

Summary of Results for FY2017

Lawson, Inc.

April 12, 2018

Financial Results for FY2017

Satoshi Nakaniwa

Senior Vice President
Chief Financial Officer

Earnings Summary for FY2017

Consolidated OP 65.8bln yen (-10.8% yoy, -2.6bln yen v. plan)
 Consolidated net profit 26.8bln yen (-26.3% yoy, -6.6bln yen v. plan)

- Lawson non-consolidated revenue and gross profit margin below plan
- Existing store sales (yoy) -0.1%:
 customer number -1.3%, customer spend +1.3%
- Recorded extraordinary losses on systems and other items

	FY2016	FY2017		billion yen
		Act	YoY	FY2017 plan
Non-consolidated operating profit	57.4	51.0	-11.1%	52.5
Consolidated operating profit	73.7	65.8	-10.8%	68.5
Consolidated recurring profit	73.0	65.1	-10.8%	65.5
Consolidated net profit	36.4	26.8	-26.3%	33.5
Existing-store sales (YoY)	-0.2%		-0.1%	+1.0%
Gross profit margin	31.4%		31.3%	31.5%

FY2017 Growth Investment and Impact on Profit

	Plan (yoy in yen) ^{*1}	Act (yoy in yen)	Diff. (yen)
CVS profit increase	Approx. +4.0 bln	Approx. -1.0 bln	Approx. -5.0 bln
Income from FC stores	Approx. +15.0 bln	Approx. +10.0 bln	Approx. -5.0 bln
others	Approx. -11.0 bln	Approx. -11.0 bln	± 0
Growth investment	Approx. -6.5 bln	Approx. -4.5 bln	Approx. +2.0 bln
Next generation system	Approx. -2.0 bln	Approx. -1.0 bln	Approx. +1.0 bln
New businesses	Approx. -2.0 bln	Approx. -1.5 bln	Approx. +0.5 bln
Brand conversion	Approx. -2.5 bln	Approx. -2.0 bln	Approx. +0.5 bln
Unavoidable ^{*2}	Approx. -2.5 bln	Approx. -2.5 bln	± 0

*1 Revised on Oct. 12, 2017

*2 Pro-forma tax, Seijo Ishii's change in accounting period

※Figures rounded to nearest 0.5bln yen for clarity of display

FY2017 operations & progress

Evaluation

Full migration to the cloud

- Planned a framework that reflects inventory conditions by collecting ordering and sales data
- Difficult to provide a consistently stable service for all Japan stores so need a different structure than initially assumed
- Reviewed entire systems development schedule
- Recorded a 6.0 billion yen impairment loss on software that couldn't be upgraded or diverted to new uses



Introduced tablets
Work schedule management
OTC fast-food production management

- Enable to manage work schedule and OTC FF production in digital (cloud data)
- Introduced tablets into all stores in Japan
- Some pilot stores generated over 10% increase in OTC FF sales
- Improve proficiency, boost OTC FF sales, and operational efficiency



New POS cash registers

- Introduced mainly in new stores in FY2017
- Plan to introduce into all stores in FY2018



Strategy

- Significantly reduce risk through gradual cloud migration
- Place additional staff from Mitsubishi Corporation in the Systems Development Department

(New businesses, brand conversions)

FY2017 operations & progress

Evaluation

Company preparing entry into banking

- Applied for Preliminary Examination of License in March 2018 in preparation for development of banking business. Signed an agreement for a 130 billion yen syndicate loan as working capital for the new bank.
- Offered some financial services to date through Lawson ATM Networks's joint ATM operation. Intend to use our existing experience in ATM operations and our solid operational platform to develop more convenient financial services
 - Aim to launch banking business in FY2018



Brand conversions

- Completed conversion of 125 Save On and 195 Three F stores
- Average daily sales increase approximately 20% on brand conversions



Consolidated OP 60 bil yen (YoY -5.8 bil yen)

Consolidated Net Profit 28 bil yen (YoY -1.1 bil yen)

Billions of yen

	FY2018	
	Forecast	diff./ YoY
Non-consolidated		
Existing-store sales		+1.0%
Overall gross profit margin		+0.1%P
SGA		+10%~ +15%
Operating profit	44.5	-6.5/-12.8%
Cons./non-cons. difference	15.5	+0.7/+4.7%
Consolidated operating profit	60.0	-5.8/-8.8%
Consolidated net profit	28.0	+1.1/+4.4%
Dividend	255yen	Flat

Note: Existing-store sales and overall gross profit margin (YOY) include LAWSON and NATURAL LAWSON.

FY2018 Plan and Envisaged FY2019 Picture

FY2018 Plan

Growth investment	Approx. -9.0 bln	(yoy profit impact)
Next generation system	Approx. -7.0 bln	↓
New businesses	Approx. -2.0 bln	↓
CVS profit increase etc.	Approx. +3.0 bln	↑
Operating profit	Approx. -6.0 bln 60.0 bln	

FY2019 Picture

	(yoy profit impact)
	↓
	↑
	↑
	↑



※Figures rounded to nearest 0.5bln yen for clarity of display

FY2018 Plan and Future Business Outlook

Sadanobu Takemasu
President and CEO
Representative Director
Chairman of the Board

FY2018 Forecast

Consolidated OP 60 bil yen (YoY -5.8 bil yen/-8.8%)

Consolidated Net Profit 28 bil yen (YoY -1.1 bil yen/+4.4%)

Billions of yen

	FY2017	FY2018		
		Forecast	Diff./YoY	
Non-consolidated operating profit	51.0	44.5	-6.5	-12.8%
Consolidated operating profit	65.8	60.0	-5.8	-8.8%
Consolidated recurring profit	65.1	57.0	-8.1	-12.5%
Consolidated net profit	26.8	28.0	+1.1	+4.4%
Existing-store sales (YoY)	-0.1%	+1.0%	+1.1%	
Gross profit margin	31.3%	31.4%	+0.1%	

朝昼守って夕夜間

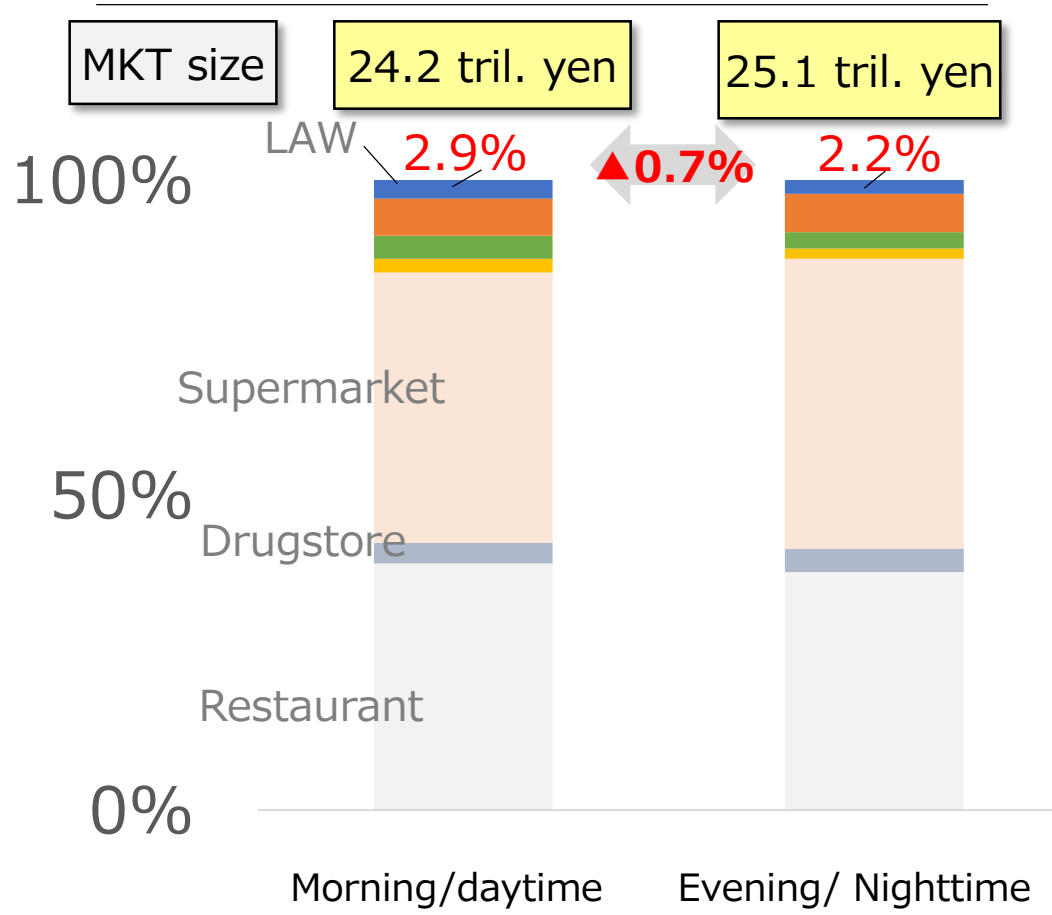
夕夜間元年

**Maintain morning and daytime sales,
offer attractive products during evening and nighttime**

First Evening/Nighttime Food Year: Reconfirming the Market

Lawson's share of evening/nighttime market is lower than morning/daytime share. **Gaining a similar share could boost daily sales by 135%**

Food use (monetary share) by time and business



Food use (monetary share) by time and business

	Evening/ nighttime		Morning/ daytime
Lawson	2.2%	135%	2.9%
(Ref.) overall CVS	12.5%	118%	14.7%

<Potential boost to daily sales>
 If Lawson's share of evening/nighttime sales grew to a similar level as its morning/daytime share, **daily evening and nighttime sales could potentially expand by approximately 135%**. That's equivalent to a **175.0 billion yen** monetary share.

※Lawson research. Scale of food use market, excluding cigarette and non-foodstuff sales

1000-Day Action Plan

Building a next-generation convenience store chain

Year 0 FY2015 Semi-automated, planned ordering, New franchise contract package

Year 1 FY2016 Remodeled our everyday living support, strengthened daily prepared foods and frozen foods

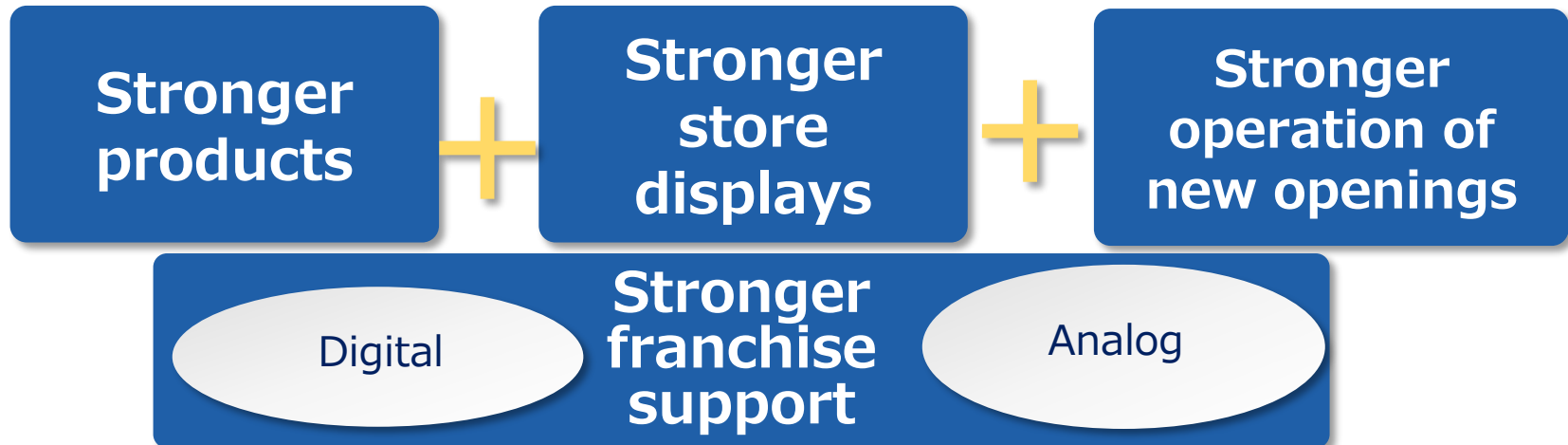
Year 2 FY2017 Strengthened delicatessen fast food “Deka Yakitori (Mega-grilled chicken)”, introduced tablets into stores
Strengthened rice balls, boxed meals, home-meals
Lawson laboratory

Year 3 FY2018 Sweeping review of ordering and distribution and diagrams
Change order deadline, introduce new POS cash registers, Lawson Fresh Pick, and payment via smartphone

Become an essential part of our communities

Build Next-generation LAWSON CVS model

Create appealing stores for evening/night-time customers



Revolutionize our operational system

Challenge for future growth opportunities and revolution

FY2018: Stronger Product Appeal

OTC Fast Food

- Expand fried deli food, sell in packs. Shorten time for making coffee
- Increase MACHIKADO KITCHEN stores to approx. 6,000



Coffee Desserts

Renew Uchi Café



Home-meals

Bolster and refresh staple home-meals



FY2018: Stronger Store Displays

Change framework between April and June to get ready to greet more customers at 4:00 pm (in the evening)

**Change
order/deadline
times**

- **Reduce lead times**
- **Avoid ordering at peak times**

**Distribution
system**

- **Alter diagrams**
- **Review product category makeup for each delivery**

Product range

- **Use semi-automated ordering to strengthen third delivery (afternoon delivery)**

**Work
schedule
review**

- **Maximize tablet use**
- **Standardize OTC fast-food production operation at each store**

Conducted pilot experiments at a portion of stores to strengthen the third delivery (afternoon delivery)
No special promotions, simply increase product lineups during evening/nighttime



Daily sales up approximately 1%
Reduced lost sales opportunities by displaying more items, and customer numbers increase as well



Further strengthen evening/nighttime trade by boosting awareness of
“Lawson’s extensive evening and nighttime product ranges”

Open high-quality new stores

- Review HR evaluation system in charge of store development
- Focus on daily sales/profits rather than simply boosting total store numbers

Improve existing-store hardware

- Expand customers by upgrading car parks, etc.
- Improve visibility of store signs, etc.

Maximize daily sales at new stores

- Exploit store opening sales
- Introduce ourselves to local residents prior to store opening

Promote multiple store management

- Standardize multiple store management
- Offer support for staff crew employment

FY2018 Stronger Support for FC Stores

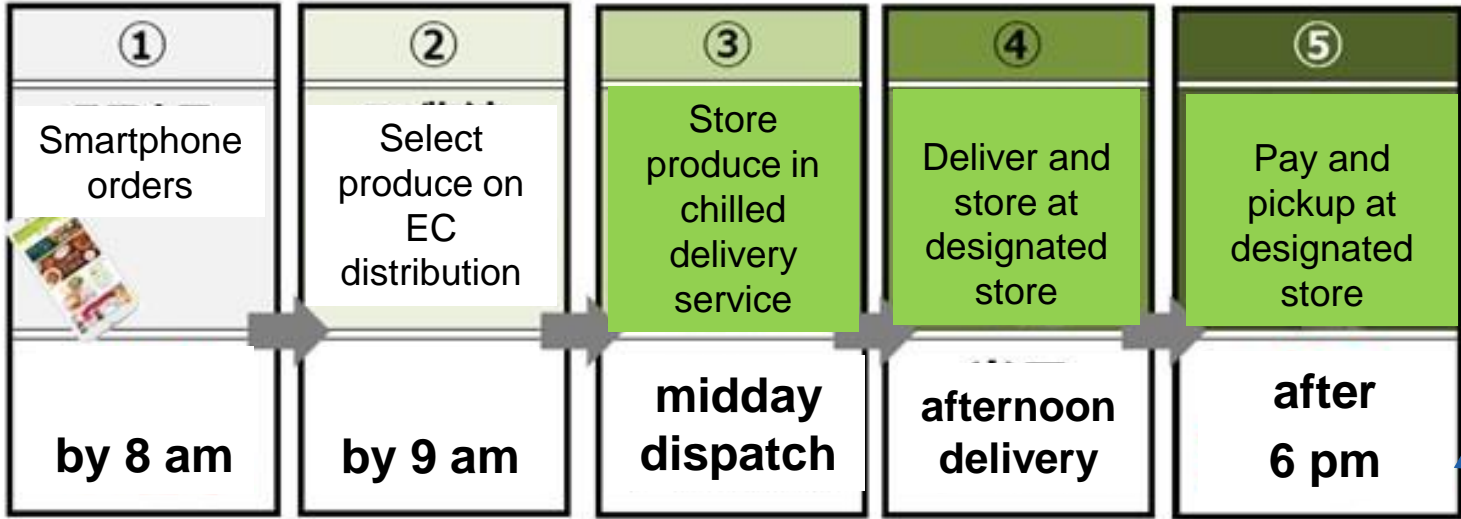


Foodstuffs from various shops

Order in **the morning** and pick up in **the evening** at **LAWSON**

LAWSON FRESH PICK

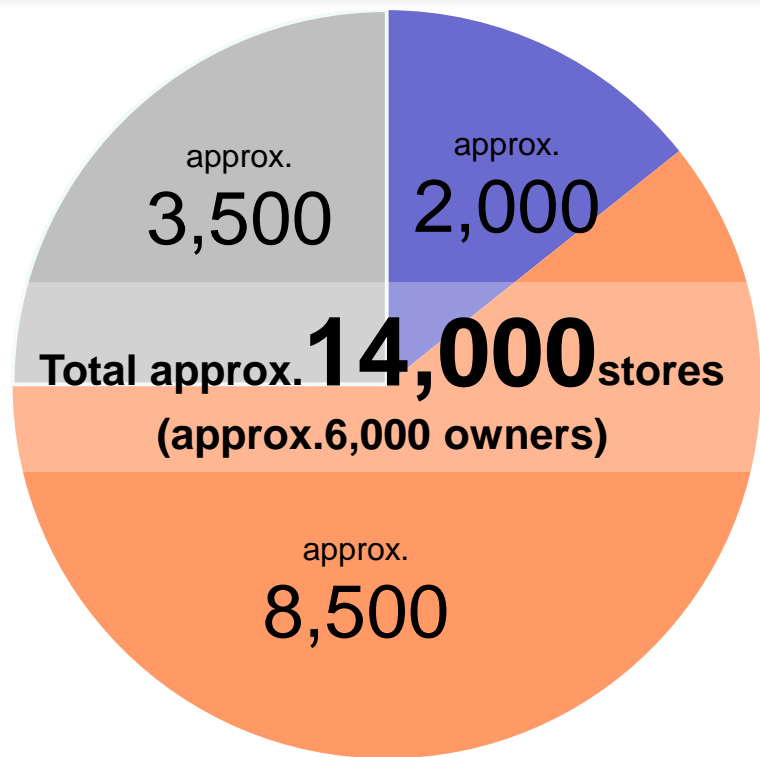
Start from a part of stores in Shibuya, Setagaya, Kawasaki, Yokohama, etc.



Aim to expand first in urban areas

Developing system to receive goods sooner

Store Owners (Management Owners)



Management Owner

(avg. 10stores x approx. 200 MOs)



Multiple store Owner

(avg. 3-4stores)



Single store Owner

(1store)

*Image with rough figures



FY2018: Stronger FC Store Support

LAWSON FRESH PICK

- Pick up fresh produce and meal kits in-store
- Attract working women & other customers

MO (Management owner)

- Reform store operation from management perspective
- Efficiency through managing multiple stores

POS cash register with automatic change dispensers

- Plan to introduce in all stores in FY2018
- Expand employment of international crew with multilingual dispensers

Introduce dishwashers

- 3,000 stores, starting with stores that sell the most OTC fast food
- Aggressive production of OTC fast food

Maximize tablet use

- Work schedule management
- OTC fast food production management

Lawson smartphone payment, pay anywhere even without a register

- Relieve congestion at cash registers
- Alleviate work for midnight staff shifts

Challenging Further Growth

Financial Services

Applied for Preliminary Examination of License to establish Lawson Bank. Aim to start business in FY2018



- ◆ Increase ATM transactions
- ◆ Consider new services

**Create contact points
for financial services**

The challenge of Further Growth

Global markets

China

Further expand operational scale by developing area franchise in Shanghai, Chongqing, Dalian, Beijing, Wuhan and other new areas

Japan

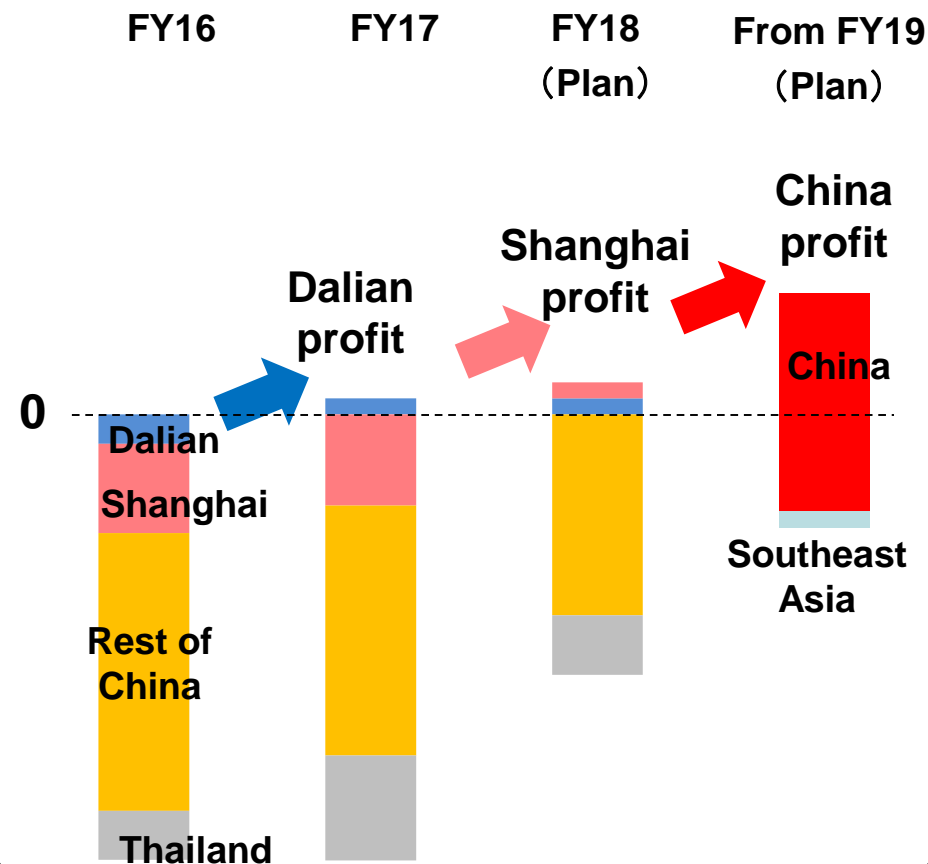
Southeast Asia

Build profitable model in Indonesia, Thailand, Philippines, etc.
Expand store network, Carve win-win relationships with partner firms

- ◆ Establish profitable models in each market
- ◆ Aggressive expansion to create 3,000-5,000 store network by FY2021

Promote profits and business expansion, create a solid future profit source

Envisaged international operation OP



*Envisaged pattern

Firm growing profit base from FY2019
Further strides in
FY2021 Medium-term Business Vision

Pursue further
sublimation and
fulfilment of our
corporate
philosophy to
ensure we
continue to be an
essential
presence



**Investment
period for
sustainable
growth**

- Maximize value of physical stores (Lawson Fresh Pick, advanced digital technology)
- Exploit purchasing data (Ponta members, etc.)

Consolidate base

Further strides

Reform Companywide Administration Practices

Aim to become a strong organization by creating a stronger collective entity, and promoting work-style reform, administrative reform and human resource training, based on solid compliance and health-conscious frameworks



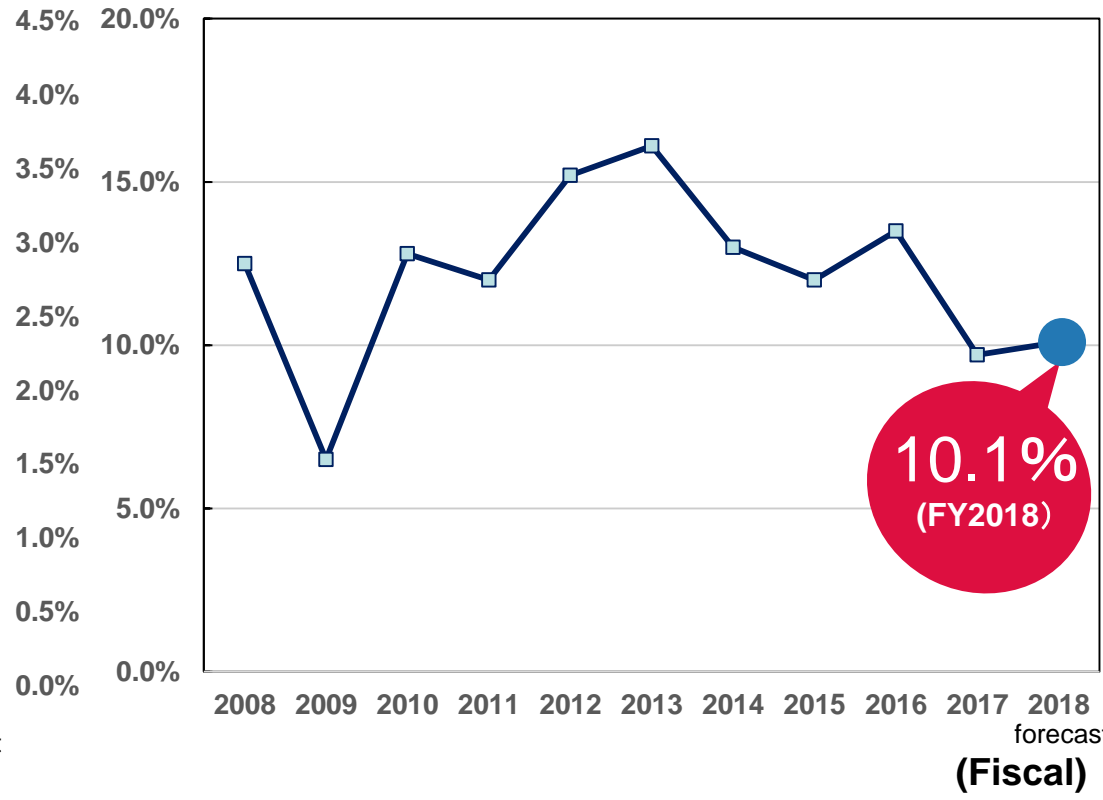
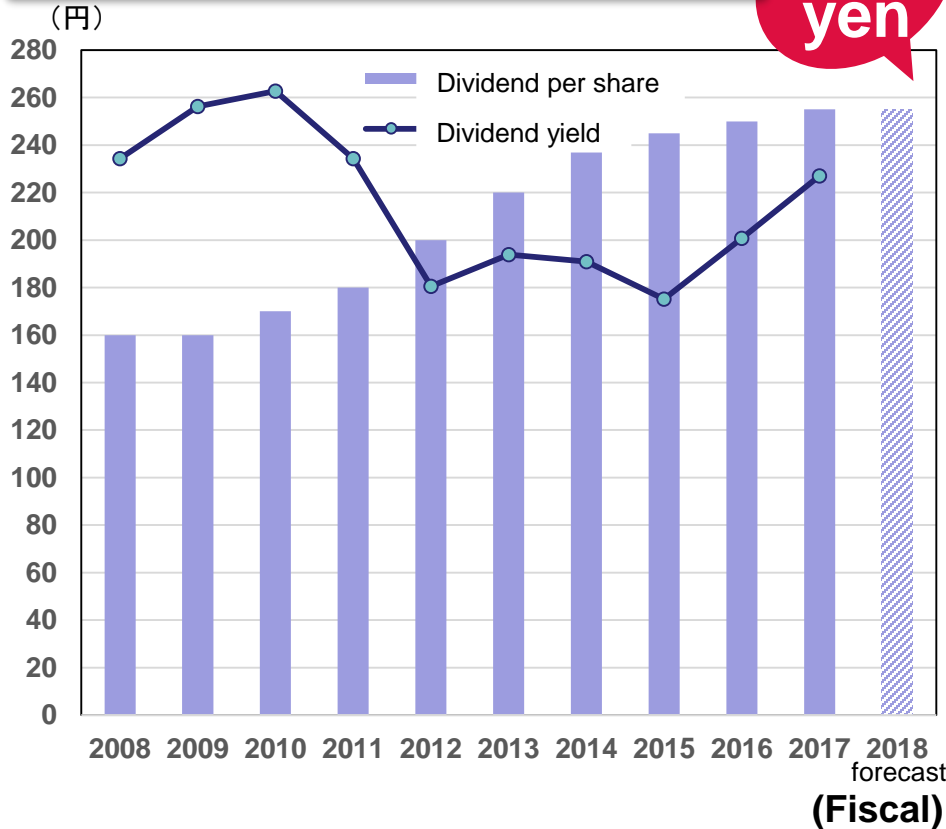
Shareholder Returns

Dividend: Maintain fundamental stance of providing consistent and stable shareholder returns
 ROE : Increase to over 15% by FY2021

Dividend per share and Dividend yield

255 yen

ROE



ESG Initiative

Society & Environment

Contribute to society and environment through our main line of work

Based on its corporate philosophy, the Lawson Group seeks to conduct active business that considers society and the environment to achieve Harmony and Happiness in our Communities (sustainable growth)

See <http://www.lawson.co.jp/company/activity/> for more details

Corporate Governance

Candidates for new Member of the Board
Miki Iwamura

Current position: Managing Director

APAC Brand & Marketing

CMO Japan, Google Japan G.K.

Iwamura's appointment would maintain the current total of 3 independent and female directors

Personnel changes proposal to be considered at the annual shareholders meeting on Wednesday, May 22, 2018

See <http://www.lawson.co.jp/company/corporate/system/governance/> for more details



**Creating Happiness and
Harmony in our Communities**

**To become a top-class effective company
To remain an essential part of community life**

Reference Materials

Earnings Summary: FY2017

(Consolidated: Billions of yen)	FY2016	FY2017		
	Actual	Actual	YoY	vs. Plan
Net sales of all stores	2,157.9	2,283.6	105.8%	98.9%
Operating profit	73.7	65.8	89.2%	96.1%
Operating profit ratio	3.4%	2.9%	- 0.5%P	- 0.1%P
Recurring profit	73.0	65.1	89.2%	99.5%
Net profit	36.4	26.8	73.7%	80.1%
EPS (Yen)	363.96	268.16	- 95.80	- 66.65
Dividend per share (Yen)	250	255	+5	±0
ROE	13.5%	9.7%	- 3.8%P	- 2.3%P
Total no. of stores in Japan	13,243	14,132	+889	- 27

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 plus the number of stores directly operated by Seijo Ishii.

Note: Changes vs. plan indicates comparison with the plan announced along with the FY2017 2Q results.

■ Consolidated operating profit: -10.8% YoY, -3.9% v. plan

Non-consolidated operating profit down 11.1% YoY due to cost of brand conversions, next-generation systems investment, and higher size-based corporate taxes. Consolidated operating profit also down YoY on approx. 1.3 billion yen on increase in preparatory costs for entering the financial industry. Operating profit below target on consolidated and non-consolidated basis owing largely to the lower-than-forecast sales and gross profit margin at the Lawson parent.

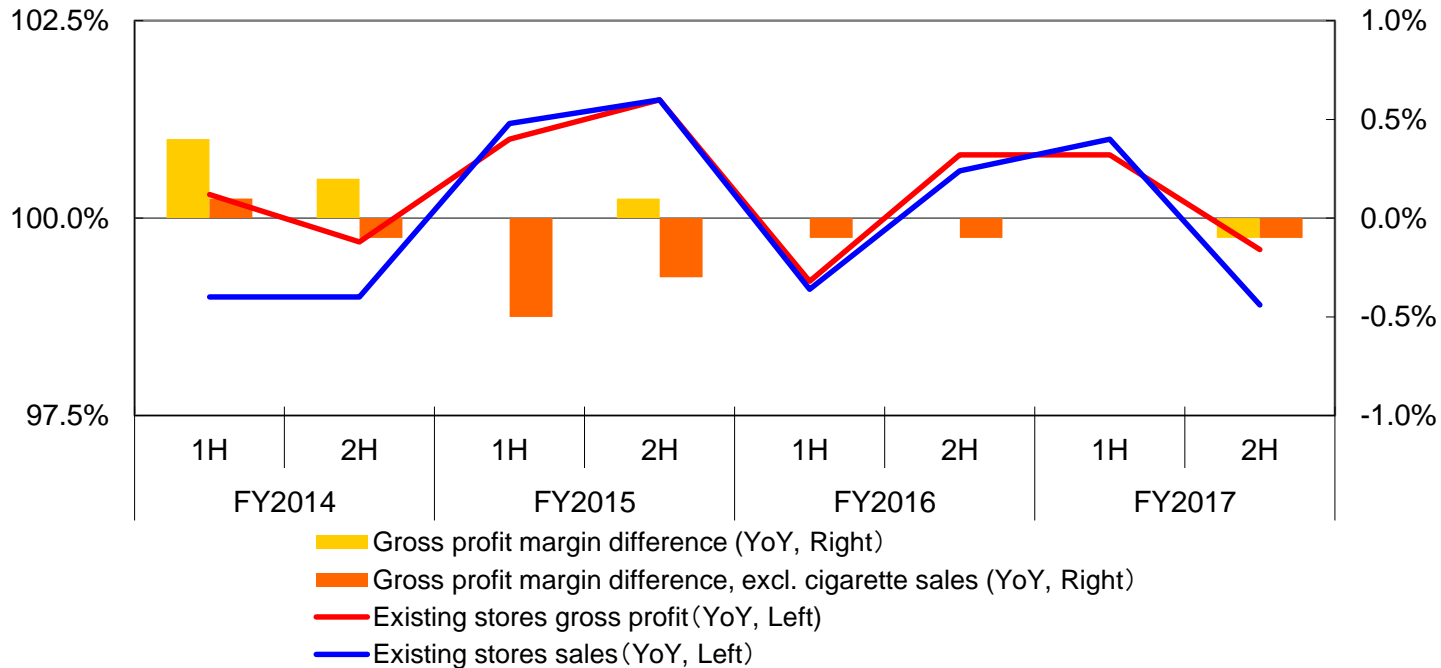
■ Consolidated net profit: -26.3% YoY, -19.9% v. plan

Net profit below plan on a consolidated and non-consolidated basis, due to falling operating profit YoY and v. plan, and the recording of 6.0 billion yen in impairment losses on next-generational systems.

Existing Stores (non-consolidated*)

*exc. Lawson Store 100

FY2017 Existing-store sales fell 0.1% YoY
Overall gross profit margin held steady YoY at 31.3%.
(no. of customers -1.3%, spending per customer +1.3%)

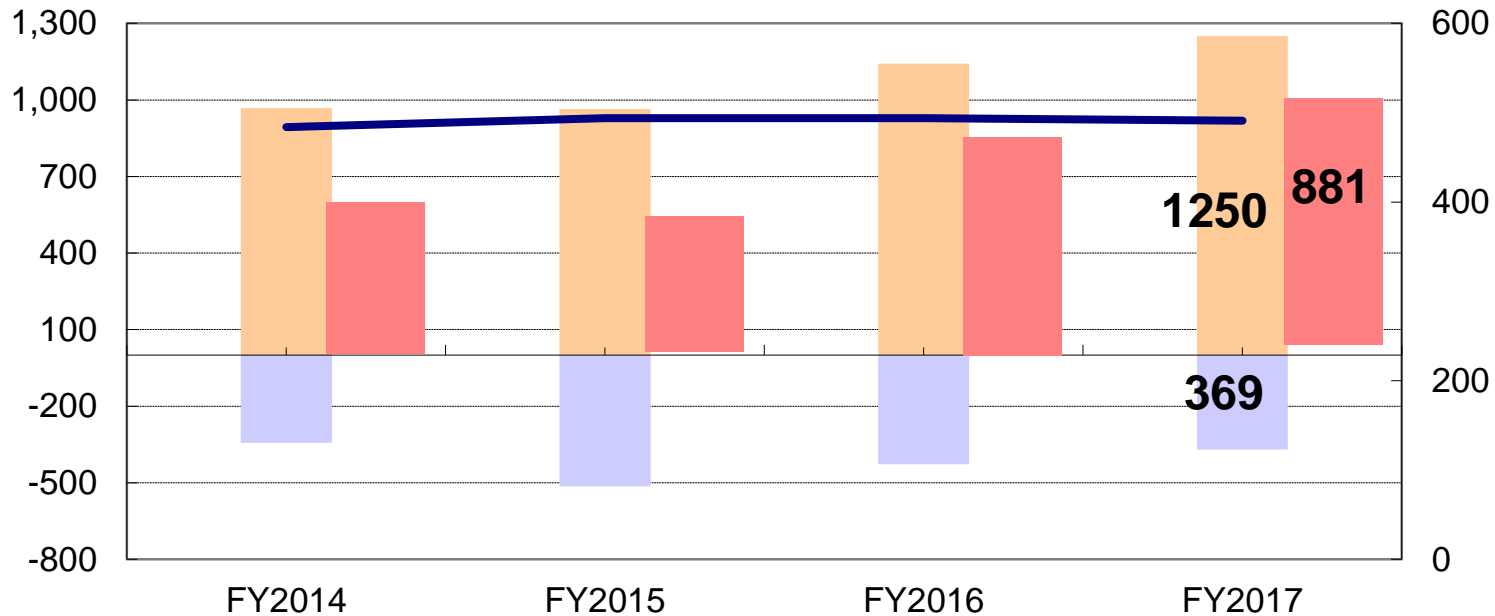


- Existing-store sales fell 0.1% YoY, and short of plan. Customer visits fell 1.3% YoY, but average customer spend rose 1.3% YoY on stronger support for everyday living and proactive evening/nighttime strategy.
- Overall gross profit margin held steady YoY at 31.3%. While gross margin-boosting daily delivered foods constituted a higher YoY proportion of total sales, the proportion of gross-margin dampening cigarette sales also increased.

Store Openings (non-consolidated*)

*exc. Lawson Store 100

(Store numbers) ■ Net store increase (Left) ■ Store opening (Left) ■ Store Closure (Left) — Daily sales per new store (Right) (Daily new store sales in thousand yen)



- Opened 1,250 new stores (150 less than planned), including 125 Save On and 195 Three F brand conversion stores.
- Closed 369 stores (131 less than planned).
- Net increase of 881 stores (19 less than initially planned)

Note: Changed standard to count business category changes between Lawson Store100, Natural Lawson and Lawson in the store opening/closing data from FY2015.

Note: Store openings/closures linked to the transfer of control from Lawson to Lawson San-in Co., Ltd. are not included.

Key Components of SG&A Expenses

		FY2016	FY2017		FY2018
(Billions of yen)			Actual	Change	Forecast
Non-consolidated	Selling, general & administrative expenses	268.2	284.7	+16.4	Increase 10-15%
	<Major Expenses>				
	Personnel expenses	41.5	44.7	+3.1	Increase 0-5%
	IT-related expenses (Hardware leasing, software amortization, maintenance, etc.)	9.3	7.2	-2.1	Increase 90-100%
	Advertising and promotional expenses	13.8	12.5	-1.2	Increase 10-15%
	Sales commission	15.8	19.7	+3.9	Increase 15-20%
	Facilities expenses	144.3	155.6	+11.3	Increase 5-10%
Consolidated SG&A expenses		383.2	410.1	+26.8	Increase 10-15%

YoY		vs. Forecast	
Non-consolidated	<ul style="list-style-type: none"> ➤ Wages: Up on more company operated stores ➤ IT related expenses: Active cost-cutting ➤ A&P: Down v. FY2016 strong everyday living support ➤ Sales commission: Higher franchisee support costs as stores increase 	Non-consolidated	<ul style="list-style-type: none"> ➤ IT-related costs down on cost-cutting and a reviewed schedule for next-generation systems investment
Consolidated	<ul style="list-style-type: none"> ➤ Higher costs related to increased number of consolidated companies, including the company preparing financial services entry, and more overseas stores 	Consolidated	<ul style="list-style-type: none"> ➤ IT-related costs down on cost-cutting and a reviewed schedule for next-generation systems investment

Earnings of Major Subsidiaries

<Operating Profit>

(Billions of yen)

	FY-end	Ownership	FY2017		FY2018
			Actual	YoY change	Forecast
Lawson Store100, Inc.	Feb.	100.0%	-0.3	-0.8	0.0
SEIJO ISHII CO., LTD.	Feb.	100.0%	7.6	-0.1	7.8
Lawson HMV Entertainment, Inc.	Feb.	100.0%	1.8	-0.2	2.1
United Cinemas Co., Ltd.	Feb.	100.0%	2.5	+0.0	2.3
Chongqing Lawson, Inc.	Dec.	100.0%	-0.3	+0.1	-0.0
Shanghai Lawson, Inc.	Dec.	100.0%	-0.5	-0.0	0.1

Lawson Store 100

0.5 billion yen operating loss at Lawson Store100 overall. Existing-store sales down 1.7% YoY. Expect slight operating profit in FY2018.

SEIJO ISHII

Strong sales trend continues with existing-store sales rising 1.7% YoY. FY2017 profit decreased 0.1 billion yen on change in accounting period, but increased on a simple March to February YoY comparison. FY2017 profit also expected to rise.

Shanghai Lawson, Inc.

Existing-store sales growth has been favorable but recorded 0.5 billion yen operating loss in FY17, which was approximately the same level as previous year. FY2018 plan is to come out even.

Consolidated Capital Expenditure & Cash Flow

● Consolidated Capital Expenditures

(Billions of yen)

	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Forecast
New stores	40.4	47.5	55.8	56.0
Existing stores	6.7	7.2	7.4	9.5
IT-related	15.8	19.2	18.6	20.0
Other	1.4	1.4	5.4	5.5
Subtotal for capital expenditure	64.5	75.5	87.2	91.0
Leasing	38.0	42.6	48.8	80.0
Depreciation and amortization	49.2	56.1	58.6	71.4

● Consolidated Cash Flows

(Billions of yen)

	FY2015	FY2016	FY2017	FY2018
	Actual	Actual	Actual	Forecast
Cash flows from operating activities	112.2	99.8	113.9	Approx. 128.0
Cash flows from investing activities	- 68.6	- 76.2	- 91.2	Approx. -95.0
Free cash flows	43.5	23.6	22.7	Approx. 33.0
Cash flows from financing activities	- 50.2	- 25.6	- 61.2	Approx. -17.0
(Cash dividends paid)	- 24.2	- 24.7	- 25.2	Approx. -25.0
Cash and cash equivalents at end of period	69.7	67.6	30.1	-

- New-store investment up on higher store openings YoY and increased investment in brand conversions.
- Cash and cash equivalent decreased due to control the increase in borrowings at fiscal end.

FY2018 Company Forecasts (Consolidated)

	FY2016	FY2017	FY2018	
	Actual	Actual	Forecast	YoY
(Billions of yen)				
Net sales of all stores	2,157.9	2,283.6	2,480.0	108.6%
Operating profit	73.7	65.8	60.0	91.2%
Operating profit ratio	3.4%	2.9%	2.4%	-0.5%P
Recurring profit	73.0	65.1	57.0	87.5%
Net profit	36.4	26.8	28.0	104.4%
EPS (Yen)	363.96	268.16	279.84	+11.68
Dividend per share (Yen)	250	255	255	±0
ROE	13.5%	9.7%	10.1%	+0.4%P
<hr/>				
Total no. of stores in Japan	13,243	14,132	14,932	+800

(Non-consolidated*)^{excluding LAWSON STORE100 business}

Gross profit at existing stores (YoY)	100.0%	99.6%	101.3%	-
Net sales at existing stores (YoY)	99.8%	99.9%	101.0%	-
Gross profit margin ratio	31.4%	31.3%	31.4%	+0.1%P
Gross profit margin difference excluding cigarette sales (YoY)	±0.0%P	-0.1%P	+0.1%P	+0.2%P

Note: Total chain store sales (Net total of all stores) include sales from the convenience store operation in Japan, overseas 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 plus the number of directly operated Seijo Ishii stores.

- As in FY2017, FY2018 OP will likely contract due to the downward impact of growth investment.
- Expect FY2018 net profit to increase when compared to FY2017, which reported significant system-related impairment losses.

	FY2018 Forecast		
	1st Half	2nd Half	Full year
(Consolidated: Billions of yen)			
Net sales of all stores	1,240.0	1,240.0	2,480.0
Operating profit	30.5	29.5	60.0
Operating profit ratio	2.5%	2.4%	2.4%
Recurring profit	29.0	28.0	57.0
Net profit	17.0	11.0	28.0
(Non-consolidated*) *excluding LAWSON STORE100 business			
Gross profit at existing stores (YoY)	100.8%	101.8%	101.3%
Net sales at existing stores (YoY)	100.5%	101.5%	101.0%
Gross profit margin ratio	31.4%	31.3%	31.4%

Note: Total chain store sales (Net sales of all stores) includes 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 plus the number of directly operated Seijo Ishii stores.

Consolidated Balance Sheet at the end of FY2017

					(Billions of yen)	
	As of Feb. 28, 2018	Change from Feb. 28, 2017		As of Feb. 28, 2018	Change from Feb. 28, 2017	
Total current assets	231.8	-17.4	Total current liabilities	379.2	+22.4	
(Cash and deposits)	30.1	-37.9	(Accounts payable-trade)	118.1	+7.3	
(Accounts receivable)	82.6	+4.2	(Short-term loans payable)	36.3	+5.1	
Total noncurrent assets	668.3	+51.0	(Deposits payable)	109.6	+6.4	
Property, plant and equipment	349.9	+25.4	Total noncurrent liabilities	239.5	+15.7	
Intangible assets	100.1	+5.3	(Long-term loans payable)	55.4	-1.2	
(Goodwill)	47.9	+1.9	Net Assets	281.4	-4.5	
Investments and other assets	218.2	+20.2	(Common stock)	58.5	-	
(Long-terms loans receivable)	47.4	+2.9	(Retained earnings)	166.1	+0.9	
(Guatantee deposits)	100.6	+5.0				
Total Assets	900.2	+33.6	Liabilities and net assets	900.2	+33.6	

- The fixed assets rose on increased store numbers.
- Cash and deposits declined, which was due to control the increase in borrowings at fiscal end.

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.