

Summary of Results for FY2018

Lawson, Inc.

April 12, 2019

Financial Results for FY2018

Satoshi Nakaniwa
Executive Managing Officer
Chief Financial Officer

Lawson, Inc.

Consolidated Financial Results for FY2018

(Billions of yen)	FY2017	FY2018		
	Act	Act	Diff.	V. Plan
Operating profit	65.8	60.8	-5.0	+0.7
Recurring profit	65.1	57.7	-7.4	+0.7
Net Profit	26.8	25.5	-1.2	-2.4
(Non-consolidated %)				
Existing store sales	100.0%		99.5%	-0.5%pt
Gross profit margin	31.3%		31.2%	-0.2%pt
No. of CVS stores	13,992	14,659	+667	-133

1. Consolidated operating profit : 60.8 billion yen

- (1) Fell While gross operating revenue increased on higher store numbers, operating profit dropped on increased SG&A expenses including higher franchisee support costs, investment in next-generation systems, and costs related to the launching Lawson Bank.
- (2) Rose v. plan: While existing store sales fell YoY and the gross profit margin fell short of plan, operating profit came in above target on cost-cutting efforts.

2. Consolidated net profit : 25.5 billion yen

- Reason for falls YoY and v. plan: Higher store-related impairment losses, etc.

3. Existing store sales : 99.5%

- Number of customers : -2.3% Spending per customer : +1.8%

FY2018 operations & progress

Evaluation

Next generation system

[New POS cash registers]

- Completed introduction of new POS cash registers into all stores designed to make instore cash management more efficient.
- Costs within budget thanks to efficiency gains in business processes achieved on introducing new POS cash registers to all stores.



New businesses

[Lawson Bank]

- Lawson Bank started financial services for customers in October 2018, after receiving banking licence in August.
- ATM usage figures came in short of plan, but operating profit was roughly in line with plan thanks to cost-cutting initiatives and other factors.



CVS etc.

- Lawson parent: The YoY rise in average customer spend was unable to cover the fall in customer visits in existing-store sales, and, as a result, the gross profit margin also came in below plan. However, operating profit exceeded expectations thanks to our cost-cutting drive.
- Operating profit to plan at Seijo Ishii and entertainment business (Lawson Entertainment, United Cinema) was almost as planned.



Consolidated Operating Profit for FY2018

(Billions of yen)	FY2017	FY2018		
	Act	Act	Diff.	V. Plan
Operating profit	65.8	60.8	- 5.0	+0.7

YoY in yen	Plan *	Act	Diff.
Next generation system	Approx. -5.0 bil.	Approx. -4.0 bil.	Approx. +1.0 bil.
New businesses	Approx. -2.0 bil.	Approx. -2.0 bil.	as planed
CVS etc.	Approx. +1.0 bil.	Approx. +1.0 bil.	as planed
Total	Approx. -6.0 bil.	Approx. -5.0 bil.	Approx. +1.0 bil.

* Revised on Oct. 12, 2018

※Figures rounded to the nearest 0.5bil yen for clarity of display

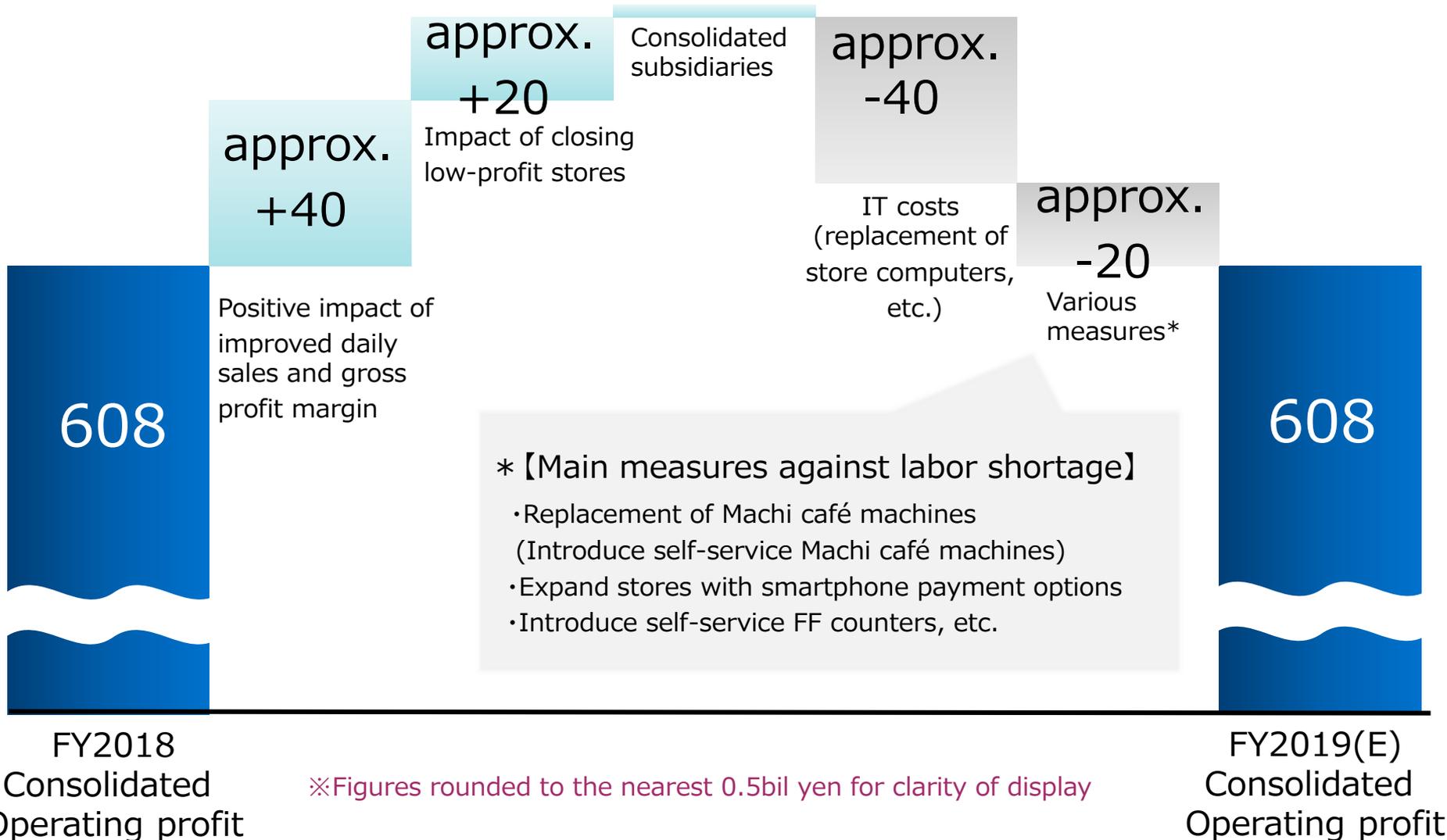
(Billions of yen)	FY2019	
	Forecast	Diff.
Consolidated operating profit	60.8	±0
Major companies		
Lawson parent (Note)	45.3	-0.4
SEIJO ISHI CO., LTD.	8.5	+0.3
Entertainment business(Lawson Entertainment, Inc. United Cinemas Co., Ltd.)	5.1	+0.1
Consolidated net profit	18.0	-7.5
Dividend per share	150 yen (FY2018:255 yen)	

(Note)

- Existing store sales : 100.5% (YoY+1.0%)
- Gross profit margin : 31.4% (YoY+0.2%P)
- Store number : Store opening 700 Store closure 700 Net store numbers 0

FY2019 Consolidated Operating Profit

(100 million yen)



FY2018 Review FY2019 Initiatives

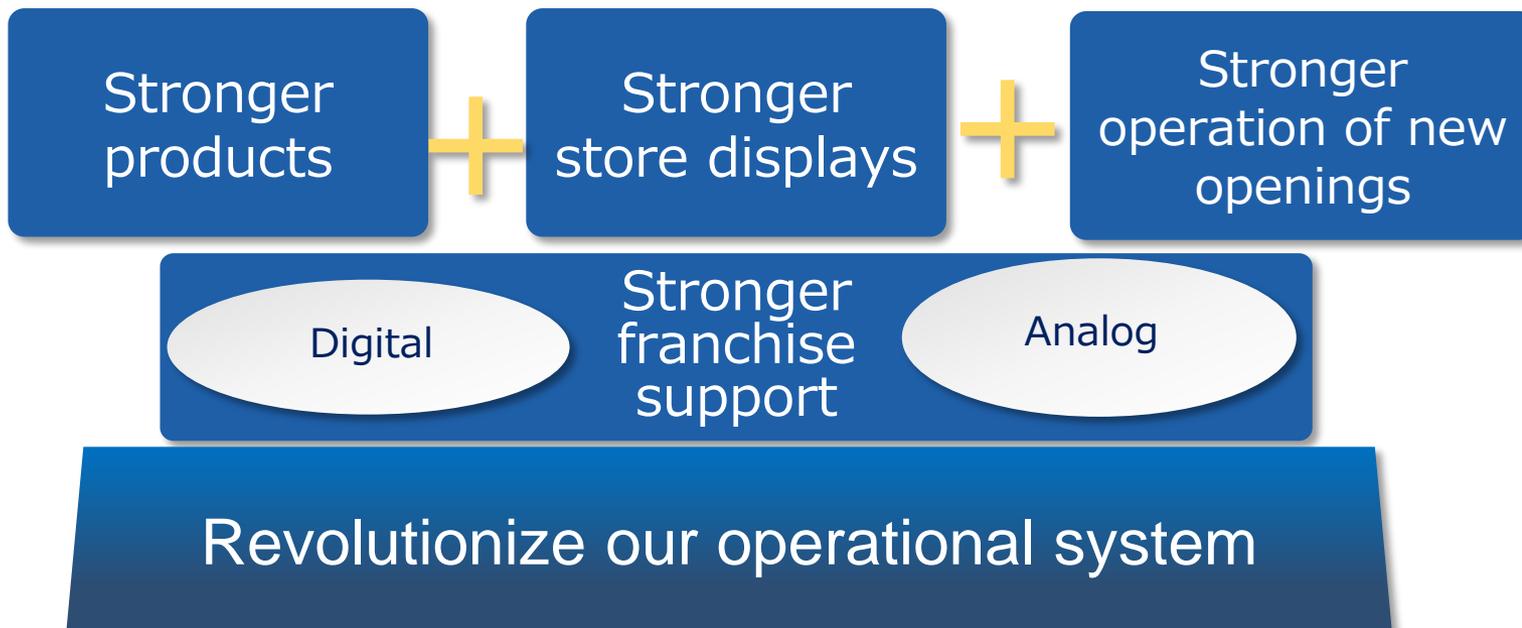
Sadanobu Takemasu
President and CEO
Representative Director
Chairman of the Board

Lawson, Inc.

Become an essential part of our communities

Build Next-generation LAWSON CVS model

Stronger evening/night-time ranges, Stronger everyday living support



Challenge for future growth opportunities and revolution

1000-Day Action Plan Overall

Supporting everyday life,
Alleviating labor shortage

2018

Stronger evening
/nighttime ranges

2017

Fuller product
range

☆ Change order
cut-off times

2016

Better store display
environment

• Stronger core
CVS, rice, FF
products

☆ Lawson
Fresh Pick

2015

Improved
ordering accuracy

• New living
support

• Machikado Chubo
☆ New tablets

launch in Tokyo
& Kanagawa

Stronger
living
support

☆ Introduce
SA system

Expand daily products,
frozen foods

• Expand SKU

Reduce store
processes

3,000→3,500SKU

☆ Automatic change
dispensers
New POS cash
registers
Smartphone
payment

Store recruitment support

Labor-saving
trials

• Auto register
Regi-robo
• RFID, etc

• Set up "LAWSON STAFF"

Labor
shortage
response

Year 0

Year 1

Year 2

Year 3

* Saving time per day

2015~
Semi-automated ordering system + planned ordering

2.0 hours/person

2017
Tablets

- ✓ **Improve store productivity** by managing work schedules, counter FF production

2017~
Introduced new Machikado Chubo operation

1.5 hours/person
(standardize operations, etc.)

2016
Established "LAWSON STAFF" agency

- ✓ Usage increased **approx. 20 times** compared to pre owner support system. Covers over 200 shifts per day

2018
POS cash registers with automatic change dispensers

1.5 hours/person
(checking register account)

LAWSON Smartphone cash register
(2018~)

- ✓ **Takes ¼ of time required for regular cash register payment.** Currently operational in 103 stores nationwide

Using digital technology to reduce labor time and personnel

July 2019~
Unmanned store trial

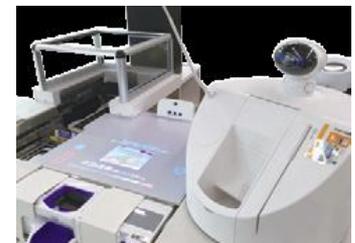
Target: 5 hours/person/day

Trial stores : 2 (scheduled)
Opening hours: Unmanned from midnight to 5am (some products not available during those hours)
Payment : Smartphone, self cash register
Store entry: granted via Lawson app



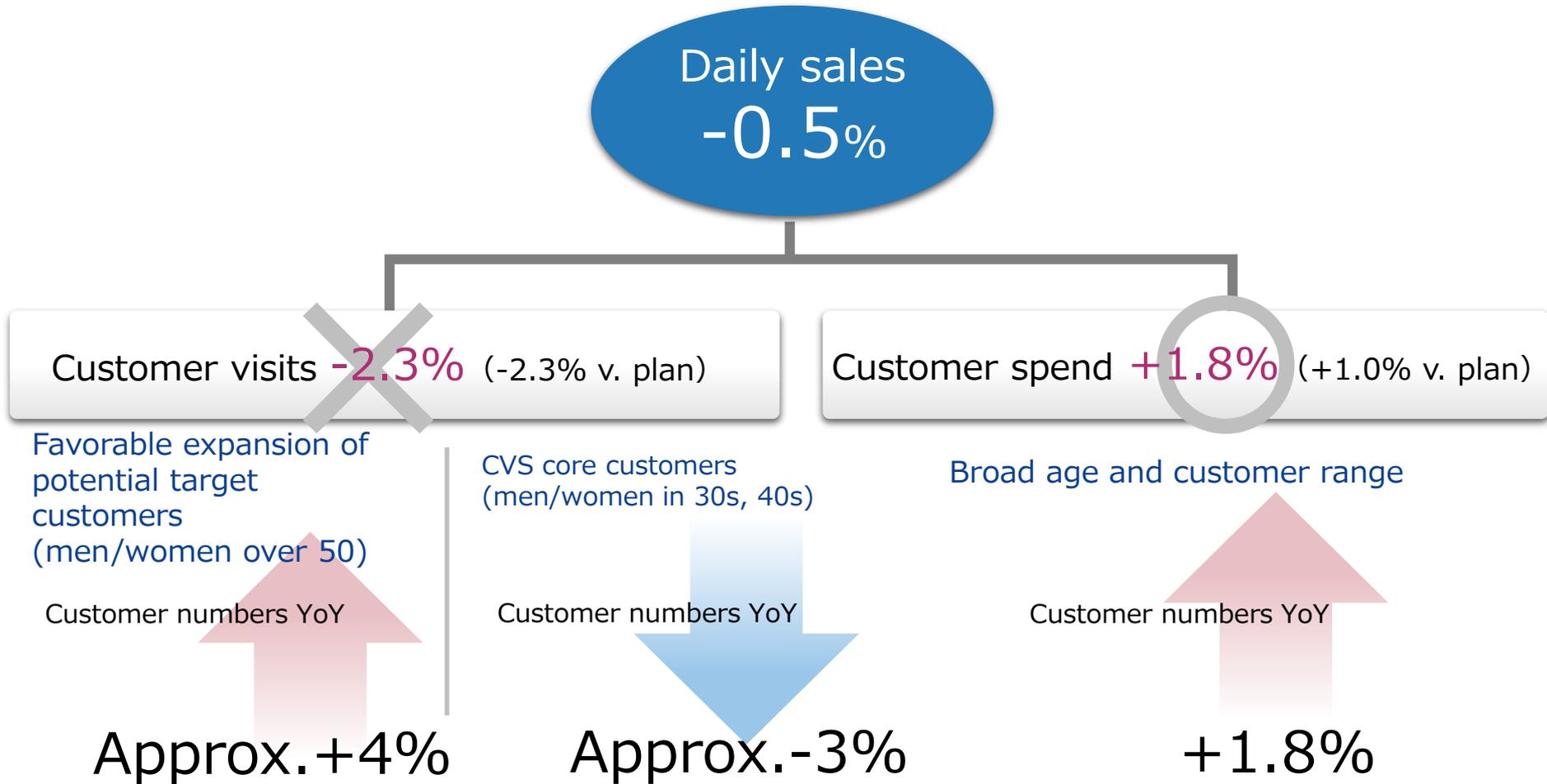
2016~
RFID proof of concept

- Fully automated self checkout counters "Regi-Robo"
- Walkthrough payment using RFID electronic tags



Impact on Customer Visits Daily Sales

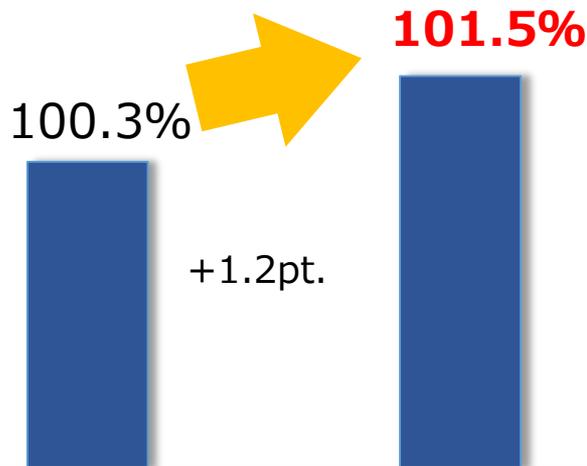
- Stronger evening/nighttime product strategy has increased number of potential target customers.
- However, dampened daily sales of core CVS customer layer.



Large growth in better evening/nighttime ranges, initiatives starting to bear fruit

Morning, lunchtime

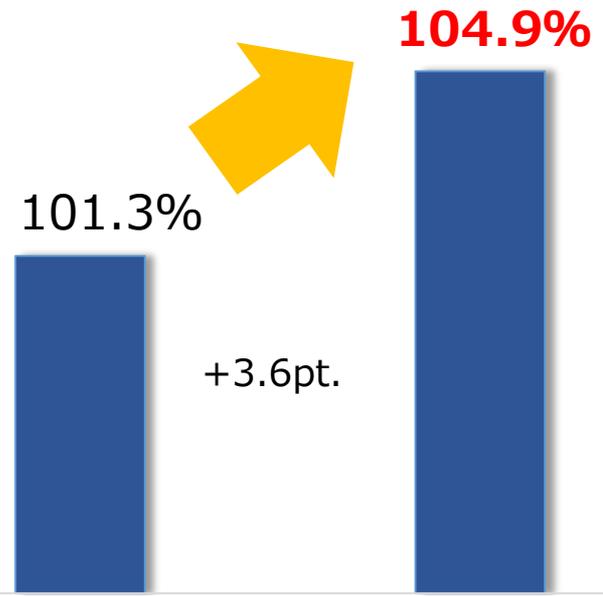
- Stronger evening/nighttime products



Before strengthening After strengthening

Evening, nighttime

- Stronger evening/nighttime products



Before strengthening After strengthening

※Strengthening the third evening/nighttime delivery: before period (2018/5/10-6/4), after period (2018/6/5-2019/2/28)

※2018 stronger evening/nighttime categories: boxed meals, rice-balls/sushi, sandwiches

Hour : morning, lunchtime (6AM~4PM) evening, nighttime (4PM~5AM)

FY2019 Initiatives

Market movements

- 2019 May: change of imperial era,
June: Women's Soccer World Cup,
September: Rugby World Cup
October: rise in consumption tax
- 2020 Tokyo Olympics
- 2025 Osaka World Fair

Labor shortage

Personnel costs

Promoting
female
participation

Ultra-ageing
society

Expanding
online sales

Increasingly
severe
competition

Health-conscious
consumers

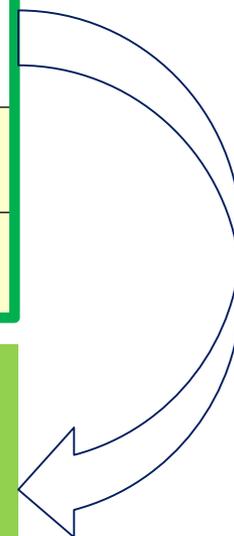
Reducing
plastic
use

Reducing
food
waste

- ❑ In light of tight labor, falling franchisee store revenue, and increasingly severe operational environment, focus on **counteracting labor shortage** in FY2019 by aiming to create stores that all customers will enjoy.
- ❑ Create a sturdy cost structure, systematically close low-profit stores, promote environment-conscious reductions in food waste.
- ❑ Deepen our focus on new store quality. **Plan to open 700 stores, close 700 stores for a net gain of zero.**
- ❑ Grow as a consolidated Group supported not only by Japanese convenience store operation, but by other pillars such as **Seijo Ishii, entertainment, financial, and international operations.**

(100 million yen)	FY2018 Actual	FY2019		
		Plan	YoY	
Non-consolidated operating profit	457	453	-4	-1.0%
Consolidated operating profit	608	608	+0	±0.0%
Consolidated recurring profit	577	545	-32	-5.5%
Consolidated net profit	255	180	-75	-29.6%
Existing-store sales	99.5%	100.5%	+1.0%	
Gross profit margin	31.2%	31.4%	+0.2%	

- Expect consolidated operating profit remain flat.
- Improve franchise store profits by closing low-profit stores and promoting store relocation. However, store closures expected to result in a fall in recurring and net profit.



**Become every customer's
No.1 recommended brand**

Three
promises ①
Most delicious
taste

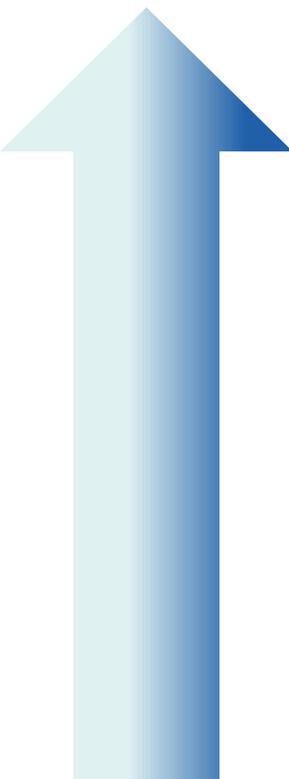
Three
promises ②
Human
kindness

Three
promises ③
Environmental
(Machi)
friendliness

Inspire franchise stores and employees to work

Improving Franchise Store Profits

Franchise store job satisfaction & pride

- 
- ✓ Reduce personnel costs
More stores with **self cash register, smartphone cash register**
 - ✓ **Reduce disposal losses / Create lean no-waste operation**
 - ✓ Review new store openings
Promote franchise store relocation
 - ✓ **Aim to introduce new franchise contract package this fall**
(Promote **multi-store management**)

Realize better profits for franchise owners

Transforming Our Stores : Labor-saving, Franchise support

Introduce labor-saving cash register and other tools to alleviate the most time-consuming instore processes

Self cash register



**Gradual
introduction
from March**

Cashless
payments
only in self
cash register mode

LAWSON Smartphone cash register



**Expand to 1,000
stores in FY2019**

Help yourself FF counters



**Plan to expand from
new stores
(just experimenting)**

Transforming Our Stores : Labor-saving, Franchise support

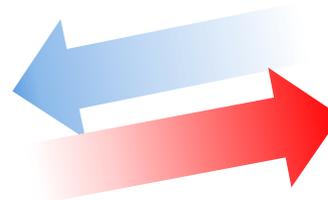
Greatly improve work speed by **boosting processing speeds**

New store computers

Introduce new store computers into all stores by June 2019



View combined display of all store information (owner portal)



Option to remotely operate other store computers (Support multiple-store owners for remote login)

Crew Armies to Combat Labor Shortage

Expand Corporate award system

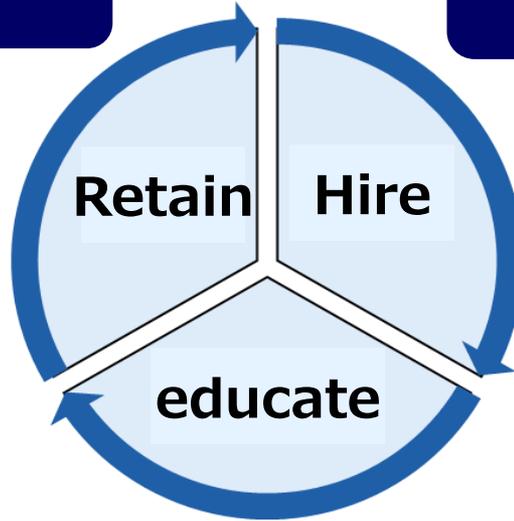
- Increase potential use



Introduce new system from June

Start experiment of new shifts from June

- Crew sharing
- Transform to shorter shifts



Improve employment homepage

Training tools for employing international staff

- Employment guidebook
- Vocabulary in 4 languages



• LAWSON STAFF

Stronger initial training

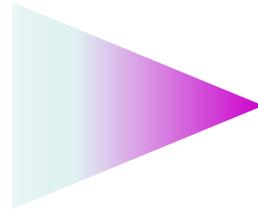
- Orientation video
- International staff training guidebook



- New store computer operation manual

2019: Review Store Openings

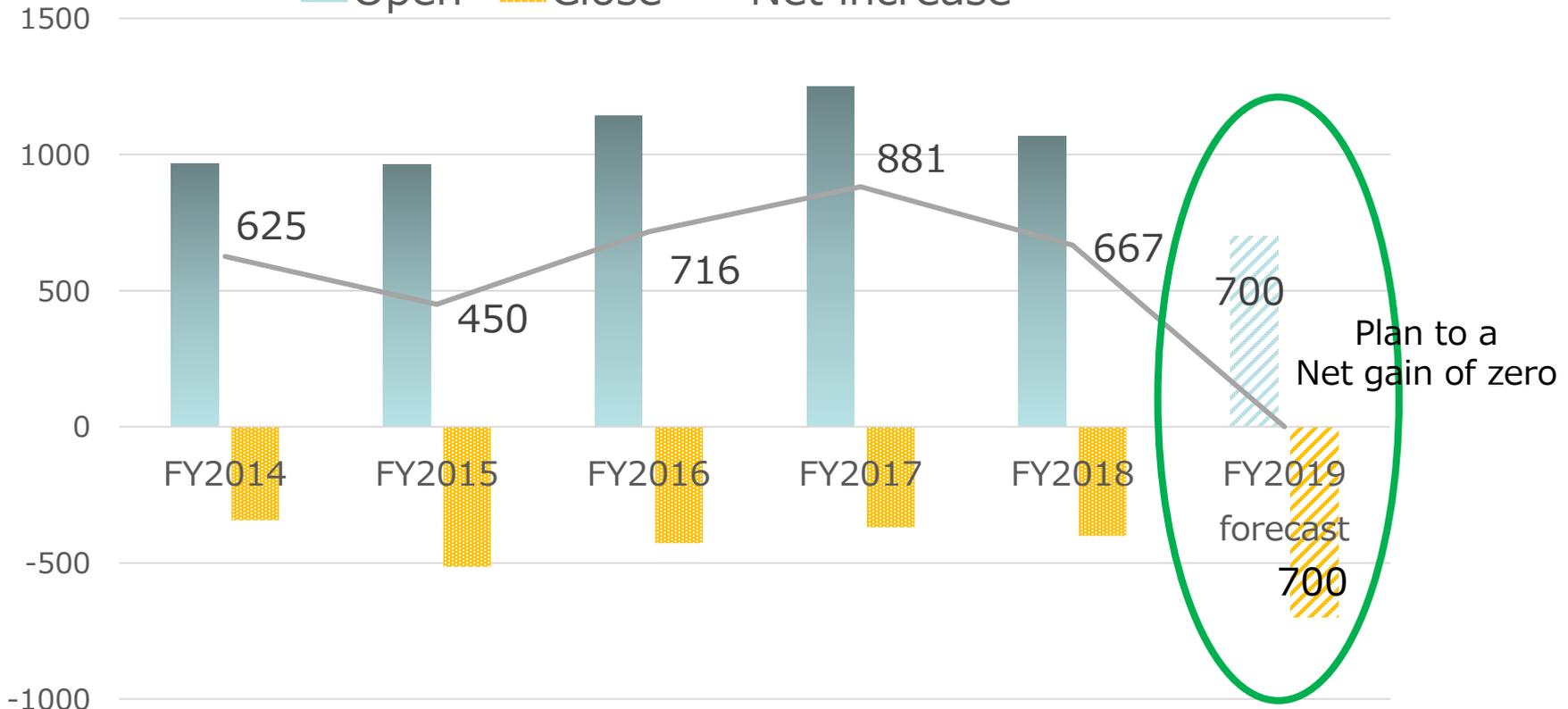
- ▣ Rising franchisee store's costs
(Rising personnel, utilities costs)



- ▣ Stricter new store opening criteria
- ▣ Promote relocation of low-profit stores
- ▣ Encourage multiple-store owners

(Stores) Open Close Net increase Plan

■ Open ■ Close — Net increase



Lawson's Multiple Store Ownership

Franchise stores, HQ to work together to create an even better Lawson

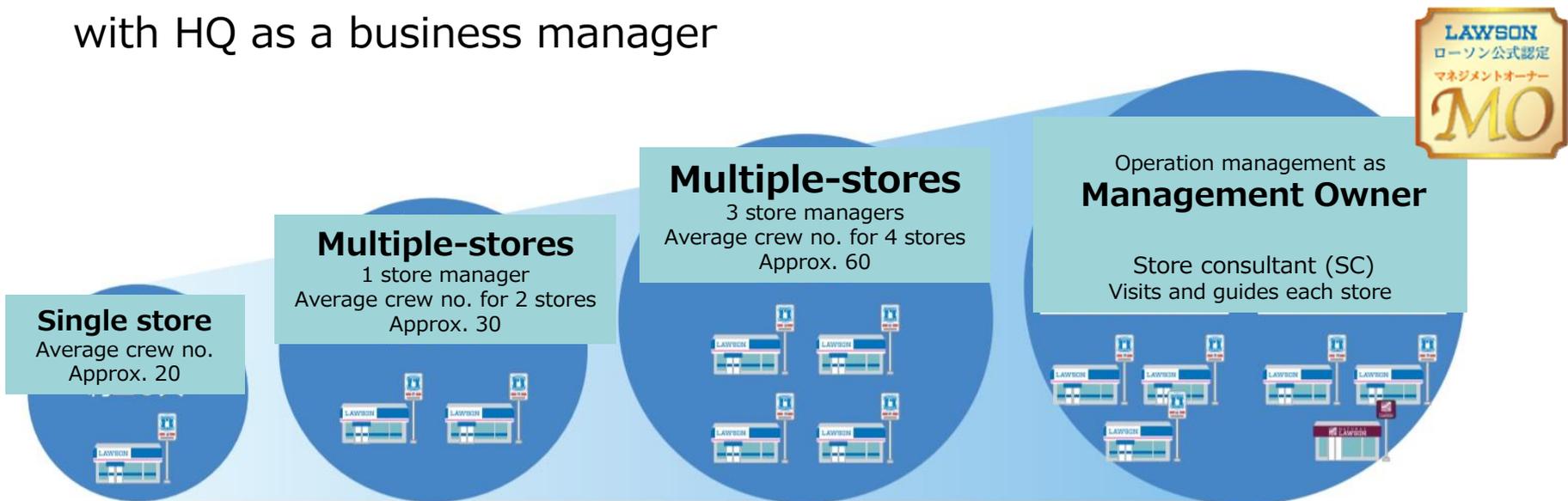
□ **Single-store owner ⇒ Multiple-store owner ⇒ Management Owner**

Start as single-store owner, HQ support multiple-store management business expansion

□ **Management Owner** to join in management planning in strong partnership with HQ as a business manager

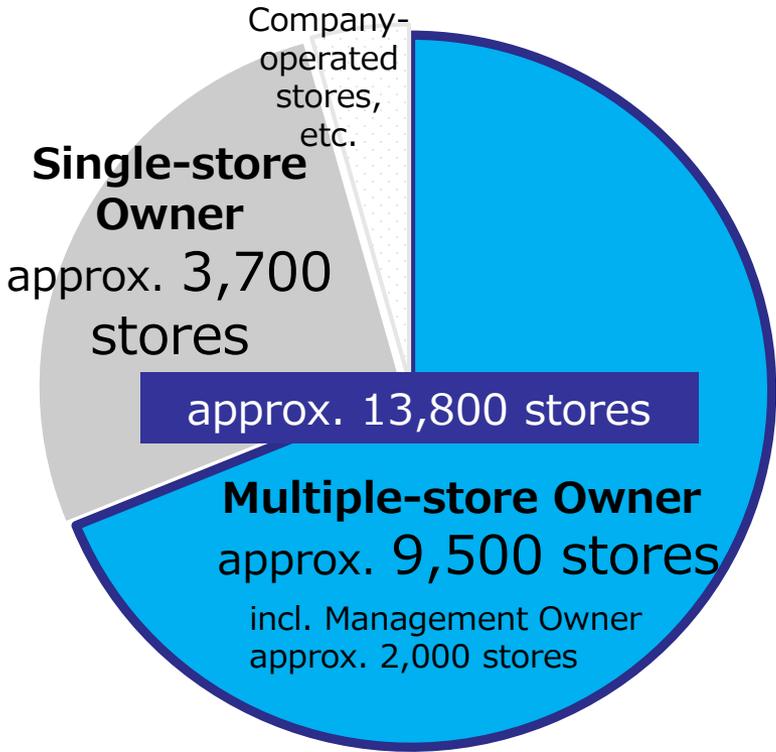
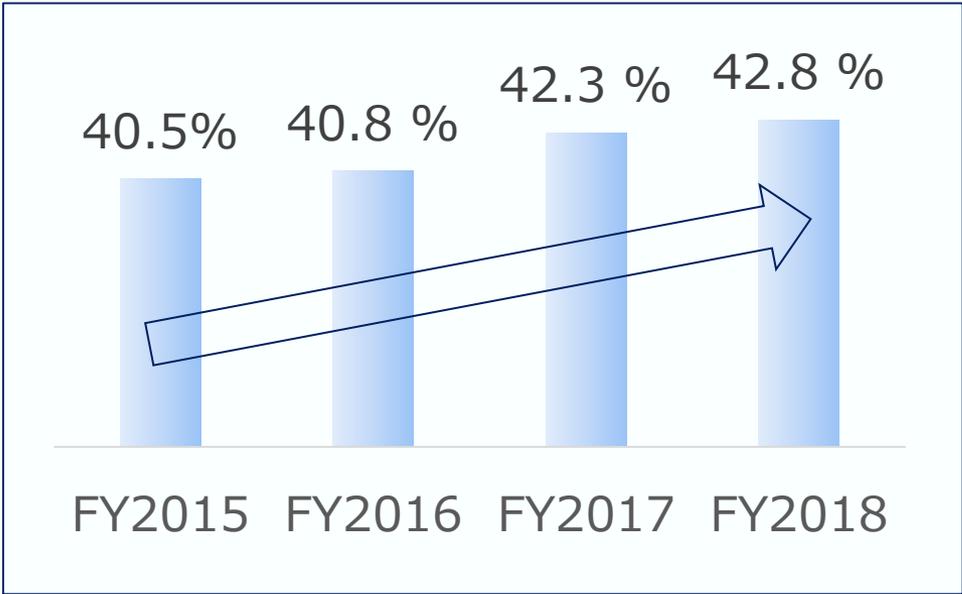
Consider introducing new FC contract package

- Designed for multiple-store management
- Consider appropriate store support costs etc.



Encouraging Multiple-store Owners

- Multiple-store owner ratio (%)
- Approximately 70% of stores are operated by multiple-store owners



* As of February 28, 2019
 * Convenience Store Business in Japan except for LAWSON STORE100.

Direct Communication with Franchise Stores

Create **STORES** with **FREQUENT** contact over **MANY YEARS**

Encourage **discussion between franchise stores & HQ (incl. senior management), and among franchisees**

- ❑ FC owner welfare, board meetings (twice/year)
- ❑ FC owner women's section (twice/year)
- ❑ MO general meeting (annual), MO board meeting (twice/year)
- ❑ Area meetings (monthly in each area) **(3,045 in 2018)**
- ❑ Lawson seminars (twice/year)
- ❑ Direct line to president (as needed)

- ❑ **Set up April 2019: Lawson Franchise Store Advisory Committee**

A new venue for airing views on Lawson HQ management, policies, and potential improvements from the franchise store perspective.



Business basics: “3 pledges”

Stronger focus on **S** & **C**



Stores we would recommend to customers Stores customers would recommend to their family & friends



**No adult
magazines**



Clean toilets



**Hearty
greetings**

Transforming Products: FY2019 New Internal Organization

Concentrate setting, implementation of marketing strategy and Japan CVS sales plans
 President be also a Marketing Strategy Division Director to operate a swift PDCA cycle



Separate Merchandizing Division into two
**Reorganized as two specialist
 producing organizations**

Set up a Lawson Way Advisory Board (from March 2019)

A venue primarily for influential women outside the company to debate and confirm Lawson strategy and tactics, products and services, QSC, store management, etc.

Transforming Our Products

The Three Lawson Promises

Three promises ①
Most delicious taste

Three promises ②
Human kindness

Three promises ③
Environmental (Machi) friendliness

Stronger Private Brand



Change nutritional information labeling, reduce salt & additives

Reduce food waste and plastics use

Stronger frozen foods



Low salt

Low-carb

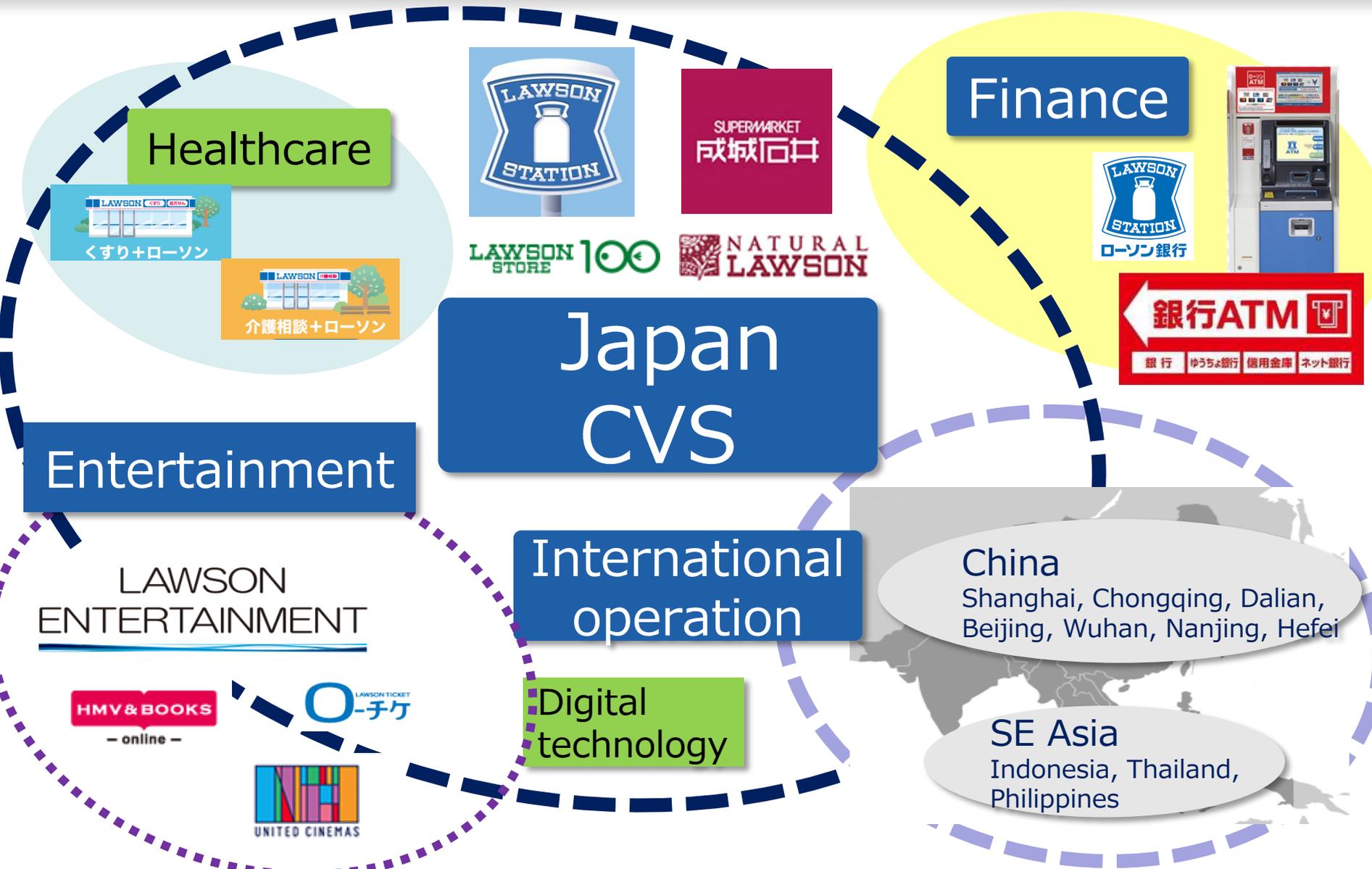
Low additives



- No straw
- Paper cups



Lawson Group Overview

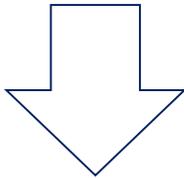


Seijo Ishii: For Future Sustainable Growth

Strengthening foundation for growth

SUPERMARKET
成城后井

- Polish product-focused existing stores, and business operations
- Promote growth with new store openings



Brush up existing operations, organize infrastructure

- Expand central kitchen
- Consider potential for eating-out/eating-in operations

Entertainment Business: Create an Overall Entertainment Company

LAWSON ENTERTAINMENT

LAWSON
ENTERTAINMENT

LAWSON



ローソントラベル

Entertainment
Business Division

Triple
strategy

① **Strengthen
existing business**

• No.1 in entertainment distribution,
customer satisfaction

② **Pursue
synergies**

• Effective resource use across Group

③ **Improve
productivity**

• Improve profits, reform processes,
exploit IT tools

Create a one and only comprehensive entertainment conglomerate!

Financial Business: Respond to Cashless Society

- Lawson Bank to serve as a part of social infrastructure, and your nearest bank

Expand ATM operation

- ◆ More ATMs, more ATM usage
- ◆ Install ATMs outside Lawson stores

Cooperate with regional financial institutions

- ◆ Joint ATMs, ATM management



Promote credit card operation

- ◆ Ponta points program
- ◆ Broader settlement options

Respond to cashless needs

- ◆ Working to provide a strong settlements platform

Strengthening Our Digital Marketing



Smartphone advertising

LINE@



Direct register coupons



Smartphone coupons



Smartphone cash register

Receipt coupons

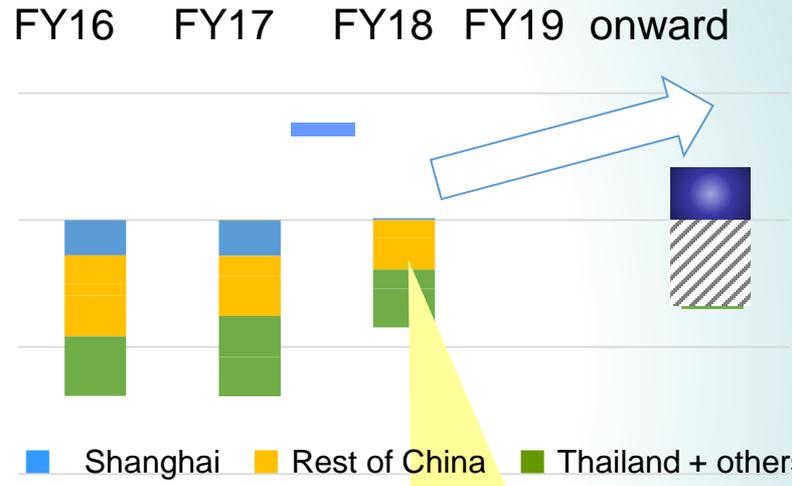
Renew Lawson app



Expand Intl. Operations: Protect Future Profits

- Establish profitable model across international operation
- FY2021: Approx. 5,000 stores

International operation profit/loss



China
 Acquire scale through regional franchise development in Shanghai, Chongqing, Dalian, Beijing, Wuhan, Nanjing, Hefei, etc.

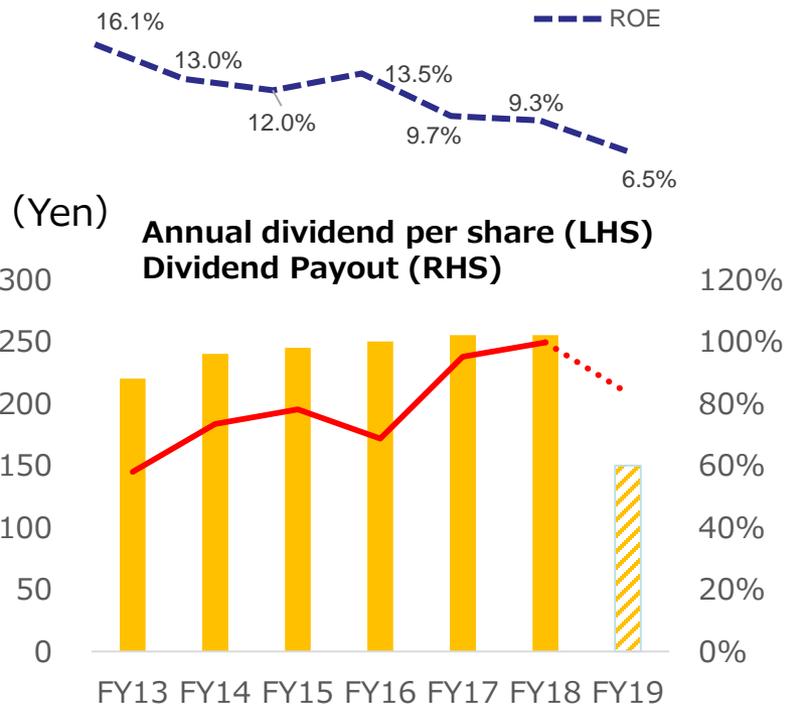
Japan

Southeast Asia
 Establish a profitable business model and expand store network in Indonesia, Thailand, Philippines, etc. Develop win-win partner relationships

FY2018
 Shanghai, Dalian operations turn a profit

Dividend Policy (1)

Dividend per share: FY2019 150 yen (FY2018 255 yen)



FY2019 Dividend Policy

Reward shareholders by offering a minimum stable dividend of 150 yen per share dividend and targeting a consolidated dividend payout ratio of 50%.

Lawson management places great store on returning a portion of our profits to our shareholders, and has paid out stable dividends on an annual basis.

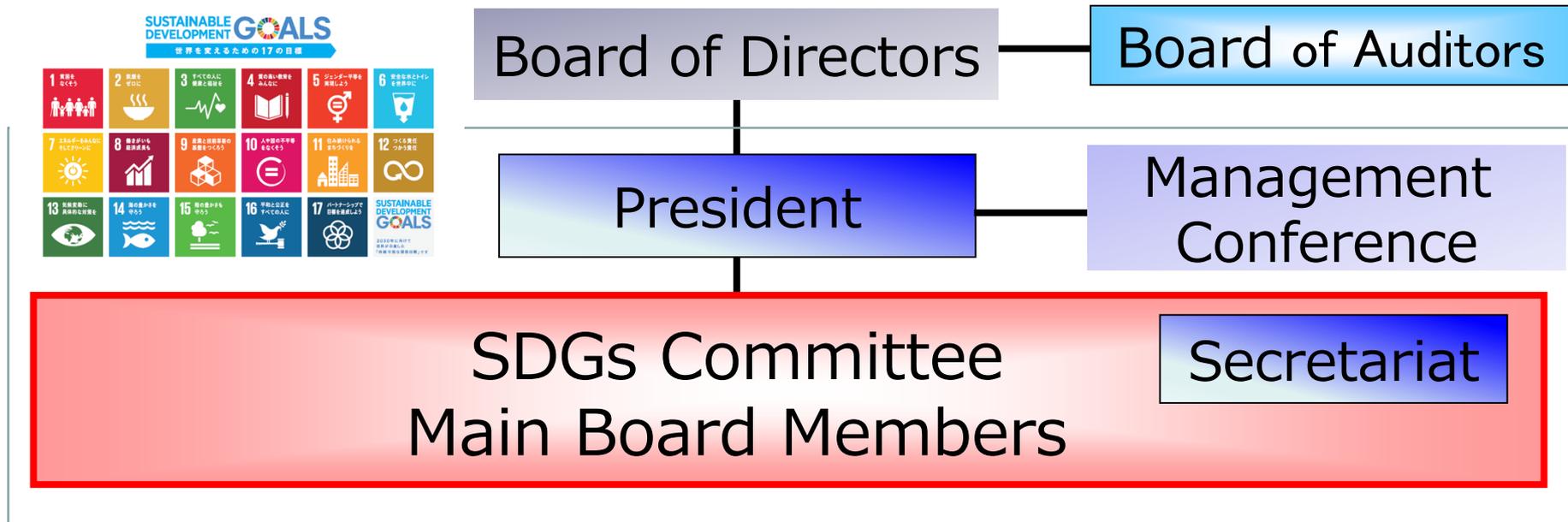
While our fundamental stance has not changed, moving forward, we have decided to introduce a consolidated dividend payout ratio to make our profit-sharing stance even clearer for our shareholders, and to ensure we pursue a strategy that both maintains financial soundness and returns an appropriate portion of profits to our shareholders that directly reflects corporate performance.

Dividend Policy (2)

- Helping franchise store owners deal with labor shortage and rising personnel costs is an urgent task.
- The mutual benefits generated by ongoing franchise store support measures will lead to higher corporate value.
- Our commitment to providing shareholder returns unchanged.
- Achieve swift increase in dividend following profit recovery from FY2020 onward.
- Maintaining higher-than-industry-average shareholder returns with a dividend payout ratio of 50%.

Reviewing our dividend level is a difficult but necessary choice if we are to continue our ongoing franchise store support measures. We will seek to increase the dividend as soon as possible by securing a recovery in franchisee and company profits

Establish an SDGs Committee



Based on our corporate mission “**Creating Happiness and Harmony in our Communities**”, the Lawson Group strives to realize our three promises and achieve sustainable growth with due consideration of SDGs.

※Three promises→**Most delicious taste, human kindness, environmental (Machi) friendliness**

Lawson Social, Environmental

Initiatives so far

Set up
Lawson
Green
Streets
Fund
1992



Kobe
Earthquake
Donation fund
1995



Individual Store
Campaign
**Food recycling
experiment
1997**

Stopped
including
chopsticks
in boxed
meals
1999

Reused plastic bottles
Introduced uniforms
2001



Started distribution eco
bags
Opened Happy Lawson
2007



Stronger protection
of personal information
2004

Set up Support Your
Dreams fund
Installed solar
panels in 2,000
stores
2011

Concluded a health
promotion
agreement with
local governments
2013

First CVS!
**Resilience testing
certification**

2016

1994

Launched Arakawa Clean Aid



1996

Began recycling
waste products
(glass/plastic bottles,
cans)

1998

**ISO14001
certification**



**SEJ2014, FM1998
certification**

2000

Mt. Fuji
Forestation
Campaign



2003

**Comprehensive
regional
agreement with
Wakayama
Prefecture**

Reduce food
additives

First CVS!

**Agreement with
Ministry of Environment**

Started recycling
waste oil
in all stores

2006

2008

**Set own action
targets for reducing
CO2 emissions**

2012

**Started selling
bran bread**

Launched
mobile
catering



2014

**Selected as
nadeshiko brand
(female
advancement)
5 consecutive
years**

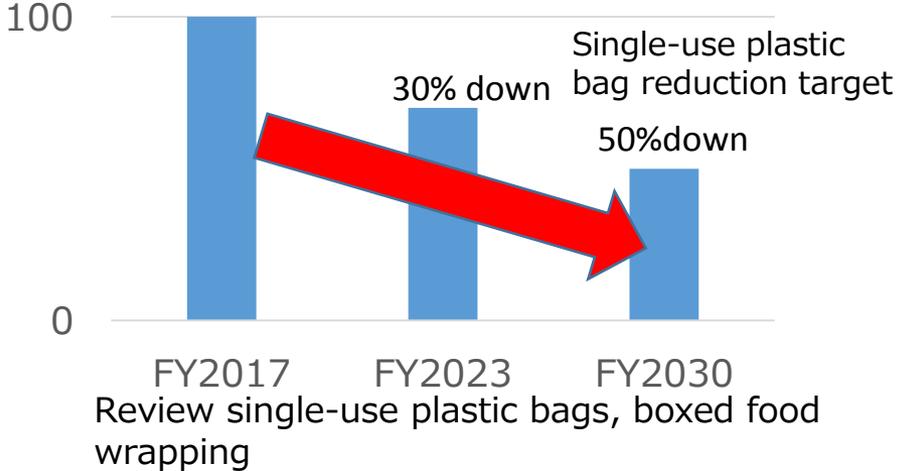
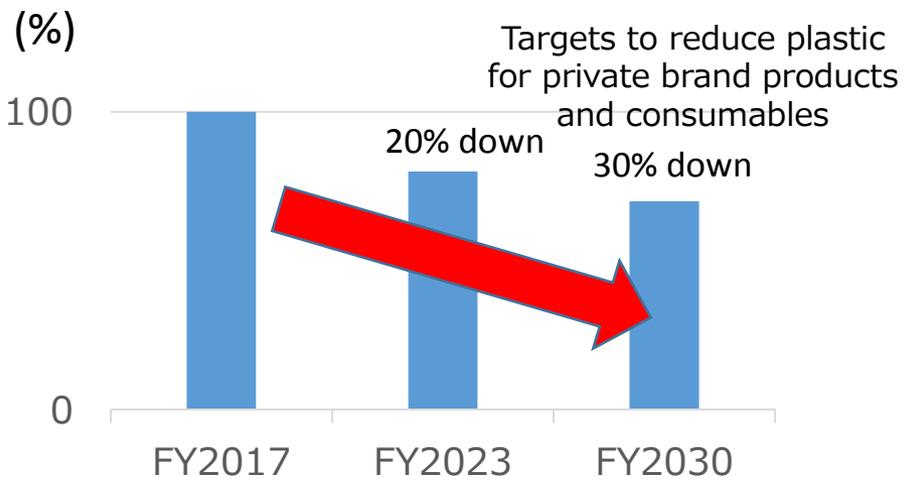
2017

**Health
Management
White 500
company**

**Set up Single
Parent Family
Support
Scholarship Fund**

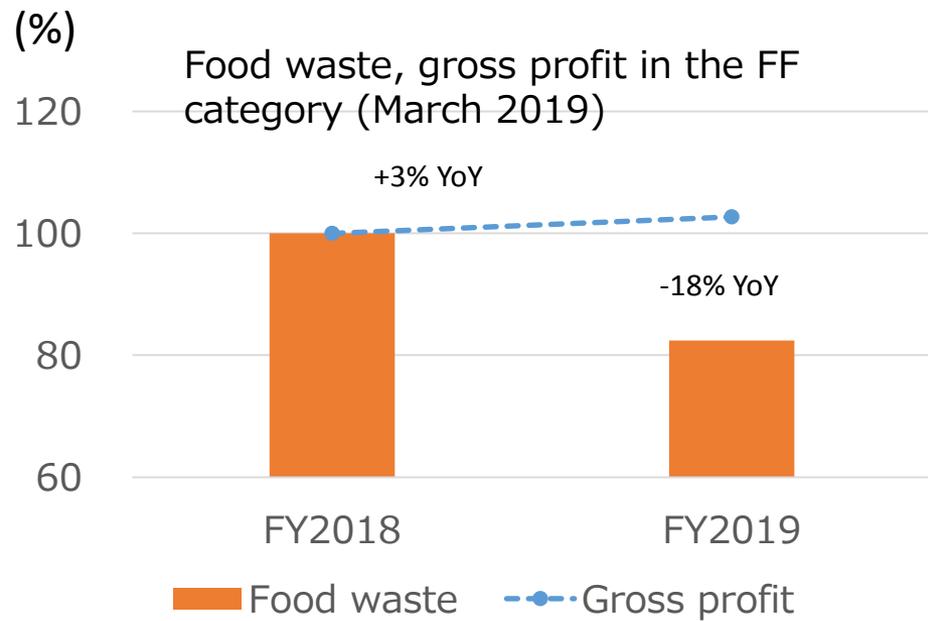
Reducing Plastics, Food Waste

Lower plastics use



2030 targets: Reduce plastic by 30% (plastic bags by 50%) v. 2017 levels.

Less food waste



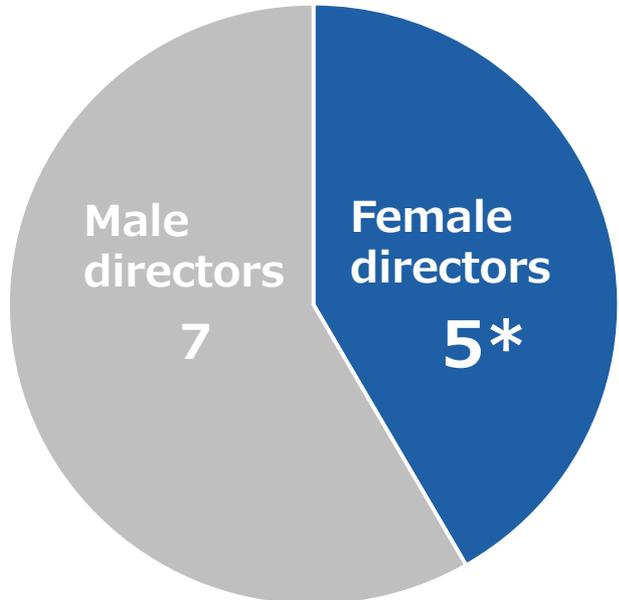
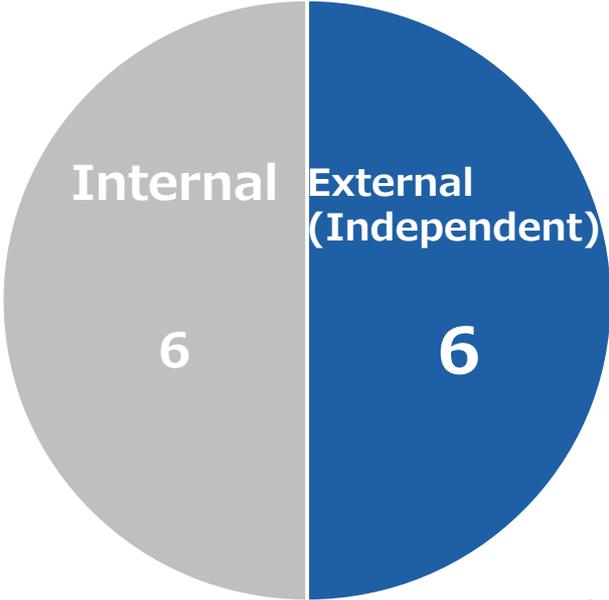
Create a no-waste, sell-all operation

Control waste through minute control of production volumes and sell-all discounts on room-temperature fast food packs. Pursue activities to promote sales permission (gas replacement, etc.)

Corporate Governance

Strengthen independence with high ratio of external directors

Female/Male directors



* Structure expected to be implemented after shareholders meeting to be held on May 21, 2019

New candidate for Board of Auditors

Name: Yuko Gomi

Current position: Partner, T. Kunihiro & Co. Attorneys-at-Law

Corporate Slogan: New Lawson Declaration

マチのほっとステーション
LAWSON

Slogan logo



Official announcement set for Tuesday, April 23, 2019

**Planned advertising:
15-column newspaper advert,
TV commercials, online/social
media, flyer, stores**

“Ho, Ho, Ho” – The Three Surprises

Three Promises

**The most
delicious taste**

**Human
Kindness**

**Environmental
(Machi) friendliness**

The Three “Ho” Surprises

Surprise “Ho” discoveries

Be surprised by our string of new brand of sweets, our frozen drinks and parfait, and our wonderful riceballs made with only the best Japanese rice.

Surprise “Ho” happiness

Be surprised at our karaage-kun friend chicken made with 100% Japanese meat, our low carbohydrate, healthy bran bread, and our low-salt product ranges.

Surprise “Ho” kindness

Be surprised at our efforts to reduce plastic, reduce food waste, and keep our toilets clean.



Uchi Café
BASCHEE
パステー



FROZEN PARTY



からあげくん。



ブランパン
※表記の糖質量は商品により異なります。



アイスコーヒー®カップを
プラスチックから紙へ

※5月下旬、関東エリアから順次

Reference Materials

Earnings Summary: FY2018

(Consolidated : Billions of yen)	FY2017	FY2018		
	Actual	Actual	YoY	v. Plan
Net sales of all stores	2,283.6	2,424.5	+140.9	-25.4
Operating profit	65.8	60.8	-5.0	+0.7
Operating profit ratio	2.9%	2.5%	-0.4%P	+0.1%P
Recurring profit	65.1	57.7	-7.4	+0.7
Net profit	26.8	25.5	-1.2	-2.4
EPS (Yen)	268.16	255.71	-12.45	-24.12
Dividend per share (Yen)	255	255	±0	±0
ROE	9.7%	9.3%	-0.4%P	-0.8%P
Total no. of stores in Japan	13,992	14,659	+667	-133

Note: Total chain store sales (Net sales of all stores) include sales from the convenience store operation in Japan, international operations and sales from Seijo Ishii (consolidated items only).
Regarding Seijo Ishii, only the store sales of directly operation are included.

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

Note: Changes v. plan indicates comparison with the plan announced along with the FY2018 2Q results.

1. Consolidated operating profit : -5.0 billion yen YoY, -0.7 billion yen v. plan

- (1) Fell While gross operating revenue increased on higher store numbers, operating profit dropped on increased SG&A expenses including higher franchisee support costs, investment in next-generation systems, and costs related to the launching Lawson Bank.
- (2) Rose v. plan: While existing store sales fell YoY and the gross profit margin fell short of plan, operating profit came in above target on cost-cutting efforts.

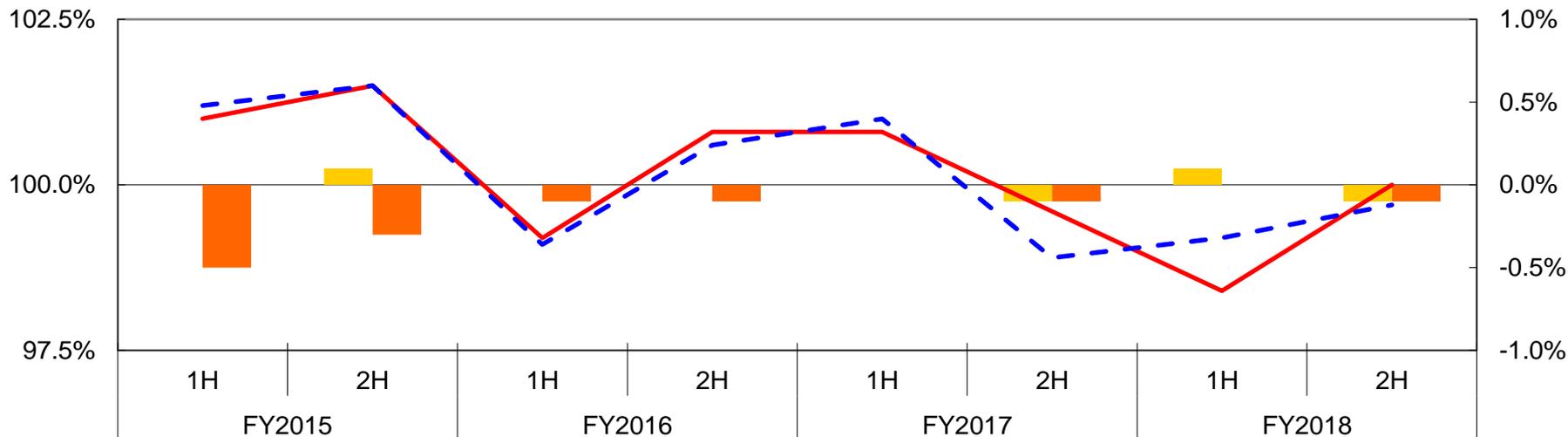
2. Consolidated net profit : -1.2 billion yen YoY, -2.4 billion yen v. plan

- Reason for falls YoY and v. plan: Higher store-related impairment losses, etc.

Existing Stores (non-consolidated*)

*exc. Lawson Store 100

FY2018 Existing-store sales 99.5%
 gross profit margin 31.2%
 (no. of customers -2.3%, spending per customer +1.8%)



■ Gross profit margin difference (YoY, Right)

■ Gross profit margin difference, excl. cigarette sales (YoY, Right)

— Existing stores gross profit (YoY, Left)

— Existing stores sales (YoY, Left)

Note: From FY2018 1H, Lawson has changed its disclosure figures of the existing-store sales to exclude the effect of the ticket sales including concerts, sporting events and gift card sales etc.

- Full-year existing-store sales fell short of plan, declining 0.5% YoY. Customer visits declined 2.3% on severe competition within the industry and sluggish growth in the core CVS business. However, average customer spend rose YoY as efforts to improve evening and nighttime food offerings boosted sales of rice balls, boxed meals, fresh delicatessen items and frozen foods.
- Gross profit margin down 0.1%p YoY to 31.2% on changing product mix makeup as sales of low-margin cigarette increased.

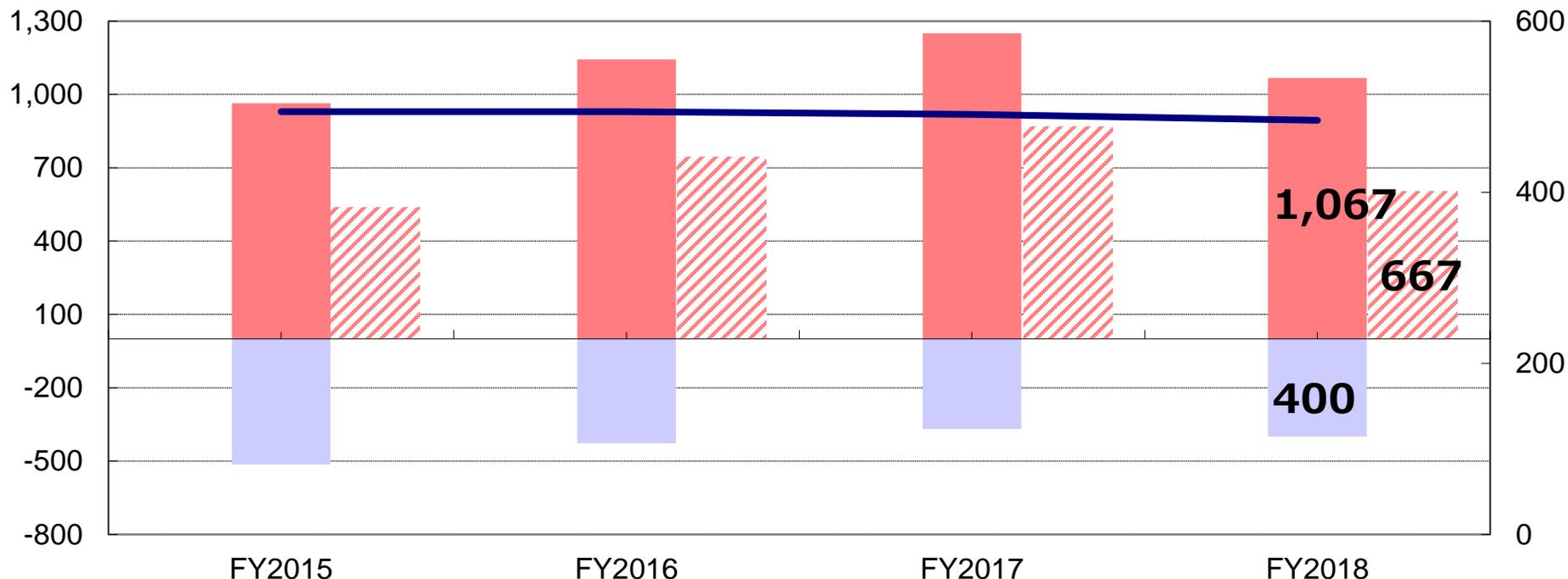
Store Openings (non-consolidated*)

*exc. Lawson Store 100

▨ Net store increase (Left)
 ▨ Store Closure (Left)
 ▨ Store opening (Left)
 — Daily sales per new store (Right)

(Store numbers)

(Daily new store sales in thousand yen)



- Opened 1,067 stores (including 195 Save On and 67 Three F brand changes), 100 below plan on strict new store opening selection criteria.
- Closed 400 stores as planned, net increase of 667 stores.
- Daily sales per new store dipped slightly YoY to approximately 480,000 yen

Key Components of SG&A Expenses

		FY2017	FY2018		FY2019
(Billions of yen)		Act	Act	Change	Forecast
Non-consolidated	Selling, general & administrative expenses	284.7	302.7	+18.0	Increase 5-10%
	<Major Expenses>				
	Personnel expenses	44.7	45.9	+1.1	Increase 0-5%
	IT-related expenses (Hardware leasing, software amortization, maintenance, etc.)	7.2	8.7	+1.5	Increase 50-60%
	Advertising and promotional expenses	12.5	13.3	+0.8	Increase 5-10%
	Sales commission	19.7	22.3	+2.6	Increase 0-5%
	Facilities expenses	155.6	166.5	+10.9	Increase 0-5%
Consolidated SG&A expenses		410.1	441.8	+31.6	Increase 5-10%

YoY		v. Plan	
Non-consolidated	<ul style="list-style-type: none"> ➤ IT costs: While investment in next-generation systems increased, we worked hard to reduce investment in existing IT systems. ➤ A&P: Up on increased promotion relating to strengthening of evening/nighttime ranges. ➤ Sales charges: Increased franchisee disposal loss support 	Non-consolidated	<ul style="list-style-type: none"> ➤ Down v. plan on lower costs generated by efficiency gains post new POS cash register introduction, lower existing IT-related costs, lower HQ expenses.
Consolidated	<ul style="list-style-type: none"> ➤ In addition to the non-consolidated factors, higher costs relating to Lawson Bank launch. 	Consolidated	<ul style="list-style-type: none"> ➤ Down v. plan on above-mentioned factors and cost-cutting at subsidiary firms.

Earnings of Major Subsidiaries

<Operating Profit of Major Subsidiaries>			FY2018		FY2019
(Billions of yen)	FY-end	Ownership	ACT	YoY change	Forecast
Lawson Store100, Inc.	Feb.	100.0%	-0.3	-0.0	-0.1
SEIJO ISHII CO., LTD.	Feb.	100.0%	8.1	+0.5	8.5
Lawson Entertainment, Inc.	Feb.	100.0%	2.3	+0.4	2.3
United Cinemas Co., Ltd.	Feb.	100.0%	2.6	+0.1	2.7
Chongqing Lawson, Inc.	Dec.	100.0%	-0.2	+0.0	0
Shanghai Hualian Lawson, Inc.	Dec.	100.0%	0.0	+0.5	0.4

Lawson Store 100, Inc.

Reported an operating loss of 300 mil. yen on severe competitive environment. Existing-store sales down 1.3% YoY. Estimate a small operating loss in FY2019.

SEIJO ISHII CO., LTD.

Existing-store sales up 1.5% YoY on continued strong sales, especially delicatessen items made in central kitchens. Expect profit gains in FY2019.

Lawson Entertainment, Inc.

Profit up on more large-scale events and contents. Expect FY2019 profit to hold steady on the back of higher costs related to securing superior content, systems investment and other factors.

Shanghai Hualian Lawson, Inc.

Turned a full-year profit in FY2018 on expanding store numbers and rising trading volumes. Expect further profit gains in FY2019.

Consolidated Capital Expenditure & Cash Flow

Consolidated Capital Expenditures

(Billions of yen)	FY2017	FY2018	FY2019
	Actual	Actual	Forecast
New stores	55.8	42.0	30.0
Existing stores	7.4	11.4	13.0
IT-related	18.6	18.1	12.5
Other	5.4	7.2	0.0
Subtotal for capital expenditure	87.2	78.9	55.5
Leasing	48.8	59.0	43.0
Depreciation and amortization	58.6	66.8	80.2

Consolidated Cash Flows

(Billions of yen)	FY2017	FY2018	FY2019
	Actual	Actual	Forecast
Cash flows from operating activities	113.9	128.5	Approx. 125.0
Cash flows from investing activities	- 91.2	- 81.0	Approx. -60.0
Free cash flows	22.7	47.5	Approx. 65.0
Cash flows from financing activities	- 61.2	277.9	Approx. -63.0
(Cash dividends paid)	- 25.2	- 25.5	Approx. -20.0
Cash and cash equivalents at end of period	30.1	354.2	-

- The decline in new store investment is compared to 1H of previous year when recorded initial investment relating brand conversion.
- Increase in financial C/F relates primarily to borrowing to replenish ATMs in relation to the launch of Lawson Bank.

FY2019 Company Forecasts (Consolidated)

(Billions of yen)	FY2017	FY2018	FY2019	
	Actual	Actual	Forecast	YoY
Net sales of all stores	2,283.6	2,424.5	2,520.0	+95.5
Operating profit	65.8	60.8	60.8	+0
Operating profit ratio	2.9%	2.5%	2.4%	-0.1%P
Recurring profit	65.1	57.7	54.5	-3.2
Net profit	26.8	25.5	18.0	-7.5
EPS (Yen)	268.16	255.71	179.89	-75.82
Dividend per share (Yen)	255	255	150	-105
ROE	9.7%	9.3%	6.5%	-2.8%P
Total no. of stores in Japan	13,992	14,659	14,659	±0
(Non-consolidated*) ^{*excluding LAWSON STORE100 business}				
Gross profit at existing stores (YoY)	99.6%	99.2%	101.0%	-
Net sales at existing stores (YoY)	100.0%	99.5%	100.5%	-
Gross profit margin ratio	31.3%	31.2%	31.4%	+0.2%P
difference excl. cigarette sales (YoY)	-0.1%P	-0.1%P	+0.2%P	+0.2%P

Note: Existing-store sales is excluded the effect of the ticket sales including concerts, sporting events and gift card sales etc.

Note: Total chain store sales (Net total of all stores) include sales from the convenience store operation in Japan, international operations and sales from Seijo Ishii (consolidated items only).
Regarding Seijo Ishii, only the sales of directly operated stores are included.

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

- Expect FY2019 IT investment to increase but expect operating profit to remain flat on improved daily sales etc.
- Meanwhile, expect recurring profit and net profit to fall on reporting of losses relating to the closure of low-profit stores.

FY2019 1H&2H Forecast

	FY2019 FCT		
	1H	2H	Full year
(Consolidated: Billions of yen)			
Net sales of all stores	1,270.0	1,250.0	2,520.0
Operating profit	33.5	27.3	60.8
Operating profit ratio	2.6%	2.2%	2.4%
Recurring profit	30.5	24.0	54.5
Net profit	15.5	2.5	18.0
(Non-consolidated*) *excluding LAWSON STORE100 business			
Gross profit at existing stores (YoY)	100.8%	101.2%	101.0%
Net sales at existing stores (YoY)	100.5%	100.5%	100.5%
Gross profit margin ratio	31.5%	31.3%	31.4%

Note: Existing-store sales is excluded the effect of the ticket sales including concerts, sporting events and gift card sales etc.

Note: Total chain store sales (Net total of all stores) include sales from the convenience store operation in Japan, international operations and sales from Seijo Ishii (consolidated items only).
Regarding Seijo Ishii, only the sales of directly operated stores are included.

Consolidated Balance Sheet at the end of FY2018

(Billions of yen)	As of Feb. 28, 2019	Change from Feb. 28, 2018		As of Feb. 28, 2019	Change from Feb. 28, 2018
Total current assets	623.9	+392.1	Total current liabilities	598.5	+219.3
(Cash and deposits)	354.2	+324.1	(Accounts payable-trade)	123.4	+5.2
(Accounts receivable)	120.9	+38.3	(Short-term loans payable)	126.6	+90.2
Total noncurrent assets	718.4	+50.0	(Deposits received)	131.8	+22.1
Property, plant and equipment	382.3	+32.3	Total noncurrent liabilities	461.9	+222.3
Intangible assets	106.6	+6.4	(Long-term loans payable)	260.0	+204.5
(Software)	49.7	+8.1	Net Assets	281.9	+0.5
Investments and other assets	229.5	+11.2	(Capital stock)	58.5	-
(Guarantee deposits)	107.0	+6.3	(Retained earnings)	166.1	+0.0
Total Assets	1,342.4	+442.2	Liabilities and net assets	1,342.4	+442.2

- Increase in current and fixed liabilities due to increased borrowing to fund ATM installations linked to the launch of Lawson Bank. Cash and deposits up on increased borrowing to replenish ATMs.
- Fixed assets up primarily on higher store numbers.

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.