

Summary of Results for FY2019

Lawson, Inc.
April 10, 2020

Financial Results for FY2019

Satoshi Nakaniwa
Executive Managing Officer
Chief Financial Officer

Lawson, Inc.

FY2019 Consolidated Financial Results

(Billions of yen)	FY2018	FY2019		
	Act	Act	y/y	v. Plan
Operating income	60.8	62.9	+2.1	+2.1
Ordinary income	57.7	56.3	- 1.3	+1.8
Net income	25.5	20.1	- 5.4	+2.1
(Non-consolidated) <small>(excl. Lawson Store 100)</small>				
Same store sales (y/y)	99.5%	100.1%	+0.6pt	-0.4%pt
Gross profit margin	31.2%	31.3%	+0.1pt	±0.0%
				<small>(v. initial plan -0.1pt.%)</small>
No. of CVS stores (Japan)	14,659	14,444	-215	-15

1. Consolidated operating income 62.9 billion yen (+2.1 billion yen y/y, v. plan)

- (1) y/y change: In the Japan CVS business, operating income decreased due to an increase in SG&A costs, including the cost for supporting franchised stores and IT costs, despite the effect of low-profit store reorganization and a decrease in the cost of supporting the disposal of franchised stores. On a consolidated basis, however, operating income increased due to favorable results at group subsidiary companies.
- (2) v. plan: Loss on plan: In the Japan CVS business, same store sales fell short of plan, but on a consolidated basis operating income also outstripped plan on strong performance at group subsidiaries.

2. Consolidated net income 20.1 billion yen (-5.4 billion yen y/y, +2.1 billion yen v. plan)

- (1) y/y change: Profit decreased due to an increase in losses in line with an increase in the number of store closures for reorganization.
- (2) v. plan: Higher than plan due to an excess of expected operating income.

3. Same-store sales (y/y) 100.1% Breakdown: no. of customers (y/y) 98.4%, spending per customer (y/y) 101.7%

FY2019 Initiatives Review

(Billion of yen)	FY2019		
	Plan	Actual	Difference
Operating income	60.8	62.9	+2.1

Various measures	Initiatives taken and progress made	Plan (y/y)	Actual	Diff.
Improve daily sales, GPM, etc.	<ul style="list-style-type: none"> ✓ Reduced waste losses and costs at stores, but both same store sales 100.1% y/y and gross profit margin(GPM) 31.3% were below initial plan. GPM fell short due to lower than plan in 1H. 	+40	+25	-15
Reorganize/close low-profitability stores	<ul style="list-style-type: none"> ✓ Closed 769 stores, more than the planned 750 closures. 	+20	+20	±0
Group subsidiaries contributions	<ul style="list-style-type: none"> ✓ Strong performance from Seijo Ishii and Entertainment-related businesses. ✓ Finance business, the planned A&P cost has not been fully incurred. 	±0	+30	+30
IT costs	<ul style="list-style-type: none"> ✓ Depreciation of the new POS cash registers with automatic change machines introduced in FY18. ✓ Completed the introduction of a new store computer. 	-40	-40	±0
Countermeasures (including tight-labor supply)	<ul style="list-style-type: none"> ✓ Introduction of MACHI café machine (self-service) and self-service FF furniture, etc., but some measures have not yet been taken. 	-20	-15	+5
Total		±0	+20	+20

*Financial image rounded to the nearest 0.5 billion yen for clear viewing

FY2020 Full-year Plan (Lawson parent, Group companies)

	FY2020	FY2019
(Billion of yen)	Plan	Actual
Consolidated operating income	-	62.9
Main company operations		
Lawson parent	-	44.7
Seijo Ishii	-	9.1
Lawson Entertainment	-	2.3
United Cinemas	-	3.4
Consolidated net income	-	20.1
Dividends per share	-	150 yen

The worldwide expansion of the COVID-19 has had a significant impact on Lawson group's business environment in Japan and overseas.

The Group's business domains are diverse both in Japan and overseas, and it is currently difficult to reasonably calculate financial forecasts. Therefore, FY2020 plan has not been determined yet.

We will promptly disclose the plan when it becomes possible to calculate the forecast.

COVID-19 Impact on Lawson Group

Business segment	Latest situation (preliminary report basis)
Japan CVS	✓ Same store sales (LAWSON, NATURAL LAWSON, LAWSON STORE 100) : - 5.2% y/y (customer visits - 7.7%, customer spend +2.7%) (LAWSON, NATURAL LAWSON) : - 5.8% y/y (customer visits - 8.0%, customer spend +2.4%) (LAWSON STORE 100) : +4.3% y/y (customer visits - 2.9%, customer spend +7.4%)
Seijo Ishii	✓ Same store sales : +0.7% (customer visits - 10.2%, customer spend +12.2%)
Entertainment	✓ Ticket sales : down approx. 50% ✓ Cinema attendance : down approx. 60%
Financial services	✓ Number of ATM transactions : down slightly
Other operations	✓ Same store sales (Shanghai) : down approx. 10% y/y

FY2019 Review FY2020 Initiatives

Sadanobu Takemasu
President and CEO
Representative Director
Chairman of the Board

Lawson, Inc.

**In the
future**

**The No.1 recommendation
from all customers**

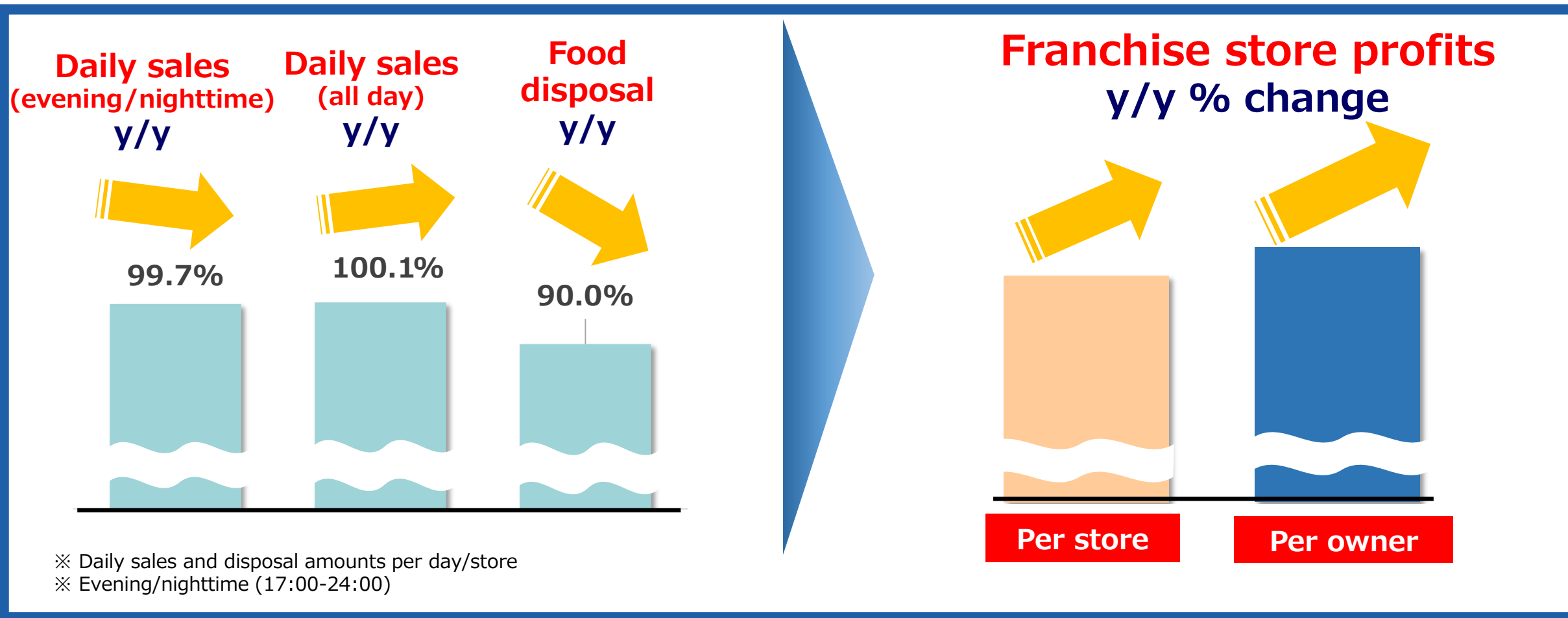
Promise 1
Superior
taste

Promise 2
Human
kindness

Promise 3
Environmental
(machi)
friendliness

**Inspire franchise
store work and employees**

Sales up/disposal down ⇒ Franchise store profits up



Basic policy: Building employees' satisfaction

Vision

Established new action guideline Lawson's Way (Action guideline)

【Group philosophy】

Creating Happiness and Harmony in Our Communities

【Vision】

Our goal is to become the hub of refreshment in every community.

【Lawson's Way (Action Guideline)】

1. Create stores filled with the best smile in town.
2. Speak out your ideas to take action.
3. Enjoy your challenge.
4. Value your friends to become one.
5. Act in good faith.

Communication

Introduction of Business Chat: Teams throughout the Company



Realizing Three Promises

Three promises are essential

All customers No.1

Superior taste

- More delicious original products



- Strengthen product development by area

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Human kindness

- Tasteful and healthy challenges
 - ✓ Reduced salt
 - ✓ Low-sugar
 - ✓ Additive-free
- Management support for franchised stores
 - ✓ Strengthening support
 - ✓ More communication
 - ✓ More labor saving



Environmental friendliness

- Achieving SDGs 2030 Annual Target
 - ✓ Reducing food loss
 - ✓ Plastic reduction
 - ✓ Reduce plastic bags
 - ✓ Reduction of CO2 emissions



Promotion of using digital technology to reduce labor time and personnel

Self-cash registers



Introduced at all stores
Operating at approx. 2,000 stores

Self-service equipment



Self-service over-the-counter fast food

Mid-night unmanned store trial



Experiment at two stores in Japan

(Billions of yen)

	FY2018	FY2019			
	Actual	Actual	y/y change	ratio	v. plan
Operating income	60.8	62.9	+2.1	+3.6%	+2.1
Ordinary income	57.7	56.3	-1.3	-2.3%	+1.8
Net income	25.5	20.1	-5.4	-21.4%	+2.1

Japan's Convenience Store Business: Same store sales y/y 100.1% (+0.6%pt)

FY2020
onward

**The No.1 recommendation
from all customers**

Promise 1
Superior
taste

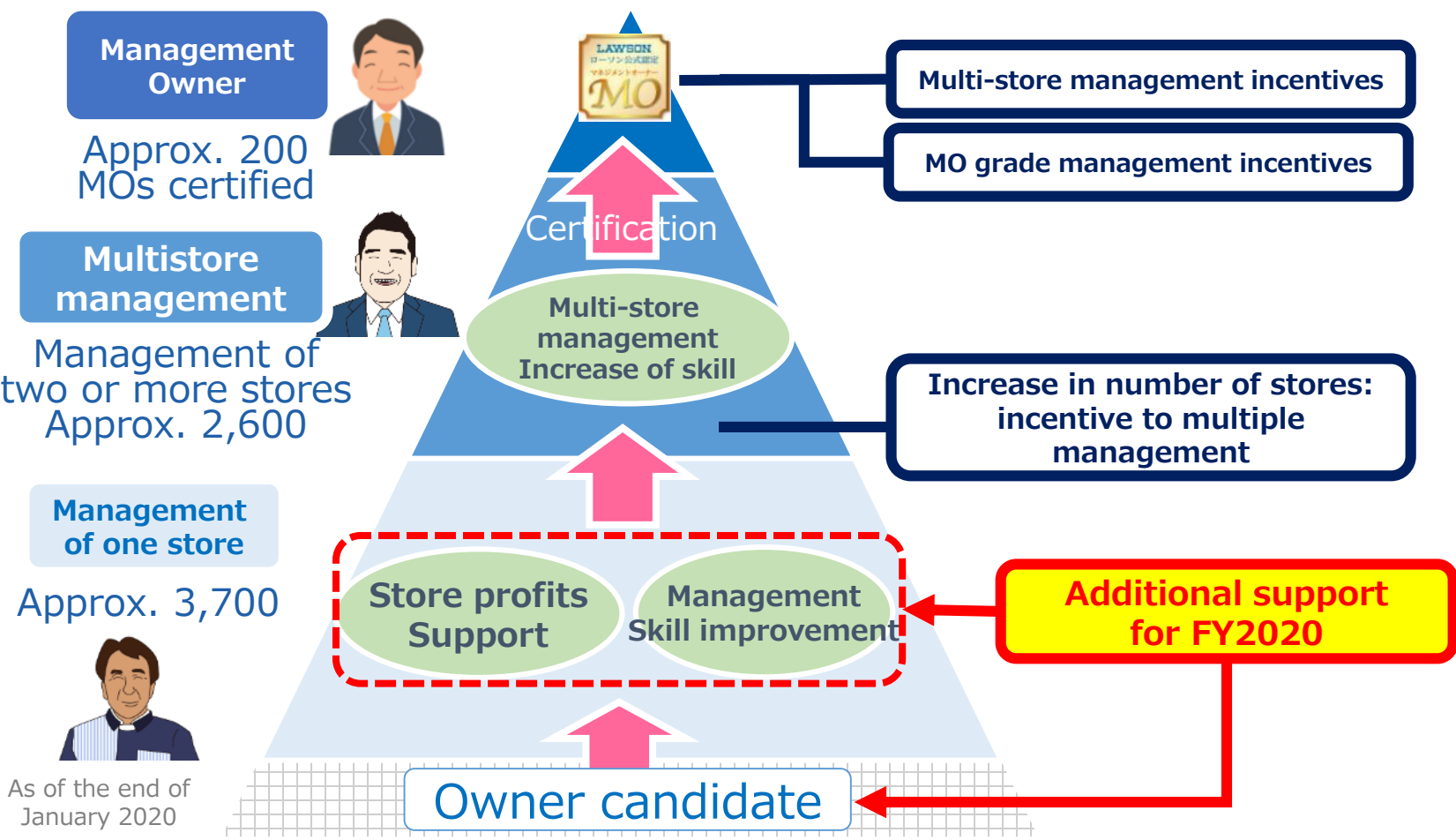
Promise 2
Human
kindness

Promise 3
Environmental
(machi)
friendliness

**Inspire franchise
store work and employees**

Major support for owners

Support for each store



Major Existing Support Items

Cn Contract store	<ul style="list-style-type: none"> • Half of the electricity • Partial burden of disposal losses
New stores	<ul style="list-style-type: none"> • Merchandise assortment • crew recruitment
Others stores	<ul style="list-style-type: none"> • Merchandise assortment and sales promotion • In store kitchen support fund • Store operation assistance fund • Healthcare incentives • Others

As of the end of January 2020

Short Period Support

Store profits support

Support of 40,000 yen/month for approx. 1,200 stores with low profitability through single store management

- Selected based on franchise store income over past one year

- Limited to one year



If achieving multi-store management within one year

Multiple stores support

Support of 40,000 yen/month extended for two years + 1.5 million yen as an incentive

(industry's largest)

Personnel support

Revival of Owner Support System

HQ support to owner's leave

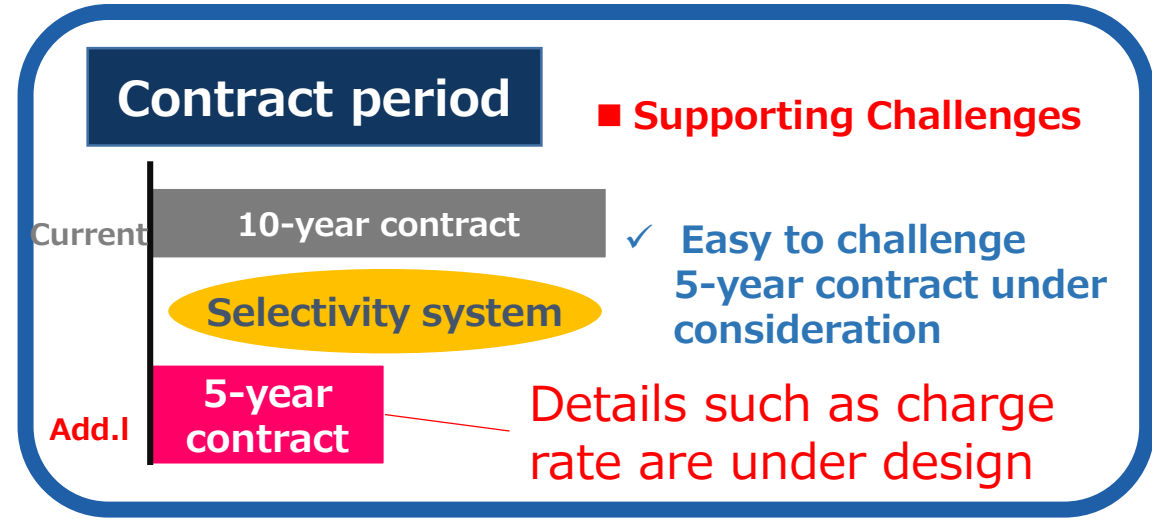
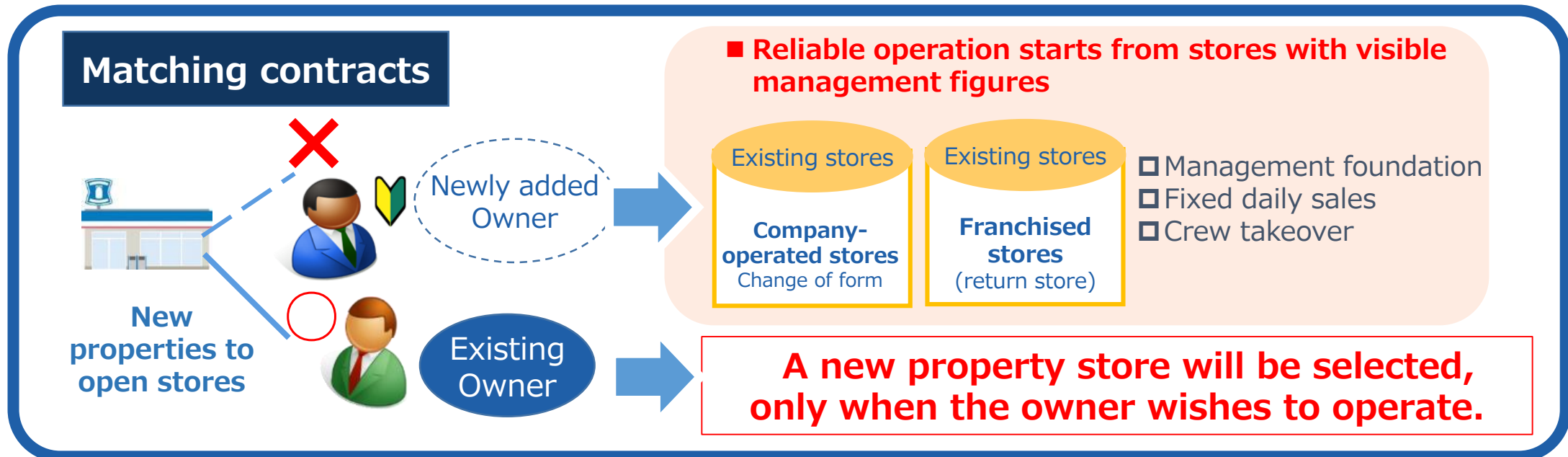
- Nationwide network with 7 bases
- Assigning 70 full-time employees



LAWSON STAFF
 <Present>
 16 areas nationwide
 22 bases

○ Lawson Staff, Inc. Coverage area ● = Under the new system Coverage area

Medium
Long
Period
Support

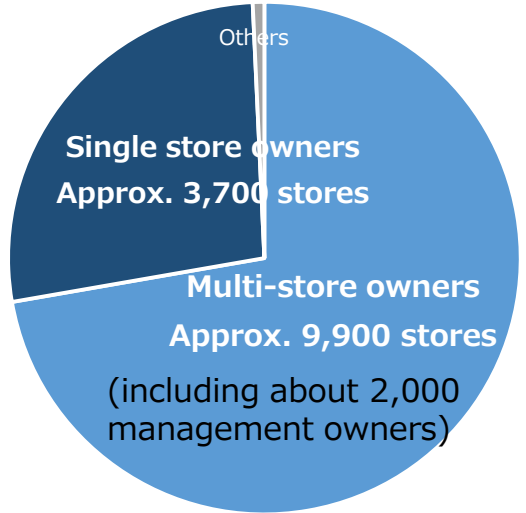
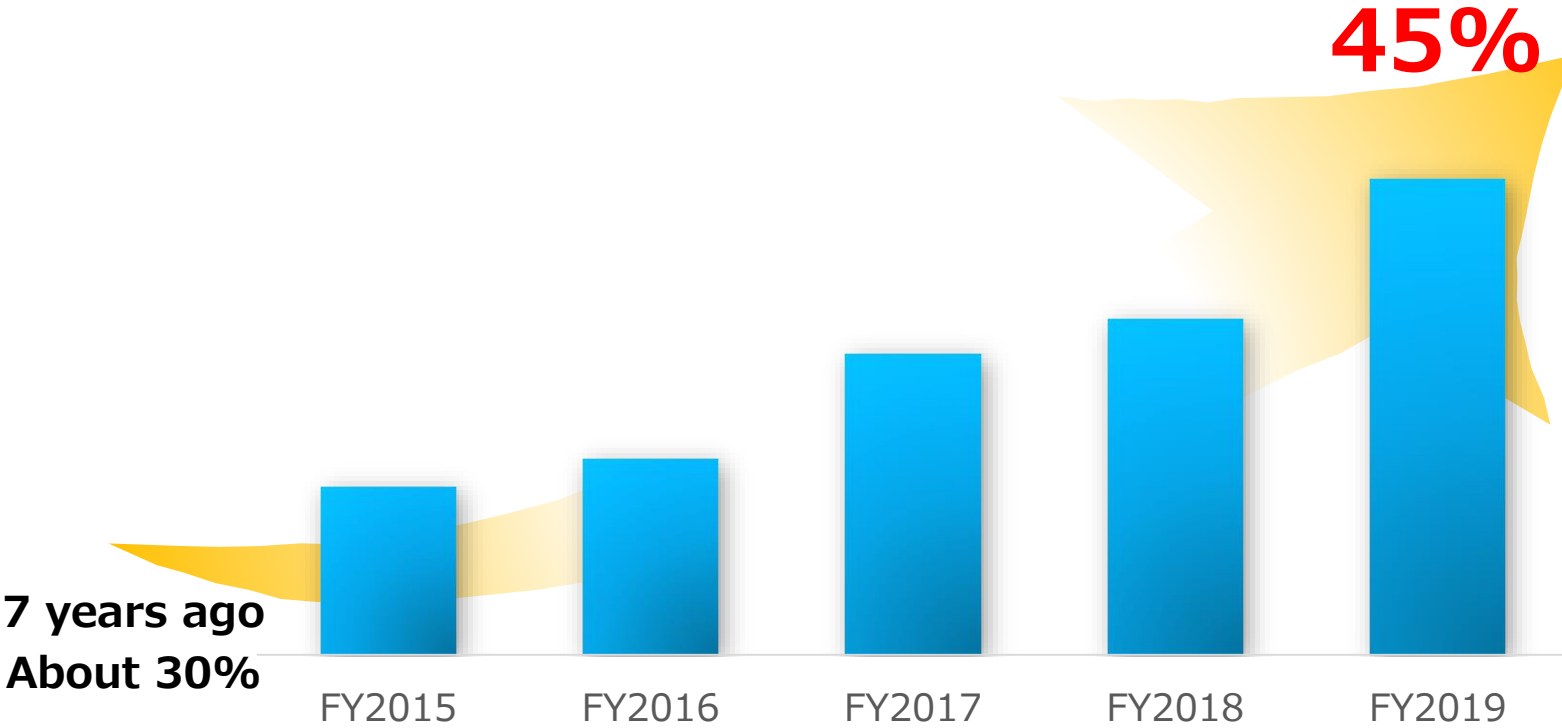


Recommend Multiple Store Management

Steady rise in multi-store management

Ratio of owners operating multiple stores

※ Multi-store owner/total owners (persons)



Approx. 13,700 stores
(excluding LS100, as of the end of February 2020)

* As of the end of February 2020

First priority at the HQ = franchise store profit

Using store profit for the HQ's evaluating targets



Sales
Gross profit margin



Aware three major cost reductions

- ✓ **Disposal loss**
- ✓ **Personnel expenses**
- ✓ **Utility expenses**

All customers
No.1

Three promises are essential

Superior taste

Human kindness

Environmental
friendliness

FF: Gubo (GU-BO)



Dessert:
Brûlée, soufflé



- ① 5 additive-free (synthetic coloring, flavors, etc.)
- ② First private brand skin care cosmetics



Non-use of salt and chemical seasonings

Darle Curry & Coconut Chicken Curry of Brown Rice:550 yen

Change to paper cup

Overwhelmingly reduced of plastic



Reduction of plastic
consumption and
paper packaging

In conjunction with new product
launches/renewals, package
changes

Appeal three promises in the new marketing

Digital instant lottery



Smartphone app Renewal



Variety of payment



Introduce sales promotions by area (sequentially)



* Example of FY19 Aomori Experiments

Integration of Point Systems

From May onward, au points and Ponta points will be common points

Develop **data marketing** utilizing membership base and create new businesses

Close and more personalized services to each individual customer

Cooperation with payment services

au PAY Ponta



PontaWorld



Mutual use of more than 1.7 million places

Service deployment by leveraging our nationwide network of brick-and-mortar stores

Ponta members: 93.73 million
 Number of affiliated stores: 220,000
 Number of partner companies and brands:
 128 companies, 183 brands

Growth as a group

Japan CVS



Seijo Ishii

SUPERMARKET
成城石井



Financial services



Entertainment



LAWSON
ENTERTAINMENT



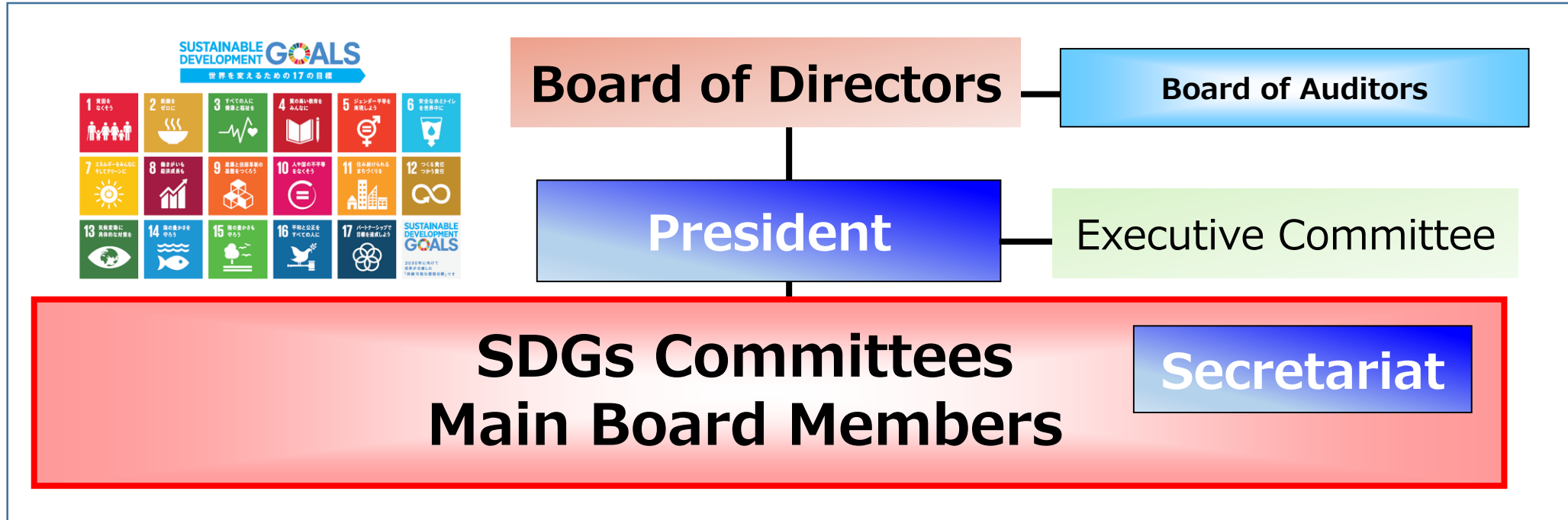
Global

China

Shanghai, Chongqing, Dalian, Beijing, Wuhan, Nanjing, Gobi, Cheung River, and Shenyang

Southeast Asia

Indonesia, Thailand, Philippines + a



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

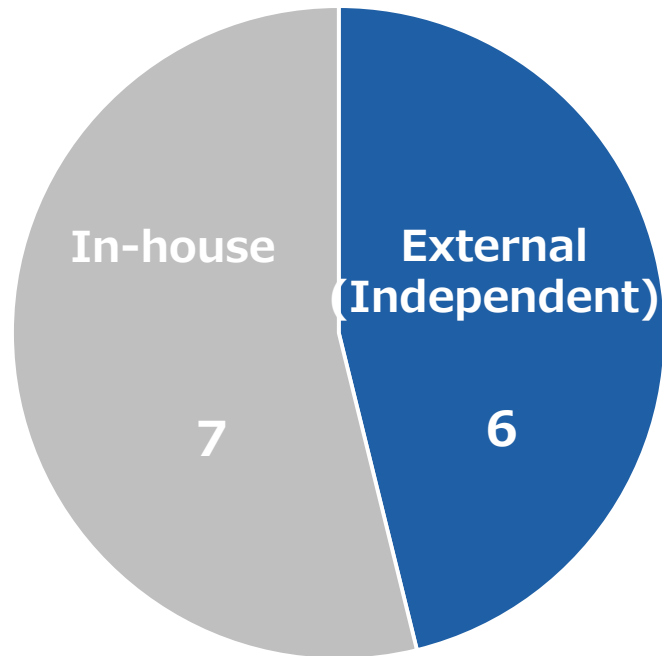
※ Three promises : Superior taste”, “human kindness”, and environmental friendliness

Initiatives for 2030 and 2050 Targets (KPI)

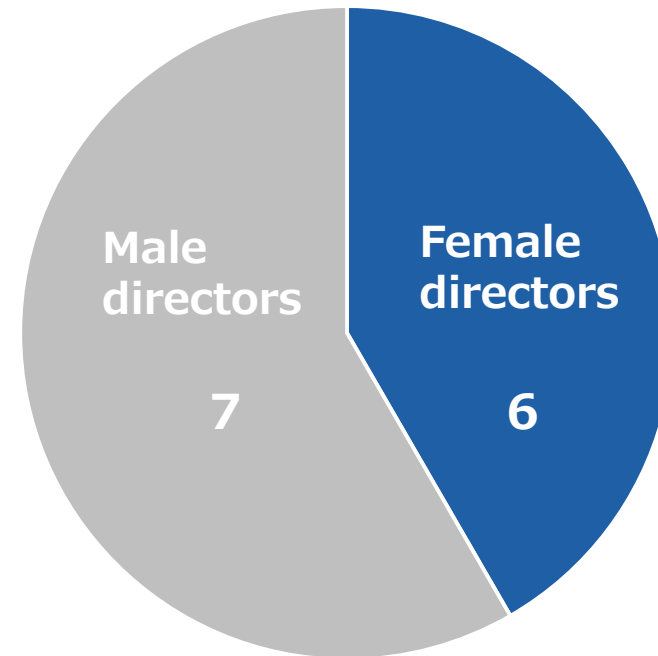
Lawson Blue Challenge 2050! save our blue planet!

Challenges	2030 KPI: Major measures		Where we want to be by 2050 KPI
<p>● Reducing food loss</p>	<p>v. 2018 levels Reduce by 50%</p>	<ul style="list-style-type: none"> • Another Choice • Promotion of waste oil and food recycling • Semi-automatic ordering, etc. 	<p>Reduce by 100%</p>
<p>● Reduce plastics (Reduction of packaging plastics)</p>	<p>v. 2017 plastic for packaging levels Reduce by 30% Original Lawson containers/packaging, Eco-friendly materials 50% usage</p>	<ul style="list-style-type: none"> • Switch to environmentally conscious materials • Switch to paper materials 	<p>Original Lawson containers/packaging, Eco-friendly materials 100% Usage</p>
<p>● Reduce plastics plastic carrier bags</p>	<p>Reduce by 100%</p>	<ul style="list-style-type: none"> • Switch to environmentally conscious materials • Promotion of eco-bags • Calls at stores 	<p>-----</p>
<p>● Reduce CO2 emissions</p>	<p>v. 2013 levels Reduce by 30%</p>	<ul style="list-style-type: none"> • Installation of energy-saving devices • Expansion of environmentally conscious model stores • Thorough adherence to 10 items for energy conservation 	<p>Reduce by 100%</p>

Strengthening independence
with high percentage of external Directors



Female/ Male directors



* Structure expected to be implemented after shareholders meeting scheduled on May 27, 2020

<Candidate for new directors>

Name: Satoko Suzuki , current position: Associate Professor of Graduate School

<Candidates for new Board of Auditors>

Name: Shuichi Imagawa, Lawson, Inc. Executive Officer (present)

Name: Keiko Yoshida, current position: Certified public accountants and tax accountants

How local Lawson stores can help combat the social issue

- ✓ **Free distribution of rice balls** to nationwide after-school childcare facilities, support milk consumption, coloring materials for children, etc.

- ✓ **Safer feel:** Reduce instore time and maintain social distance by using **self-checkouts**.

- ✓ **Strengthen range of long-life staple goods** (frozen foods, instant noodles, retort packaged food, tins, and drinks, etc.)

- ✓ **Expand unique Lawson products** to soothe Stay Home fatigue, provide readymade side dishes for evening meals

- ✓ **Support food deliveries** to lodgings for patients with mild COVID-19 symptoms.

- ✓ Show **appreciation and support for medical personnel** through our 300 Hospital LAWSON stores nationwide.

Lawson instore time: **approx. 3 minutes**

- ① Display posters advocating social distancing instore
- ② Mark spots on floor to maintain distance at checkout
- ③ Ventilate store by regularly leaving the door open
- ④ Provide hand sanitizer for customer use
- ⑤ Separate some checkouts with plastic Sheets to prevent droplet infection
(in the seven prefectures covered by the state of emergency declaration)
- ⑥ Expand stores with self-checkouts
- ⑦ Expand stores with smartphone checkout



Offer places to buy only what you **need, quickly, near** home or work

State of emergency

Authorities ask people to halt all non-urgent outdoor trips

Fear of extending the period of infection risk

Stay home consumption

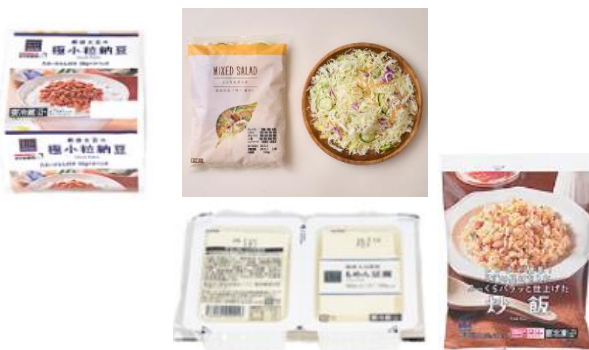
Stay home lethargy, therapeutic consumption

Reduced income

More Stay home essentials instore

Reasonable daily food

- Essential foods: Milk, eggs, natto, fresh/cut vegetables, deli and frozen foods, etc.



Ready meals Petit luxuries

- Side dishes for the supper
- Petit luxury sweets to soothe Stay Home ennui



Extend Uber Eats delivery service to approx. 500 stores

- August 2019~ Started introduction
- April 2020: Currently in experimental operation at 14 Tokyo metropolitan stores

*Approx. 200 types of essential and other goods including lunch boxes, rice balls, noodles, fast food, desserts, frozen food, sweets, drinks, alcoholic drinks, etc.

■ Deliver food to lodgings for patients with mild symptoms

- Lodging facilities must “provide food” for asymptomatic or mild-symptom patients who are being treated in temporary lodgings (hotels).
- To enable us to support lodgings’ food provision for patients, we have set up a help desk in Lawson HQ for temporary lodging facilities (hotels, etc.) to call.

*Initial assumption: receive calls for help via telephone

*Details are still being determined. We will disclose details on the Lawson website when confirmed.

■ Appreciation and support for healthcare workers

Initiative currently operating in Hospital LAWSON stores housed in hospitals in all 47 prefectures because we want to create some calm, soothing moments for healthcare workers in hospitals and other medical services nationwide

1. Thank You Days

- Location : Approx. 320 Lawson stores housed in hospitals in all 47 prefectures
- Outline : Half-price original sweets and MACHI Café hot coffee for healthcare workers who show their ID tag at the checkout counter.
- Date : Scheduling one day a month from April to June 2020

2. Display appreciation message poster in stores

マチのほっとステーション
LAWSON

新しいコンビニは、ローソンからはじまる。

ほっ



Reference Materials

Earnings Summary: FY2019 Results

(Consolidated : Billions of yen)	FY2018	FY2019		
	Actual	Actual	Y/Y	vs Plan
Net sales of convenience store	2,424.5	2,506.9	+82.4	-13.0
Operating income	60.8	62.9	+2.1	+2.1
Operating income ratio	2.5%	2.5%	+0.0%pt	+0.1%pt
Ordinary income	57.7	56.3	-1.3	+1.8
Net income	25.5	20.1	-5.4	+2.1
EPS (Yen)	255.71	200.95	- 54.76	+21.07
Total no. of stores in Japan	14,659	14,444	-215	-15
Opening	1,067	554	-513	+4
Closure	400	769	+369	+19
Net Increase	667	-215	-	-15
(Non-consolidated*)*excluding LAWSON STORE100 business				
Existing store sales (Y/Y)	99.5%	100.1%	+0.6%pt	-0.4%pt
Gross profit at existing stores (Y/Y)	99.2%	100.8%	+1.6%pt	-0.2%pt
Gross profit margin	31.2%	31.3%	+0.1%pt	±0.0%pt *
difference excl. cigarette sales (Y/Y)	-0.1%pt	+0.3%pt	-	-

*vs initial plan -0.1% pt

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: Net sales at existing stores (YoY) do not include the impact of tickets, etc.

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

Key Components of SG&A Expenses

(Billions of yen)		FY2018	FY2019	
		Actual	Actual	Y/Y
Non-consolidated	Selling, general & administrative expenses	302.7	311.6	+8.8
	<Major Expenses>			
	Personnel expenses	45.9	46.2	+0.3
	IT-related expenses (Hardware leasing, software amortization, maintenance, etc.)	8.7	12.7	+4.1
	Advertising and promotional expenses	13.3	14.1	+0.7
	Sales commission	22.3	19.5	-2.8
	Facilities expenses	166.5	174.0	+7.4
	Consolidated SG&A expenses	441.8	461.5	+19.7

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

We changed some recorded items relating to A&P and sales commissions following a review of our business contracts consolidated subsidiaries,

Y/Y

Non-consolidated

IT-related costs: Rose on higher depreciation costs on POS registers introduced in FY2018 and new store computers.
A&P: Although A&P increased on change in items relating to review of business contracts with consolidated subsidiaries, we lowered costs by streamlining of sales promotion measures.
Sales commissions: Declined YoY. We reduced food disposal support, and changed items following review of parent-subsidary business.
Facilities expenses: Stores rents and other items rose on increase in store numbers during the fiscal year.

Consolidated

In addition to the above non-consolidated upward factors, operating expenses increased, including maintenance costs, due to an increase in the number of ATMs at banks.

(Billions of yen)

	FY2019		
	Actual	Y/Y	
Domestic convenience store business	47.1	-1.1	Despite an increase in charge revenue, profit decreased due to an increase in the number of stores and an increase in SG&A expenses such as IT costs, etc.
Seijo Ishii business	8.3	+0.9	Thanks to strong sales of original deli items, etc., Seijo Ishii Co., Ltd.'s existing-store sales rose a firm 2.9% YoY, and store openings were favorable. Profit increased.
Entertainment-related business	5.3	+0.8	Profit higher as United Cinemas Co., Ltd. handled some hit products.
Financial services business	3.0	+0.8	Profit increased due to revenue growth by increased ATM operation volume during the fiscal year, and a reduction in ATM operation costs.
Other business	-0.9	+0.6	International business saw an increase in expenses related to store openings, but losses narrowed.
Total	62.9	+2.1	

● Consolidated Capital Expenditures

	(Billions of yen)	
	FY2018	FY2019
	Actual	Actual
New stores	38.4	17.6
Existing stores	9.7	7.9
IT-related	8.9	7.5
Other	0.0	0.1
Subtotal for capital expenditure	57.0	33.2
Leases	52.0	36.1
Depreciation and amortization	53.1	58.7

● Consolidated Cash Flows

	FY2018	FY2019
	Actual	Actual
Cash flows from operating activities	128.5	202.7
Cash flows from investing activities	-81.0	-49.0
Free cash flows	47.5	153.6
Cash flows from financing activities	277.9	-163.9
(Cash dividends paid)	-25.5	-20.2
Cash and cash deposits	354.2	343.5

Consolidated Balance Sheet at the end of FY2019

(Billions of yen)				(Billions of yen)			
	As of Feb. 28, 2018	As of Feb. 29, 2020	Y/Y	As of Feb. 28, 2018	As of Feb. 29, 2020	Y/Y	
Total current assets	619.6	636.6	+17.0	Total current liabilities	598.5	561.9	-36.5
(Cash and deposits)	354.2	343.5	-10.6	(Accounts payable-trade)	123.4	129.3	+5.9
(Accounts receivable)	120.9	159.1	+38.1	(Short-term loans payable)	126.6	39.8	-86.7
Total noncurrent assets	722.7	721.0	-1.6	(Deposits payable)	131.8	193.0	+61.2
Property, plant and equipment	382.3	392.9	+10.6	Total noncurrent liabilities	461.8	520.4	+58.5
Intangible assets	106.6	97.0	-9.6	(Long-term loans payable)	260.0	310.0	+50.0
(Goodwill)	46.8	42.3	-4.4	Total liabilities	1,060.3	1,082.3	+22.0
Investments and other assets	233.7	231.0	-2.7	Net Assets	281.9	275.3	-6.6
(Long-terms loans receivable)	44.0	42.4	-1.5	(Common stock)	58.5	58.5	±0.0
(Guatantee deposits)	107.0	107.1	+0.1	(Retained earnings)	166.1	165.0	-1.1
Total Assets	1,342.3	1,357.7	+15.4	Liabilities and net assets	1,342.3	1,357.7	+15.4

Note: Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. have been applied to our consolidated financial statements since the beginning of the fiscal year 2019.

They have been retrospectively applied to major management indices related to the previous fiscal year.

Note: The amount of cash and deposits for financial services business as of February 29, 2020 is 317.5 billions of yen, most of which is used for refilling ATMs.

Note: The amount of loans payable for financial services business as of February 29, 2020 is 260.0 billions of yen.

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.