Summary of Results for FY2013

Lawson, Inc.

April 11, 2014

Financial Results for FY2013

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Corporate Strategy
Assistant to CFO
Corporate Planning Office, Division Director

Earnings Summary of FY2013

(Consolidated：Billions of yen)	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2013 YoY	FY2013 vs. Plan
Net sales of all stores	1,825.8	1,906.5	**1,945.3**	102.0%	97.9%
Operating profit	61.7	66.2	**68.1**	102.8%	97.3%
Operating profit ratio	3.4%	3.5%	**3.5%**	±0.0%P	±0.0%P
Recurring profit	61.7	65.9	**68.8**	104.5%	100.7%
Net profit	24.8	33.1	**37.9**	114.4%	105.8%
EPS (Yen)	249.17	332.20	**380.04**	+47.84	+20.68
Dividend per share (Yen)	180	200	**220**	+20	-
ROE	12.0%	15.2%	**16.1%**	+0.9%P	+0.8%P
Total no. of stores in Japan	10,457	11,130	**11,606**	+476	▲24

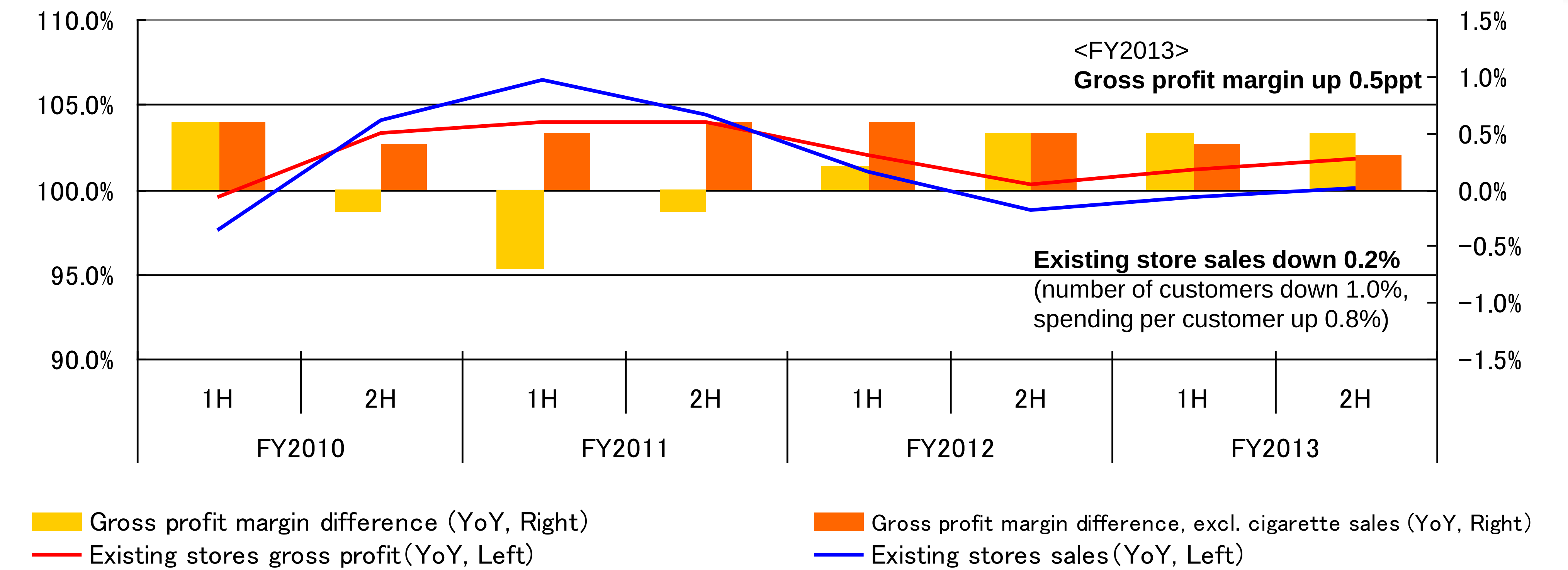
Note: The number of stores is a total number of convenience stores in Japan operated by the Lawson group.

Note: Change vs. the plan indicates comparison with the plan announced at the second quarter of FY2013

- Consolidated operating profit increased 2.8% YoY but fell short of the plan by 2.7%.
  In order to raise profits at franchise stores, expenditures were made to accelerate the addition of MACHI cafés at stores and our in-store kitchen facility, Machikado Chubo, as well as assisting improvement of the assortment of merchandise. This resulted in falling short of the operating profit plan.
- Consolidated net profit exceeded the plan by 2.0 billion yen and achieved a 14.4% YoY growth
  In addition to a significant increase in recurring profit, the amount of deferred income taxes decreased as business restructuring of Ninety-nine Plus led to realizing an income tax effect on subsidiary shares. Hence, net profit was up 4.7 billion yen, achieving a double-digit YoY growth.

Existing Stores (Non-Consolidated*)

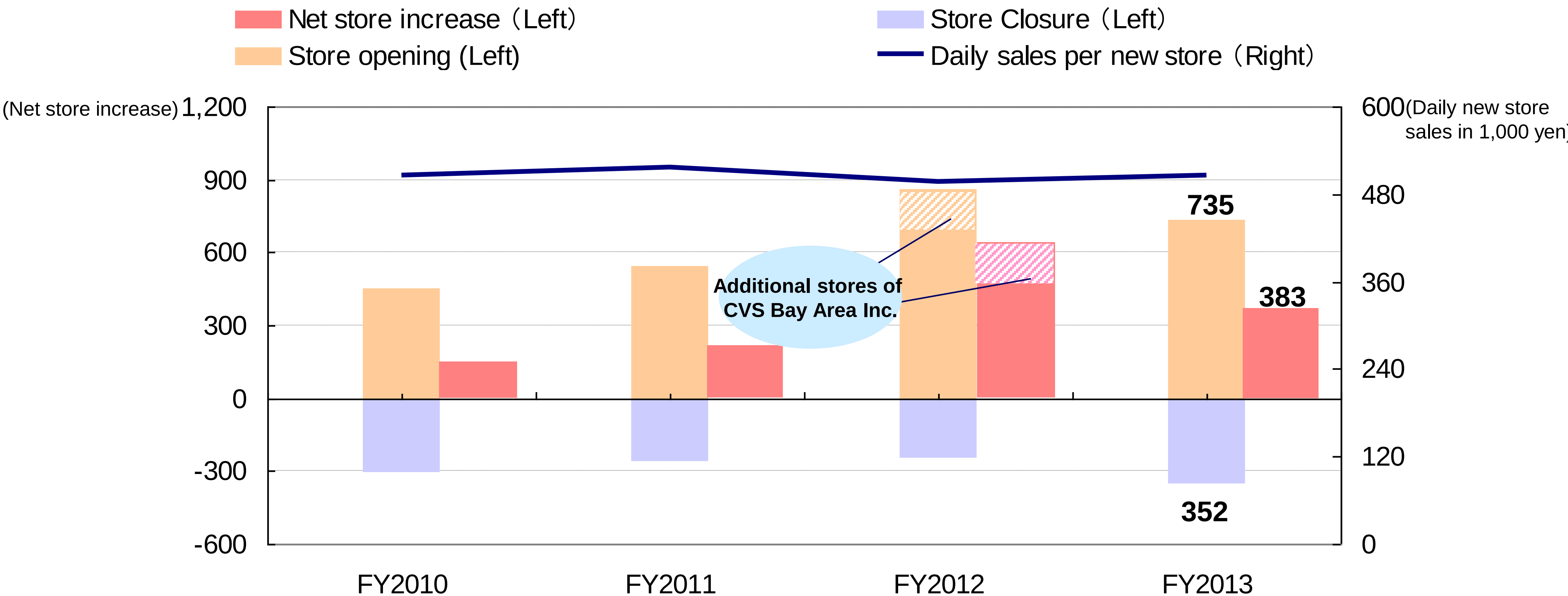
＊excluding LAWSON MART/LAWSON STORE100 business



- The existing store sales YoY growth target was achieved, by an increase of 0.1% in the 2nd half and a decrease of 0.2% for the full year, despite the adverse impact from inclement weather in the 1st half.
- Gross profit margin improved 0.5 ppt, due to contributions by over-the-counter fast foods, processed foods, and non-food products. Excluding cigarettes, gross profit margin improved 0.4 ppt YoY.
- As a result, gross profit of existing stores, which directly links to profit of franchised stores, increased 1.5% YoY.

Store Openings (Non-Consolidated*)

*excluding LAWSON MART/LAWSON STORE100 business



- Stores opened: 65 less than planned, due to a drop in transfer aimed at enhancing existing stores, and quality-focused location selection. As a result of sticking to the profit-focused store opening policy, average daily sales per new store were higher than the previous year, at 506,000 yen.
- Stores closed: 48 less than planned, due to the effects of measures to enhance existing stores and improve store owners' profits.
- Plan for FY2014 (excluding LAWSON MART and LAWSON STORE100): 980 openings, 400 closures, and net increase of 580 stores (including 90 converted Keihanna stores)

Key Components of SG&A Expenses

LAWSON

(Billions of yen)

		FY2012	FY2013		FY2014
		Actual	Actual	Change	Forecast
Non-consolidated	Selling, general & administrative expenses	198.7	213.9	+15.2	Increase 10-15%
					*Including the impact of around 5% from the business restructuring of Ninety-nine Plus.
	＜Major Strategic Expenses＞				
	Personnel expenses	34.9	35.8	0.9	Increase 0-5%
	IT-related expenses	15.0	14.7	▲ 0.3	Increase 0-5%
	(Hardware leasing, software amortization, maintenance, etc.)				
	Advertising and promotional expenses	10.6	9.0	▲ 1.6	Increase 5-10%
Consolidated SG&A expenses		276.3	290.4	+14.1	Increase 0-5%

Note) Non-consolidated result of FY2013 and forecast of FY2014 include the figures of Ninety-nine Plus.

Compared to Fiscal 2012

Non-consolidated

- Advertising and promotional expenses: Impacted by the group internal transaction with SCI, a subsidiary serving supply chain management of convenience store businesses. (Excluding this, adjusted expenses increased by 6%). In addition, costs were incurred for improving the assortment of merchandise based on new FC contracts.
- Other: Increase in expenses for facilities, due to net increase in stores, refurbishing, introduction of MACHI café and Machikado Chubo, etc.

Consolidated

- Decrease in expenses caused by LAWSON STORE100 being franchised and reduction of expenses for the Lawson ATM Networks. This led to a smaller difference in expenses on a consolidated base from those on an non-consolidated base.

Compared to Plan

Non-consolidated

(Consolidated) 1.0 billion yen more than the plan.

- Aggressive introduction of MACHI café and Machikado Chubo; increase in staff to enhance new store development

Consolidated

(Non-consolidated) 1.4 billion yen less than the plan.

- Held down LAWSON STORE100 openings ahead of conversions to LAWSON MART; drop in openings in Shanghai

Earnings of Major Subsidiaries

(Billions of yen)

＜Operating Profit of Major Subsidiaries＞

			FY2013		FY2014
	FY-end	Ownership	Actual	YoY change	Forecast
Ninety-nine Plus, Inc.	Feb.	100.0%	1.70	▲ 0.38	－
Lawson Mart, Inc.	Feb.	100.0%	0.09	0.09	0.40
Smart Kitchen, Inc.	Feb.	100.0%	▲ 1.48	▲ 1.21	▲ 0.30
Lawson HMV Entertainment, Inc.	Feb.	100.0%	2.81	+0.37	3.10
Lawson ATM Networks, Inc.	Feb.	76.5%	6.08	+1.33	5.80
Chongqing Lawson, Inc.	Dec.	100.0%	▲ 0.84	▲ 0.16	▲ 0.80
Shanghai Hualian Lawson, Inc.	Dec.	94.0%	▲ 0.40	0.17	▲ 0.30

Note: Ninety-nine Plus, Inc's operational functions were succeeded by Lawson Mart, Inc on February 1, 2014 and it was absorbed and merged by Lawson, Inc.
Note: Smart Kitchen, Inc. will be absorbed and merged by Lawson, Inc on July 1, 2014, so the forecast include only the period before this.

Ninety-nine Plus	Sales and profit were weak due to decrease in competetivenesse of small-sized stores. Developing the new-format LAWSON MART, as Lawson Mart Inc., from February 2014.
Smart Kitchen, Inc.	Fell short of planned sales and profit amounts due to delay in gaining members, despite the order price being in line with the plan. Will be absorbed by Lawson,Inc. in July, aiming at stronger ties with Lawson stores and improved profit.
Lawson ATM Networks	Increased profit due to strong ticket sales, including sales of large-scale concert tickets and admission tickets for theme parks.
Lawson HMV Entertainment	Increased profit due to growth in ATMs in place in keeping with net growth in stores and improved ATM management costs.

Cash Flows and Capital Expenditures (Consolidated)

(Billions of yen)

● Consolidated Capital Expenditures

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Plan
New stores	21.5	33.1	32.2	44.5
Existing stores	10.2	8.7	7.0	14.5
IT-related	7.7	5.9	5.3	12.0
Other	0.6	3.2	2.0	1.0
Subtotal for capital expenditure	40.2	51.0	46.7	72.0
Depreciation and amortization	37.8	43.8	47.8	47.5

Note: For the depreciation method for property, store and equipment (exclude lease assets), Lawson, Inc. and its domestic consolidated subsidiaries adopt straight-line method instead of declining-balance method from FY2014. Based on this change, FY2014 plan of depreciation expense is expected to decrease by 5,000 million yen compared to results using declining-balance method.

(Billions of yen)

●Consolidated Cash flows

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Plan
Cash flows from operating activities	86.3	85.1	81.5	Approx. 100.0
Cash flows from investing activities	▲ 52.9	▲ 54.1	▲ 47.9	Approx. ▲70.0
Free cash flows	33.4	30.9	33.5	Approx. 30.0
Cash flows from financing activities	▲ 27.5	▲ 31.9	▲ 39.6	Approx. ▲40.0
(Cash dividends paid)	▲ 17.1	▲ 19.2	▲ 20.9	▲ 23.0
Cash and cash equivalents at end of period	73.6	72.7	68.7	－

Expect a temporary increase in investment cash flow in FY2014, due to enhancement of existing stores and system investment.

FY2014 Company Forecast, Consolidated

(Billions of yen)	FY2012 Actual	FY2013 Actual	FY2014 Forecast Plan	FY2014 Forecast YoY
Net sales of all stores	1,906.5	1,945.3	2,029.0	104.3%
Operating profit	66.2	68.1	75.0	110.1%
Operating profit ratio	3.5%	3.5%	3.7%	+0.2%P
Recurring profit	65.9	68.8	73.9	107.3%
Net profit	33.1	37.9	38.9	102.5%
EPS（Yen）	332.20	380.04	389.37	+9.33
Dividend per share (Yen)	200	220	240	+20
ROE	15.2%	16.1%	15.4%	▲0.7%P
Total no. of stores in Japan	11,130	11,606	12,288	+682
(Non-consolidated*) *excluding LAWSON MART/LAWSON STORE100 business				
Gross profit at existing stores (YoY)	101.2%	101.5%	101.3%	▲0.2%P
Net sales at existing stores (YoY)	100.0%	99.8%	100.0%	+0.2%P
Gross profit margin ratio	30.5%	31.0%	31.4%	+0.4%P
Gross profit margin difference excluding cigarette sales (YoY)	+0.5%P	+0.4%P	+0.3%P	▲0.1%P

Note: For the depreciation method for property, store and equipment (exclude lease assets), Lawson, Inc. and its domestic consolidated subsidiaries adopt straight-line method instead of declining-balance method from next consolidated fiscal year. Based on this change, operating profit, recurring profit are expected to increase by 5,000 million yen respectively compared to results using declining-balance method.

Note: Reflect to the change in store counting standard from fiscal year 2014, small stores (82 stores as of March, 1 2014) also are included in the calculation table of fiscal year 2014.

Plan to increase operating profit for the 12th consecutive year, led by growth in Japan's CVS business, despite advanced investment burden for overseas businesses and some other new businesses.

Lawson's New Management Team

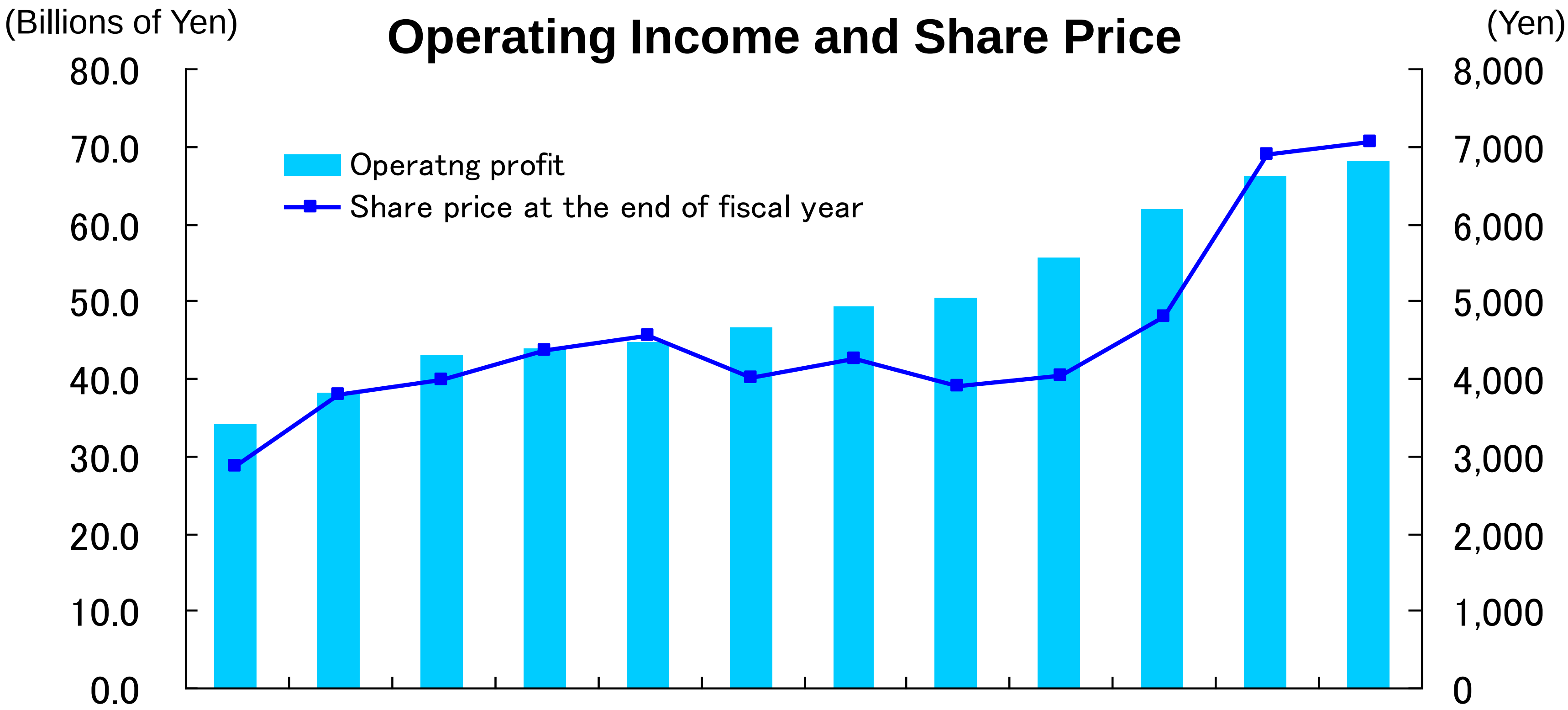
Chief Executive Officer

Representative Director

Takeshi Niinami

12-year Performance

LAWSON



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	(FY)
EPS (Yen)	82	176	198	216	202	215	240	127	255	249	332	380	
ROE (%)	5.9	12.1	13.0	13.1	11.3	11.6	12.5	6.5	12.8	12.0	15.2	16.1	
Dividend (Yen)	41	41	70	90	100	110	160	160	170	180	200	220	

Since my appointment as the CEO, I strived to increase corporate value by focusing on developing human capital and fostering innovation.
Lawson will continue to serve our communities and achieve mutual growth.

The Reason of Top Management Change

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2011- 2014

I was convinced that measures such as launch of a branch system fostered the development of capable managers.

I realized that Lawson requires a teamwork-driven leader to further enhance the growth of our company.

I then decided to focus on assisting our management team, led by a teamwork leader.

Tamatsuka and other executives enhanced their ability by means of decentralization, delegation of authority, and direct mentorship, while Lawson's level of human capital was reinforced through training at Lawson University.

I was convinced that now is the time for a new management team led by Tamatsuka to take leadership in order to further raise our corporate value.

The unchanged value of Lawson

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Lawson's DNA

Corporate Philosophy

"Creating Happiness and Harmony in Our Communities"

Customers

Franchise owners

Our employees

Local communities

Innovation

Rewarding shareholders

Capital efficiency

Emphasis on profit

…

We are committed to continue increasing our corporate value for all stakeholders.

New Management Team and Governance

LAWSON

Management team from May 27

* The appointment will be officially resolved at the General Meeting of Shareholders and the subsequent Meeting of the Board of Directors

New team of 9 directors

Genichi Tamatsuka,
President and CEO,
Representative Director

- Committed to realize Lawson's corporate philosophy
- Strong trust from franchise owners
- Broad, proven experience as a corporate executive.

Sadanobu Takemasu
Senior Executive Vice President
Representative Director

- Strong relationship with Mitsubishi corporation
- Role as a supporting executive to President Tamatsuka

Outside directors

5 out of 9 directors (including 3 women, who are also independent directors)

Independent directors

3 out of 9 directors

3 out of 4 auditors

Executive officers

Executive officers having various backgrounds will support the Tamatsuka team.

In order to avoid having two leaders, I will contribute to raising Lawson's corporate value by serving as Chairman without representative right.

Management Policy to Drive Our Growth Forward

Chief Operating Officer
Representative Officer and Member of the Board
Genichi Tamatsuka

The Five Key Principles

1. **Ensure that Lawson's Corporate Philosophy is instilled in our organization and its people, respecting the values articulated, as everything we do is inspired by this Corporate Philosophy.**
2. **Strengthen the relationship with the franchise owners and achieve mutual growth in addition to collaborative success.**
3. **Become the world's No.1 manufacturing retailer based on small commercial areas.**
4. **Motivate each individual to take initiative and at the same time adhering to discipline, in order to pursue success.**
5. **Foster and empower 100 young leaders of the next generation.**

Evolution of Lawson's SCM and CRM

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SCM Structural Reform | **"Procurement of value-added raw materials" and "cost reduction"**

Before

Specific optimization | Specific optimization | Specific optimization | Specific optimization | Specific optimization | Specific optimization

Product development → **Procurement** → **Processing** → **Inventory management** → **Manufacturing** → **Stores**

Processing

After

A demand/supply balance is controlled by an integrated, optimized value chain.

Every process will be visible.

CRM Evolution | **Analyze the mind set of each customers, by use of advanced marketing technology**

Limitation of POS

Lawson's CRM Evolution

POS analysis

Analysis of the mind set of each customers and stores

Present

From fiscal 2014

Analysis of the mind set of each customer

External qualitative and quantitative data (SNS, surveys, and others.)

Ponta members data

POS data

Leverage Our Strength to Capture More Market Opportunities

Strengthen the selection of in-store prepared food

Lawson Green Project ;
Focus on fresh vegetables and fruits

Health-conscious merchandise

Low-carbs
Bran bread

Low sugar
Rare sugar desert

Low-calorie
Special type of rice

Healthy food with good taste

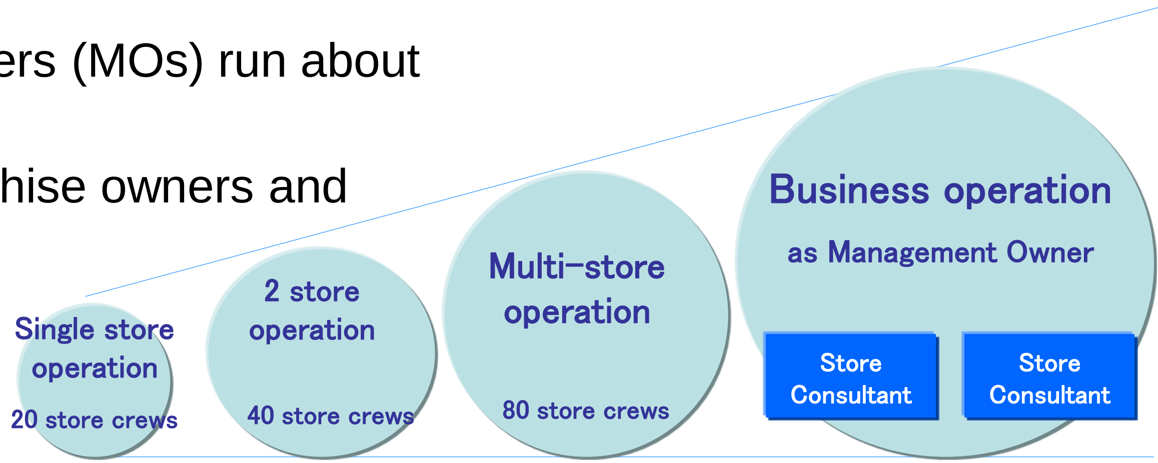
Improve Each Store and Deepen Ties with Franchise Owners

MO (Management Owner) system	**Develop 300 MOs and 3,000-4,000 MO stores in 5 years**

Present: About 100 Management Owners (MOs) run about total of 800 stores

Role: To be a role model of all franchise owners and actively participate in Lawson's management

Criteria for certification: Very high



Area Team Meetings	**Lawson's monthly meetings of franchisees, unique in the industry**

Franchise owners exchange views, share experiences, and gained know-how in order to improve the level of stores in the same area.

Flexibly Respond to Changes of Community Customers

Aging population

Seniors age 60 and more

1990		2030 (Est.)
21 mn	▶	**45 mn**

More small households

Ratio of households of singles and couples with no children

1990		2030 (Est.)
38.6%	▶	**57.5%**

Change in consumer behavior and mind

- Stronger preference for healthy, reliable, safe foods
- Increase in shopping refugees

Change in the competitive environment

- Surge in the number of conventional CVS



Improve food-related products and assortment




Strengthen and promote health-related initiatives

スマートキッチン

大地を守る会
DAICHI wo MAMORU KAI

Reinforce home convenience businesses

Evolve into a CVS model that satisfies broad daily-life needs in each small commercial area

Multi Format Strategy: LAWSON MART

LAWSON MART

LAWSON MART = Launch of the next-gen convenience store

Convenience of a convenience store and merchandise assortment of a supermarket

Supermarket

★Wide assortment of merchandise
★Large floor space that enables wide assortment

-Fresh foods
-Volume sales of selected products

LAWSON STORE 100

-Ninety-nine Plus' unique sales skills for fresh foods
-Sales of moderate-size portions
-Low-cost operation

Convenience store

★24-hour operation
★Broad range of services
★Compact operation

-Single item management skill
-Developed scheme of Franchise system

Plan to open 100 stores in fiscal 2014
Aim to convert half of the current 1,200 LAWSON STORE100 stores to LAWSON MART in 3 years

Home Convenience Business

Home-delivery platform controlled by Lawson

Entertainment

ローチケ.com LAWSON TICKET

HMV ONLINE

Fresh and other foods

大地を守る会 DAICHI wo MAMORU KAI

Radish Boya

スマートキッチン

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12,000 stores

Open our platform to other companies

Increase alliances

On-line shopping (via the Internet, TV, and catalogues) and department stores

One-stop service to customers at home or at stores

Strengthen the group synergy of Lawson, such as leveraging distribution network of group companies and open our platform to other companies.

Medium-term Roadmap

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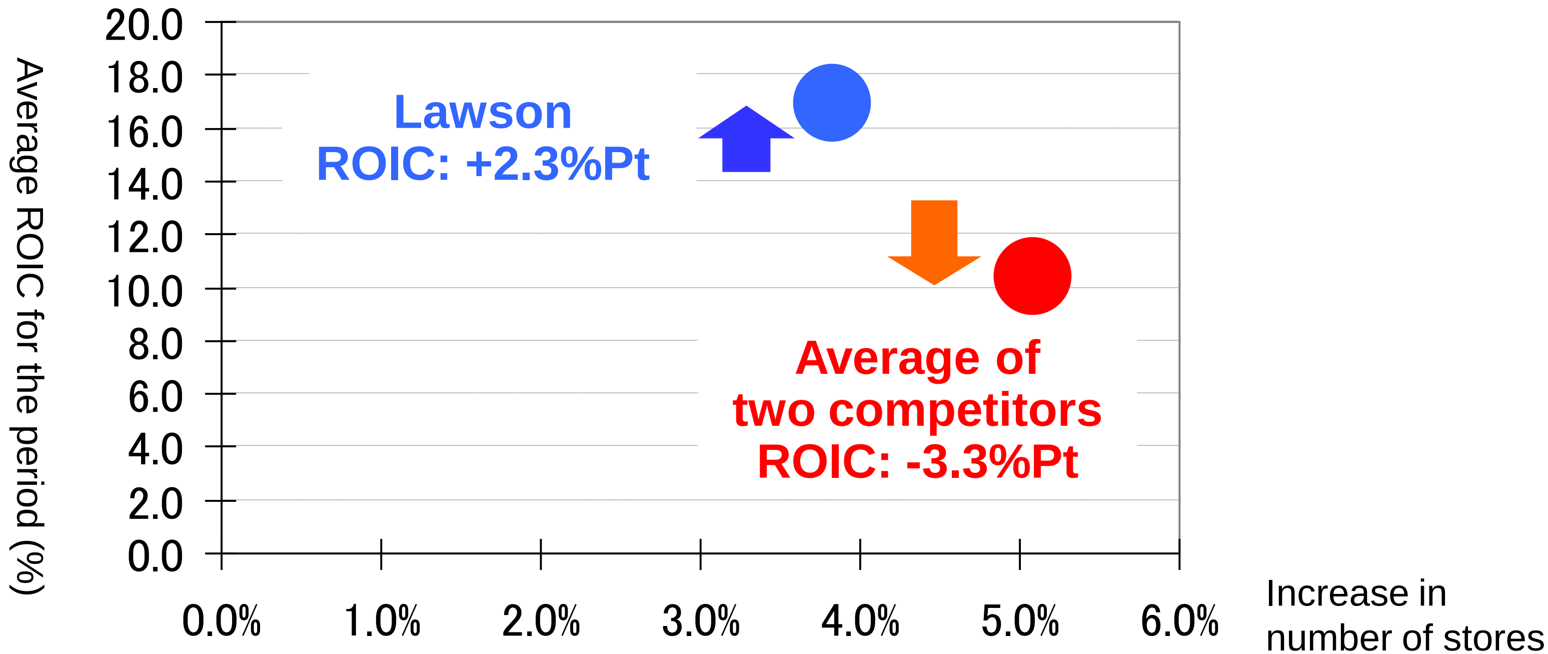
- ROE 20%
  - Consolidated operating profit 100 billion yen
    - Non-consolidated Lawson
      - Gross operating profit
        - Existing stores' gross profit
        - Net increase in stores by 5% per year
        - Industry consolidation
      - Increase gross profit margin by 0.3-0.5%point per year
      - Selling, general and administrative expenses
    - Consolidated subsidiaries
      - ･Entertainment Business
      - ･Overseas Business
  - Dividend increase/ share buy-back and cancellation

Mid-term target : Operating profit 100 billion yen and ROE 20%

Emphasis on ROIC

LAWSON

Change in ROIC in Comparison to Competitors (FY2003-FY2013)



Note 1 ROIC = After-tax operating profit (@40% tax rate)/Averaged invested capital for the period (equity + interest-bearing debts)
Note 2 The horizontal axis indicates changes in number of stores (from FY2003 to FY2013)
Note 3 The arrows indicate changes in ROIC from FY2003 to FY2013

We will maintain discipline in ROIC criteria while pursuing large number of store openings this year.

Capital Efficiency and Shareholder Return

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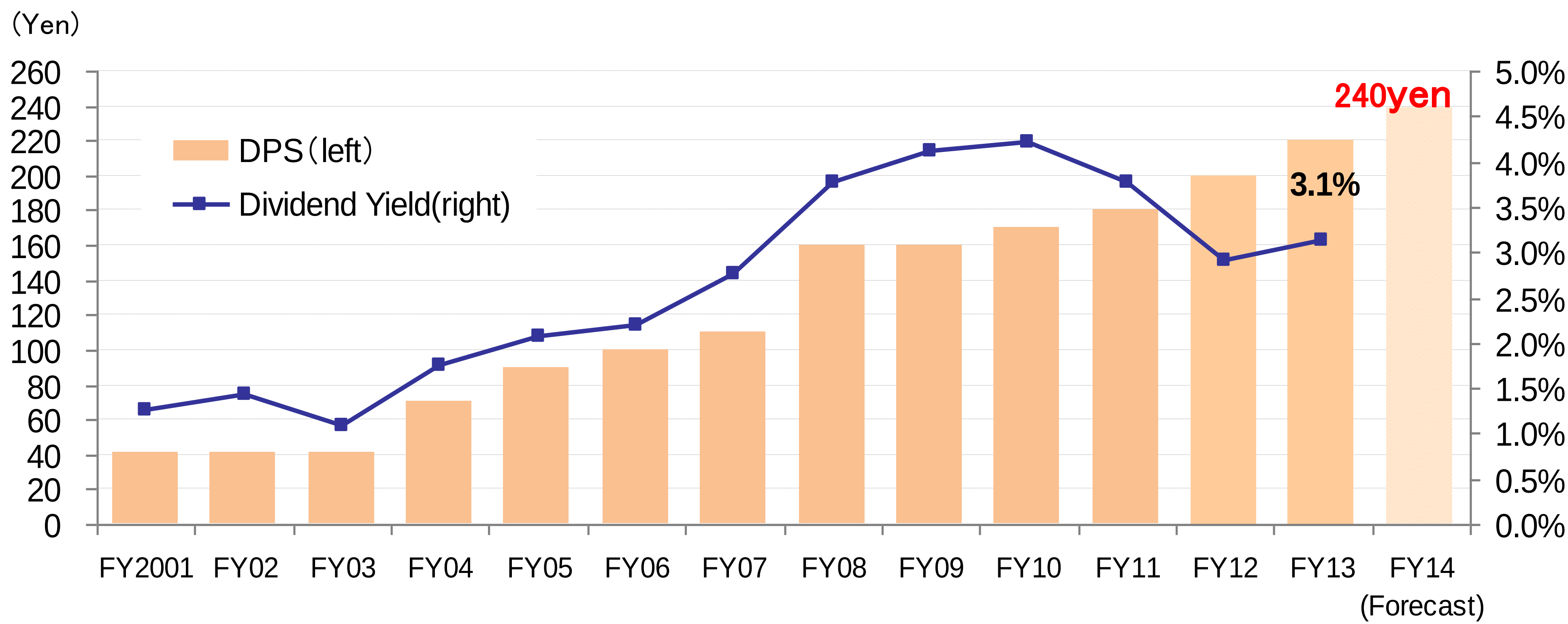
Changes in annual dividends per share and dividend yield



Continuous return execution independent of temporal ups and downs

Creating Happiness and Harmony

in Our Communities.

マチの健康ステーション

LAWSON

Reference

Half Year Breakdown of FY2014 Forecast

LAWSON

(Consolidated: Billions of yen)	FY2014Forecast 1st Half	2nd Half	Full year
Net sales of all stores	1,024.0	1,005.0	2,029.0
Operating profit	37.9	37.1	75.0
Operating profit ratio	3.7%	3.7%	3.7%
Recurring profit	37.2	36.7	73.9
Net profit	19.4	19.5	38.9
(Non-consolidated*) *excluding LAWSON MART/LAWSON STORE100 business			
Gross profit at existing stores (YoY)	101.3%	101.3%	101.3%
Net sales at existing stores (YoY)	100.0%	100.0%	100.0%
Gross profit margin ratio	31.3%	31.5%	31.4%

FY2013 Consolidated Balance Sheet

(Billions of yen)

	As of Feb. 28, 2014	Change from Feb. 28, 2013
Total current assets	195.7	15.4
(Cash and deposits)	76.7	▲ 8.0
(Accounts receivable)	54.1	8.1
Total noncurrent assets	425.2	25.6
Property, plant and equipment	233.4	24.2
Intangible assets	28.4	▲ 5.6
Investments and other assets	163.2	7.0
(Long-terms loans receivable	33.7	▲ 0.8
(Guatantee deposits)	86.1	0.0
Total Assets	620.9	41.1

	As of Feb. 28, 2014	Change from Feb. 28, 2013
Total current liabilities	246.7	6.9
(Accounts payable-trade)	89.1	1.9
(Deposits payable)	87.5	0.0
Total noncurrent liabilities	123.7	13.9
(Long-term guarantee deposits)	32.2	▲ 2.5
Net Assets	250.4	20.3
(Common stock)	58.5	–
(Retained earnings)	138.1	16.9
Liabilities and net assets	620.9	41.1

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.