# First Half Results for FY2017
## (Six months ended August 31, 2017)

Lawson, Inc.

October 12, 2017

# Financial Results for First Half of FY2017

Satoshi Nakaniwa
Senior Vice President
Chief Financial Officer
Lawson, Inc.

# Financial Results for 2017 1H: Overview

LAWSON

| Billion of yen | FY2016 1H Act. | FY2017 1H Act. | Diff. | v. plan | FY2017 Forecast |
|---|---|---|---|---|---|
| Operating Profit | 39.9 | 38.9 | ▲0.9 | +1.4 | 68.5 |
| Recurring profit | 38.3 | 38.4 | +0 | +2.4 | 65.5 |
| Net profit | 22.6 | 23.6 | +1.0 | +2.6 | 33.5 |
| TTL no. of stores in Japan | 12,733 | 13,587 | +854 | +89 | (no change from initial estimate) |
| OP: Non-consol. | 31.7 | 31.1 | | | |
| OP: Seijo Ishii | 3.3 | 3.4 | | | |
| OP: United Cinema | 1.6 | 2.0 | | | |
| OP: Overseas | ▲1.7 | ▲1.8 | | | |

**Non-consolidated:**

- ✓ Existing-store sales: +1.0% YoY
- ✓ Gross profit margin: 31.3% (±0.0% YoY)
- ✓ SG&A: 138.9 billion yen (+5.2bln yen YoY, -2.8bln yen v. plan)
  - *·Personnel costs +1.7bln yen YoY ±0.0bln yen v. plan*
  - *·IT related expenses -2.1bln yen -2.0bln yen*
  - *·Facilities expenses +4.7bln yen ±0.0bln yen*
- ✓ Opening 466 stores (excl. Lawson Store 100, incl. 101 brand conversion). Closure 139 stores (+91 v. plan)

✓ **Consolidated OP down 0.9bln yen YoY but up 1.4bln yen above target**

OP down YoY on higher preparatory costs for entering the finance services and increased pro-forma standard taxes. OP up v. plan on schedule review for next-generation systems investment.

✓ **Net profit increased 1.0bln yen YoY, 2.6bln yen above target**

Net profit up YoY on lower losses caused by reflecting losses on natural disaster in the previous year and fewer store closures, and the previous year's reversal of deferred income tax assets. Net profit up v. plan on higher-than-expected operating profit and reduced losses resulting from fewer store closures.

Ref.: Total number of stores includes the convenience stores operated by Lawson group, Regarding Seijo Ishii, only the number of stores directly operated is included.

# FY2017 2H/ Full-year Company Forecast

LAWSON

| Billion of yen | FY2017 1H Est. | FY2017 2H Est.(a) | FY2017 Year Est. | FY2017 1H Act | FY2017 2H Rev.(b) | FY2017 Year Est. | Diff. (b-a) |
|---|---|---|---|---|---|---|---|
| OP | 37.5 | 31.0 | 68.5 | 38.9 | 29.5 | 68.5 | approx. -15 |

## ■ 2H OP estimate revisions

➢ **IT costs approx. +0.5bln yen**

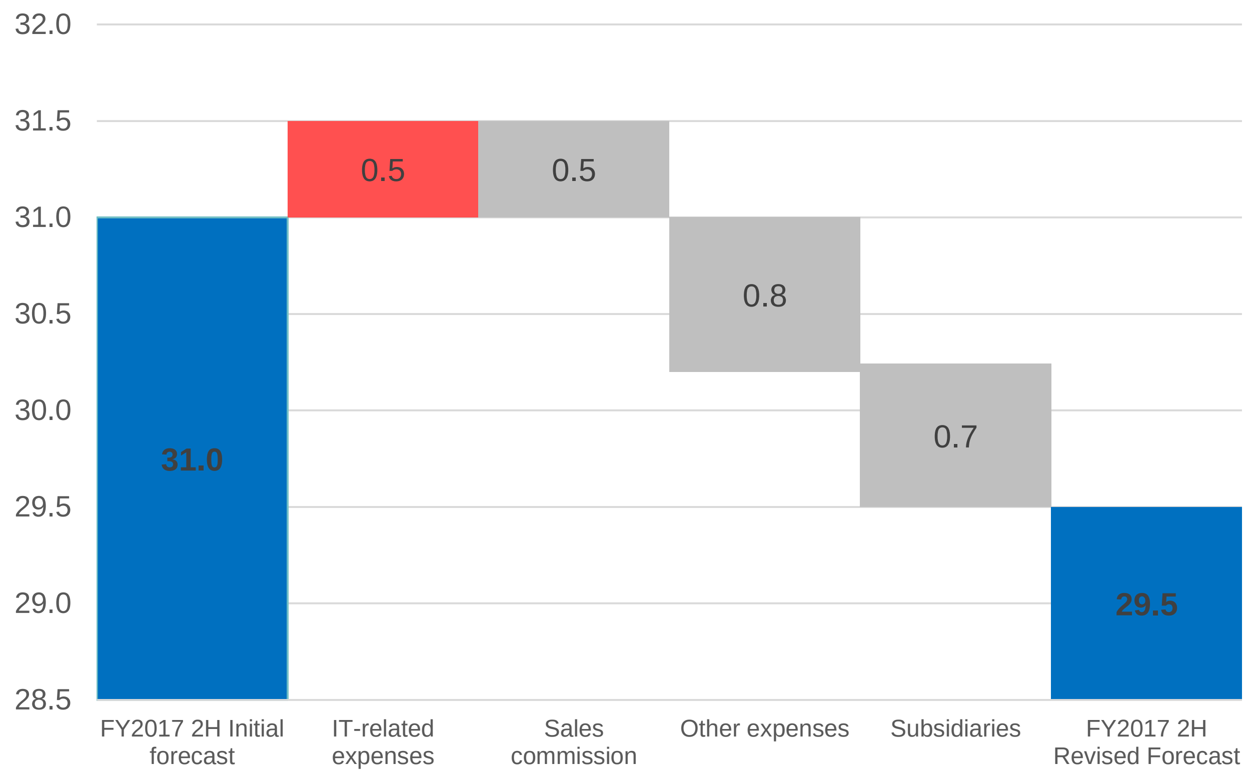
Next-generation system investment schedule review

➢ **Sales commission approx. -0.5bln yen**

Additional support for new stores

➢ **Other SG&As approx. -0.8bln yen**

➢ **Subsidiary firms OP approx. -0.7bln yen**



LAWSON

# Achieving Our Mid-Term Management Vision

Sadanobu Takemasu

President and CEO
Representative Director
Chairman of the Board

Lawson, Inc.

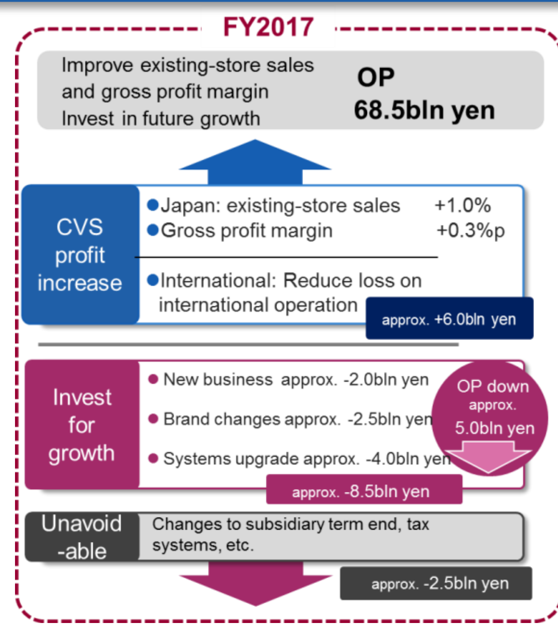
# Mid-Term Management Vision

## Mid-Term Management Vision (Key targets toward FY2021)

- **Consolidated OP: more than 100bln yen**
- **Daily sales: 600,000 yen/per store**
- **Japan CVS network: 18,000 stores**
- **ROE: over 15%**
- **Debt/equity ratio: 1.0 or less**

## 1000 Days Action Plan


## FY2017 Initial Plan



# FY2017 1H Results Review

LAWSON

**Consolidated OP: 38.9 bln yen (-2.5% YoY, +1.4 bln yen v. plan)**
**Consolidated net profit: 23.6 bln yen (+4.6% YoY, +2.6 bln yen v. plan)**

- **Achieved profit target but gross profit margin fell short of target.**
- **Reviewed planning for investment in next-generation systems.**

(Yen in billions)

| | FY2016 | FY2017 | | FY2017 |
|---|---|---|---|---|
| | 1H | 1H | YoY | 1H Est. |
| Non-consolidated operating profit | 31.7 | 31.1 | -1.8% | - |
| Consolidated operating profit | 39.9 | 38.9 | -2.5% | 37.5 |
| Consolidated recurring profit | 38.3 | 38.4 | +0.2% | 36.0 |
| Consolidated net profit | 22.6 | 23.6 | +4.6% | 21.0 |
| Existing-store sales (YoY) | -0.9% | | +1.0% | +1.0% |
| Gross profit margin | 31.3% | | 31.3% | 31.6% |

# 1H Results Summary

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| | |
|---|---|
| Existing-store sales YoY | 101.0% |
| Gross profit margin | 31.3% |

**Hit desserts (GODIVA collaborated) and salad items**

→Attracted quality-seeking customers, female customers

**Stronger support for everyday life (Supermarket alternative, broader product ranges)**

→ Evening/nighttime customer spend increases

**Boxed-meals, OTC fast food sales below plan**

→ Gross profit margin falls short of target

# 1H Stronger products

LAWSON

## Differentiated products + Expanding new customer base

### Dessert

Sales per store (YoY)

**+2.5%**

Uchi Café SWEETS


### Pasta

Sales per store (YoY)

**+16.3%**

### Salad

Sales per store (YoY)

**+12.1%**

**Strong support from female customers and quality-seeking customers**

# 1H Stronger support for everyday life

## Alternative to supermarket

Evening/nighttime

**Spending per customer**

## Wider range of products

Larger number of

**Customers**

with 5 purchases

Deli

Daily delivered foods

Frozen foods

1H Existing-store Number of customers YoY -0.5%
Spending per customer YoY＋1.5%

# Core CVS categories

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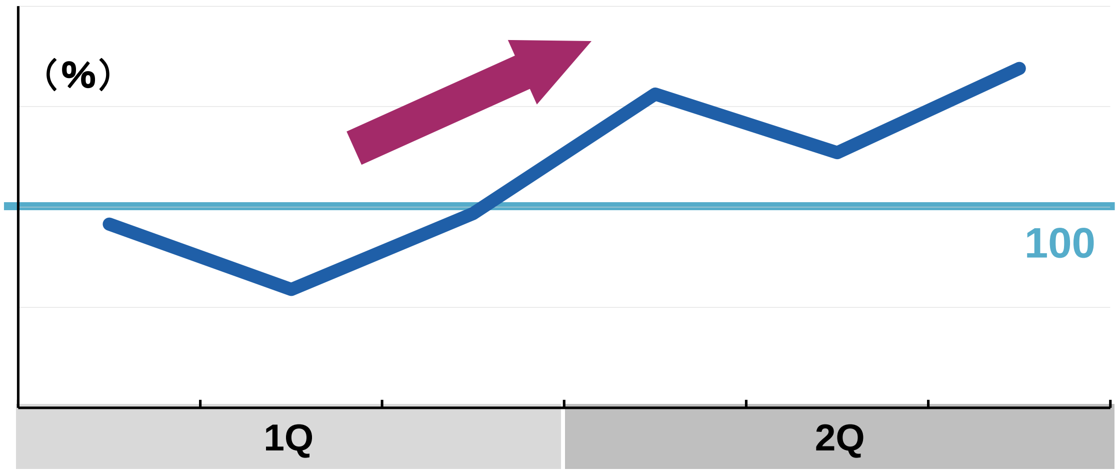
## Over-the-counter fast food

- Struggled in 1Q but improved in 2Q

**1H existing-store sales trend for over-the-counter fast food**




YoY ▲2.6%  YoY +4.0%


"Deka-yakitori" (Mega grilled chicken)

Deli, OTC FF strong

Renewal


"LChiki" fried chicken 40% bigger than former LChiki

## Rice based items

- Continued declining year-on-year sales trend for rice balls and boxed-meals

# Stronger rice products
## (launch "new onigiri-ya", strengthen bento)

LAWSON

**Launch new onigiri-ya**

## 驚き　地域　具材　海苔　ご飯

どこよりも「おいしいごはん」で心をこめて握ります。

どこよりも「パリパリな海苔」で包みます。

どこよりも美味しい具を「たっぷり」使います。

地域に眠る「おいしい食材」を取り寄せます。

今はない「驚きのあるメニュー」をつくります。

**1.6 x increase amount of filing**

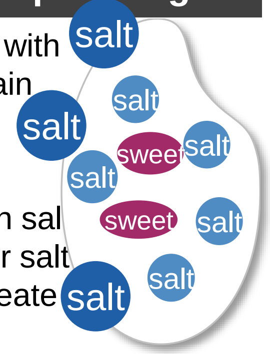



## Greatly improved taste of rice

**Hal salt water, half salt sprinkling**

Sprinkle with large-grain coarse salt

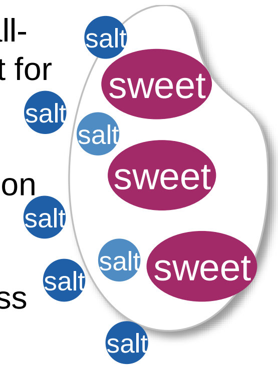
Steam in salt water for salt to permeate rice



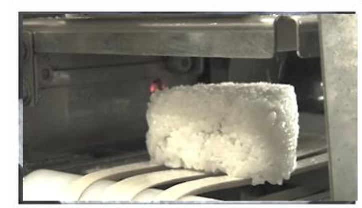

**100% salt sprinkling**

Use small-grain salt for just the right permeation

Maintain sweetness of rice




**Change the operation from steaming in the salt water to only sprinkling salt**

**Boxed-meals**

## Stronger staple items

**New launching**
**Nov. Mixed lunch box**
**Hamburg box**
**Dec. Deep fried chicken box**

# 2H Stronger over-the-counter food

## Stronger deli menu

15 items → **19** items

Fuller evening/nighttime product range

**+**

## "Machikado Chubo" (in store kitchen)

End February 2018

**4,000** stores

- Stronger menu
- Standardized operation for more efficient processes

- Reduce preparation time by improving store productivity
- Use tablets for more efficient preparation schedules and freshness management

# 2H Ingredients initiatives

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## The tastiest café latte

**Raw milk 100%**

**Uses carefully selected milk from different regions**


## Coffee beans

**Improved milk mix**

- Long, low-heat roasting
- New Mandolin blend

Milk bottle Trademark

LAWSON STATION

**Lawson's "Hot milk"**

On sale 10.17

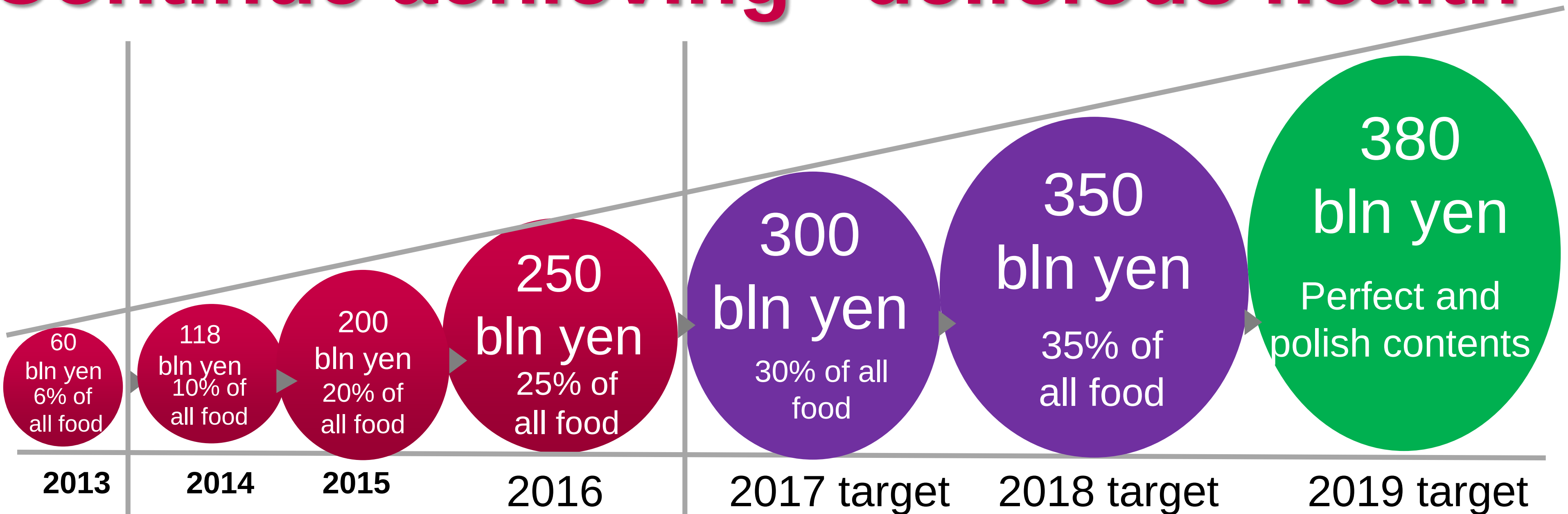

## Desserts with superior ingredients

Made with "French chocolate"
**Premium chocolate eclair**

**"Nagano purple" Grape-in rice cake with bean paste**

# Expand health-related items category

## Continue achieving “delicious health”




# Growth investment: Overall

LAWSON

**Brand conversion: Completed for 52 stores as planned converted from Save On/ Three F**

**New business: 0.6bln yen invested in preparation for entry into finance services**

**Next generation systems: Started introducing tablets**

**Reviewed overall schedule to reflect opinion in pilot store**

| FY2017 Initial Plan Growth Investment | |
|---|---|
| | ●Brand conversion: approx. –2.5 bln yen |
| | ●New business: approx. –2.0 bln yen |
| | ●Next generation system: approx. –4.0 bln yen |

# Growth investment: Brand conversion

**1H results** SAVE ON: 45 stores (Saitama)
Three-F : 7 stores (Chiba, Tokyo, Kanagawa)

## Daily sales: Improved over 20% as average

By changing brand names, stores have been able to..

- Change customer base: Increase female customers
- Change top-selling products: Higher counter FF sales


SAVE ON

# Growth investment: Next generation systems

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## Reviewed overall schedule based on pilot store results

Put schedule back a few months to reflect on-the-ground opinion

### Tablet-style terminals

**Counter Fast foods preparation**

**→Efficient preparation to reduce sales opportunities loss**

Some pilot stores managed to boost counter fast food sales by over 10%

**Work schedule management**

**→Standardize operation to reduce difficulties, waste and fluctuations**

**Introduced in FY2017 2Q**

### New POS cash registers

**Speedy calculations**

**→Efficient money management**

New double-speed receipt printers

**Easy-to-use operation**

**→Even new crew can serve our customers smoothly**

**Changed design of checkout counter**

**→Reduced required space by** one third

**Introduce from FY2017 4Q**

# FY2017 Cons. OP forecast unchanged at 68.5 bln yen

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| | Initial estimate (yen) | New planning (yen) | |
|---|---|---|---|
| Growth investment | Approx. -8.5 bln | Approx. -6.5 bln | |
| Next generation system | Approx. -4.0 bln | Approx. -2.0 bln | Revised Approx. ↑-2.0 bln yen |
| Brand conversion | Approx. -2.5 bln | Approx. -2.5 bln | ● SAVE ON<br>● Three F<br>etc. |
| New business | Approx. -2.0 bln | Approx. -2.0 bln | ● Finalcial business<br>● Healthcare related<br>etc. |
| CVS profit increase | Approx. +6.0 bln | Approx. +4.0 bln | |
| Unavoidable | Approx. -2.5 bln | Approx. -2.5 bln | |

1H Shortfall ↓1.0 bln yen

2H additional budget ↓1.0 bln yen

- Improve sales
- Strengthen new store openings
- Franchise store support
- Recruitment, etc.

※Forecast of subsidiaries are mostly the same, excl. LS100

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

# FY2017 Estimate

LAWSON

**Consolidated OP 68.5 bil yen (YoY -5.2 bil yen)**

**No change from initial estimate**

(Billions of yen)

| | | FY2017 Plan | |
|---|---|---|---|
| | | Plan | Difference/YOY |
| Non-consolidated | Existing-store sales (YOY)* | +1.0% | |
| | Gross profit margin diff.* | +0.1%P | |
| | SG&A expenses (YOY) | +5% ～ +10% | |
| | Operating profit | 52.5 | -4.9 / -8.6% |
| Difference : consolidated and non-consolidated | | 16.0 | -0.3 / -2.2% |
| Consolidated operating profit | | 68.5 | -5.2 / -7.1% |
| Consolidated net profit | | 33.5 | -2.9 / -8.0% |

* Including LAWSON and NATURAL LAWWSON stores

# The changing CVS environment

LAWSON

Aging society

Nuclear families

## Changing lifestyles

## Future Opportunity

More women at work

More international staffs/customers

## An essential part of our community life

## The best store in town

# Joint initiatives with Mitsubishi Corporation



- **Strengthen upstream, downstream supply chain**
  - Overseas ingredients
  - Domestic vendors
  - Domestic distributors
- **Global network**
- **Human resources (Overseas & new businesses)**

LAWSON Mitsubishi Corporation

**Aim to maximize Lawson's corporate value by exploiting Mitsubishi Corporation's global networks and resources**

# Shareholder returns

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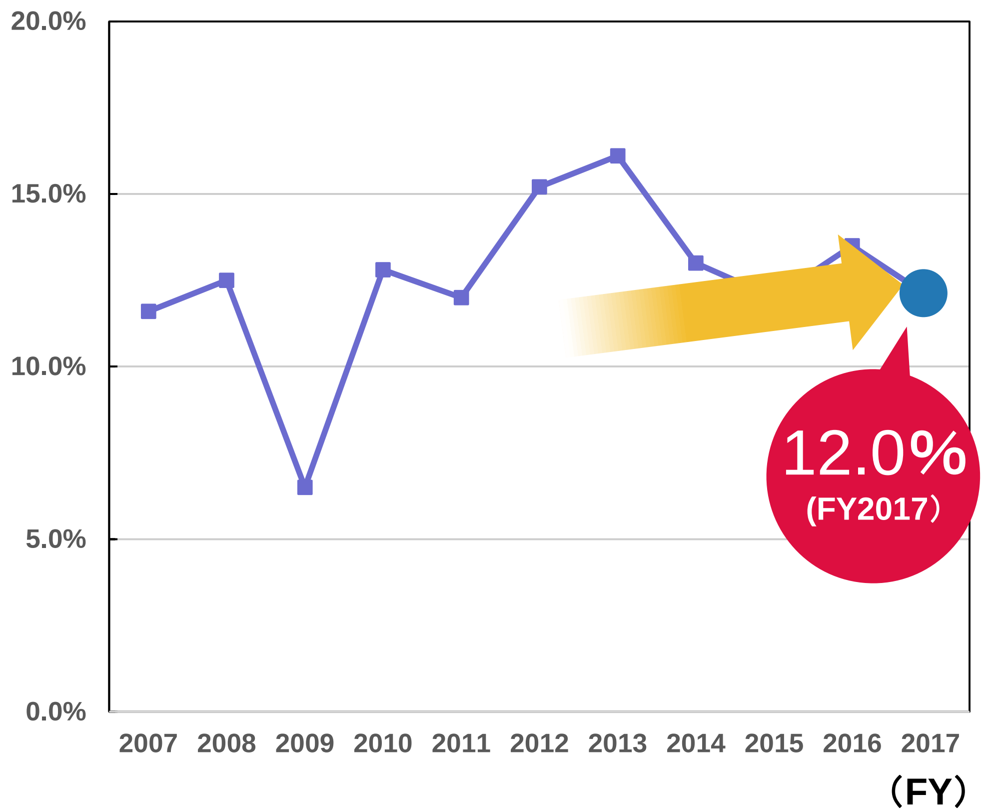
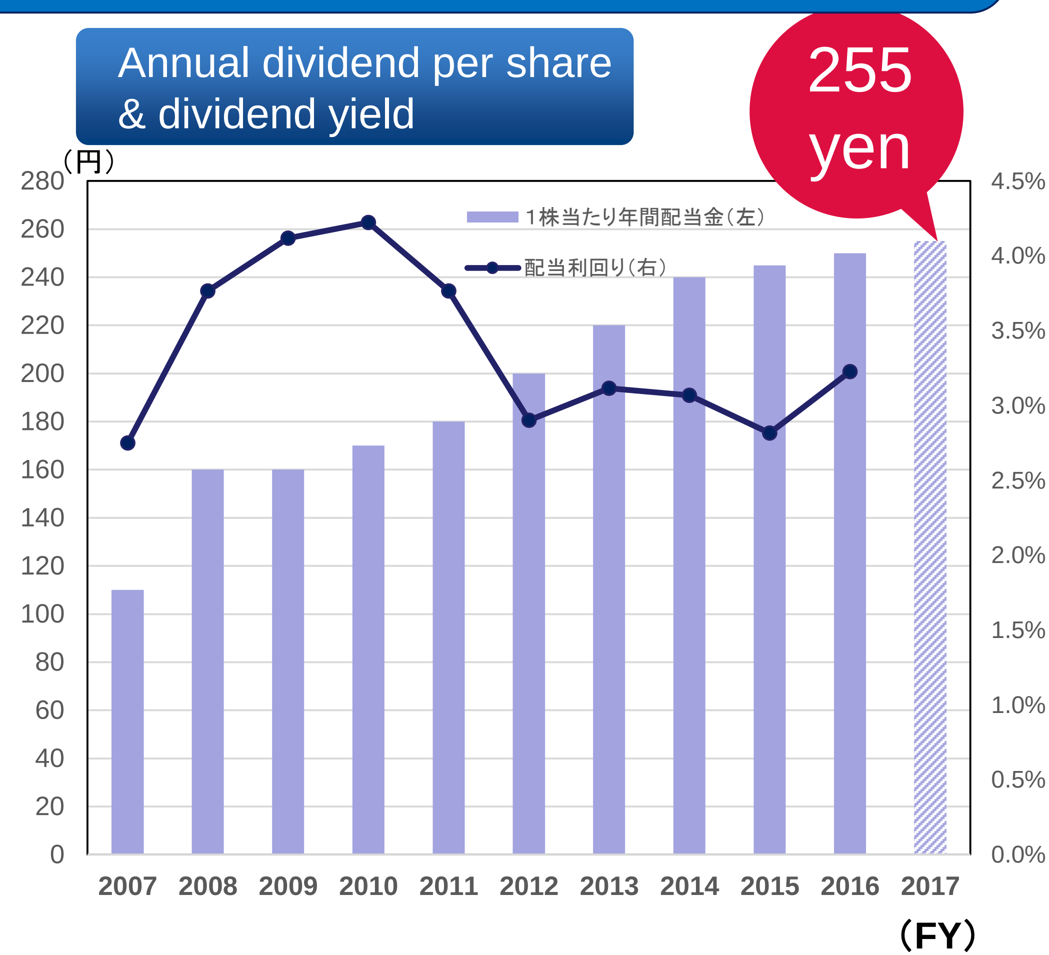
**Maintain fundamental stance for continuous, stable returns**
**Boost ROE above 15% by FY2021**

ROE




Annual dividend per share & dividend yield




**Creating Happiness and Harmony in our Communities**

# To become an top-class effective company

## To become an essential part of our community life

# Reference

# Earnings Summary: FY2017 1H

LAWSON

(Billions of yen)

| | | FY2015-1H Actual | FY2016-1H Actual | FY2017-1H Actual | FY2017-1H YoY | FY2017-1H vs. Plan |
|---|---|---|---|---|---|---|
| Consolidated | Net sales of all stores | 1,035.4 | 1,076.5 | **1,148.5** | 106.7% | 99.9% |
| | Operating profit | 42.0 | 39.9 | **38.9** | 97.5% | 103.9% |
| | Operating profit ratio | 4.1% | 3.7% | **3.4%** | ▲0.3%P | +0.1%P |
| | Recurring profit | 40.7 | 38.3 | **38.4** | 100.2% | 106.8% |
| | Net profit | 19.8 | 22.6 | **23.6** | 104.6% | 112.6% |
| | EPS (Yen) | 198.11 | 226.07 | **236.36** | +10.29 | 112.6% |
| | Dividend per share (Yen) | 122.5 | 125.0 | **127.5** | +2.5 | ±0 |
| Total no. of stores in Japan | | 12,305 | 12,733 | **13,587** | +854 | +89 |

Note: Total chain store sales (Net sales 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 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.

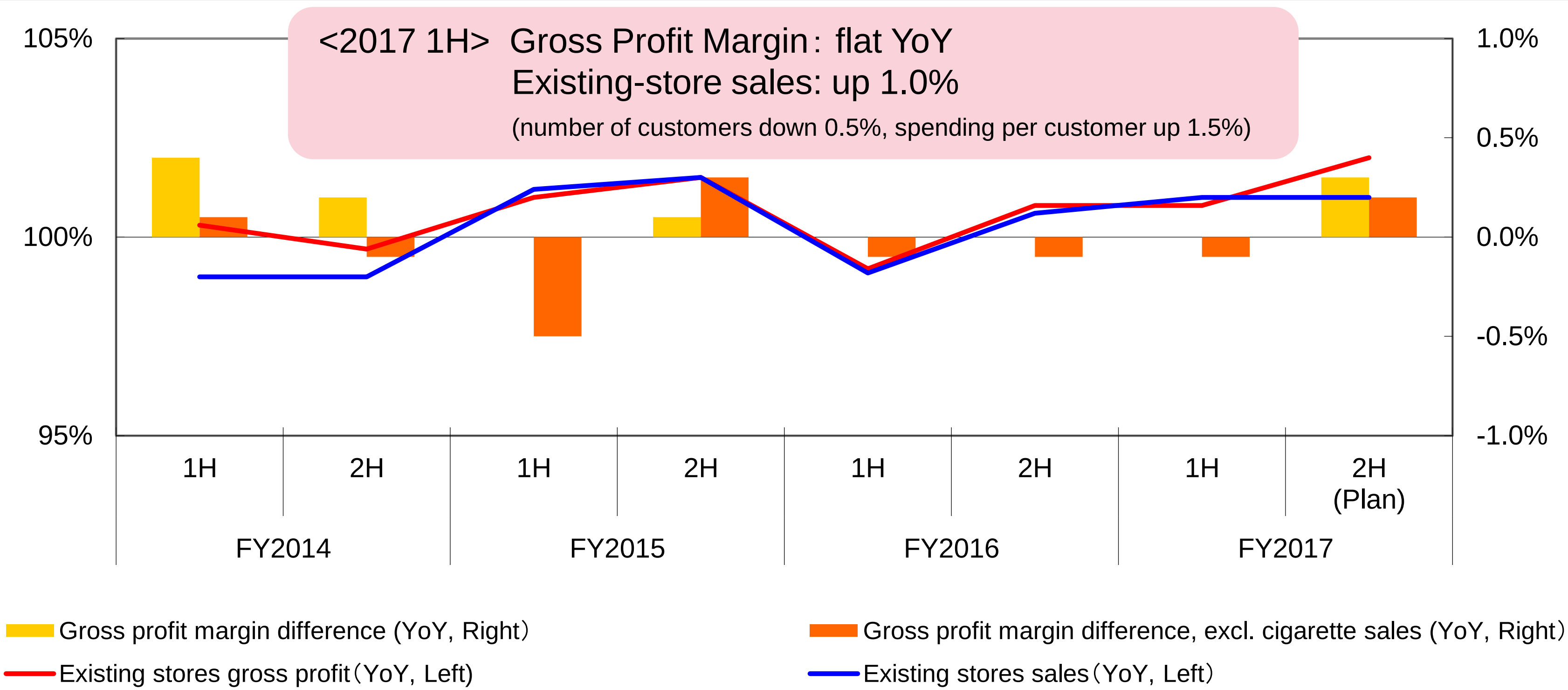
■ Consolidated operating profit down 2.5% YoY but 3.9% or 1.4 billion yen above target

Non-consolidated OP dipped 1.8% YoY on such items as higher cost for brand conversion and pro-forma standard taxation. Consolidated OP also down on a 0.6bln yen increase in preparatory costs for entering the financial industry. However, both consolidated and non-consolidated OP rose v. plan on lower costs resulting from the schedule review for next-generation system's investment at the Lawson parent.

■ Consolidated net profit up 4.6% YoY and 12.6% above target

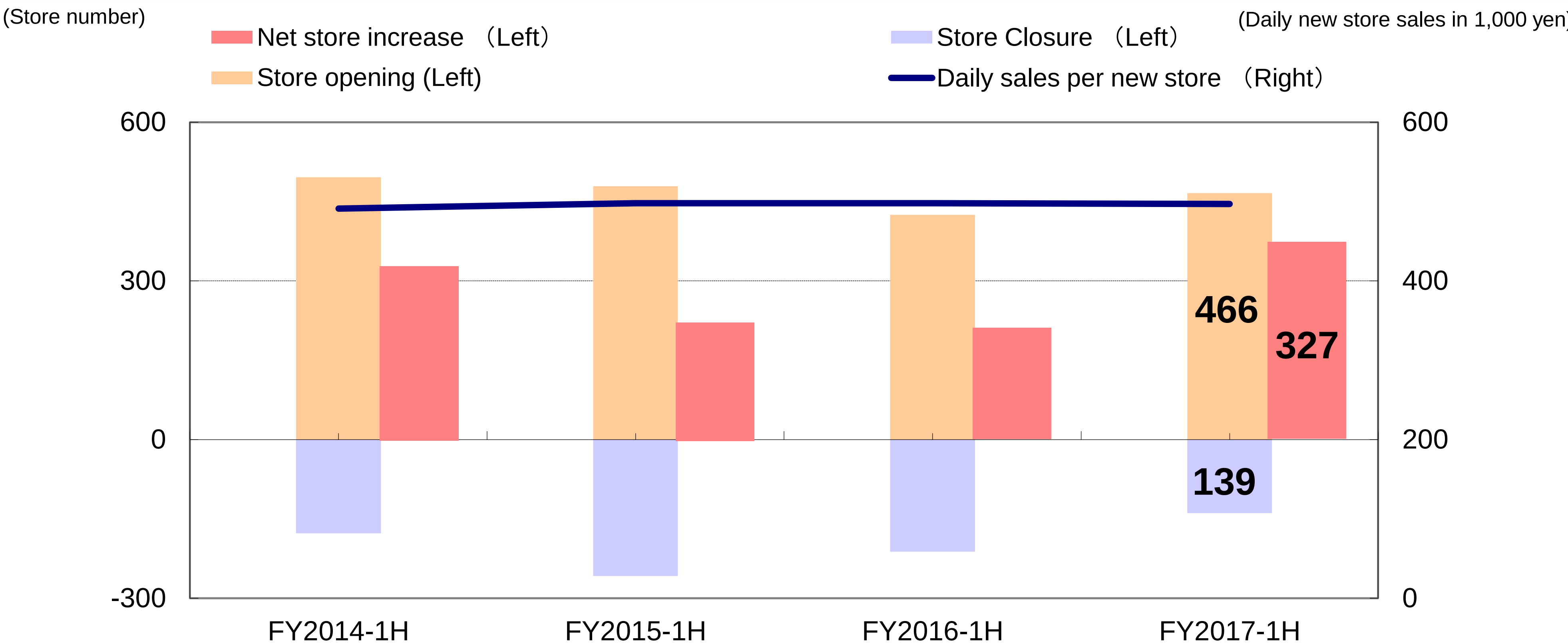
Rose YoY on reduced losses from fewer store closures and previous year's reversal of deferred tax assets linked to tax rate changes. Consolidated net profit also exceeded target thanks to lower losses from fewer store closures.

# Existing Stores (Non-Consolidated*) * excluding Lawson Store 100




- Existing-store sales rose 1.0% YoY as expected, but fell short of plan when ticket sales are excluded. Customer visits dipped by a marginal 0.5% YoY, but average customer spend increased 1.5% on better merchandizing for everyday needs and improved evening and nighttime product ranges.
- The overall gross profit margin held steady YoY at 31.3% as the proportion of sales contributed by cigarettes and over-the-counter fast food categories, which tend to impact gross margins, remained largely unchanged.
- Existing-store gross profit, which has direct implications for franchisee profits, rose 0.8% YoY in 1H.

# Store Openings (Non-consolidated*) * excluding Lawson Store 100




- Opened 466 new stores (including brand conversion for 45 SAVE ON, 7 Three F stores and others) That total is just 4 stores below plan so roughly on target.
- Closed 139 stores, 91 fewer than initially planned, resulting in a net increase of 327 stores (+87 compared to initial plan).
- Daily sales per new store held steady at 497,000 yen.

* Converted LAWSON, LAWSON STORE 100 and NATURAL LAWSON stores are included in the new store openings and closure data from FY2015.

* Stores transferred from Lawson, Inc. to Lawson Sanin, Inc. are not included in the store opening, closure or net increase data.

# Key Components of SG&A Expenses

LAWSON

| (Billions of yen) | | FY2016-1H Actual | FY2017-1H Actual | FY2017-1H Change | FY2017-1H vs.Plan | FY2017 Forecast |
|---|---|---|---|---|---|---|
| Non-consolidated | Selling, general & administrative expenses | 133.7 | 138.9 | +5.2 | ▲ 2.8 | Increase 5-10% |
| | | | | | | |
| | ＜Major Expenses＞ | | | | | |
| | Personnel expenses | 20.7 | 22.4 | +1.7 | +0.0 | Increase 5-10% |
| | IT-related expenses | 4.6 | 2.4 | ▲ 2.1 | ▲ 2.0 | *Increase 0-5%* |
| | (Hardware leasing, software amortization, maintenance, etc.) | | | | | |
| | Advertising and promotional expenses | 7.6 | 6.3 | ▲ 1.3 | ▲ 0.3 | *Decrease 10-15%* |
| | Sales commission | 7.2 | 8.8 | +1.6 | +0.0 | Increase 25-30% |
| | Facilities expenses | 71.1 | 75.9 | +4.7 | +0.1 | Increase 5-10% |
| Consolidated SG&A expenses | | 186.2 | 200.3 | +14.1 | ▲ 3.5 | Increase 5-10% |

Note: Figures in italic indicate the revised figures from the initial plan.

## Compared to FY2016 1H

**Non-consolidated**

- ➢ Personnel: Wages up on more directly-run stores
- ➢ IT costs: Cost-cutting and investment plan review
- ➢ A&P: Down v. FY2016 promotion cost
- ➢ Sales commission: By increasing number of stores

**Consolidated**

- ➢ In addition to non-consolidated factors, include additional cost of newly consolidated subsidiaries and of new Lawson stores overseas.

## Compared to FY2017 1H Plan

**Non-consolidated**

- ➢ Lower-than-expected IT-related costs on cost-cutting and a reviewed schedule for next generation systems investment

**Consolidated**

- ➢ Same as above.

# Earnings of Major Subsidiaries

(Billions of yen)

**Operating Profit**

| | | | FY2017-1H | | | FY2017 |
|---|---|---|---|---|---|---|
| | FY-end | Ownership | Actual | YoY change | vs.Plan | Forecast |
| SEIJO ISHII CO., LTD. | Feb. | 100.0% | 3.41 | +0.09 | +0.41 | *7.3* |
| Lawson Store100, Inc. | Feb. | 100.0% | ▲ 0.00 | ▲ 0.37 | ▲ 0.33 | *▲ 0.0* |
| Lawson HMV Entertainment, Inc. | Feb. | 100.0% | 0.63 | ▲ 0.33 | 0.01 | *2.0* |
| United Cinemas Co., Ltd. | Feb. | 100.0% | 2.08 | +0.48 | 0.53 | *2.6* |
| Lawson ATM Networks, Inc. | Feb. | 95.0% | 3.00 | ▲ 0.24 | ▲ 0.09 | *5.7* |
| Chongqing Lawson, Inc. | Dec. | 100.0% | ▲ 0.19 | +0.06 | 0.00 | ▲ 0.3 |
| Shanghai Lawson, Inc. | Dec. | 100.0% | ▲ 0.75 | ▲ 0.11 | ▲ 0.16 | 0.1 |

Note: Figures in italic indicate the revised figures from the initial plan.
Note: SEIJO ISHII's result of FY2016 is result of 6 month from January to June 2016 due to changing closing month from December to February in FY2016.

| | |
|---|---|
| LAWSON STORE100 | Sales trend continues strong with existing-store sales rising 1.3% YoY in 1H. FY2017 estimates include a considerable 0.4 billion yen contraction in OP due to the change in accounting period, but an actual increase in OP when compared to the same twelve months from March through February. |
| SEIJO ISHII | Reported an overall operating profit of 0.03 billion yen in 1H. However, existing-store sales contracted 1.3% YoY amid a struggling overall sales trend. Estimate a small amount of operating loss for full year. |
| Lawson HMW Entertainment | Strong ticket sales but fierce competition for large-scale events weighed on profitability, and dampened 1H profits. Expect to keep the FY2017 profit level same as FY2016. |
| United Cinemas | Increased customer numbers attracted by hit movies helped generated a large gain in OP in 1H, but expect OP to contract in 2H compared to strong previous year. FY2017 OP expected to increase slightly. |
| Lawson ATM Networks | 1H revenue rose on higher numbers of ATM machines but profit down on higher business costs. |

# Consolidated Capital Expenditure & Cash Flow

LAWSON

## Consolidated Capital Expenditures

(Billions of yen)

| | FY2015-1H Actual | FY2016-1H Actual | FY2017-1H Actual | FY2017 Plan |
|---|---|---|---|---|
| New stores | 18.2 | 16.8 | 28.6 | 69.0 |
| Existing stores | 2.4 | 3.3 | 2.2 | *8.5* |
| IT-related | 8.7 | 7.6 | 9.0 | 18.0 |
| Other | 0.4 | 0.9 | 4.6 | *5.5* |
| Subtotal for capital expenditure | 29.7 | 28.8 | 44.5 | *101.0* |
| Leases | 20.9 | 25.1 | 22.1 | 63.0 |
| Depreciation and amortization | 23.8 | 26.9 | 27.9 | *59.6* |

## Consolidated Cash Flows

(Billions of yen)

| | FY2015-1H Actual | FY2016-1H Actual | FY2017-1H Actual | FY2017 Forecast |
|---|---|---|---|---|
| Cash flows from operating activities | 92.6 | 91.4 | 119.1 | Approx. 120.0 |
| Cash flows from investing activities | ▲ 33.2 | ▲ 28.9 | ▲ 44.4 | Approx. ▲110.0 |
| Free cash flows | 59.3 | 62.4 | 74.7 | Approx. 9.0 |
| Cash flows from financing activities | ▲ 24.1 | ▲ 27.7 | ▲ 67.0 | Approx. ▲1.0 |
| (Cash dividends paid) | ▲ 11.9 | ▲ 12.2 | ▲ 12.5 | Approx. ▲25.0 |
| Cash and cash deposits | 112.1 | 104.0 | 76.0 | - |

- New-store investment up on higher store openings YoY and increased investment in brand conversions.
- Higher financial cash outflow on repayment of 30.0bln yen in short-term borrowings.

# FY2017 Company Forecasts (Consolidated)

LAWSON

| (Billions of yen) | FY2015 Actual | FY2016 Actual | FY2017 Forecast Plan | FY2017 Forecast YoY |
|---|---|---|---|---|
| Net sales for all stores | 2,049.5 | 2,157.9 | 2,310.0 | 107.0% |
| Operating profit | 72.5 | 73.7 | 68.5 | 92.9% |
| Operating profit ratio | 3.5% | 3.4% | 3.0% | ▲ 0.4%P |
| Recurring profit | 69.6 | 73.0 | 65.5 | 89.7% |
| Net profit | 31.3 | 36.4 | 33.5 | 92.0% |
| EPS（Yen） | 313.81 | 363.96 | *334.81* | *▲29.15* |
| Dividend per share (Yen) | 245 | 250 | 255 | +5 |
| ROE | 12.0% | 13.5% | 12.0% | ▲1.5%P |

| | FY2015 Actual | FY2016 Actual | FY2017 Forecast Plan | FY2017 Forecast YoY |
|---|---|---|---|---|
| Total no. of stores in Japan | 12,515 | 13,243 | 14,159 | +916 |

(Non-consolidated*) *Lawson and Natural Lawson combined store total

| | FY2015 Actual | FY2016 Actual | FY2017 Forecast Plan | FY2017 Forecast YoY |
|---|---|---|---|---|
| Gross profit of existing stores (YoY) | 101.3% | 100.0% | *101.4%* | - |
| Net sales of existing stores (YoY) | 101.4% | 99.8% | 101.0% | - |
| Gross profit margin ratio | 31.3% | 31.4% | *31.5%* | *+0.1%P* |
| Gross profit margin difference excluding cigarette sales (YoY) | ▲0.5% | +0.0%P | +0.1%P | - |

Note: Figures in italic indicate the revised figures from the initial plan.
Note: Total chain store sales includes 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.

Downward revision in 2H operating profit forecast. Full-year 68.5 billion yen OP estimate unchanged.
YoY existing-store sales forecast and estimated gross profit margin reflect 1H performance.

# FY2017 1H & 2H Estimates

LAWSON

(Billions of yen)

| (Consolidated) | FY2017 Forecast 1H Initial Plan | 1H Actual | 2H Plan | Full-Year Plan |
|---|---|---|---|---|
| Net sales for all stores | 1,150.0 | 1,148.5 | *1,161.4* | 2,310.0 |
| Operating profit | 37.5 | 38.9 | *29.5* | 68.5 |
| Operating profit ratio | 3.3% | 3.4% | *2.5%* | 3.0% |
| Recurring profit | 36.0 | 38.4 | *27.0* | 65.5 |
| Net profit | 21.0 | 23.6 | *9.8* | 33.5 |
| (Non-consolidated*) *Lawson and Natural Lawson combined store total | | | | |
| Gross profit of existing stores (YoY) | 102.0% | 100.8% | 102.0% | *101.4%* |
| Net sales of existing stores (YoY) | 101.0% | 101.0% | 101.0% | 101.0% |
| Gross profit margin ratio | 31.6% | 31.3% | 31.7% | *31.5%* |

Note: Figures in italic indicate the revised figures from the initial plan.
Note: Note: Total chain store sales includes 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 direcctly operated stores are included.

2H operating profit forecast revised down 1.5 billion yen compared to initial estimate on higher non-consolidated franchisee support costs and other expenses, and revised expectations for subsidiary firm performance.

# Consolidated Balance Sheet at the end of FY2017

LAWSON

(Billions of yen)

| | As of Aug. 31, 2017 | Change from Feb. 28, 2017 |
|---|---|---|
| Total current assets | 269.8 | +20.5 |
| (Cash and deposits) | 76.0 | +7.9 |
| (Accounts receivable) | 90.2 | +11.9 |
| Total noncurrent assets | 648.7 | +31.4 |
| Property, plant and equipment | 338.8 | +14.3 |
| Intangible assets | 104.4 | +9.6 |
| (Goodwill) | 44.3 | ▲ 1.6 |
| Investments and other assets | 205.5 | +7.5 |
| (Long-terms loans receivable) | 45.4 | +0.9 |
| (Guarantee deposits) | 97.8 | +2.2 |
| Total Assets | 918.5 | +52.0 |

| | As of Aug. 31, 2017 | Change from Feb. 28, 2017 |
|---|---|---|
| Total current liabilities | 399.1 | +42.3 |
| (Accounts payable-trade) | 136.4 | +25.5 |
| (Short-term loans payable) | 1.4 | ▲29.7 |
| (Deposits payable) | 136.5 | +33.4 |
| Total noncurrent liabilities | 229.6 | +5.8 |
| (Long-term loans payable) | 56.1 | ▲0.5 |
| Net Assets | 289.7 | +3.8 |
| (Common stock) | 58.5 | - |
| (Retained earnings) | 175.7 | +10.5 |
| Liabilities and net assets | 918.5 | +52.0 |

Accounts payable-trade under current liabilities rose YoY due to differences in the number of business days in February and August. The short-term debt total declined YoY following repayment of the 30.0 billon yen in short-term borrowings incurred at the end of FY2016. Deposits payable were higher mainly due to increasing number of stores.

**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.