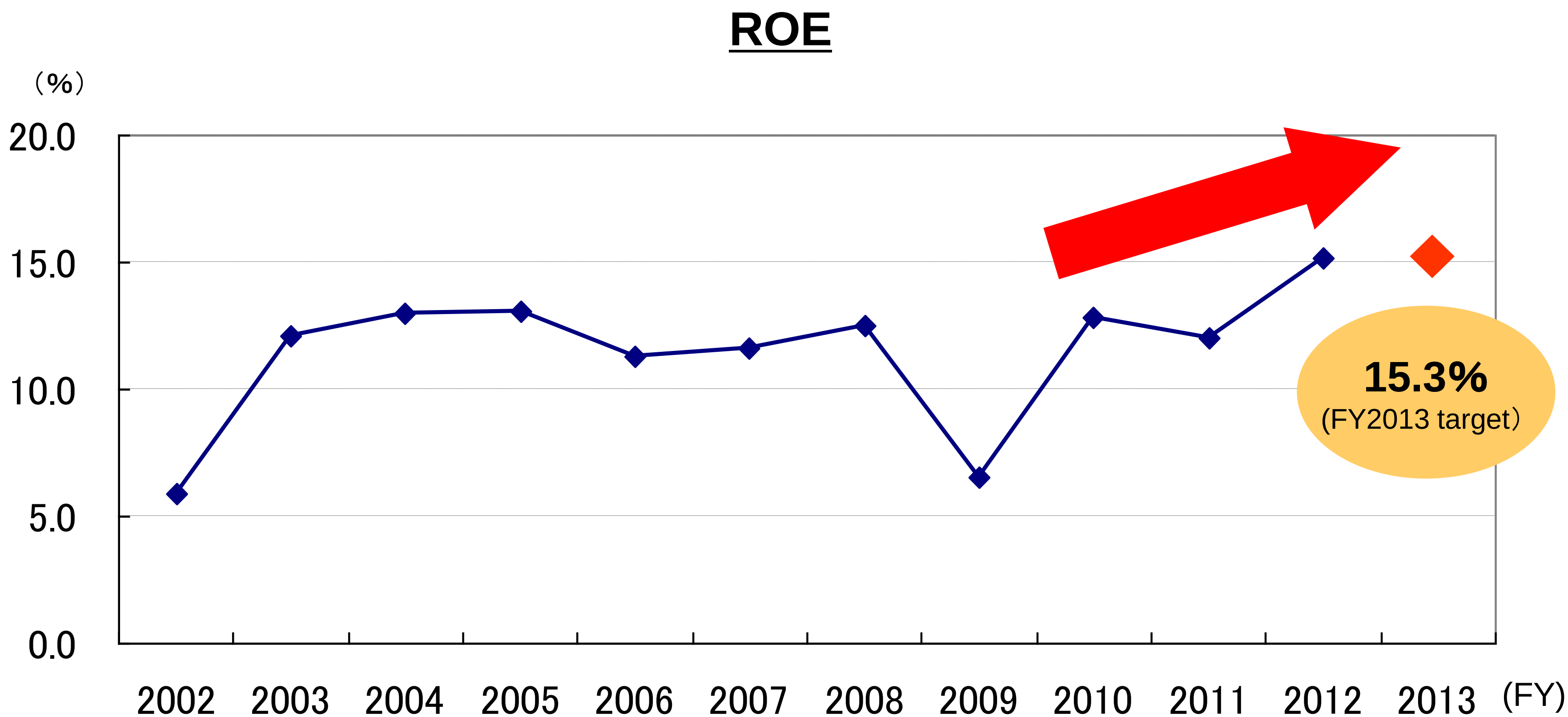
Changes in annual dividends per share and dividend yield



* Top 20 retailers of total market value excl. apparel retailers

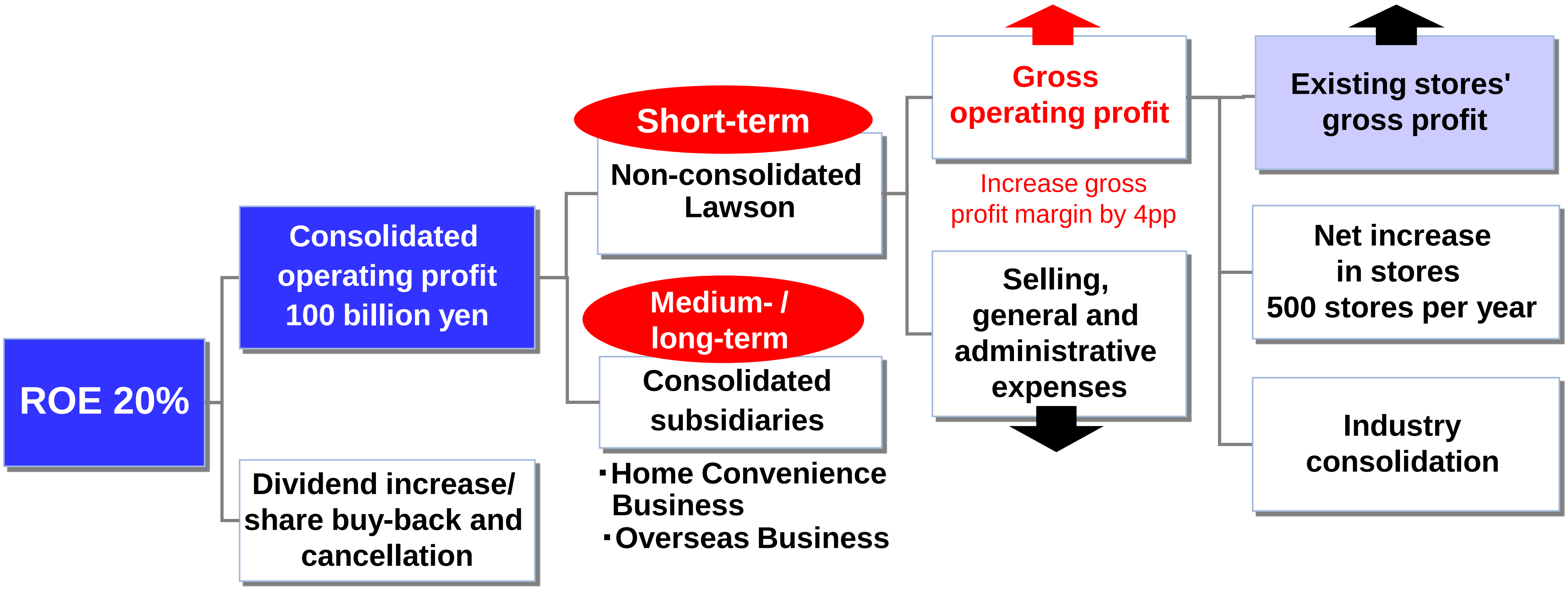
Continuous return execution independent of temporal ups and downs

ROE Growth Cycle through Optimal Cash Flow Allocation



Emphasis on ROI for optimal reinvestments based on economic rationality
⇒ Increase operating cash flow ⇒ Create free cash flow after reinvestments
⇒ Better shareholder return (dividend increase)
⇒ Realize sustainable growth

Roadmap to Medium-term Continuous Growth and ROE 20%



Triggers for the roadmap to ROE 20% and 100 billion Yen in consolidated operating profit

- ■Investments complying with ROIC criteria for better capital efficiency
- ■ Improve differentiated products, CRM (Customer Relationship Management) via Ponta card and Advanced SCM reform for better gross profit margin
- ■ Lead industry consolidation utilizing past M&A expertise

Reference

Half Year Breakdown of FY2013 Forecast

LAWSON

(Consolidated: Billions of yen)	FY2013 Forecast 1st Half	FY2013 Forecast 2nd Half	FY2013 Forecast Full year
Net sales of all stores	**1,025.0**	**995.0**	**2,020.0**
Operating profit	**35.5**	**34.5**	**70.0**
Operating profit ratio	**3.5%**	**3.5%**	**3.5%**
Recurring profit	**34.6**	**33.8**	**68.4**
Net profit	**17.3**	**18.6**	**35.9**
(Non-consolidated)			
Gross profit at existing stores (YoY)	**101.5%**	**101.5%**	**101.5%**
Net sales at existing stores (YoY)	**100.0%**	**100.0%**	**100.0%**
Gross profit margin ratio	**30.9%**	**31.1%**	**31.0%**

FY2012 Consolidated Balance Sheet

(Billions of yen)

	As of Feb. 28, 2013	Change from Feb. 29, 2012
Total current assets	180.2	20.1
(Cash and deposits)	84.7	5.6
(Marketable securities)	–	▲ 4.9
(Accounts receivable)	46.0	13.3
Total noncurrent assets	399.5	28.2
Property, plant and equipment	209.1	25.3
Intangible assets	34.0	▲ 4.8
Investments and other assets	156.2	7.8
(Long-terms loans receivable)	34.5	2.4
(Guatantee deposits)	86.1	2.4
Total Assets	579.8	48.3

	As of Feb. 28, 2013	Change from Feb. 29, 2012
Total current liabilities	239.7	21.8
(Accounts payable-trade)	87.1	▲ 1.0
(Deposits payable)	87.5	12.5
Total noncurrent liabilities	109.8	11.0
(Long-term guarantee deposits)	34.8	▲ 0.9
Net Assets	230.1	15.5
(Common stock)	58.5	–
(Retained earnings)	121.1	13.9
Liabilities and net assets	579.8	48.3

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.