Results Presentation for FY2008
LAWSON, INC.

April 14, 2009

Cautionary Statement

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FY2008 Results Report

Yoshiyuki Yahagi
Member of the Board
CFO

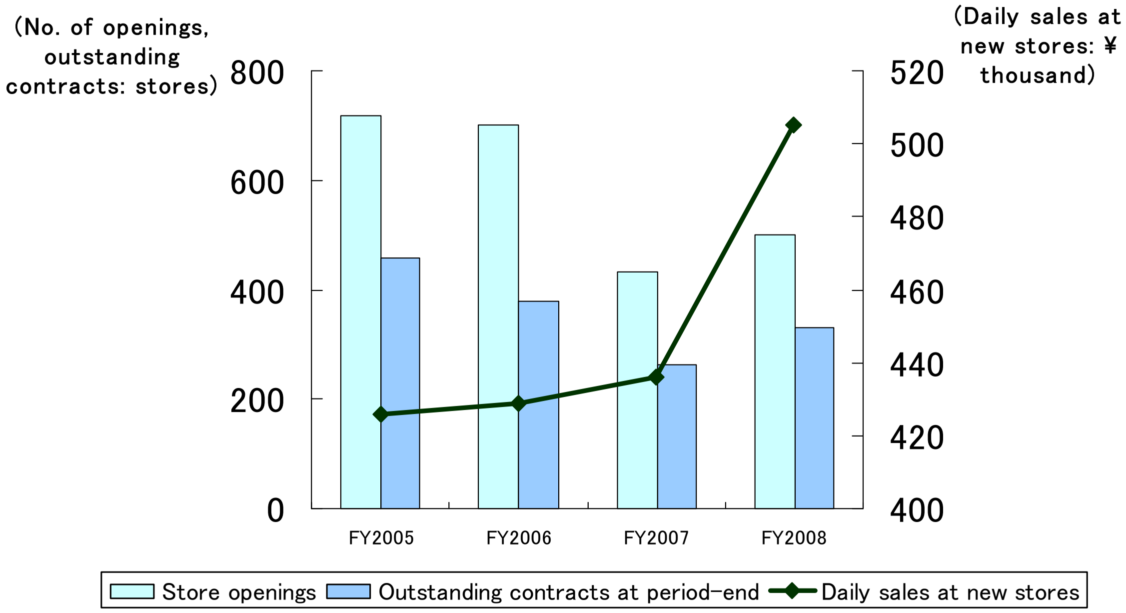
FY2008 Results

(Consolidated; Billions of yen)	FY2007 Actual	FY2008 Actual	FY2008 YoY	FY2008 vs. Plan
Net sales of all stores	1,415.1	**1,558.7**	110.2%	99.9%
Operating profit	46.6	**49.1**	105.5%	102.5%
Operating profit ratio	3.3%	**3.2%**	-0.1%P	0.1%P
Recurring profit	46.2	**48.7**	105.5%	103.4%
Net profit	22.1	**25.3**	114.4%	105.9%
ROE	11.6%	**13.3%**	1.7%P	-
EPS (yen)	214.69	**255.22**	118.9%	105.9%
Dividend payout ratio	51.2%	**62.7%**	11.5%P	-
Projected dividend per share (yen)	110	**160**	50	-
(Non-consolidated; Store data)				
Gross profit at existing stores (YoY)	98.9%	**102.8%**	3.9%P	0.1%P
Net sales at existing stores (YoY)	99.2%	**106.5%**	7.3%P	0.8%P
Gross profit margin ratio	31.2%	**30.1%**	-1.1%P	-0.2%P
Daily sales at new stores (thousands yen)	436	**505**	69	-
Total number of stores*	8,587	**9,527**	940	-

*For fiscal 2007: Includes VALUE LAWSON

*For fiscal 2008: Includes VALUE LAWSON and Ninety-nine Plus

Store Openings



*Store openings in FY2008 include 44 stores related to Shinsengumi Honbu

Our selective approach to opening stores resulted in significantly higher daily sales at new stores

Key Components of SG&A Expenses

(Billions of yen)	FY2008 Actual	FY2008 YoY	FY2009 Forecast
Non-consolidated: SG&A* expenses	**181.0**	7.5	Up 4-5%
<Major Costs>			
IT-related costs	**15.0**	-1.2	Up approx. 5%
(Hardware leasing, software amortization, maintenance, etc.)			
Personnel costs	**37.8**	2.2	Basically flat
Advertising and promotional expenses	**13.3**	4.3	Down approx. 10%
Consolidated SG&A* expenses	**211.9**	18.5	Up 18-19%

*Selling, general and administrative

- FY 2008:

IT-related costs decreased, primarily due to rationalization efforts

Personnel costs rose mainly due to performance-linked bonuses

Advertising and promotional expenses rose due to costs for countering sharply higher materials prices and enhanced sales promotions

- FY2009:

Slight increase expected in IT-related costs in comparison to fiscal 2008, when rationalization efforts lowered costs

Advertising and promotional expenses expected to decrease due in part to lower raw materials costs

Increases in new store openings and renovations are also expected

- Increase in consolidated SG&A expenses:

FY2008: Primarily due to Ninety-nine Plus falling under the scope of consolidation for three months

FY2009: Effect of full year's results of Ninety-nine Plus

*Consolidated figures do not include am/pm Japan

Earnings of Major Subsidiaries and Affiliates

(Billions of yen)

<Operating Profit of Major Subsidiaries>

	Fiscal year-end	Shareholding	FY2008 Actual	FY2008 YoY	FY2009 Forecast
LAWSON TICKET INC.	February	75.1%	**0.79**	0.16	**0.86**
LAWSON ATM Networks, Inc.	February	53.0%	**1.43**	0.23	**1.10**
VALUE LAWSON Inc.[1]	February	100.0%	**-0.13**	0.40	**-**
Ninety-nine Plus Inc.[2]	March	76.7%	**0.24**	-	**-**

<Operating Profit of Equity-method Affiliates>

	Fiscal year-end	Shareholding	FY2008 Actual	FY2008 YoY
SHANGHAI HUALIAN LAWSON CO., LTD.	December	49.0%	**0.01**	-0.06

*1 VALUE LAWSON is scheduled for integration with Ninety-nine Plus effective May 1.

*2 The figure for Ninety-nine Plus Inc. is the amount included in consolidated operating profit from October to December.

- Ninety-nine Plus: Appeal to price-sensitive customers and store conversions into LAWSON STORE100 format are expected to spur significant growth

- LAWSON ATM Networks: Operating profit increased YoY due to a higher ATM transaction volume. Lower profit is expected for FY2009 due to a decrease in average transaction volume accompanying the introduction of new ATMs

FY2008 Balance Sheet and Cash Flows (Consolidated)

(Billions of yen)

	FY2008	YoY
Total current assets	154.7	16.5
(Cash and bank deposits)	82.4	20.3
(Marketable securities)	5.2	1.1
(Accounts receivable—other)	26.6	-0.2
Total property and store equipment	281.4	22.5
Fixed assets	114.9	8.5
Total intangible fixed assets	31.9	13.6
Investments and other	134.5	0.3
(Long-term loans receivable)	27.4	1.7
(Lease deposits)	85.3	2.6
Total assets	436.1	39.0

	FY2008	YoY
Total current liabilities	181.8	25.8
(Accounts payable-trade for franchised stores)	77.2	11.6
(Deposits received)	58.8	2.5
Total long-term liabilities	51.1	-1.3
(Deposits received from franchisees and lessees)	42.4	-3.3
Net assets	203.1	14.6
(Common stock)	58.5	-
(Retained earnings)	99.3	11.9
Total liabilities and net assets	436.1	39.0

Effect of consolidating Ninety-nine Plus
Cash and bank deposits: Up approx. ¥5.8 billion
Accounts payable-trade for franchised stores: Up approx. ¥8.7 billion

	FY2006	FY2007	FY2008
Cash flows from operating activities	47.5	55.7	51.7
Cash flows from investing activities	-31.7	-36.5	-15.6
Free cash flows	15.8	19.2	36.0
Cash flows from financing activities	-0.7	-31.9	-14.9
(Reference) Cash and bank deposits at year-end	71.9	62.1	82.4

FY2009 Full-Year Forecasts

	FY2008	FY2009	
(Billions of yen)	Actual	**Forecasts**	YoY Change
Net sales of all stores	1,558.7	**1,721.0**	110.4%
Operating profit	49.1	**50.5**	102.7%
Operating profit ratio	3.2%	**2.9%**	-0.3%P
Recurring profit	48.7	**49.7**	101.9%
Net profit	25.3	**25.5**	100.8%
ROE	13.3%	**12.7%**	-0.6%P
EPS (yen)	255.22	**257.13**	100.7%
Dividend payout ratio	62.7%	**62.2%**	-0.5%P
Projected dividend per share (yen)	160	**160**	0
Gross profit at existing stores (YoY)*	102.8%	**100.0%**	-2.8%P
Net sales at existing stores (YoY)*	106.5%	**100.0%**	-6.5%P
Gross profit margin ratio*	30.1%	**30.1%**	0.0%P
Total number of stores *	8,602	**8,682**	80

*Non-consolidated basis

*Consolidated forecasts for FY2009 do not include am/pm Japan

Capital Policy

Medium-term capital policy

<u>In FY2009, there will be no major changes in capital policy from FY2008</u>

(1) Maintain annual dividend of ¥160 per share

Plan to maintain this level for three years (FY08 to FY10) as long as there is no major change in business conditions

(2) Continue to consider buybacks and cancellation of shares

Consider implementing share buybacks, taking into account share price and cash position

Through profit growth and capital policy, aim to achieve consolidated ROE of 15% in the medium to long term

LAWSON's Management Strategy

Takeshi Niinami

President & CEO

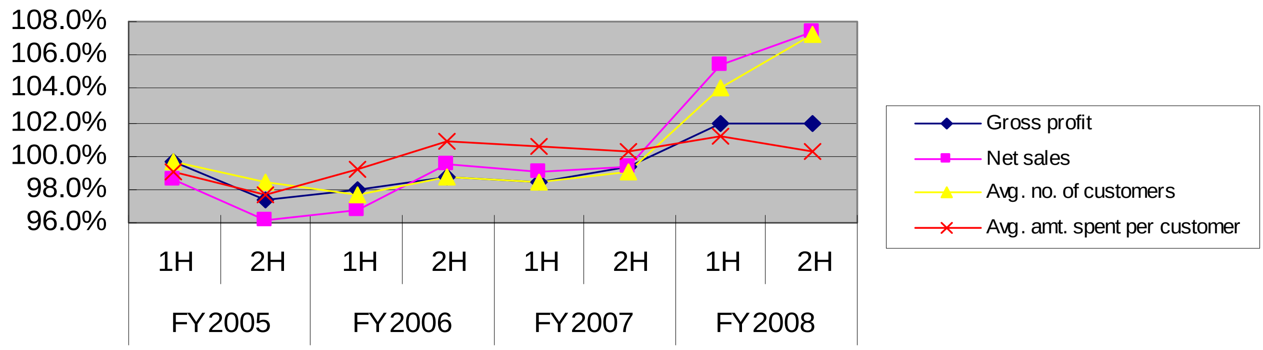
Fiscal 2008 Review

Initiatives	Results	Future Measures
1. Vitalization of existing stores -Create merchandise assortments tailored to individual store	No. of customers increased, in part due to *taspo**	Improve merchandise assortment with next-generation IT system to raise profitability
2. Improve new store quality	Achieved high profitability due to thorough due diligence of properties	Continue to emphasize quality over new openings
3. Leverage loyalty point cards	No. of point card members reached approx. 8.5 million	Target 10 million members, use CRM to boost profits and card-member sales
4. Expand the perishable food CVS business	・Completed conversion of Ninety-nine Plus to subsidiary ・Existing stores performed strongly thanks to synergies	Improve profitability through franchising
5. Strengthen eco-initiatives	Made steady progress reducing CO_2 emissions	Introduce electric vehicles to further reduce emissions

In particular, efforts in areas where LAWSON has made upfront investments, such as the perishable foods CVS business (incl. LAWSON Plus) have begun to bear fruit.

※ *taspo*: adult identification IC card for cigarette vending machines

Significant growth, especially in customer numbers, due to *taspo* impact and people shopping closer to home



Even excluding *taspo*'s beneficial impact, existing store sales rose over 100% YoY

Reference: FY2008 Totals
Existing store gross profit: 102.8%
Existing store sales: 106.5%
Average no. of customers: 105.7%
Average amount spent per customer: 100.8%

Major changes in consumer behavior

The time value of convenience stores

The distance value of convenience stores

Sluggish economy/job insecurity

Less disposable income

More price sensitive

Aging society

CVS core customers (20s to 40s)

Non-core customers (Late 50s and over)

Time value — Decrease

Shopping time — Increase

Psychological value (at home) — Increase

Value of small commercial area — Increase

Major changes in consumer behavior

Existing convenience Store Merchandise + Dining in / Balance between price and quality / Increased demand for other products

LAWSON is already prepared to respond to customer changes

Changes in consumer behavior

Dining in / Balance between price and quality / Increased multi-item purchases

Began building membership base with 2002 introduction of loyalty point cards

Reached 8.5 million point card members

2008 Improved ordering process with PRiSM (Next-generation information system)

2008 Improved product development and ordering precision through analysis of point card data

Perishable foods CVS format

2005～ LAWSON STORE 100

2007～ LAWSON PLUS

Products to help household budgets

2005～ VALUE LAWSON VL VALUE LINE

Can provide merchandise assortments that meet individual store needs

■Improve FC owner gross profit margin by responding to changes in customer behavior

Improve markup ratio and achieve proper prices

- Reform procurement structure
- Improve vendor productivity

Reduce opportunity losses /disposal losses

- Use member-card data in product development
- Improve ordering precision using IT

Measures to improve FC owner gross profit margin

Eliminate inefficiencies at logistics stage

- Reduce SKU of new products
- Drastically reduce Distribution inventories
- Reduce number of deliveries

Improve card utilization rate

- Promote sales to cardholders
- Enhance customer loyalty

Three Challenge Practices = FC owners' awareness of improvements based on MS* evaluation is important.

***MS=**"Mystery Shopper" program:a system where an "undercover" researcher who is a company employee with a thorough knowledge of convenience store operations and merchandise assortments, objectively and quantitatively evaluates LAWSON stores from a customer's perspective. The results are fed back to LAWSON's Head Office and franchise owners. In fiscal 2004, LAWSON established subsidiary BestPractice Inc. and commissioned it to carry out these surveys.

■Case study 1: Successfully created demand for other products by responding to polarization of consumer spending

Response to polarization of consumer spending (example;*L chiki*)

We increased demand for small-portion offerings without affecting *Karaage-kun* sales

***Karaage-kun* (¥210)**

Now sell 100 million servings annually of this long-selling trademark product launched in April 1986

- **Repeat customer base**
- **Symbolic LAWSON fast food brand**
- **Unit sales unaffected by *L Chiki* launch**

***L Chiki* (¥128)**

Launched in March 2009

We have changed procurement structure

- **Offered at affordable price while improving quality**
- **Motivated franchise owners because of a higher gross profit margin than existing fast foods**
- **Stimulated demand for other products like beer and soft drinks which were purchased at the same time**
- **Ramping up production due to higher-than-planned sales**

Case study 2: Enhancing budget-conscious and original merchandise to accelerate multi-item purchasing strategy

Responding to increasingly price sensitive customers and an aging society

LAWSON STORE100 and LAWSON PLUS
Change store format to meet location needs

Features of Value Line
- **Reasonable volume/small portions**
- **Simple pricing**
- **Sized to be fully consumed**

※ 1,000 products planned by end of fiscal 2009

Regular LAWSON
Promote introduction of
Value Line
tailored to individual store needs

Multi-item purchases
Especially fast foods
/deli items

Case study 3: Enhancing budget-conscious and original merchandise to accelerate multi-item purchasing strategy

Roll out ¥105 deli items

～Developed mainly for LAWSON STORE100～
- Choice of 8 items at ¥105 each
- Economy of scale already achieved via sales at LAWSON STORE100
- Reduced materials cost through simple packaging and Group-wide bulk purchasing of ingredients to achieve affordable price
- Profit margin same as regular merchandise thanks to reduced costs
- Maintaining high quality management standards by using same vendors as for LAWSON boxed lunches and deli items
- High multi-item purchase demand in Value Line products, rice balls, boxed lunches, boiled rice, and fast foods
- Trials started in the Kanto area in April 2009


Burdock root salad


Japanese-style crispy fried chicken


Seaweed salad


Fried fish, two pieces


Soy-product side-dish

Boost gross profit by promoting a merchandise strategy matched to customer needs

Sales promotions to card members + Next-generation IT

Increase ratio of sales to loyalty point cardholders →Turn into frequent customers

Collect and analyze purchase data as basis for new product development and discovery

Increase FC owner earnings by raising gross profit margin

Get to know local customers through Point Card Data

Industry leading 8.5 million members

+

PRiSM

Merchandise assortments to meet customer needs of individual store

Leverage next-generation IT system and member card data to improve ordering precision

From structural improvements in distribution alone to improvements linking products with sales

Past

Daily orders/supplementary orders
→ Opportunity loss

Merchandise Division

Sales Division

Marketing Division

No link between sales and merchandise

Future

Raise gross profit for FC owners

Boost merchandise markups

Eliminate opportunity losses

Improve sales and merchandise link

Form marketing strategy group

Merchandise Div.

Develop merchandise that FC owners want to sell

・Leverage member card data to create products that will sell
・Secure advantageous purchasing terms for planned orders
・Further improve logistics efficiency

Sales Div.

Ability to completely sell products

・From supplementary orders to planned orders
・Assemble merchandise Assortments through analysis of member card data

Marketing strategy that leverages member card data

Marketing Div.

■Improving QSC via the Three Challenge Practices is a major prerequisite for FC owner support: For FC owners, the “Mystery Shopper” program is like a medical checkup

Since becoming president, I have emphasized dialogue with FC owners（Over 700 times in 7 years）, striving to build trust

Through dialogue, build trust to earn greater understanding from FC owners

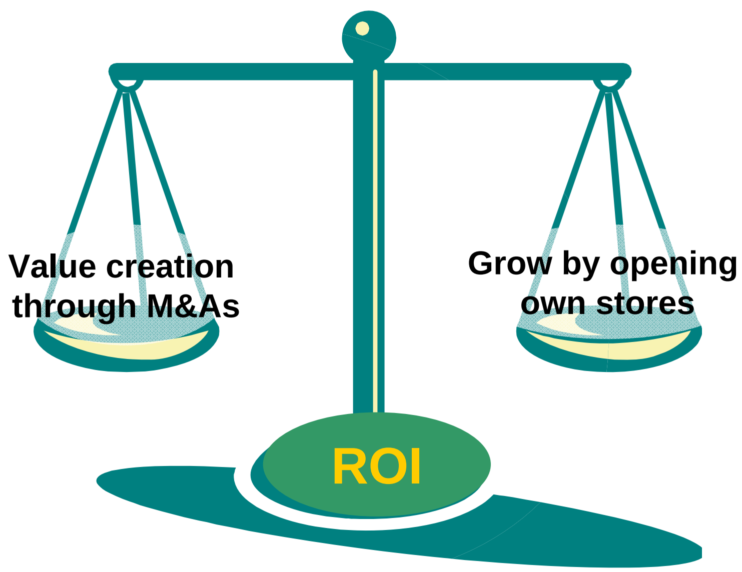
Mystery shoppers (MS) = Medical checkup
Enable fair evaluation of FC owners using objective customer data

In the past, the same level of support to all FC owner from Head Office

Going forward, we will give more support (priority for store relocation, renewal, and new equipment) to FC owners who are making an effort (=get high MS evaluations)

Offer management guidance for achieving A-rank of MS to further boost FC owner performance

■M&A and Alliance Policy
We will consider investments for corporate growth based on ROI standards



Capital policy
We will make investments in line with our 15% ROE management target

Past Examples	
March 1989	Merger of LAWSON and Sun Chain Corporation (＋about 1,300 stores)
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)

Acquisition of am/pm Japan
Currently in discussions

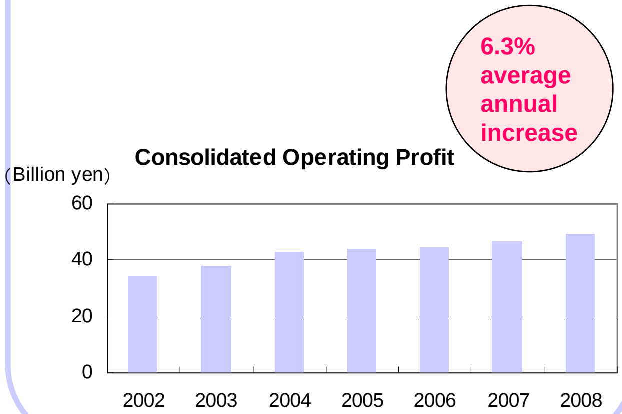
■As a company, emphasize balance between internal growth and shareholder returns

Corporate Philosophy

Creating “Happiness and Harmony in Our Community”

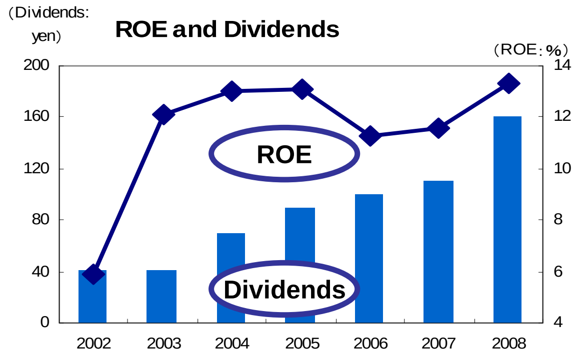
Internal Growth

Sustainable growth
Emphasize profitability



Shareholder returns

High capital efficiency
High shareholder returns



■Model for creating corporate value over medium term (FY08-FY10)

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

Consolidated EPS growth
- FY08-FY10
  Yearly average 3-7%
  (Incl. M&As and alliances)

ROE target
- 15% (medium to long term)
- Fiscal 2010: approx 13%

CVS business

CVS-related businesses
- LAWSON TICKET
- LAWSON ATM Networks
- Alliances

Higher shareholder returns
- Higher dividends
- Share buybacks and cancellations

Increase gross profit at existing stores
- +0.5〜+3.0% growth/year

Net increase in stores
- 100 to 200 stores per year (not incl. M&As)
- Regular LAWSON /LAWSON PLUS
- LAWSON STORE100
- NATURAL LAWSON
- Overseas
- Alliances
- M&As

*Incl. Japan and overseas
*As of April 2009

Reference Materials

■1H and 2H Breakdown of FY2009 Forecasts

(Consolidated; Billions of yen)	FY2009 1H	FY2009 2H	FY2009 Full Year
Net sales of all stores	866.0	855.0	1,721.0
Operating profit	29.2	21.3	50.5
Operating profit ratio	3.4%	2.5%	2.9%
Recurring profit	28.9	20.8	49.7
Net profit	15.7	9.8	25.5

	1H	2H	Full Year
Gross profit at existing stores (YoY)*	99.5%	100.5%	100.0%
Net sales at existing stores (YoY)*	100.5%	99.5%	100.0%
Gross profit margin ratio*	30.2%	30.0%	30.1%

*Non-consolidated basis

*am/pm Japan not included

Major Items of Capital Expenditure

(Consolidated; Billions of yen)	FY2007 Actual	FY2008 Actual	FY2009 Forecast
New Stores	12.3	15.6	17.5
Existing Stores	7.4	6.7	10.5
IT-related	7.7	12.0	14.0
Other	2.2	3.8	1.0
Subtotal of Capital Expenditure	29.8	38.3	43.0
Loans and investments	19.6	-14.5	0
Leases	14.8	19.1	37.5
Total	64.4	42.9	80.5
Depreciation	21.4	20.8	28.7

Note : 'Lease' is the amount of equivalency charge in each fiscal term.

*am/pm Japan not included