LAWSON, INC.
Fiscal 2002 Earnings Presentation
Year Ended February 28, 2003

April 16, 2003 (Wed.)

Cautionary Statement

This presentation may contain forward-looking statements about the future plans, strategies, beliefs and performance of Lawson and its subsidiaries. These forward-looking statements are not historical facts. They are expectations, estimates, forecasts and projections based on information currently available to the company and are subject to a number of risks, uncertainties and assumptions, which, without limitation, include economic trends, competition in the Japanese convenience store industry, personal consumption, market demand, the tax system and other legislation. As such, actual results may differ materially from those projected.

Reflecting on the Past Year

Last year when we announced our results and reform plan, we stressed two points:

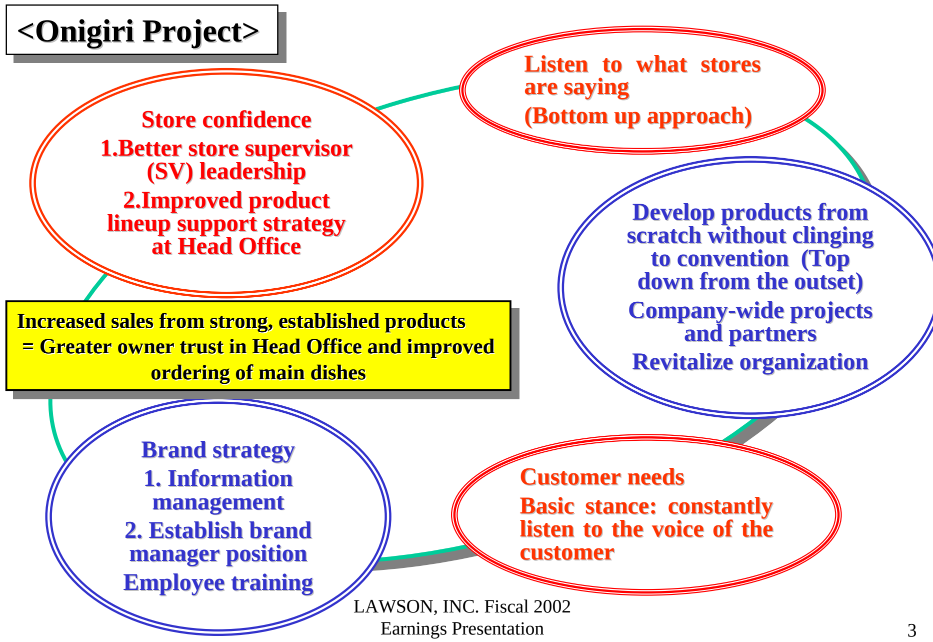
The importance of teamwork and a shared vision

The desire for a challenge remains embedded in Lawson's DNA

★We have adhered to our corporate philosophy and found:

The Spirit to Take on New Challenges!

A Formula for Success = Integrated Production and Sales



Fiscal 2002 Results

(Consolidated) (¥ billions)	FY2001 Results	FY2002 Results (A)	FY2002 Mid-Term Projection (B)	FY2002 YoY Change/Difference	FY2002 Change/Difference (A/B and A-B)
Total net sales	1,285.6	**1,294.0**	1,295.0	100.7%	99.9%
Operating income	36.4	**34.1**	33.0	93.8%	103.3%
Operating income ratio	2.8%	**2.6%**	2.5%	93.2%	103.4%
Recurring profit	35.2	**30.7**	29.8	87.1%	102.9%
Net income	16.1	**8.9**	8.1	55.3%	109.9%
(Non-Consolidated)					
Daily sales at existing stores	98.4%	**98.1%**	97.5%	-0.3%	0.6%
Daily sales at new stores (¥ thousands)	431	**457**	460	26	-3
Total no. of stores	7,734	**7,625**	7,734	-109	-109
(Excluding stores in Shanghai, China)					
Gross profit margin	30.3%	**30.3%**	30.6%	0.0%	-0.3%

Owners' profits

Main Points of Fiscal 2002 Results

- **Total net sales edged up**

--Net reduction in store count due to increased focus on profitability

--Improved operating ratio at new stores; daily sales at new stores also improved

- **Daily sales at existing stores fell 1.9%**

--But picking up since bottoming out in July 2002

--Average number of customers per store at existing stores—down 1.8% year on year

--Spending per customer at existing stores—down 0.1% year on year

- **Gross profit margin was flat due to the effect of Highway Cards sales; sales were halted in fiscal 2002**

--Would have risen 0.2 of a percentage point if Highway Card sales were excluded

- **Steady progress made in cost cutting**

But SG&A expenses rose ¥7.7 billion due to IT-related costs and additional investments in the fiscal year's second half

Lawson Challenge 2004: Progress Report

Fiscal 2002 Accomplishments

Target-Based Management System

●Introduction at executive officer and managerial level completed

▲ 221-store reduction in RC network (Target: To close 200 stores and convert another 50 into franchised stores)

Disposal of Inefficient Assets

●Closed more franchise stores, brought forward closing of an additional 130 stores (First net reduction in store count since Lawson's establishment)

●Approx. 500 employees retired, net headcount reduction of 348 employees (Target: To reduce workforce by 400 employees)

Regular/mid-career recruitment: Approx. 150

Optimization of Value Chain

●Introduced state-of-the-art facilities; improved product lineup, especially main dishes

●Started direct negotiation of raw material prices and optimization of raw material costs

→**Created independent framework from FFS in Oct. 2002 (Purchasing Support Department)**

Energizing Front-Line Operations

●Training SVs, especially in order placement and use of new systems

●Reduced administrative burden on SVs; now responsible for 7 rather than 8 stores each

Creating an Exciting Lawson

The Company Is Coming Back to Life！！

●Opening new stores at more constant pace

●Invested in store remodeling

●Built new model for opening stores (Using trainee SVs)

●Introduced regional headquarters

●Introduced new yardsticks for store development

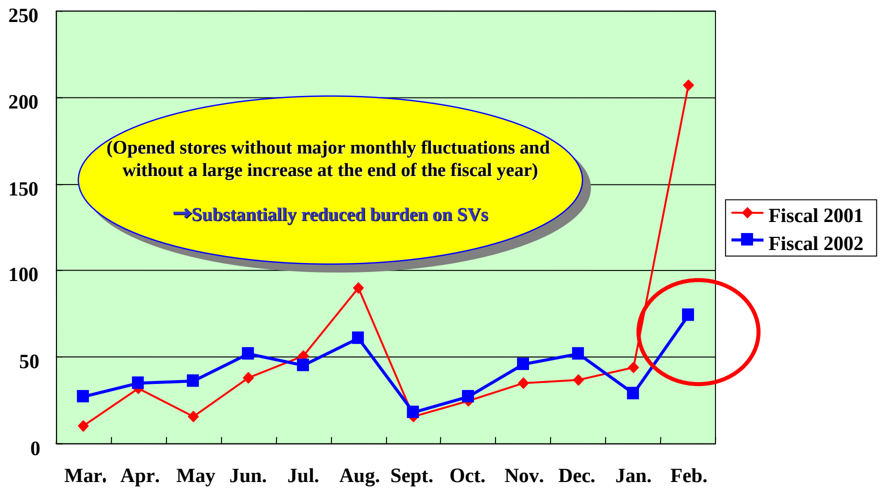
Greater Emphasis on Profitability When Opening New Stores

▲ Closed 284 contracts (Target: 300)

●Achieve
▲ Not achieved

Energizing Front-Line Operations
—Opening New Stores at More Constant Pace—

Monthly Store Openings



Energizing Front-Line Operations—Making Time for SVs to Spend on Improving Store Layouts

Approx. 40% increase in time SVs have to visit each store

June 2002 → February 2003

Established Franchise Support Station

Increased number of chief SVs

Lightened load on SVs, making them more efficient
and giving them more time to spend on improving store layouts

Expand sales further with open display-case products

+

The success of the Onigiriya Project has given owners and SVs the confidence to expand sales of main dishes

=

Improved order placement

Optimization of Value Chain
—Restructuring the Vendor Network

Gradually switching focus from Tokyo, Nagoya and Osaka

- **Installing production equipment from main factories in Tokyo, Nagoya and Osaka**
- **Shift to mega-vendors to be near completion by end of fiscal 2003**

This will facilitate development of open display-case products

Weighting

Before	After
Hokkaido, Tohoku, Koshinetsu, Hokuriku, Chugoku/Shikoku, Kyushu	Hokkaido, Tohoku, Koshinetsu, Hokuriku, Chugoku/Shikoku, Kyushu
Tokyo, Nagoya and Osaka Completion by April-May	Tokyo, Nagoya and Osaka Completed by April-May

Scheduled for completion in fiscal 2003

Optimization of Value Chain
—Start of Raw Material Cost-Cutting Drive

Analysis and formulation of action plan to optimize raw material procurement

★Across-the-board review of the approximate ¥110 billion in foodstuffs and packaging materials handled annually

Results expected in fiscal 2003 and 2004

Energizing Front-Line Operations —Strengthening Area Support

Introduction of regional headquarter system

■**From March 2003**

★**To create stores more in sync with their regions**
★**To facilitate decision-making closer to front lines**
★**To encourage greater cooperation**

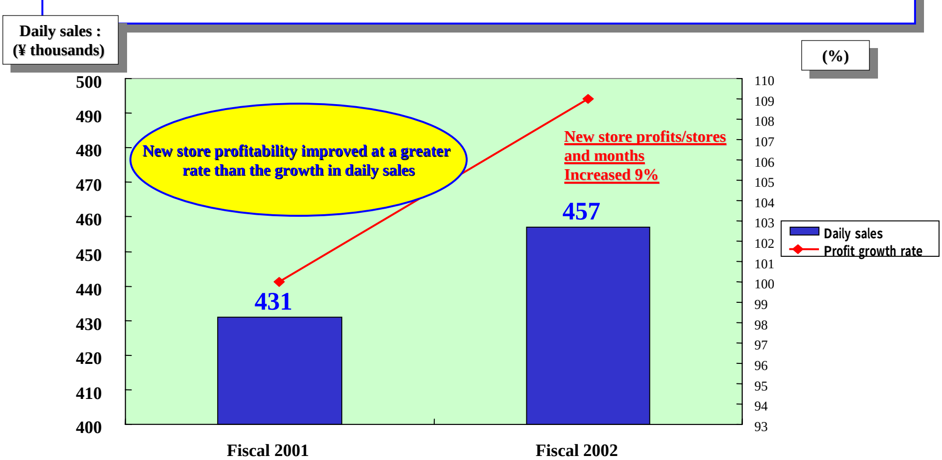
Bring together three functions—operations/products/store development (Particularly operations and products, and operations and store development)

★**To strengthen B2B relationships**
(Strong alliances with regional companies as regional companies)

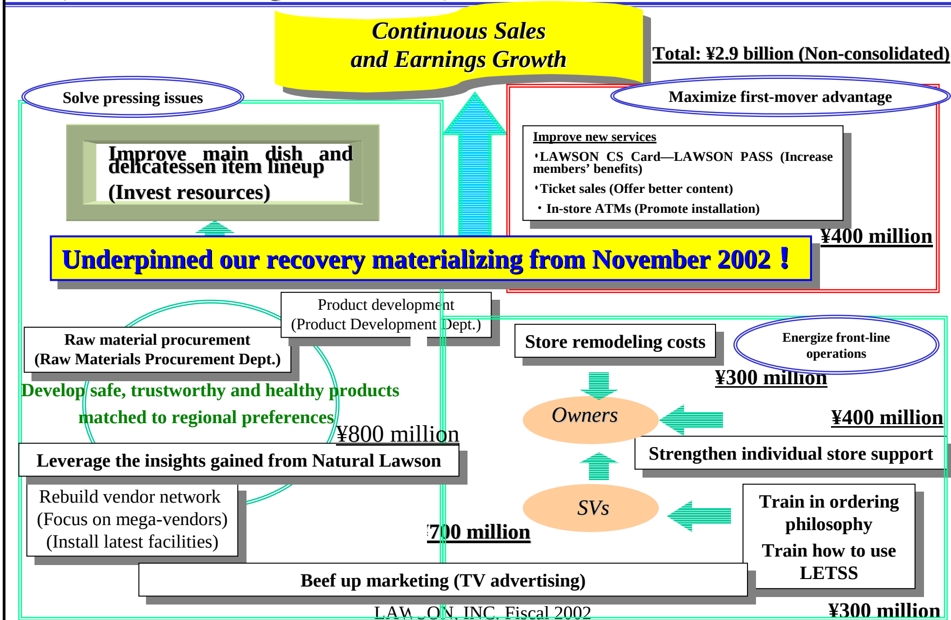
★**To facilitate detailed management of earnings**

Earnings-Focused New Store Openings

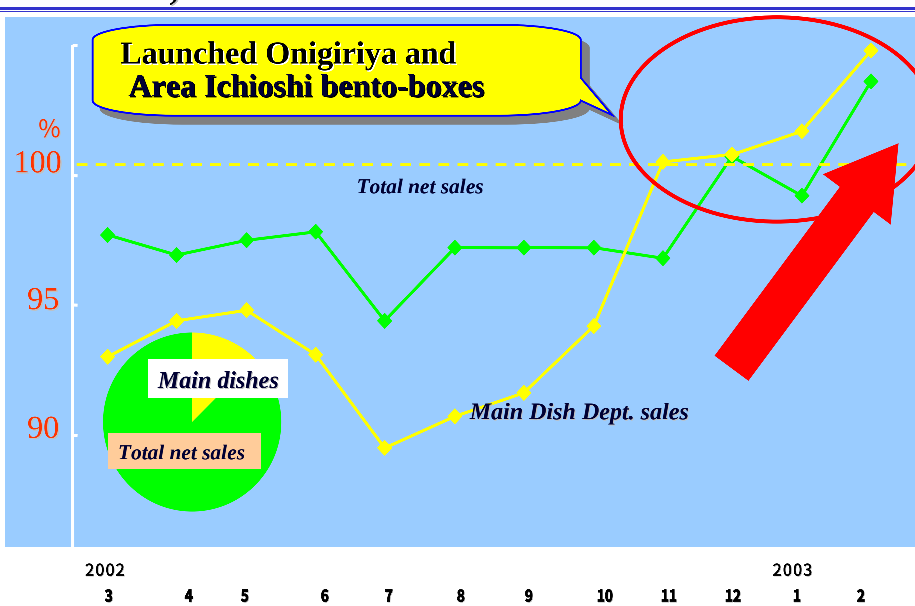
Raise profitability of new stores based on new criteria
(Put emphasis on profitability rather than average daily sales)



¥2.9 Billion Additional Expenses Announced For… (at Interim Earnings Presentation)



Fiscal 2002 Main Dish Dept. Sales (Existing-Store YoY sales)



Fiscal 2003 Projections

(Consolidated) (¥ billions)	FY2002 Results	FY2003 Projections	YoY Change/Difference
Total net sales	1,294	**1,312**	101.4%
Operating income	34.1	**40.5**	118.8%
Operating income ratio	2.6%	**3.1%**	0.5%
Recurring profit	30.7	**38.0**	123.8%
Net income	8.9	**17.2**	193.3%

Excluding effect of halt in Highway Card sales

Daily sales at existing stores	98.1%	**100.0%**	1.9%
Daily sales at new stores (¥ thousands)	45.7	**45.5**	-2
Total no. of stores	7,625	**7,825**	200

(Excluding stores in Shanghai, China)

Gross profit margin	30.3%	**30.9%**	0.6%

Assumptions Underlying Fiscal 2003 Projections

①Daily sales at existing stores will be unchanged (Excluding Highway Card sales)

②A 200-store net increase in the number of stores (600 openings, 400 closures)

- **Leads to increase in total net sales**
- **Leads to higher earnings due to closure of loss-making Company-operated stores**

②Approx. +¥2.5 billion effect

③Gross profit margin improvement target: just over 0.1 of a percentage point (Excluding Highway Card sales)

- **From reductions in distribution costs and national brand product purchasing costs**

③Approx. +¥0.6 billion effect

④Reduction in advertising expenses

⑤Reduction of over ¥2.5 billion in personnel expenses from early retirement program in fiscal 2002 and other factors

⑥Further reduction in IT maintenance costs

④~⑧Approx. +¥3.4 billion effect

⑦Improvement in earnings at Group companies, lower related expenditures

⑧Cost-Cutting Committee (Head Office costs, etc.)

■Cost savings achieved through reductions in raw material and packaging costs used to pr

Total: +¥6.5 billion (operating income)

Major Initiatives in 2nd Half of Fiscal 2002—Area Ichioshi Products and Area-Centric Drive

■Hit products in each area—launch-week performance
(Special regional bento-boxes with owners/SVs and Regional Headquarter Products Dept.)

Area	Product	PSA/D No. of daily sales per store
Hokkaido	DON DON DON	11. 4
Tohoku	YOFU TAWARA MUSUBI BENTO	9. 9
Kanto	KAISEN TENJYU	8. 9
Chubu	DERAMORI GYU KARUBI BENTO	15. 2
Hokuriku	SANSYOKU IRODORI MAKUNOUCHI	11. 4
Kinki	OJYOMAMA! BENTO OKAZUYAMON	41. 2
Chugoku	TAWARAMUSUBI MAKUNOUCHI	14. 4
Shikoku	DEMI HAMBURGER BENTO	15. 3
Kyushu	TARAFUKU BENTO	12. 4
Okinawa	MIX MAKUNOUCHI	7. 3

7 of the 10 areas recorded more than 10 sales a day

Main P/L Items: FY02 Results, FY03 Projections and Subsequent Projections

(Non-consolidated) (¥ billions)

(Items)	FY2002 (Results)	FY2003 (Est.)	Change	Projections Post-Fiscal 2003
Gross profit	181.4	190.5	9.1	Net increase in number of stores,
SG&A expenses	146.9	149.5	2.6	Pursue further cost reductions
Operating income	34.5	41.0	6.5	A leaner cost structure better able
Operating income ratio	2.7%	3.1%	0.5%	
Fixed costs				
IT maintenance costs (including hardware leasing and software depreciation)	161	17.4	1.3	Peak in fiscal 2003. Pursue further cuts in EDP costs
Personnel expenses	35.8	335	-2.3	No increase in workforce, in
Advertising expenses	13.0	125	-5.0	Reduce expenses by reviewing

Key Measures in Fiscal 2003

<Main Aim>
Ensure measures implemented in fiscal 2002 produce results

Ⅰ. Attract even more customers (Most important measure—continue to communicate with front line)

Ⅱ. Improve products (Keywords: safe, trustworthy and healthy)

- ● Raise spending per customer and increase number of repeat customers
- ●Widen Onigiri Project to encompass other products, use insights from Natural Lawson

Ⅲ. Improve operational ability further

Ⅳ. Reduce costs

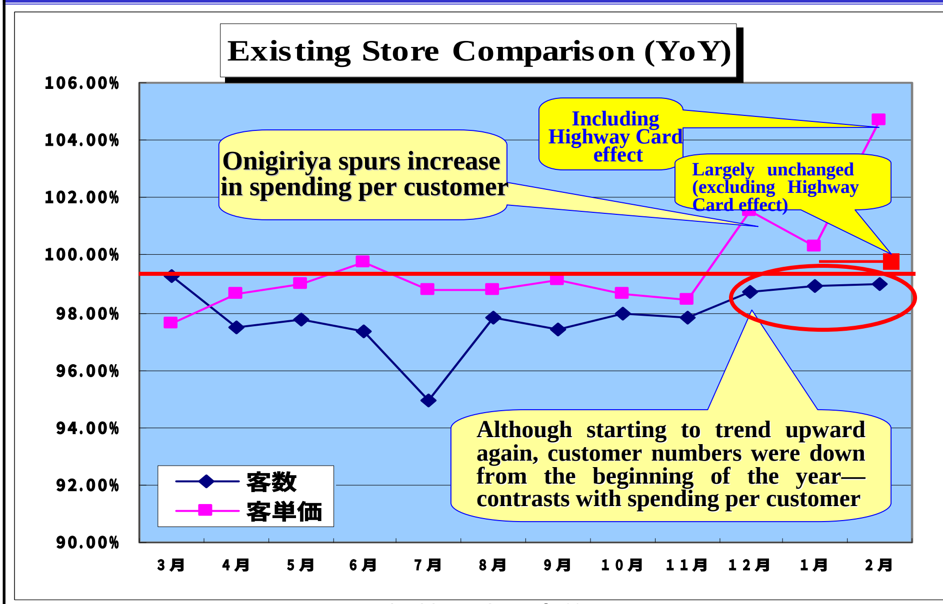
- •Improve ordering mainly of open display-case products and ability to advise owners through more training for SVs

Ⅴ. Open more profitable highly efficient stores

- •Strengthen B2B relationships
- •Promote alliances

I.-III.
Higher owners' profits

Fiscal 2003's Key Theme—Attract Even More Customers



Key Measures in Fiscal 2003—I. Attract Even More Customers

Key Measures

- Lawson's Three Challenge Practices
- Leverage LAWSON PASS (Lawson credit card)
- Shopping point program for TSUTAYA cardholders
- Seasonal campaigns that communicate the Lawson image

Key Measure—Lawson's Three Challenge Practices

Lawson's Three Challenge Practices -- Ongoing For Three Years

① Understand local customers to create stores and layouts they enjoy

=

Individual stores must take the lead

② Keep stores and surrounding areas clean

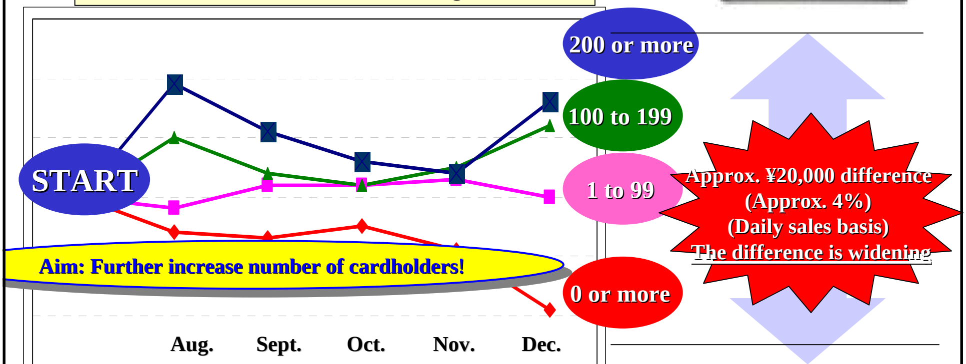
③ Service customers in a sincere way so they keep coming back

Attract Even More Customers—Use LAWSON PASS to Understand Local Customers

Know store neighborhoods, know customers, increase repeatability rate = higher sales

Build rapport with individual customers

Stores with more cardholders achieve higher sales !

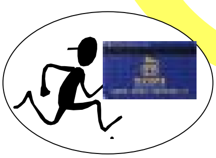


Attract Even More Customers—Business Alliance With Culture Convenience Club (CCC)

Bring more customers to Lawson more often !

Shopping rewards program

(Planned) Fall 2003



1,100 stores nationwide

18 million members

Attracting the 18 million TSUTAYA members to Lawson stores would lead to a dramatic increase in the number of customers !

II. Improve Products

(1)Strengthen Lineup of Open Display-Case Products

- Expand the Onigiri Project to encompass other products

Develop products with an emphasis on safety and trust
(Rice balls/bento-boxes/processed noodles/prepared bread/delicatessen items/bakery items/desserts)

→ Make products that only Lawson can provide

- Target: Middle-aged and senior citizens
- More emphasis on regional preferences
- Area Ichioshi products
- Use insights from Natural Lawson
- Greater production capacity at vendor factories

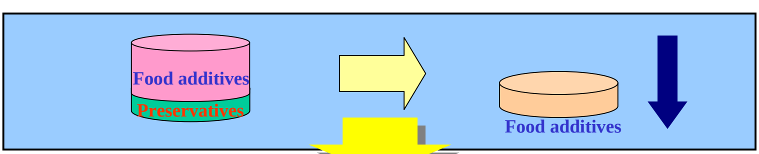
(2)Pare lineup to only national brand products that sell well

- Reduce registered SKUs, build lineup of best-selling products
- Remove poor-selling products from store shelves (Use DOT)

Improve Products－Ensure Safety and Trustworthiness

Eliminate preservatives, sharply reduce food additive usage

<Concept>
① Avoid using preservatives
② Sharply reduce food additive usage



Offer products that customers can buy with peace of mind

Communicate healthy food concept to customers → **Higher brand equity**

Improve Products—Hints From Natural Lawson

■Use Natural Lawson stores as "antenna" shops to improve merchandising at regular Lawson stores

★Selected lunch-box series

★Freshly baked bakery items

★Organic coffee

⋮

Cater to needs of an increasing number of female customers, middle-aged and senior citizens.

III. Improve Operational Ability Further—Enhance Capabilities of SVs

Enhance SV Training System

Improve knowledge and expertise of ordering, customer relations, cleaning

(Improve open display-case products/Lawson's Three Challenge Practices)

Enhance Accuracy of Information Provision
(Ordering based on analysis of data)

Achieved with system upgrades

Morning Meetings

→ Share analysis and information

[Provide the latest information every Wednesday morning]

IV. Reduce Costs—Thorough Radical Review

① Open display-case products (PB products)

- Ingredient costs
- Packaging materials

Annual target: ¥3.5 billion reduction

Allocate expenses for expanding sales of open display-case products (strategic products in fiscal 2003)

- Owner support/promotional materials/TVCM
- Improve ingredients, emphasize keywords (safe, trustworthy, healthy)

→Work with vendors to make Lawson stronger

② Head Office costs → Cost-Cutting Committee

- Construction materials
- Consumables, etc.

Annual target: ¥1.5 billion reduction

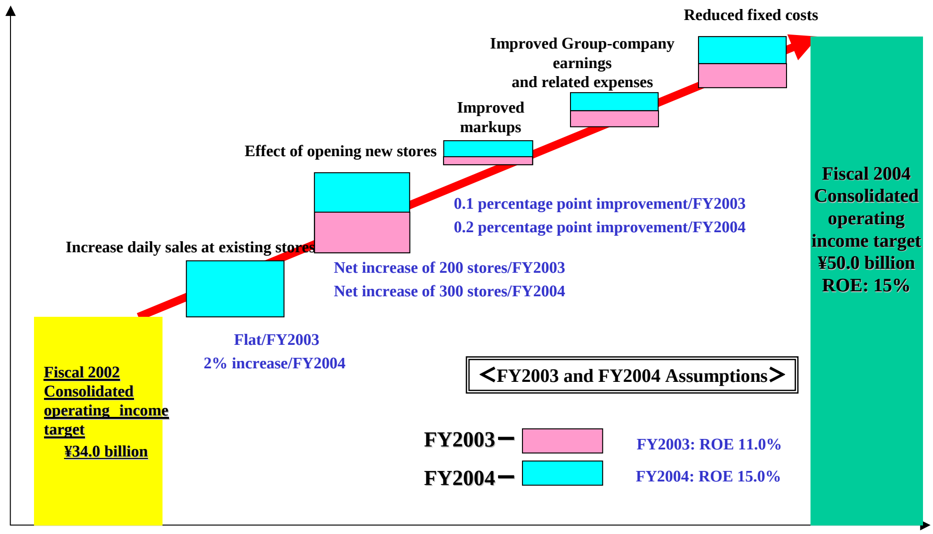
V. Open Stores With Greater Emphasis on Profitability—Strengthen B2B Relationships, Use MC's Network

There are still numerous ideal sites for new convenience stores
→Strengthen B2B relationships, use Mitsubishi Corporation's network

- Lawson with postal services
- Lawson in hospitals
- Multiple store openings with ENEOS gasoline stands
- "Convenience Banks" with regional banks (Financial Services Agency)

Full-scale development

Lawson Challenge 2004: Stepping Stones to the Consolidated Operating Income Target for FY2004



Supplementary Information

(7 pages)

FY2002 Results and FY2003 Projections

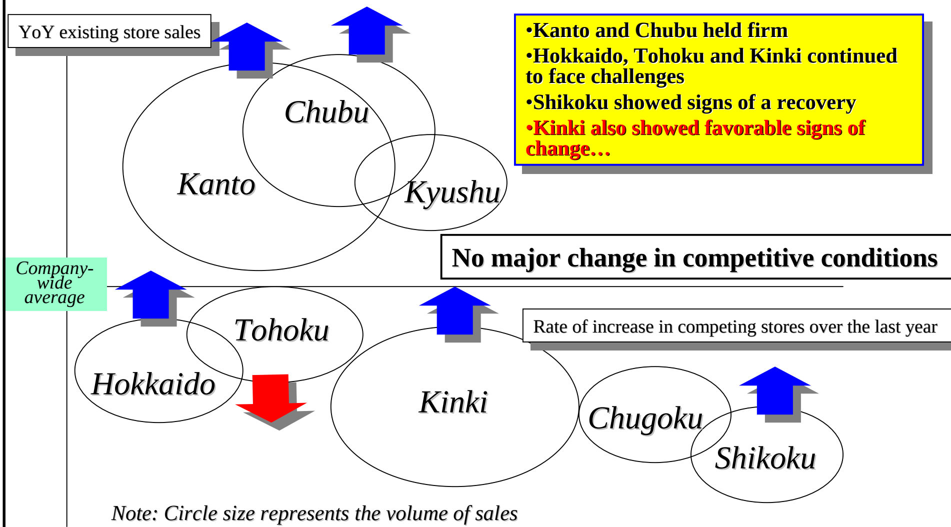
	FY2002 Results	FY2003 Projections
Store openings	502	600
Store closures	611	400
Closures (RC)	▲221	-
Conversion to franchise	96	-
FC change	112	-
Relocations	188	-
Net change	▲109	200
Total number of stores at year-end	7,625	7,825
Daily sales at existing stores	98.1%	100.0% (Excluding Highway Card sales)
Daily sales at new stores (¥ thousands)	457	455
Gross profit margin	30.3%	30.9%

Cash Flows: FY2002 Actual, FY2003 Projected, After FY2003

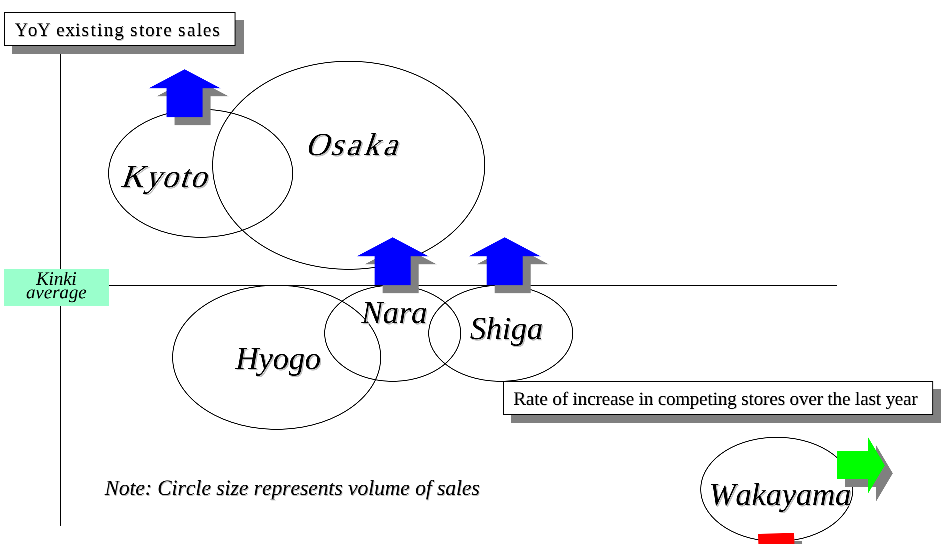
(Consolidated) (¥ billions)

	FY2002 Actual	FY2003 Projected	After FY2003
Operating cash flows	33.9	40.6	Around ¥50 billion
Investing cash flows	▲28.7	▲42.5	Continue to actively invest in remodeling, exclude marketable securities (over 3 months)
Free cash flows	52.0	▲19.0	Budgeting for positive free cash flows
Financing activities	▲72.0	35.0	
Year-end cash	94.0	95.5	
Equity ratio	44.3%	–	
ROE	5.9%	11.0%	Aiming for 15% in FY2004

Lawson's Operating Environment: Fiscal 2002



How Did the Mainstay Kinki Region Perform?



Vendor Reorganization—<Final Food Preparation by the Factory> For Tastier Products

Boxed-lunch factories carry out the final preparation (actual heating/cooking of products such as curry rice), instead of the manufacturer

Before: <Manufacturer carries out final preparation>

Loss in flavor from overheating **120 degrees, 40 minutes**

Manufacturer: Ingredients ⇨ Prepare /cooking ⇨ Heating to sterilize ⇨ Transport ⇨ Lunch-box factory: Pack

Takes time = Taste changes

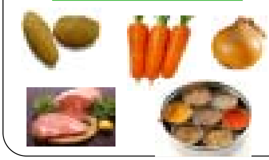
New system: <Final preparation carried out at boxed-lunch factory>

No loss in flavor from overheating

Manufacturer: Ingredients ⇨ Transport ⇨ Boxed-lunch factory: Prepare /cooking ⇨ Pack

Time reduced = Taste preserved

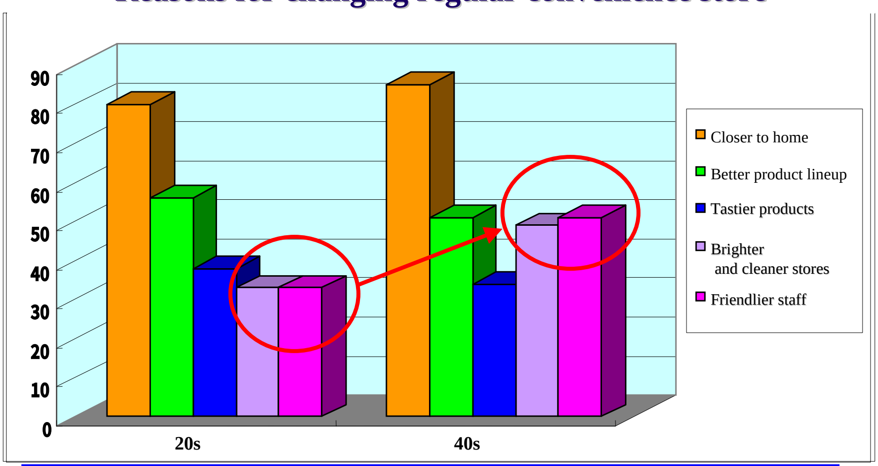
Preserves the full flavor



- ○Main rice dishes…Improvement in taste, as seen with onigiri (rice balls)
- ○Fried foods…*Nikuyasaiitame, Kinpiragobo*, etc. stir fried quickly at high temperature
- ○Boiled foods…Boiled to bring out the full flavor
- ○Grilled…Grilled over direct heat

Internet Survey—Responses by Age Group

Reasons for changing regular convenience store



→Friendlier staff and brighter, cleaner stores are things we must aim for

Translating Lawson's Three Challenge Practices Into Higher Sales

★Make stores and store neighborhoods cleaner
★Provider friendlier and more courteous customer service

Higher scores mean higher daily sales!

Directly results in higher sales

Success in Meeting Lawson's Three Challenge Practices (Max. 150 points)	Average	Store Composition
141～150	101.3	2.8%
131～140	99.5	16.8%
121～130	98.2	35.0%
111～120	97.5	28.3%
101～110	97.2	11.8%
91～100	95.8	3.8%
～90	95.8	1.5%