

# Interim Results Presentation for Fiscal 2006 LAWSON, INC.

October 12, 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.

## Interim Results Report for FY2006

Eiichi Tanabe  
Chief Financial Officer

## Interim Results

LAWSON

(Consolidated: 100 mil yen.)	Interim FY2005		Interim FY2006	
	Actual	Actual	YoY	vs. Plan
Net sales of all stores	7,011	7,062	100.7%	98.2%
Operating income	253	241	95.5%	100.4%
Operating income ratio	3.6%	3.4%	▲0.2% P	+0.1% P
Recurring profit	250	243	97.2%	101.5%
Interim net income	128	119	92.5%	98.5%
EPS (yen)	126.07	114.72	91.0%	-
Projected dividend per share (yen)	45	50	+5	-
(Store data)				
Gross profit at existing stores (YoY)	99.6%	97.9%	▲1.7% P	▲1.1% P
Net sales at existing stores (YoY)	98.6%	96.8%	▲1.8% P	▲1.2% P
Daily sales at new stores (thousand yen)	450	453	+3	-
Total number of stores (*)	8,218	8,455	237	-
(*excluding stores in Shanghai)				
Gross profit margin	31.1%	31.5%	+0.4% P	+0.1% P

Copyright (c) 1975-2006 LAWSON, INC. All rights reserved.

3

## Analysis of FY2006 Interim Results Against Plan/Reasons for Increases and Decreases (Consolidated)

LAWSON

Consolidated operating income and recurring profit mostly in line with plan; interim net income below plan

- Net sales of all stores: below plan (-¥12.7 bil. against plan, +¥5.1 bil. YoY)
- Gross profit at existing stores (YoY): 97.9%
  - Gross profit margin: 31.5% (+0.4 point YoY/+0.1 point against plan)
- FC owner earnings down year on year
- 370 new stores opened, mostly as expected, but net increase of 89 stores was slightly less than forecast
- Consolidated operating income: ¥24.1 bil. (+¥0 bil. against plan, -¥1.1 bil. YoY)
- Net income under plan due to increase in 1Q impairment loss

Copyright (c) 1975-2006 LAWSON, INC. All rights reserved.

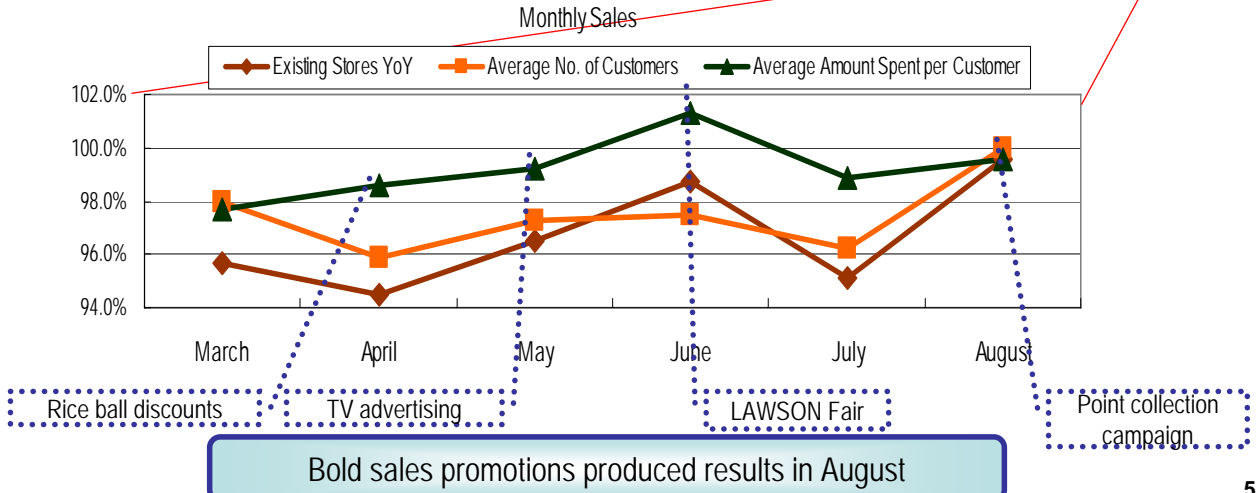
4

## Looking Back Over the FY2006 Interim Period

**LAWSON**

Existing Stores (YoY)

	FY2004			FY2005			FY2006
	1H	2H	Full-Year	1H	2H	Full-Year	1H
Gross profit	99.8%	100.7%	100.0%	99.6%	97.3%	98.4%	97.9%
Existing store sales	100.1%	99.3%	99.7%	98.6%	96.1%	97.5%	96.8%
Average no. of customers	100.7%	99.4%	100.1%	99.6%	98.5%	99.1%	97.6%
Average amount spent per customer	99.4%	99.9%	99.7%	99.0%	97.6%	98.3%	99.2%



Copyright (c) 1975-2006 LAWSON, INC. All rights reserved

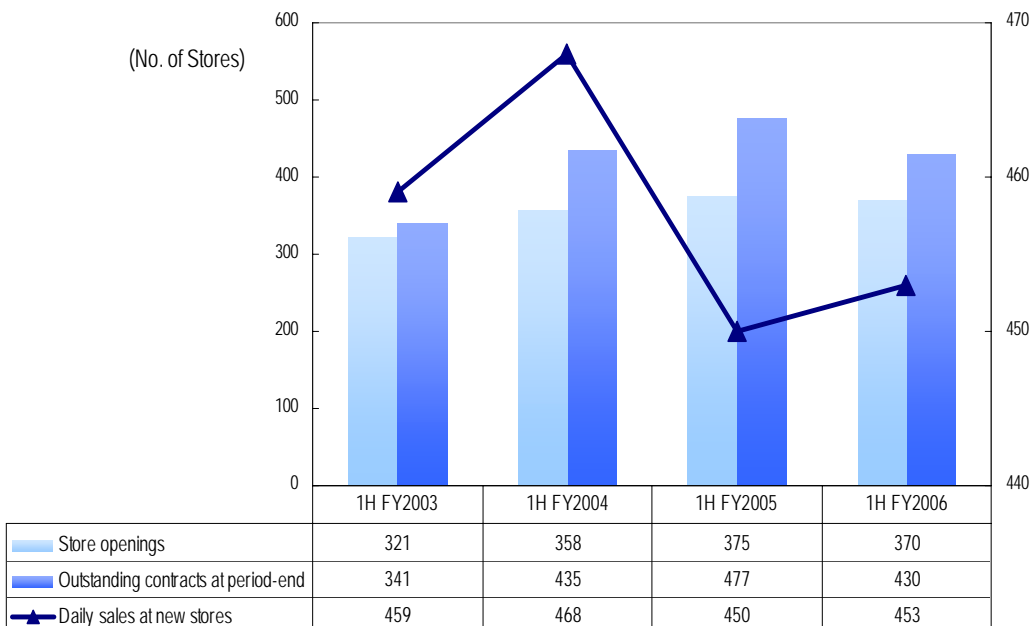
5

## Store Openings and Daily Sales at New Stores

**LAWSON**

New Store Indicators

(thousand yen)



Store openings Outstanding contracts at period-end Daily sales at new stores

**Daily sales at new stores increased YoY**

Copyright (c) 1975-2006 LAWSON, INC. All rights reserved

6

## Key Components of SG&A Expenses

(100 mil. yen.)

		Interim FY2006		FY2006
		Actual	YoY	Forecast
Non-consolidated	Selling, general and administrative (SG&A) expenses	830	36	Approx. 1,680
	<Major Fixed Costs>			<YoY>
	IT-related costs (Hardware leasing, software amortization, maintenance, etc.)	84	▲ 6	Slight drop
	Personnel costs	168	0	Flat
	Advertising expenses	59	11	Approx. 25% up
Consolidated SG&A expenses		919	46	Approx. 1,860

## Support for Owners

Raise FC owner motivation

Spent substantial amounts on sales promotion

Advertising and promotional expenses: Up approx. 25% YoY

- Ran various campaigns
  - LAWSON Fair
  - Point collection campaign
- LAWSON PASS members reach around 2.5 million
  - Widening possibilities of CRM

Supporting measures to expand customer base, particularly female customers

Refurbished existing stores

- Introduced fast-food sales cabinets with three shelves
- Refurbished 1,000 stores

## Earnings of Major Subsidiaries and Affiliates

**LAWSON**

(100 mil. yen.)

<Operating Income of Major Subsidiaries>	Interim FY2006	
	Actual	YoY
LAWSON TICKET INC.	5.0	0.8
LAWSON ATM Networks, Inc.	5.2	▲ 0.1
NATURAL LAWSON, Inc.	▲ 2.4	0.5
VALUE LAWSON Inc.	▲ 4.8	▲ 2.9
<Operating Income of Equity-method Affiliates>		
LAWSON CS Card, INC.	▲ 1.1	▲ 0.4
SHANGHAI HUALIAN LAWSON CO., LTD.	▲ 0.5	▲ 0.3

Copyright (c) 1975-2006 LAWSON,INC. All rights reserved

9

## FY2006 Forecasts

**LAWSON**

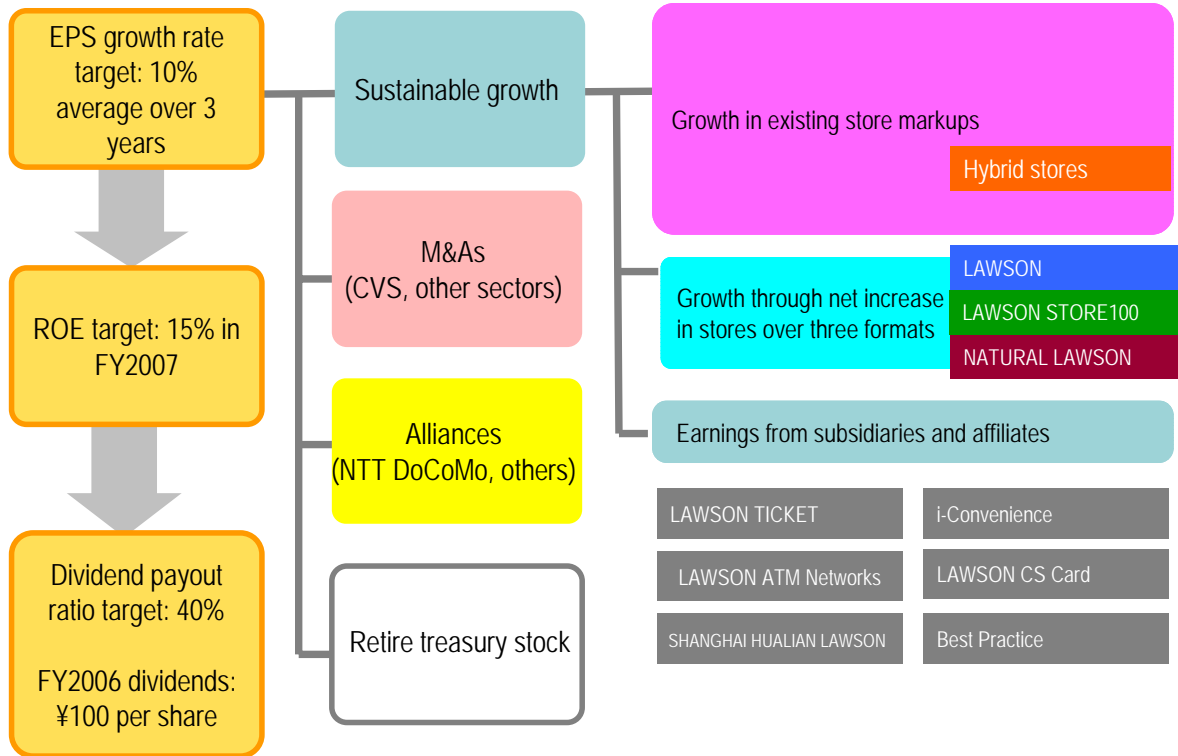
(Consolidated: 100 mil. yen.)	FY2005	FY2006	
	Actual	Forecast	YoY/Difference
Net sales of all stores	13,617	<b>14,100</b>	<b>103.5%</b>
Operating income	438	<b>453</b>	<b>103.3%</b>
Operating income ratio	3.2%	<b>3.2%</b>	<b>+0.0%P</b>
Recurring profit	439	<b>453</b>	<b>103.1%</b>
Net income	220	<b>229</b>	<b>104.0%</b>
Gross profit at existing stores (YoY)	98.4%	<b>99.2%</b>	<b>+0.8%P</b>
Net sales at existing stores (YoY)	97.5%	<b>98.9%</b>	<b>+1.4%P</b>
Gross profit margin	31.2%	<b>31.3%</b>	<b>+0.1%P</b>
Total number of stores (*)	8,366	<b>8,596</b>	<b>230</b>
(*excluding stores in Shanghai)			
ROE	13.1%	<b>12.3%</b>	<b>▲ 0.8%P</b>
EPS (yen) (Note)	215.50	<b>219.37</b>	<b>101.8%</b>
Dividend payout ratio	41.8%	<b>45.6%</b>	<b>+3.8%P</b>
Projected dividend per share (yen)	90	<b>100</b>	<b>+10</b>

Note: FY2006 EPS takes into account the sale of treasury stock to NTT DoCoMo, Inc. The forecast does not factor in any future cancellations of treasury stock.

Copyright (c) 1975-2006 LAWSON,INC. All rights reserved

10

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

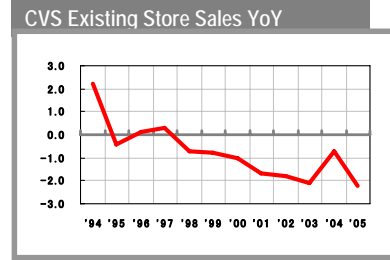


# Management Strategies

Takeshi Niinami  
President & CEO

**Existing store sales continue to fall YoY in CVS industry**

- Intensifying competition in opening of homogenized conventional CVS
- CVS are clinging to past successes
- CVS have failed to develop new customer segments—seniors and females



Whole CVS industry risks decline in FC owner satisfaction and loss of motivation



LAWSON determined to bolster existing stores by strengthening unified measures to expand the customer base

↓

Chance to become a leading role in the industry



**NATURAL LAWSON**

<No. of Stores>  
Expect to have between 100 and 120 stores by period-end based on detailed analysis of potential new store sites

<Store Performance>  
Average daily sales: Approx. ¥600,000  
Markup: Approx. 35%

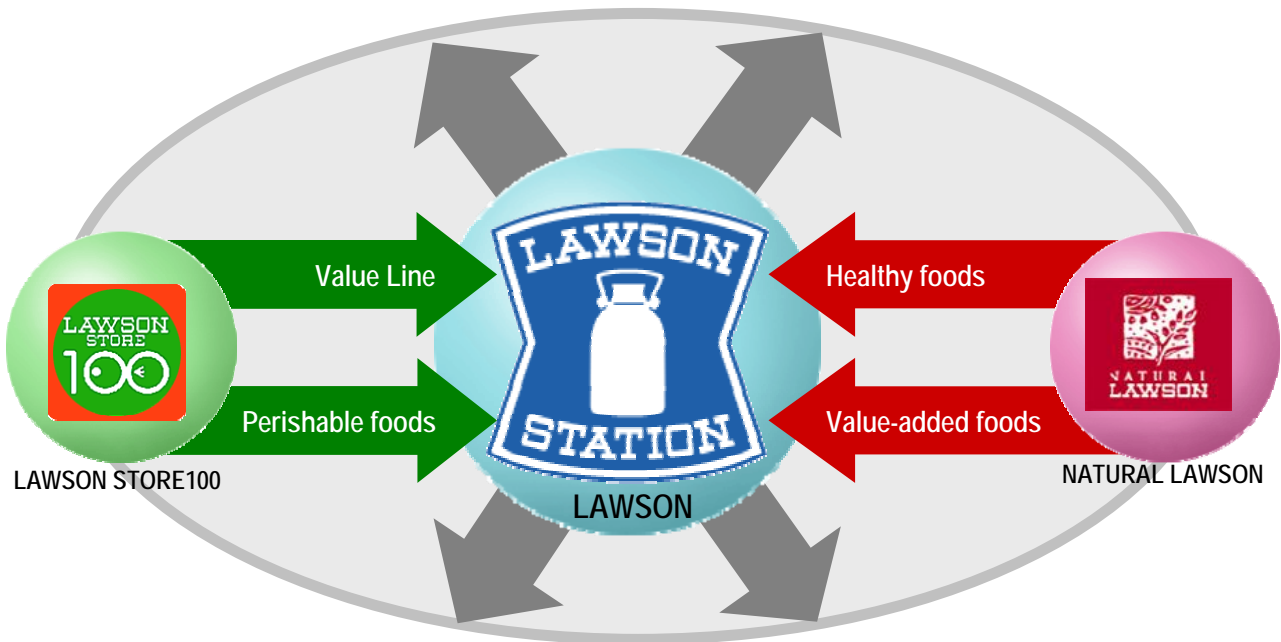
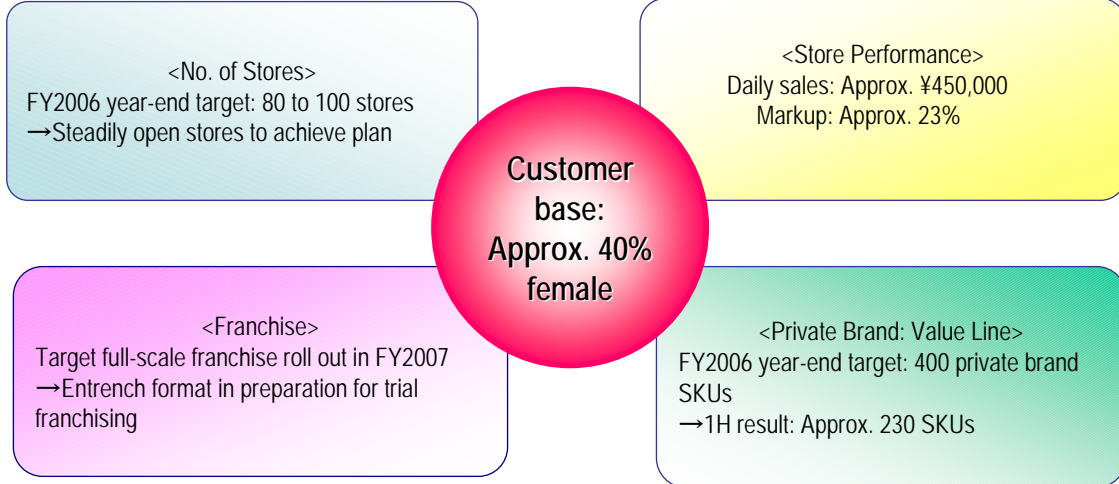
**Customer base: Over 50% female**

<Franchise>  
Trialed at 5 stores in 1H  
Push forward with franchising stores in 2H centered on existing store owners

<Merchandise>  
Ratio of original NATURAL LAWSON products: Approx. 45%  
Develop products for health-conscious and women customers  
Example: Genetic diets

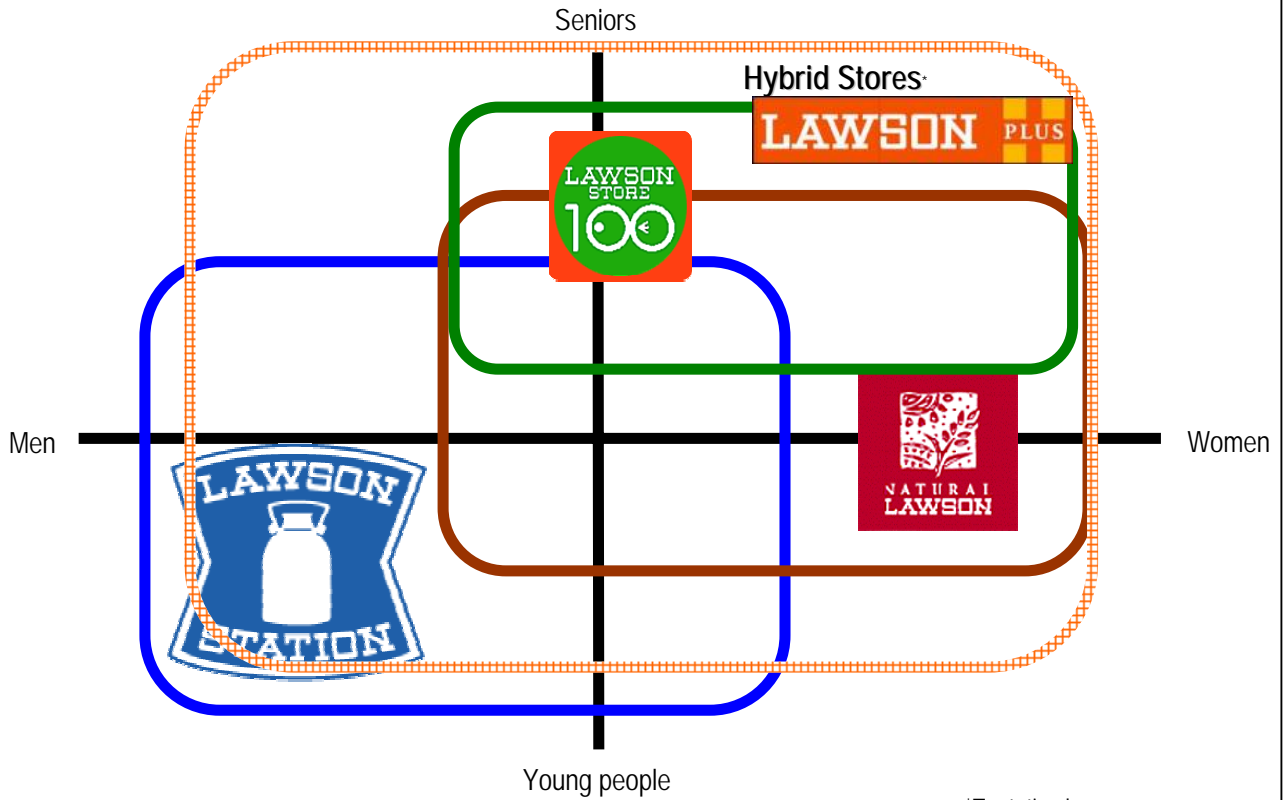


LAWSON STORE100



This approach will realize hybrid LAWSON stores

■ Developing New Customer Segments Requires Innovation in Existing Formats



\*Tentative logo

■ LAWSON Has Launched Innovations at Existing Stores to Expand Customer Base



Regular LAWSON stores (8,327 )

\*Tentative logo



Hybrid stores (19)

\*Partially introduce products and know-how from NATURAL LAWSON and LAWSON STORE100 formats



NATURAL LAWSON stores (67)



LAWSON STORE100 stores (61)

\*Number of stores as of August 31, 2006

Hybrid stores included in Regular LAWSON stores

## Initiatives for creating hybrid stores

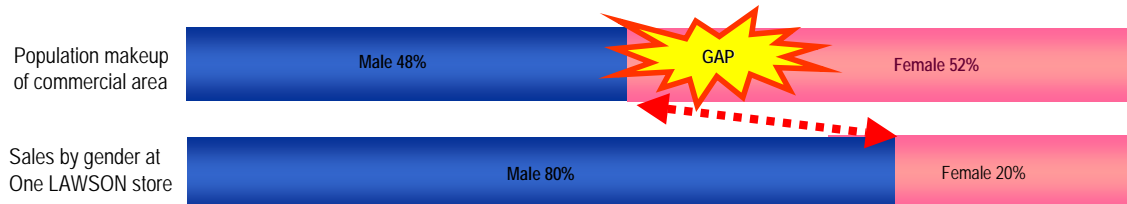
### 1) Hybrid stores for seniors

“Senior-friendly LAWSON stores”(Awaji Island, Hyogo Prefecture)

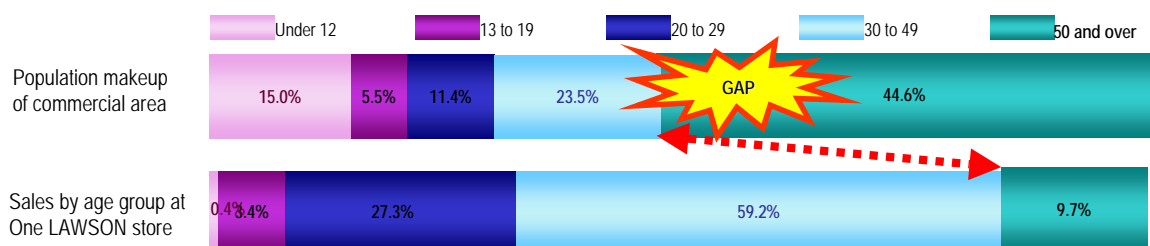
### 2) Hybrid urban stores (Urayasu, Chiba Prefecture)

## ■ Populations in Regional Areas Are Noticeably Aging

### Gender Gap in Sales Within Commercial Area in Awaji Island



### Age Gap in Sales Within Commercial Area in Awaji Island



Source: LAWSON

Note: Data from the town of Higashiura

■ Hybrid Store for Seniors (Awaji Island)  
 → Making stores easier for seniors to use

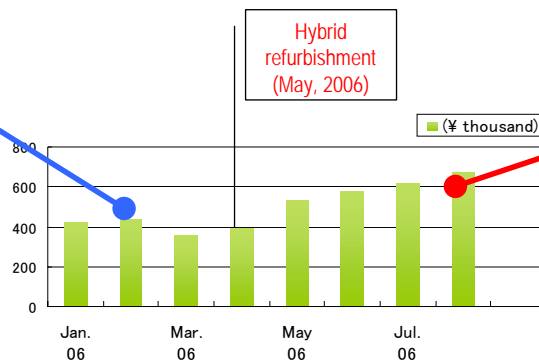


■ Example of an Urban Hybrid Store (Urayasu Store)



YoY growth in daily sales  
 (Feb, 2006)  
**Approx. -10%**

Before Refurbishment



YoY growth in daily sales  
 (Aug, 2006)

**Approx. +40%**

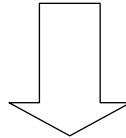
After Refurbishment

Strengthening existing stores is now our paramount goal

Confident that our two new formats (NATURAL LAWSON and LAWSON STORE100) has given us the know-how to expand the customer base

Major refurbishment required for hybridization

Raise awareness among potential new customers with new advertising and marketing tools

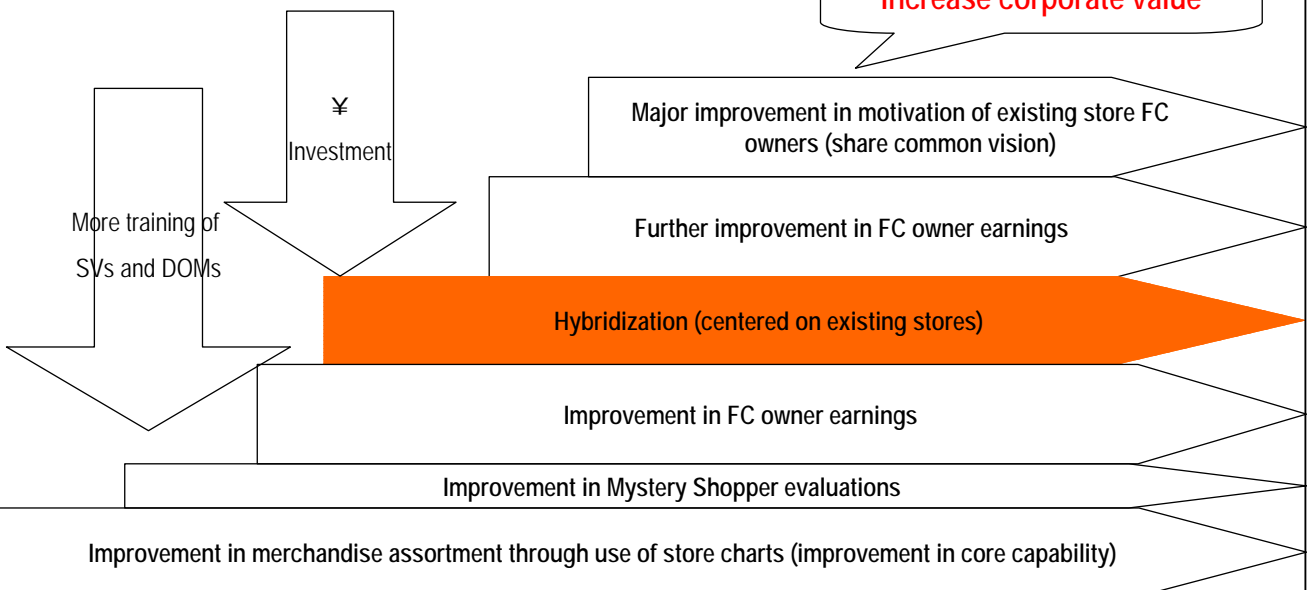


■ Energize existing FC owners

■ Attract new FC owners

Help stores utilize store charts and improve Mystery Shopper evaluations to combat increasing competition

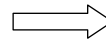
Increase corporate value



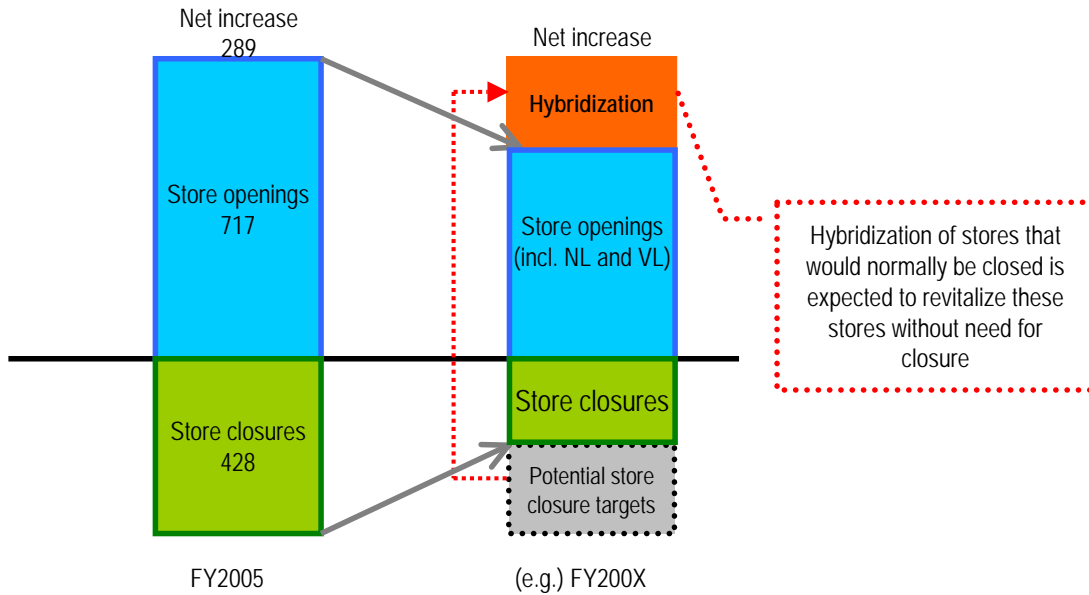
## Hybridization—A Strategy to Strengthen Existing Stores

Hybridization can revitalize existing stores

1. Reduction in number of store closures
2. Helps limit store openings, leading to greater increase in quality of individual stores



Improvement in asset efficiency



## Focused on Utilizing Store Charts and the Three Challenge Practices

