

Results Presentation for FY2005 LAWSON, INC.

April 13, 2006

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.

Full-Year Results for FY2005 Eiichi Tanabe, CFO

■ Full-Year Results

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(Consolidated: ¥ 100 million)	FY2004		FY2005	
	Actual	Actual	YoY	Against Plan
Net sales of all stores	13,290	13,617	102.5%	97.9%
Operating income	429	438	102.2%	100.4%
Operating income ratio	3.2%	3.2%	+0.0%P	+0.1%P
Recurring profit	423	439	103.8%	101.0%
Net income	204	220	107.8%	100.1%
ROE	13.0%	13.1%	+0.1%P	-
EPS (¥)	198.47	215.50	108.6%	100.1%
Dividend payout ratio	35.3%	41.8%	+6.5%P	-
Projected dividend per share (¥)	70	90	+20	-
(Store Data)				
Gross profit at existing stores (YoY)	100.0%	98.4%	-1.6%P	-1.4%P
Net sales at existing stores (YoY)	99.7%	97.5%	-2.2%P	-1.4%P
Daily sales at new stores (¥ thousands)	448	426	-22	-
Total number of stores*	8,077	8,366	289	-21

(*Excluding stores in Shanghai)

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■ Analysis of Consolidated Full-Year Results Against Plan

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Operating Income, Recurring Profit and Net Income All Hit Plan Targets

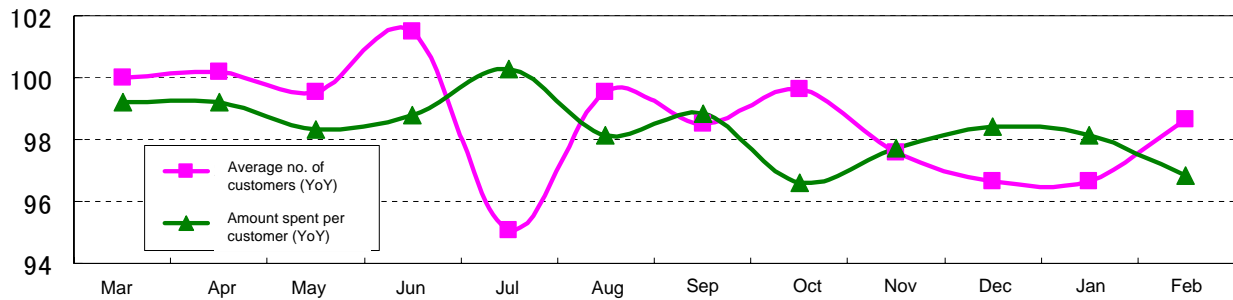
- Net sales of all stores: missed target (-¥29.3 billion against plan; but +¥32.7 billion YoY)
- Gross profit at existing stores: -1.6% YoY
Gross profit margin: 31.2% (+0.4 point YoY; +0.0 point against plan)
- Slight deterioration in FC owner earnings
- 717 new stores opened; second consecutive year of 700 or more new stores; net increase of 289 stores
- Earnings from subsidiaries largely in line with plan; upfront investment leads to combined losses of ¥1.3 billion at NL and VL
- Operating income: ¥43.8 billion (+¥0.1 billion against plan; +¥0.9 billion YoY)
- EPS up 8.6% YoY; ROE 13.1%

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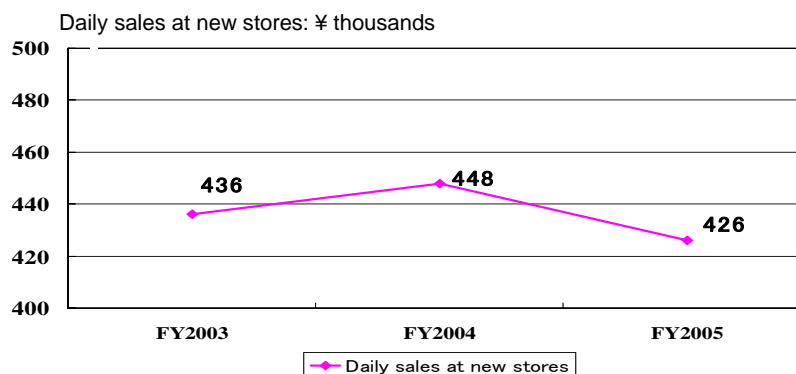
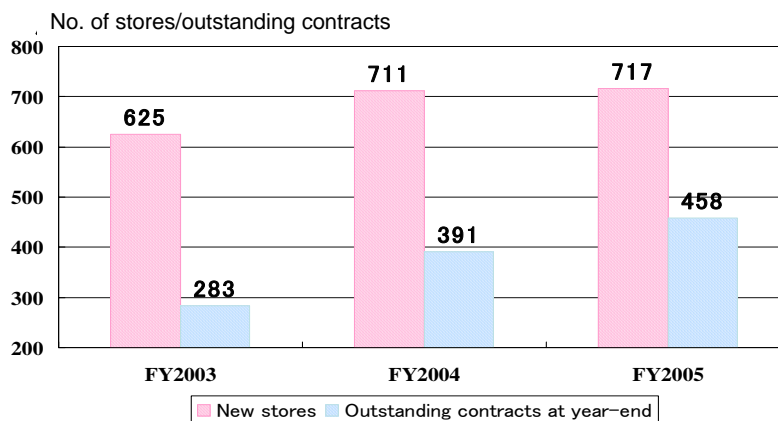
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Operating Performance During FY2005

Existing Stores (YoY)	FY2004			FY2005		
	1H	2H	Full-Year	1H	2H	Full-Year
Gross profit	99.8%	100.7%	100.0%	99.6%	97.3%	98.4%
Net sales	100.1%	99.3%	99.7%	98.6%	96.1%	97.5%
Average no. of customers	100.7%	99.4%	100.1%	99.6%	98.5%	99.1%
Amount spent per customer	99.4%	99.9%	99.7%	99.0%	97.6%	98.3%



New Store Openings Largely in Line With Plan/Daily Sales Drop at New Stores



■ Key Components of SG&A Expenses

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(¥ 100 million)

		FY2005		FY2006
		Actual	YoY	Forecast
Non-consolidated (LAWSON)	SG&A expenses	1,593	81	1,710 approx.
	<Major fixed costs>			<YoY>
	IT related (Hardware leasing, software amortization, maintenance, etc.)	167	-4	+5% approx.
	Personnel costs	325	1	Unchanged
	Advertising expenses	91	-7	+25% approx.
	Consolidated SG&A expenses	1,758	112	1,920 approx.

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■ Earnings at Major Subsidiaries and Affiliates

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(¥ 100 million)

Operating income at major subsidiaries	FY2005	
	Actual	YoY
LAWSON TICKET INC.	8.2	1.0
LAWSON ATM Networks, Inc.	6.5	5.1
NATURAL LAWSON, Inc.	-6.9	-
VALUE LAWSON, Inc.	-6.2	-
Operating income at equity-method affiliates		
LAWSON CS Card, INC.	2.7	15.0
SHANGHAI HUALIAN LAWSON CO., LTD.	-0.1	0.0

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■ FY2006 Forecasts

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(Consolidated: ¥ 100 million)	FY2005		FY2006	
	Actual	Forecasts	YoY Change	
Net sales of all stores	13,617	14,310	105.1%	
Operating income	438	453	103.3%	
Operating income ratio	3.2%	3.2%	+0.0%P	
Recurring profit	439	453	103.1%	
Net income	220	233	105.8%	
Gross profit at existing stores (YoY)	98.4%	100.0%	+1.6%P	
Net sales at existing stores (YoY)	97.5%	100.0%	+2.5%P	
Gross profit margin	31.2%	31.2%	+0.0%P	
Total number of stores (Excluding stores in Shanghai)	8,366	8,626	260	
ROE	13.1%	12.5%	-0.6%P	
EPS (¥)*	215.50	223.76	103.8%	
Dividend payout ratio	41.8%	44.7%	+2.9%P	
Projected dividend per share (¥)	90	100	+10	

*The FY2006 EPS takes into account the sale of treasury stock to NTT DoCoMo, Inc.

Any subsequent retirement of treasury stock has not been factored into the above forecast.

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■ FY2006 Initiatives: Increase the Number of Customers and FC Owner Support

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1. Actively expense in sales promotion

- Use sales promotion strategies tailored to each customer segment
- Strengthen LAWSON PASS initiatives



2. Enhance store refurbishment program

- Introduce new sales cabinets/refurbish 1,000 stores

Three-tiered fast food sales cabinet



3. Upgrade FC owner support

- Establish call-center for FC owner
- Enhance the owner leave system
- Strengthen the mystery shopper program

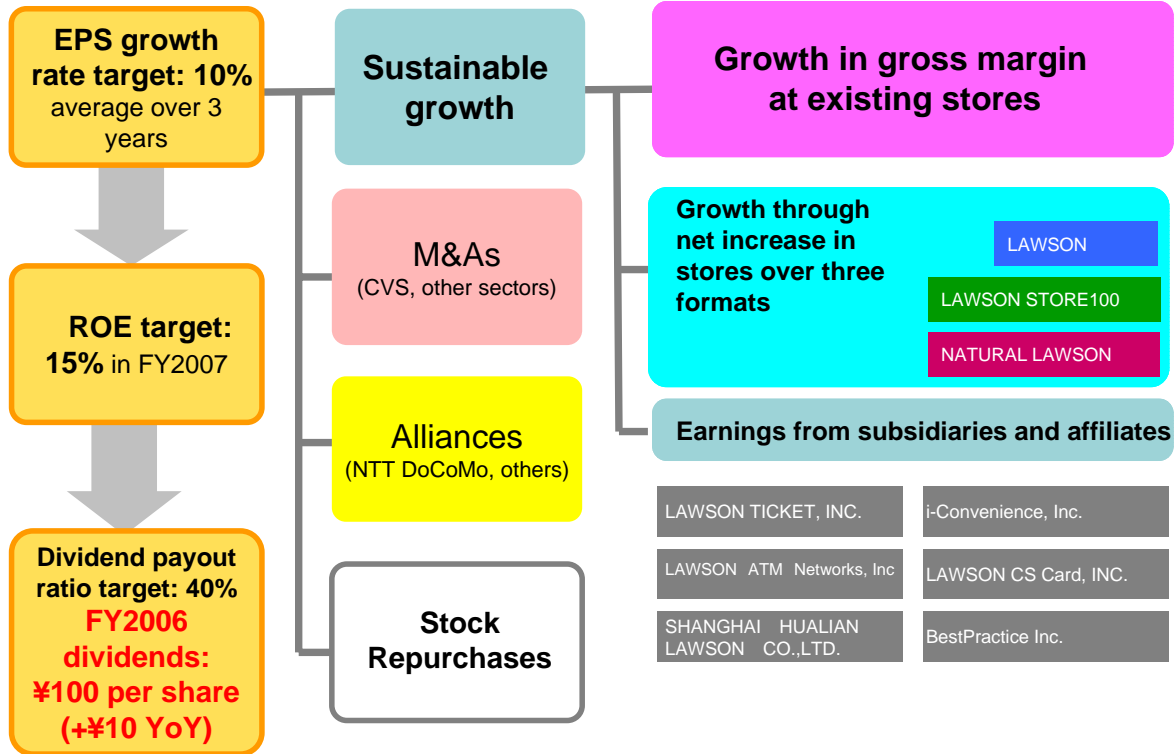
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LAWSON Challenge (05~07): Maintain Annualized EPS Growth Rate Target of 10%



<Optimize capital efficiency by emphasizing ROE and return of profits to shareholders>



Management Strategies

Takeshi Niinami
President & CEO

LAWSON Posted Disappointing Results in the Second Half

Large drop in 2H existing store sales not entirely due to one of Japan's coldest winters on record

Shrinking core customer segment due to declining birthrate/ageing population
 + increase in number of conventional CVS stores
 → Growing importance of expanding customer base with new formats <The key to sustainable growth>

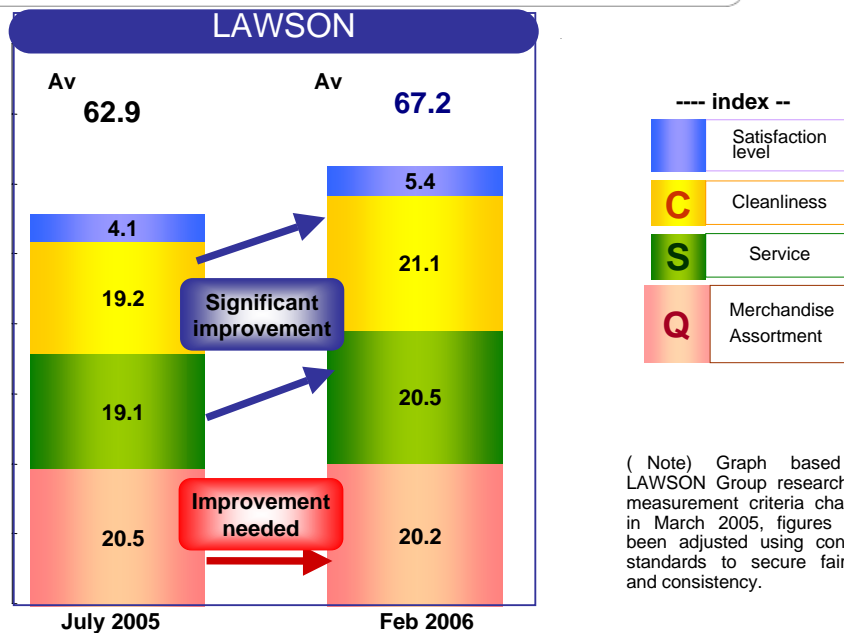
Medium-term expansion of customer base now more important !

Other issues in FY2005:

- Decline in customers due to impact of other CVS's sales campaigns
 → LAWSON didn't take any workable strategy to increase the number of customer
- Decline in customers due to end of Highway Card sales and falling ticket sales
 → Problems in creating content to attract customers

In hindsight, failed to roll out initiatives to boost FC owner motivation

■ Mystery Shopper QSC Evaluation: Delay in Quality Improvement Due to 2H Downturn

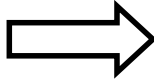


(Note) Graph based on LAWSON Group research. As measurement criteria changed in March 2005, figures have been adjusted using constant standards to secure fairness and consistency.

○ Cleanliness and Service: improved by focusing on Three Challenge Practices
 × Quality: Failed to motivate drive for ordering due to drop in customers and to be inadequate ordering support from LAWSON branches
 Response: Utilize analysis files for individual stores; enhance frontline execution of store supervisors (SV)

■ I. Boost Frontline Execution and Improve Quality (Product Lineup) → Increase Customer Footfall

FY2005
Create Individual analysis files for all stores



FY2006
Ensure effective utilization of these files

『Individual Analysis Files』
1. Area Analysis
2. Store management analysis

Create merchandise assortment for potential customers living in the neighborhood

- Customers analyzed in terms of age, gender, income, family makeup
- Store competitors analyzed: information on CVS and non-CVS competitors

Use this information to boost ordering efficiency
→ Minimize opportunity Losses and waste losses

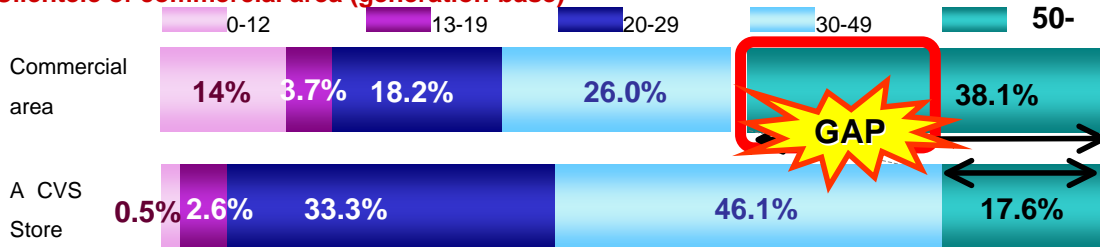
Use hypothesis testing for each store to upgrade accuracy of ordering
(Significantly enhance ordering support in line with progress at each store)

■ I. Boost Frontline Execution and Improve Quality (Merchandise Assortment) → Increase the Number of Customers

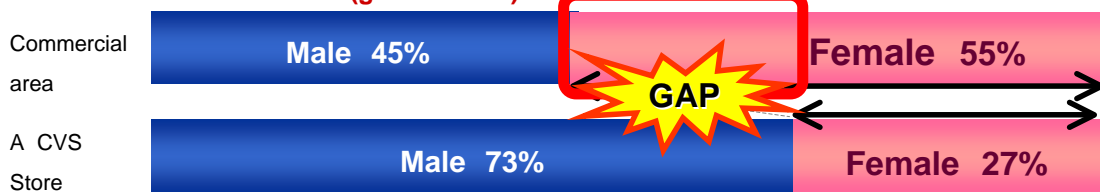
<Store Case Study>

Age and gender gap

1. Clientele of commercial area (generation-base)



2. Clientele of commercial area (gender-base)

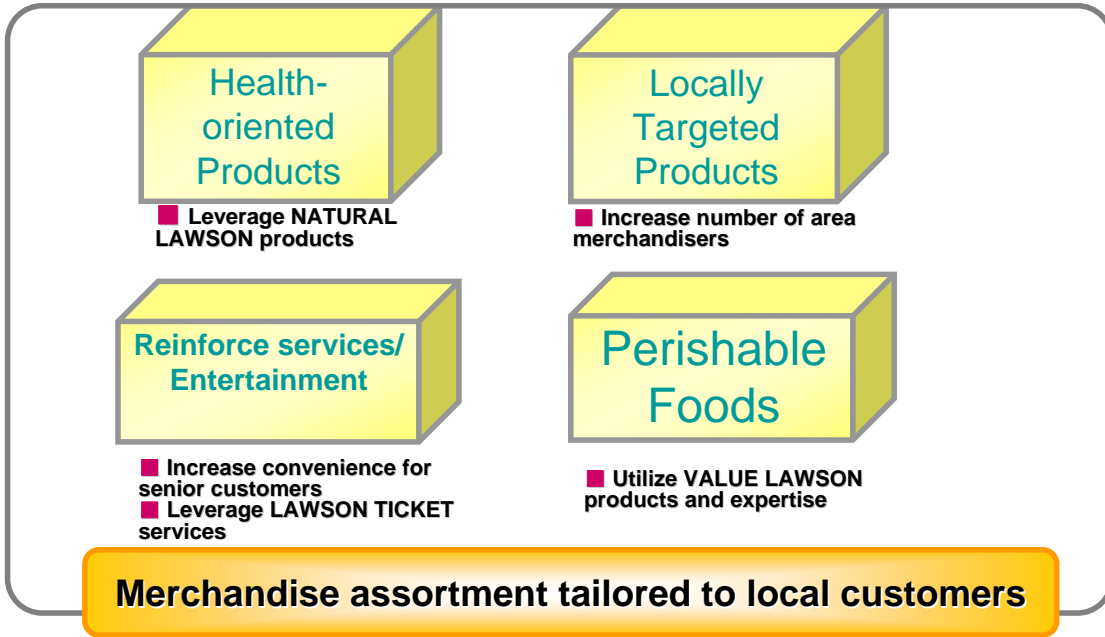


Source: LAWSON

Two Gaps:
1. Gap between local population age group and store customer make-ups
2. Gap between local needs and store merchandise assortment

Effectively use individual analysis files to eliminate gaps and boost quality (merchandise assortment) to increase the number of customers

I. Widen Breadth of Product Proposals and Improve Quality (Merchandise assortment) → Increase the Number of Customers **LAWSON**



Target female and Seniors

Fundamental review of merchandise assortment

Expand Customer Base

Emphasize greater quality

II. Increase the Number of Customers by Leveraging LAWSON PASS More **LAWSON**

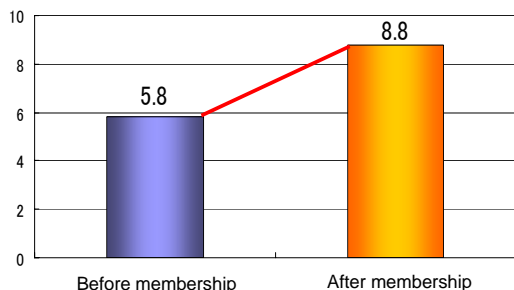
Increase the Number of the Customers

Provide ordering support to enhance merchandise assortment and actively invest in sales promotion



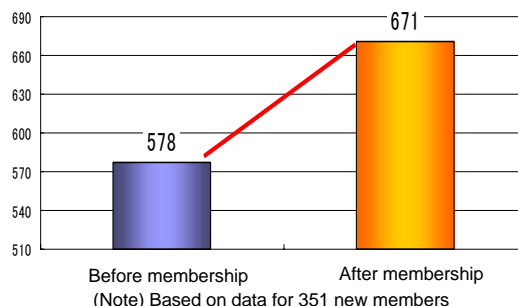
(Store visits)

Before membership: 5.8 visits/month
 After membership: 8.8 visits/month



(Amount spent per customer)

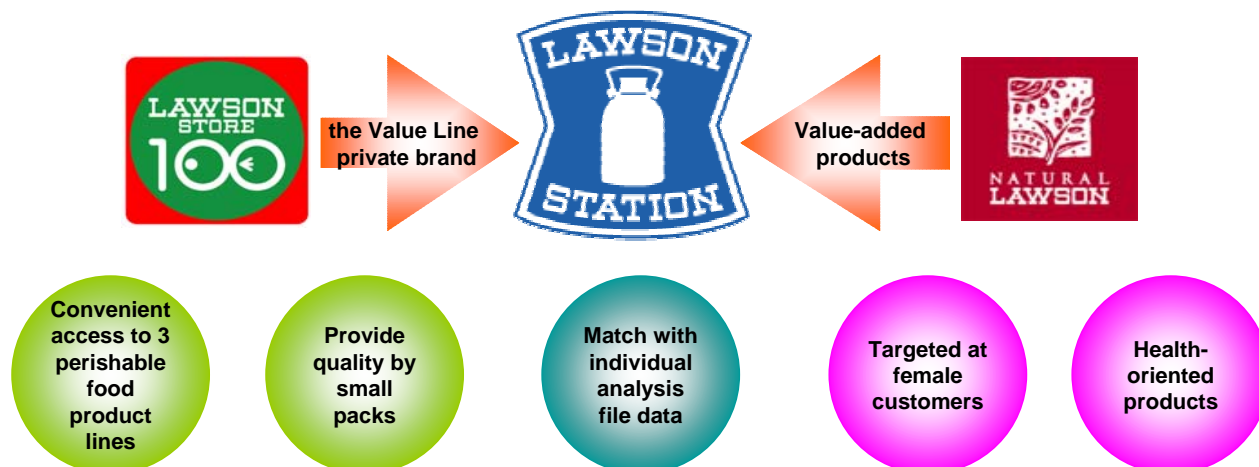
Before membership: ¥578/visit
 After membership: ¥671/visit



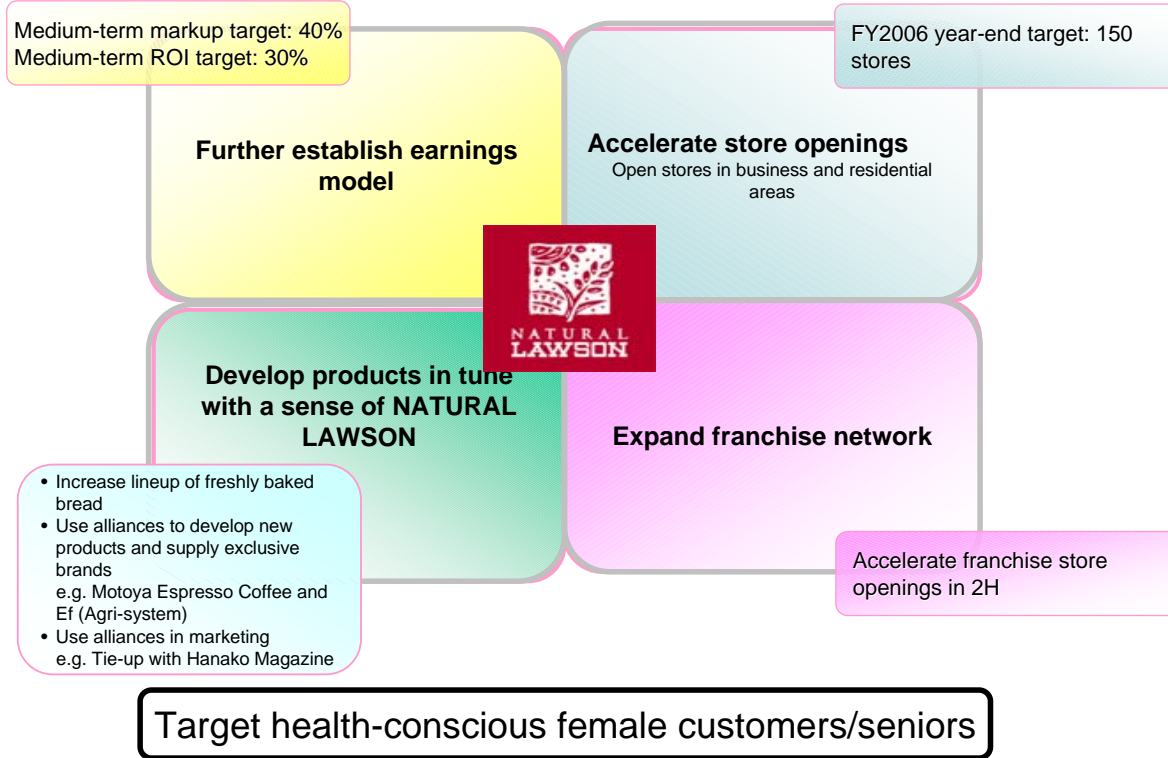
LAWSON PASS encourages more store visits and higher spending per visit

III. A Key Role in Expanding Customer Base: 3 Store Formats

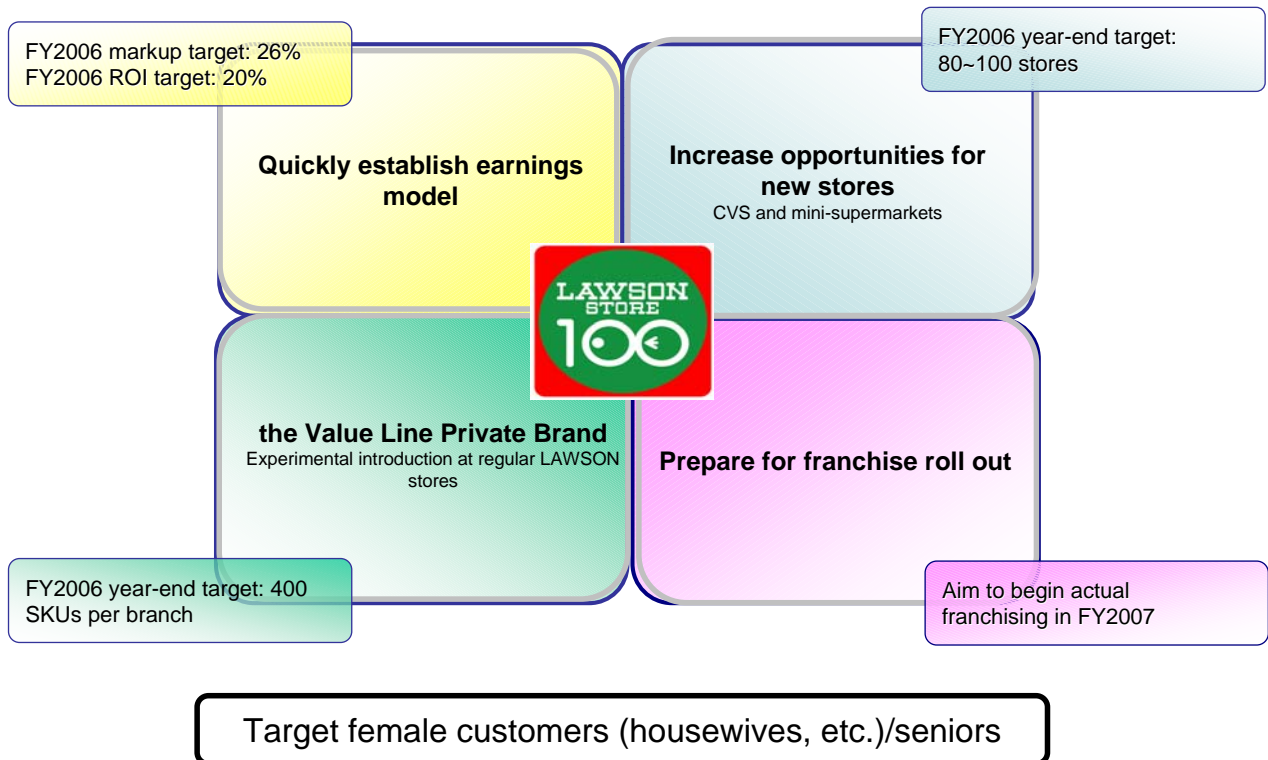
Expand customer base by leveraging LAWSON's 3 store formats
 ⇒ **The Road to Sustainable Growth**



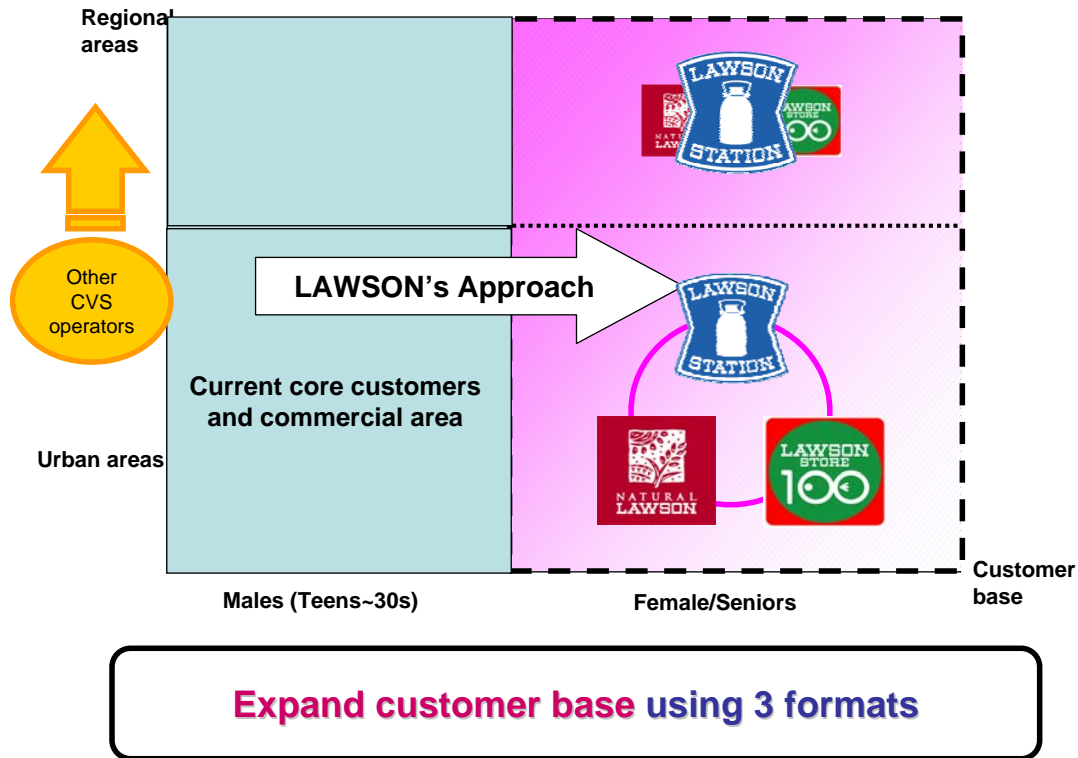
III. Initiatives at NATURAL LAWSON



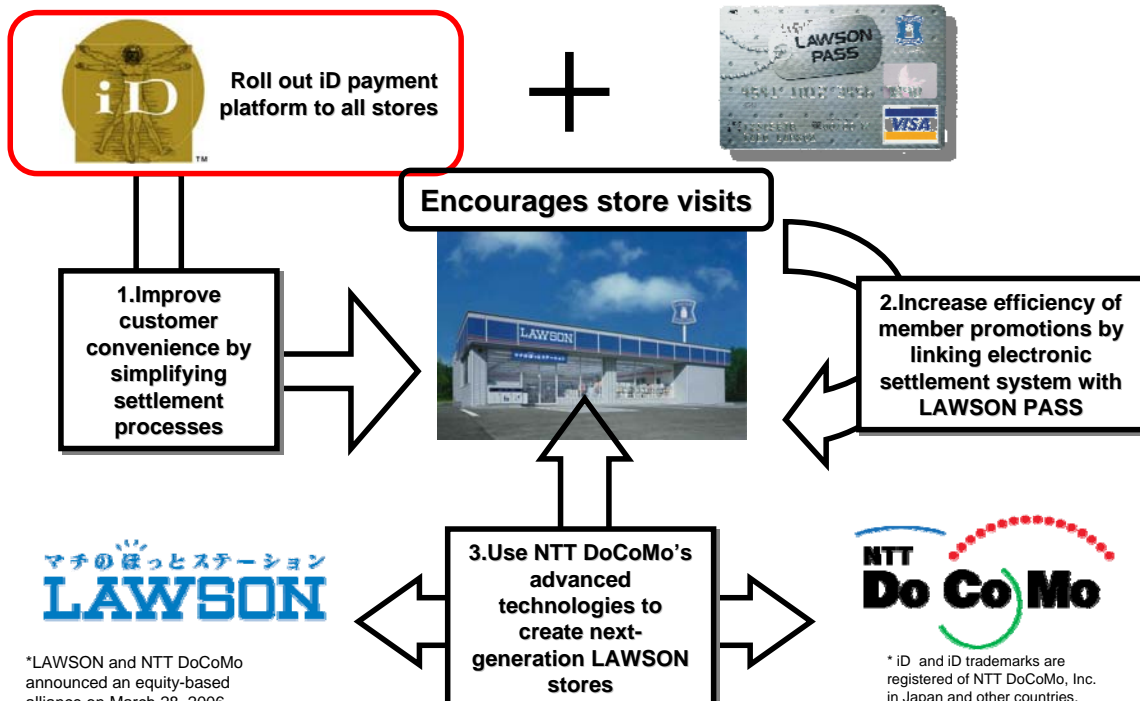
III. Initiatives at LAWSON STORE100



■ III. Realizing Sustainable Growth With 3 Formats → Increase Corporate Value



■ Equity-based Alliance With NTT DoCoMo: Initiatives to Boost the Number of Customers Over the Long Term



*LAWSON and NTT DoCoMo announced an equity-based alliance on March 28, 2006

*iD and ID trademarks are registered of NTT DoCoMo, Inc. in Japan and other countries.

Growth forecast for existing stores

- Improvement in operational capabilities
- Creation of individual analysis files

Utilize store files

Expense in sales promotion

Use expertise and products from new formats

Average EPS over 3 years of 10%

