

Presentation on Basic Agreement Between LAWSON, INC. and am/pm Japan Co., Ltd.

Wednesday, February 25, 2009

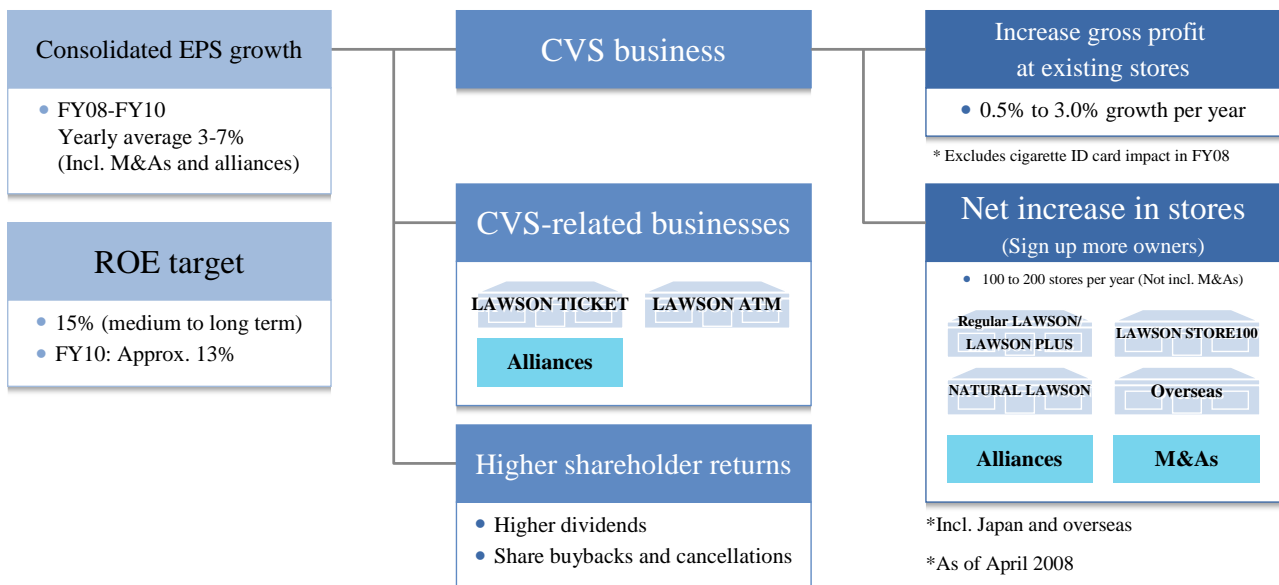
LAWSON, INC.

Cautionary Statement

This presentation may contain 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 fact. 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.

Medium-Term Growth Vision

Model for Creating Corporate Value Over Medium Term (FY08-FY10)



LAWSON's M&A Policy

- Based on the financial discipline of capital efficiency, LAWSON has consistently evaluated whether to open its own stores or add stores through M&As, and made investments accordingly.
- LAWSON saw the acquisition of am/pm as a significant opportunity to increase its low presence in Tokyo, the largest market in Japan.
- This investment decision was reached after conducting rigorous due diligence over a sufficient timeframe to identify all conceivable risks, and in consideration of capital efficiency.
- Going forward, we will continue to place emphasis on capital efficiency in opening new stores and conducting M&As, aiming for a medium-term ROE of 15%.

Overview of am/pm Japan

Overview of Acquisition Target

Total chain sales	¥195.6 billion
Net sales	¥36.0 billion
Operating profit	¥0.6 billion
Total assets	¥43.3 billion
Current assets	¥14.9 billion
Lease deposits	¥9.1 billion
Net assets	- ¥13.9 billion
Capital	¥9.6 billion
No. of stores	1,138 (Incl. 74 directly-managed stores and 259 regional franchises)
Employees	462

Recent Developments

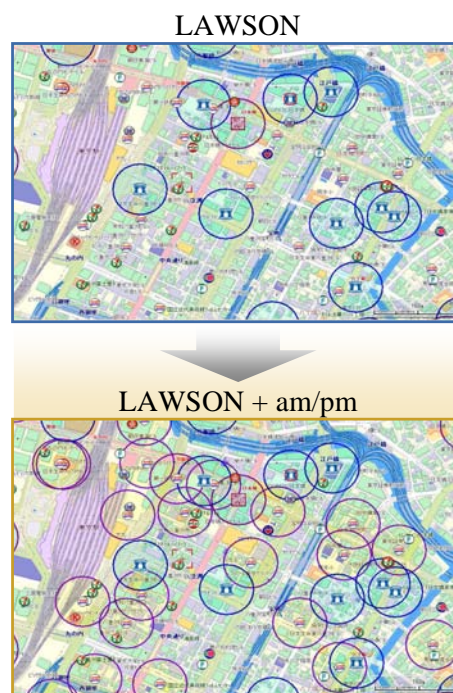
- Store closings
 - In FY07, am/pm closed approx. 200 unprofitable stores
- Reduction in Head Office SG&A expenses
 - Reduction of ¥4.5 billion in FY08
 - Reduction in personnel expenses ¥0.9 billion
 - Rents ¥2.6 billion
 - Other

**Result: Restored profitability with
¥0.6 billion in operating profit**

* Figures for results and employees are estimates for the year ended December 31, 2008

Building a Dominant Presence in Central Tokyo, Japan's Largest Market: Location and Format Complementarity

- Possible to build a store network with little overlap
 - Limited competition from own stores, major area synergies
- Achieve dominance at low cost
 - Minimal costs for dealing with franchise owners and aligning own stores
- Able to convert to unique LAWSON formats
 - Able to convert to various store formats other than LAWSON such as NATURAL LAWSON/LAWSON STORE100; many possibilities



Become the dominant player in the Tokyo metropolitan area, Japan's largest market

Acquisition Overview

Overview of the Acquisition

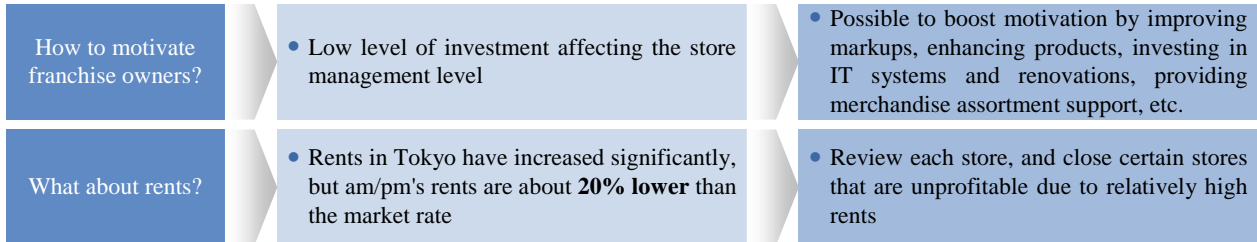
Cost	¥14.5 billion
Acquisition scheme	Third-party allocation of new shares by am/pm to REX Holdings (¥5.5 billion) After the capital increase, transfer of all shares of am/pm held by REX Holdings and receivables for a total of ¥20 billion (Shares at memorandum value and receivables of ¥20 billion)
Transaction completion date	Planned for March-April 2009

Detailed Due Diligence

In addition to conventional financial, tax, and legal due diligence, we also performed due diligence in these business areas:

- Individual store analysis Individual store profitability/Location/Franchise store operational ability
- Franchise agreements.....Review of all franchise agreements
- Store developmentReview of head office assets/all lease agreements
- Products and services.....Terms of trade with logistics centers/vendors
- IT.....Various conditions for IT integration

Examples of possible operational issues we anticipated:



LAWSON spent a sufficient amount of time analyzing various factors to determine a price. The acquisition will take place at the price that LAWSON is confident it can recover.

Major Reasons for This Acquisition

- **By investing ¥14.5 billion, we can secure a network of 700-800 stores in central Tokyo, Japan's largest market, for 1/3 the cost of opening our own stores**
 - We can expect an approx. 10% improvement in daily sales and approx. 4% improvement in purchasing terms as a result of product changes, renovations, and other measures to improve earnings.
- **Conservatively, we expect the acquisition to contribute ¥3.0-5.0 billion to operating profit starting in FY10. Based on past rehabilitation results, the contribution could be as high as ¥3.5-6.5 billion.**

Analysis of Real Investment Cost

Secure a network of high-quality stores in central Tokyo for a real cost of less than ¥10.0 billion

- Real capital expenditure: under ¥10.0 billion (post-renovation base)
- Increase value through franchise chain revival measures by LAWSON, which has experience with M&As

■ Measures by LAWSON to reinvigorate franchise chain (max. additional investment: ¥15.0 billion)

- Unprofitable store closures (¥6.0 billion)
- Store renovation (¥7.0 billion)
- IT investment (¥1.0 billion)
- Franchise owner training expenses
- Support for enhancing merchandise assortments, etc.



**Additional ¥15.0 billion
investment absorbed by
merger/integration
synergies**

**After a thorough review of operations,
Close 100-200 unprofitable stores to enable revival
Secure 700-800 prime stores in central Tokyo**

Major Earnings Improvement Benefits

Major measures for improving daily sales and expected improvement rate			Other measures	
Product change effect (2 years)	Synergies from original products/ service enhancements	5%	Closing of unprofitable stores (1 year)	100-200 stores
Full renovation benefits (3 years)	Signboard changes, counter conversion, fast food sales, etc.	4-8%	Integration of Head Office functions (1 year)	Increase efficiency by integrating Head Office functions Make use of personnel freed up within the Group by efficiency gains
Major measures for improving purchasing terms and expected improvement rate				
Improvement in purchasing terms (2 years)	Improve purchasing terms through increased distribution efficiency and joint purchasing, etc.	4%		

**Achieve profitability just through improved daily sales
and purchasing terms gained through LAWSON alliance**

Examples of Corporate Value Creation at LAWSON

Past examples		Shinsengumi Honbu K.K.
March 1989	Merger of LAWSON and Sun Chain Corporation	February 2008 Concluded mega franchise agreement with Shinsengumi Honbu. Stores operated by Shinsengumi Honbu begin operating under the LAWSON name.
October 1992	Parcoal Co., Ltd. Integration (+47 stores, Yamaguchi)	
November 1996	A and B Co., Ltd. integration (+45 stores; Shimane and Tottori)	
October 2004	TOHOKU SPAR CO., LTD. integration (+84 stores; Iwate, Aomori and Akita)	
February 2007	LAWSON investment in Ninety-nine Plus (+846 stores)	
January 2008	Mega franchise agreement with Shinsengumi Honbu (+45 stores)	

No. of customers and daily sales

both increase approx. 25% year on year

(Excludes cigarette ID card impact)

- Effect of name change: approx. 20%
- Effect of product changes: approx. 3%
- Other

Opportunity Cost for Opening Stores in Central Tokyo: Much Lower Cost Than Opening Own Stores

**By closing unprofitable stores and conducting full renovations,
we can obtain 700-800 high-quality stores
in the central Tokyo area for ¥14.5 billion**

Per-store investment under this acquisition is **approximately 1/3** of opening own stores

Acquisition: ¥20 million vs. self opening (in Tokyo) ¥60 million

* Excluding the ¥10 million lease deposit, it would be 1/5 the cost. Acquisition: ¥10 million (without lease deposit) vs. self opening (in Tokyo, without lease deposit) ¥50 million

- **Reduces time needed for store development by 6-7 years, resulting in lower future CAPEX**
- **Secure a network of prime stores relatively cheaply in central Tokyo, where store-opening costs are rather expensive**

Further Cooperation With Regional and Railway Franchises

Regional franchises (260 stores)

- Kansai: am/pm kansai (Kappa Create Co., Ltd.)
 - Area: Osaka, Kyoto, Hyogo, Nara and Mie prefectures
 - Locations: Kintestu Corporation rail lines, office buildings
- Kyushu: JR Kyushu Retail (JR Kyushu)
 - Area: Fukuoka, Saga, Kumamoto, Oita and Nagasaki prefectures
 - Locations: JR Kyushu rail lines, office buildings
- Hiroshima: H&B Partners Corporation (Hakubishi)

Railway franchises (54 stores)

- Tokyu Corporation
- Tobu Railway Co., Ltd.
- Sagami Railway Co., Ltd.
- Keisei Electric Railway Co., Ltd.

Up to now...

Profits have been generated, but economies of scale haven't been leveraged and region-specific responses and product development have been insufficient.



After the acquisition...

We will be able to accelerate LAWSON's current regional initiatives built around the local consumption of locally produced products and cooperation with local governments.

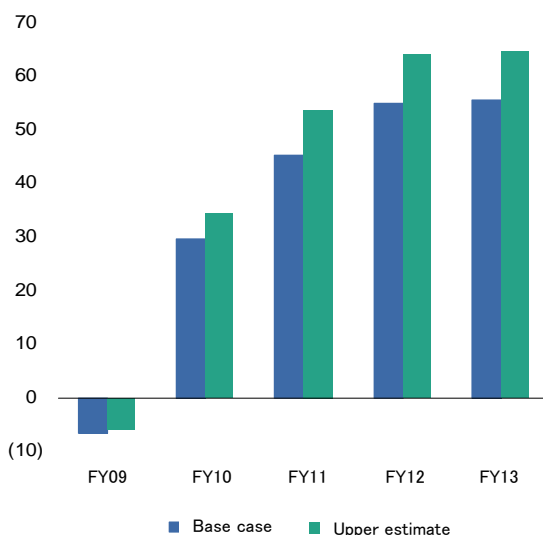
Through cooperation with railway companies, LAWSON will be able to secure stores in favorable station-front locations where there is little competition from other LAWSON Group stores.

Great potential for continued growth through improvement in markups

Expected Financial Impact of the Acquisition

Expected Impact on LAWSON's Consolidated Results (Operating profit)

(billions of yen)



* Incl. amortization of goodwill

Major Assumptions

- Daily sales at existing stores, year on year
⇒ 95% in FY09, 99% from FY10
- Improvement in daily sales as a result of signboard changes
⇒ Base case 4%, upper estimate 8%
- Improvement in daily sales as a result of product changes
⇒ 5% in both cases
- Improvement in purchasing terms due to increased distribution efficiency and joint purchasing
⇒ 4% in both cases

Impact on P/L and B/S

- The impact of this acquisition on LAWSON's consolidated operating profit in FY10 and beyond will be at least ¥3-5 billion
- Total goodwill of approx. ¥9.0 billion
- Additional benefits from area franchises, railway franchises, and renaming of am/pm stores
- Exceeds LAWSON's ROI standard
- Will help improve LAWSON's consolidated ROE and EPS from FY11
- Approx. ¥40.0 billion reduction in capital expenditure over the next 6-7 years.

Reference Materials

Becoming the No. 1 Chain in Tokyo's 23 Wards, Japan's Largest Market

